



KPMG Taseer Hadi & Co.
Chartered Accountants

**Adamjee Life Assurance Company
Limited**

**Financial Statements
For the year ended
31 December 2016**



KPMG Taseer Hadi & Co.
Chartered Accountants
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Independent Auditors' Report to the Members

We have audited the annexed financial statements comprising of:

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

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

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

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

In our opinion:

- (a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and Companies Ordinance, 1984;
- (b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;
- (c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31 December 2016 and of the profit, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;



KPMG Taseer Hadi & Co.

- (d) the apportionment of assets, liabilities, revenue and expenses between two or more funds has been performed in accordance with the advice of the appointed actuary; and
- (e) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Date: 4 April 2017

Karachi

Kam Taseer Hadi R

KPMG Taseer Hadi & Co.
Chartered Accountants
Amyr Pirani



DIRECTORS' REPORT FY 2016

The Directors are pleased to present the Annual Report and the Audited Financial Statements of the Company for the year ended December 31, 2016 together with the Auditors' Report thereon. Our report on the Company's performance for the year is as under:

Market Overview 2016

Revised Bancassurance Regulations were implemented during 2016 increasing transparency towards customers, ensuring longevity in portfolio and enhancing mandatory client communication to protect consumer interest and industry. As a result, Banks' income was reduced, products had to be changed and operational processes were increased resulting in lower production from Banks, in general, in 2016. However, due to reduction in bank deposit interest rates and pressure on deposit mobilization due to tax implications, Bank Alfalah and HBL posted nominal bancassurance growth whereas MCB increased production by 24%. In our opinion, regulatory situation will impact Bancassurance results in short term but it highlights a lucrative revenue stream for the Bank, as the teams will strive to increase production in order to maintain Bank's revenue target.

Agency Distribution is expanding in industry due to increasing awareness and need for insurance solutions as Banks have positioned Life Insurance as alternative medium term investment opportunity. The Company has opened two new branches in Islamabad & Multan and will pursue further expansion plan as approved by the Board.

Market response to Takaful is encouraging as Banks are aggressively focusing on establishing their Islamic Windows and State Bank is supporting conversion as indicated by recent instruction to convert Microfinance Banks to Shariah compliant by 2020. Telecom and credit life partners have also expressed preference to launch Takaful products as it has potential to cover a larger customer base. The Company has launched its Window Takaful Operation in July 2016 and has generated the gross premium of Rs. 463 million in six months.

The historical annualized growth rate for new business of the Company is **29%** for the regular premium and **61%** for single premium.

After 3-4 years of continuous effort to enhance the potential of **MCB Bancassurance distribution**, referral model was approved in 2016 and Adamjee deployed 250 additional sales staff in MCB by end of 2016 resulting in attractive growth of 24% in new premium.

Due to attractive returns and relationship amongst MCB Branch staff and Adamjee Bancassurance team, **MCB Investments Services** has consistently performed beyond budgets. Current production is Rs 2.66 billion against budgetary target of Rs 1.8 Billion.

Faysal Bank produced Rs 422 million for Adamjee Life out of total Rs 650 million which the Bank produced in 2016.

Agency distribution has maintained high production at 1.6 policies per active advisor per month that is by far the highest in industry. Total production stands at Rs 116 million against budget of Rs 140 million delivering 82% of budget target. The variation in budget is largely attributable to timing difference & delay in launching new branches.

Dubai Islamic Bank was signed up and launched during mid of 2016 delivering Rs. 49 million regular premiums and Rs. 208 million as adhoc premium under Takaful Window.

Group Life division has produced Rs 415 million of premium with 16% growth as a result of expansion in nationwide sales team. Team has booked some additional credit life portfolios, however, the premium results will be expected during 2017.

Financial Overview

The total gross premium of Rs. 11.3 billion at the end of the year 2016 reflects top line growth of 23.6%. It is also above the budget target by 11% mainly attributable to higher amount of top-up/single premium contributions.

The new regular premium business grew by 13.25% whereas overall renewal persistency improved from 82.74% to 84.98%.

The average return on investment has improved from 10.81% to 13.41% due to Bullish equity market. Since our funds are in the mid range of conservative to balanced, the full realization of high performing stock market is not visible. However, as the Company has now built up strong reserve base, the Board of Directors have decided to diversify its investment portfolio with enhanced exposure in equity market and stepping into real estate opportunities cautiously. The results of these diversification will be visible in ensuing years.

The underwriting surplus of Rs. 1.13 billion also shows improvement of underwriting margin from 9.08% to 10.05%.

Total administrative & marketing expenses of Rs. 770 million reflects savings of 6% against the budgeted expenditure. However, the expenditure is 40% above the last year's expenditure due to agency expansion, referral model launch & Window Takaful launch.

The Company earned the combined profit after tax of Rs. 397 million which is 30% up in comparison to last year.

The Company spent Rs. 91 million in 2016 towards fixed capital expenditure against the budget of Rs. 142 ml showing savings of 36% by applying process of reassessment of need.

Due to good bottom line results of 2015 & 2016, the statutory funds are in the position to payback contribution to Shareholders' fund amounting to Rs. 185 ml with Appointed Actuary's consent.

However, Shareholders' fund also has to contribute Rs. 83 ml towards the newly launched fund of Window Takaful Operations.

The paybacks from statutory fund has improved the break-up value per share from Rs. 3.75 in 2015 to Rs. 4.52 in 2016.

Future Outlook

Agency existing setups have covered gestation period and are geared for full production. Adamjee has completed development of urban distribution setups helping us reduce cost of development and production as we enter 2nd tier and suburban regions. As internal growth of staff increases business potential and does not impact infrastructure cost directly, expected production from 2017 is approximately 68% higher than 2016. Overall the model is on track to target break even by the year 2021 as per approved plan.

MCB Islamic agreement, product and distribution has been finalized and is expected to add Rs. 40-50 million to 2017 production

In 2017, gross premium envisage growth of 41% in new regular premium business and renewal persistency of 86.18%. The overall growth in the top-line would be 16.42%. The new regular premium business growth accounts for full roll out of referral model at MCB Bank Limited and organic growth in other distribution channels.

Pakistan Life insurance industry has high potential for sustained growth for the next 5-7 years as indicated by the analysis conducted and Adamjee Life is positioned well to take advantage of current position and prepare for upcoming potential. Adamjee Life has been on the right track in terms of capitalizing on group distribution and intrinsic strengths indicating good future potential in a positive industry outlook.

The company will therefore focus on the following Business Strategies to enhance business and revenue potential of Adamjee Life brand & stay ahead of the curve:

- **Aggressive Sales Growth Plan** – To maximize revenue potential from existing distribution
- **Product Value Enhancement Program** – To develop unique competitive value offering
- **Distribution Expansion Drive** – To expand distribution to offset value offering
- **Customer Experience Program** – To increase awareness and improve satisfaction
- **Marketing and Advertising Plan** – To promote value offering and take market position
- **Staff Development and Career Enhancement Plan** – To Develop organization/ staff to deliver and measure performance
- **IT System Sophistication** – Enablement towards efficiency, value proposition and customer experience.

Auditors

The present Auditors, KPMG Taseer Hadi & Co., Chartered Accountants, retired after the completion of the present term and are eligible for re-appointment.

In line with the requirements of the Code of Corporate Governance, the Board of directors has recommended the appointment of M/S KPMG Taseer Hadi & Co., Chartered Accountants, as the auditors of the Company, including as Shariah Compliance auditors, for the year 2017.

Corporate and Financial Reporting Framework

- 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 account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, International Financial Reporting Standards or any other regulation or law (including but not limited to the Shariah guidelines / principles) as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at December 31, 2016, except as those disclosed in the financial statements.
- Key Operating and Financial data of last six years – (Please refer Annexure-A)
- The total value of investments of Gratuity fund, based on their audited accounts as of 30 June 2016 is Rs. 21.95 ml.
- Total seven Board meetings were held during the year ended 31 December 2016. Following is the attendance by each of the director:

S. No.	Name of the Director	No. of meetings attended
1	Mr. Umer Mansha	7
2	Mr. Raza Mansha	2
3	Mr. S.M. Jawed	7
4	Mr. Muhammad Ali Zeb	7
5	Mr. Frans Georg Prinsloo	7
6	Mr. Fredrik Coenrard De Beer	7
7	Mr. Nashir Omer	4

- Pattern of Shareholding as at 31 December 2016:

Number of Shareholders	Shareholdings		Share Held
	From	To	
7	1	250	1,750
1	24,060,000	24,060,000	24,059,105
1	69,489,000	69,489,000	69,488,545
9			93,549,400

Additional Information as at December 31, 2016:

Categories of Shareholders	Number of Shareholders	Shares held	Percentage of Total
Associated Companies, undertakings and related parties:	2	93,547,650	99.998%
M/S. Adamjee Insurance Company Limited		69,488,545	74.280%
M/S. Ivm Intersurer B.V.		24,059,105	25.718%
Directors:	7	1,750	0.002%
Mr. Muhammad Umer Mansha		250	0.000%
Mr. Muhammad Raza Mansha		250	0.000%
Mr. S.M. Jawed		250	0.000%
Mr. Muhammad Ali Zeb		250	0.000%
Mr. Nashir Omar		250	0.000%
Mr. Frans Georg Prinsloo		250	0.000%
Mr. Fredrik Coenrard De Beer		250	0.000%
Total		93,549,400	100.000%

• **Earning Per Share:**

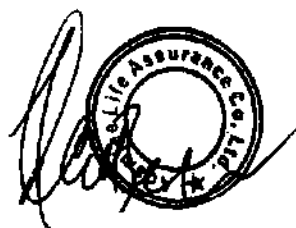
The Basic earning per share for the year ended on December 31, 2016 was 0.01.

BASIC EARNINGS PER SHARE

Profit for the period 1,177,686

Weighted average number of ordinary shares 93,549,400

Earnings per share – basic and diluted 0.01



Fredrik Coenrard De Beer
Chief Executive Officer

Dated: April 04, 2017

Annexure - A to the Directors' report

Adamjee Life Assurance Company Ltd
Key Operating and Financial data
For the years from 2011 to 2016

Particular	2011	2012	2013	2014	2015	2016
	Amount in Rupees					
Total Gross written premium (GWP)	912,667,401	2,297,193,200	4,474,725,539	5,214,947,404	9,150,640,095	11,301,713,671
Topline growth	241.65%	151.70%	94.79%	16.54%	75.47%	23.51%
Overall Renewal persistency	67.00%	77.90%	80.02%	79.83%	82.74%	84.98%
Average return on investments	10.85%	12.88%	9.46%	16.33%	10.81%	13.41%
Average acquisition cost to GWP	43.50%	27.15%	20.61%	20.07%	16.70%	13.26%
Total gross claims to policy holders' reserve	21.96%	13.07%	15.04%	7.03%	14.70%	16.38%
Net reinsurance inflow/(outflow) to GWP	-4.94%	0.40%	-0.87%	-1.32%	-0.59%	-0.52%
Net Underwriting surplus	13,264,502	127,037,230	293,011,341	481,276,705	831,167,778	1,135,654,890
Underwriting margin	1.45%	5.53%	6.55%	8.02%	9.08%	10.05%
Employees cost, Administration & marketing expenses	177,983,806	221,189,534	303,516,482	428,034,400	549,457,432	769,947,179
Expense to GWP	19.50%	9.63%	6.78%	8.21%	6.00%	6.81%
Net profit/(loss) after tax	(135,963,528)	(71,015,419)	14,591,879	86,583,585	306,063,369	397,300,041
Balance of capital contribution from SHF in statutory funds	396,717,864	537,748,608	571,685,570	641,811,570	655,611,570	585,213,190
Shareholders' Equity	172,775,224	240,545,884	419,022,881	363,902,751	350,974,199	422,550,265
Break-up value per share	3.23	3.27	4.48	3.89	3.75	4.52
Statutory fund under management	509,585,616	2,017,689,215	4,860,342,418	8,256,341,814	14,444,777,523	22,166,399,476
Capital Expenditure during the year	30,240,461	4,640,224	33,580,589	30,783,252	39,943,487	91,294,183
Current assets to current liabilities	1.08	1.38	1.24	1.82	2.22	3.37
Claims payable-average no. of days	98	112	178	154	162	154
Residual solvency in Shareholder's fund	19,528,052	83,057,139	225,416,218	123,954,832	89,598,234	63,277,354
Staff strength	69	92	124	183	214	519
Market share - Private Sector	7.03%	9.58%	12.72%	13.74%	14.77%	14.06%



ڈائریکٹرز رپورٹ برائے سال ۲۰۱۶

کمپنی ڈائریکٹرز، ۳۱ دسمبر ۲۰۱۶ کو ختم ہونے والے سال کیلئے، بورڈ کی سالانہ رپورٹ اور آڈٹ شدہ مالیاتی بیانات، بشمول آڈیٹرز رپورٹ، پیش کرنے میں مسرت محسوس کرتے ہیں۔ کمپنی کی کارکردگی کے متعلق ہماری رپورٹ حسب ذیل ہے:

مارکیٹ کا جائزہ

بینک انٹرنس کے ترمیم شدہ قوانین پر ۲۰۱۶ء میں عملدرآمد ہوا جن میں، صارف کی دلچسپی اور صنعت کو محفوظ بنانے کیلئے، صارفین کی جانب شفافیت، اسکے پورٹ فولیو میں طویل عرصے کو یقینی بنانے اور صارف سے ضروری رابطے کو فروغ دینے کے امور شامل تھے۔ نتیجتاً، عمومی طور پر ۲۰۱۶ میں بینکوں کی آمدنی گھٹ گئی، مصنوعات کو تبدیل کرنا پڑا اور آپریشنل طریقہ جات کو بڑھانا پڑا جس کے نتیجے میں بینکوں میں کم تر پیداوار دیکھنے میں آئی۔ البتہ، بینک ڈپازٹ کے سود کے زخموں میں کمی کے باعث اور فیکسوں کے اثرات کی وجہ سے ڈپازٹ پر فرق ہونے کے باعث، بینک الفلاح اور صیب بینک لمیٹڈ نے بینک انٹرنس میں معمولی اضافہ دکھایا جبکہ ایم سی بی کی پیداوار ۲۳ فیصد تک بڑھی گئی۔ ہماری رائے میں، ریگولیٹری صورت حال کم عرصے کے لئے بینک انٹرنس کے نتائج پر اثر انداز ہوگی لیکن یہ بینک کیلئے ایک منافع بخش آمدنی کے بہاؤ کی نشاندہی کرتی ہے۔ کیونکہ بینک کی آمدنی کے ہدف کو برقرار رکھے کیلئے، انجمنیں پیداوار بڑھانے کیلئے کوشاں رہیں گی۔

انجمنی ڈسٹریبوشن پر مبنی صنعت میں، بڑھتی ہوئی آگاہی اور بیمہ کے طوں کی ضرورت کی وجہ، وسعت پاری ہے کیونکہ بینکوں نے بیمہ زندگی کو ایک متبادل درمیانی مدت کی سرمایہ کاری کے موقع کے طور پر اپنایا ہے۔ کمپنی نے اسلام آباد اور ملتان میں دو نئی شاخیں کھولی ہیں اور بورڈ کی منظوری کے بعد مزید شاخوں کے پھیلاؤ کے منصوبے کو آگے بڑھائے گی۔

حکافل کی جانب مارکیٹ کا محرک حوصلہ افزا ہے چونکہ بینک بہت ہی ہڈ دھو دے اپنی اسلامی وعدہ و قائم کرنے پر نگاہ مرکوز کئے ہوئے ہیں اور اسٹیٹ بینک اس منتقلی میں مدد کر رہا ہے جیسا کہ ۲۰۲۰ء تک مانگرہ فنانس بینکوں کو شریعت سے مطابقت بینکاری میں منتقل کرنے کیلئے انکی حالیہ ہدایات سے ظاہر ہے۔ ٹیلی کام اور کرڈٹ لائف شرکاء نے بھی حکافل مصنوعات کا آغاز کرنے کو ترجیح دینا کا اظہار کیا ہے کیونکہ یہ صارف کے ضمن میں وسیع تر پیمانے پر تحفظ کی صلاحیت رکھتا ہے۔ کمپنی نے اپنے وفد حکافل آپریشن کا جولائی ۲۰۱۶ء میں آغاز کیا ہے اور چھ ماہ کے دوران 463 ملین کا مجموعی پرییم حاصل کیا۔

کمپنی کے نئے کاروبار کیلئے تاریخی سالانہ پیداواری نرخ، پرییم کی مدت میں 29 فیصد اور منگل پرییم 61 فیصد رہا۔

ایم سی بی بینکوں نے تقسیم کاری کے امکان کو بڑھانے کیلئے تین چار سال کی مسلسل کوشش کے بعد ۲۰۱۶ء میں ریفرل ماڈل منظور ہوا اور آدم جی نے ۲۰۱۶ء کے آخر تک ایم سی بی میں سیکڑ کے 250 اضافی عملے کی تقرری کی جس کے نتیجے میں نئے پرییم میں 24 فیصد خوش آمدند نشوونما دیکھنے میں آئی۔

آدم جی بینکوں نے ایم اور ایم سی بی برانچ عملے کے درمیان تعلقات اور خوش آمدند منافع جات کے باعث ایم سی بی انویسٹمنٹس سرورسز، بجٹ سے بڑھ کر مسلسل کارکردگی دکھا رہی ہیں۔ موجودہ پیداوار، بجٹ میں سطر 1.8 ملین روپے کے ہدف کے مقابلے میں 2.66 ملین روپے رہی۔

فیصل بینک نے ٹیکل 650 ملین میں سے، جو بینک نے ۲۰۱۶ء میں حاصل کئے، آدم جی لائف کیلئے 422 ملین روپے کی پیداواری۔

انجینیئر مشیرین نے، فی فعال مشیر فی ماہ، 1.6 پالیسیوں کی اعلیٰ پیداوار برقرار رکھی جو اس صنعت میں ہر لحاظ سے اعلیٰ ترین ہے۔ بجٹ کے 140 ملین روپے کے مقابلے میں، جو ہدف شدہ بجٹ کا 82 فیصد ہے، مجموعی پیداوار 116 ملین روپے رہی۔ بجٹ میں یہ فرق، خاص طور پر نئی شاخوں کا آغاز کرنے میں تاخیر اور وقت کے فرق سے منسوب ہے۔

دعویٰ سلاک بینک سے معاہدہ عمل میں آیا اور سالانہ ۲۰۱۶ء کے وسط میں اسکا آغاز ہوا جس میں باقاعدہ پریسٹیم کی مد میں 49 بلین روپے اور تکافل و غزو کے تحت عبوری پریسٹیم کی مد میں 208 بلین روپے حاصل ہوئے۔

گروپ لائف ڈویژن، ملک بھر میں سیکرٹیم میں اضافے کے نتیجے میں، 16 فیصد نشوونما کے ساتھ 415 بلین روپے کا پریسٹیم حاصل ہوا۔ نیوں نے چند مزید کریڈٹ لائف پورٹ فولیو زنگ کئے ہیں، البتہ پریسٹیم کے نتائج سالانہ کے دور انعکاس ہیں۔

مالیاتی جائزہ

سال کے آخر میں 11.3 بلین روپے کھل مجموعی پریسٹیم 23.6 فیصد کی اونچی سطح کی نشوونما کی عکاسی کرتا ہے۔ یہ اس مد میں بجٹ کے مقررہ ہدف سے بھی 11 فیصد زیادہ ہے جس بنیادی طور پر ٹاپ اپ / سنگل پریسٹیم کے حصوں کی اضافی تعداد سے منسوب ہے۔

نئے باقاعدہ پریسٹیم کا کاروبار 13.25 فیصد بڑھ گیا جبکہ تجدید میں استحکامیت 82.74 فیصد سے 84.98 فیصد تک بہتر ہو گئی۔

پبلش اکیٹیو مارکیٹ کے وجہ سے سرمایہ کاری پر اوسط منافع 10.81 فیصد کے مقابلے میں 13.41 فیصد تک بہتر ہو گیا۔ چونکہ ہمارے فنڈ زروایتی سے لے کر متوازن سرمایہ کاری کی درمیانی حد میں ہیں، اعلیٰ طور پر کارکردگی دکھانے والی اسٹاک مارکیٹ کی مکمل حقیقی صورت حال واضح نہیں ہوتی۔ البتہ، کمپنی نے اب چونکہ مضبوط مالیاتی ذخیرہ حاصل کر لیا ہے، بورڈ آف ڈائریکٹرز نے اپنے سرمایہ کاری کے پورٹ فولیو کو، اکیٹیو مارکیٹ میں دو جتنا خطرہ سے نکل اسٹ کے مواقع میں قدم رکھ کر خود کو بہت زیادہ متنوع عام پالاکر، اپنی سرمایہ کاری کو متنوع بنانے کا فیصلہ کیا ہے۔ اس توسیع کے نتائج آنے والے سالوں میں ظاہر ہوتے۔

انڈر رائٹنگ میں 1.13 ملین روپے کا اضافہ بھی، 9.08 فیصد سے بڑھ کر 10.05 ہونے کی وجہ سے، انڈر رائٹنگ مارجن میں بہتری ظاہر کرتا ہے۔

انتظامی اور مارکیٹنگ کے 770 ملین کے اخراجات سے، بجٹ میں مقرر کردہ اخراجات کے مقابلے میں 6 فیصد کی بچت سامنے آئی۔ البتہ، گزشتہ سال کے مقابلے میں یہ اخراجات، مابجہسی کے پھیلاؤ، ریفرل ماڈل کے آغاز اور وڈو کافل کے آغاز کے باعث، اس سال 40 فیصد زیادہ رہے۔

کمپنی نے بعد از ٹیکس، 397 ملین کا مشترکہ منافع حاصل کیا جو گزشتہ سال کے مقابلے میں 30 فیصد زیادہ ہے۔

کمپنی نے فکسڈ کسٹومرل اخراجات کی مد میں، بجٹ میں مختص 142 ملین روپے کے مقابلے میں ۲۰۱۶ء میں 91 ملین روپے خرچ کئے، اور 36 فیصد کی بچت ضرورت کے دوبارہ تجزیے کے طریقہ کار کا اطلاق کر کے، حاصل ہوئی۔

۲۰۱۵ء اور ۲۰۱۶ء کے حتمی اچھے نتائج کے باعث، قانونی فنڈز، مقررہ کردہ انچوری کی رضامندی سے، حصص کنندگان کے فنڈز میں 185 ملین روپے کا حصہ واپس کرنے کی حیثیت میں ہیں۔

البتہ، حصص کنندگان کے فنڈز نے بھی وڈو کافل آپریشنز کے حال ہی میں آغاز کئے جانے والے فنڈز میں 83 ملین کا حصہ ڈالنا ہے۔

قانونی فنڈز سے ادائیگی نے فی حصص بریک اپ قدر کو بھی بہتر بنایا ہے جو ۲۰۱۵ء میں 3.75 سے بڑھ کر ۲۰۱۶ء میں 4.52 روپے ہو گئی۔

مستقبل پر ایک نظر

انجینی کے موجودہ سیٹ اپس نے پروڈکشن کا عمل پورا کر لیا ہے اور مکمل پیداوار کے لئے تیار ہیں۔ آدم جی نے شہری تقسیم کاری کے سیٹ اپس کی ترقی مکمل کر لی ہے جس سے ہمیں، دوسرے مرحلے میں اور مضافاتی خطوں میں داخل ہونے پر ترقی اور پیداوار پر آنے والی لاگت کم کرنے میں مدد ملی۔ چونکہ عمل کی داخلی نشوونما کاروبار کے امکان کو بڑھاتی ہے اور براہ راست انفراسٹرکچر کی لاگت سے متصادم نہیں ہوتی، ۲۰۱۷ء میں ممکنہ پیداوار، ۲۰۱۶ء کی بہ نسبت تقریباً 68 فیصد ہوگی۔ مجموعی طور پر ماڈل، منظور شدہ منصوبے کے مطابق ۲۰۲۱ء تک، ہر ایک اپ کے برف کیلئے صحیح سمت پر گاڑن ہے۔

ایم سی بی اسلامک معاہدے، پروڈکٹ اور تقسیم کاری کو حتمی شکل دے دی گئی ہے اور ۲۰۱۷ء کی پیداوار میں چالیس سے پچاس ملین روپے جمع کرنے کی امید ہے۔

۲۰۱۷ء میں، مجموعی پرمیٹم نے باقاعدہ پرمیٹم کے کاروبار سے 4۱ فیصد اضافے اور تجدیدی استحکام کے 86.18 فیصد سے متوقع ہے۔ بالائی سطح پر مجموعی اضافہ 16.42 فیصد ہوگا۔ نئے باقاعدہ پرمیٹم کے کاروبار میں اضافہ ایم سی بی بینک لمیٹڈ کے ریفرل ماڈل کا افتتاح اور دوسرے تقسیم کار جوئلر میں منظم نشوونما، کامربون منت ہے۔

کئے گئے تجویزوں سے یہ بات سامنے آتی ہے کہ آنے والے پانچ سے سات سالوں میں پاکستان میں بیمہ زندگی کی صنعت کو مزید فروغ حاصل ہونے کا قوی امکان ہے اور آدم جی لائف موجودہ صورت حال کا فائدہ اٹھانے کیلئے بہتر صورت حال میں ہے اور آنے والے اہلیت کیلئے پوری طرح تیاری کر رہا ہے۔ آدم جی لائف گروپ تقسیم کاری اور فطری پائیداریوں کو اپنے تعزف میں لانے کے اعتبار سے صحیح سمت پر ہے جس سے اس کی بیمہ صنعت کے مثبت جائزے میں اچھے مستقبل کے امکان کی نشاندہی ہوتی ہے۔

چنانچہ کمپنی آدم جی لائف برانڈ کے کاروبار کو اور آمدنی کے امکانات کو مزید وسعت دینے کے لئے درج ذیل کاروباری
حکمت عملیوں پر اپنی توجہ مرکوز رکھے گی، اور دائرے سے کافی آگے رہے گی:

- انگریز سولنگز کو تھ پلان
- موجودہ تقسیم کاری سے آمدنی کی صلاحیت کو مزید تیز کرنا
- پروڈکٹ ویلیو ایڈ ہا سسٹم پروگرام
- منفرد مقابلہ پیش کرنے کو فروغ دینا
- ڈسٹری بیوشن پیکجس ڈرائیو
- آف سیٹ ویلیو کی پیشکش میں تقسیم کاری کو وسیع کرنا
- کسٹمر ایکسپیریئنس پروگرام
- آکسی بڑھانا اور صارف کے اطمینان کو بہتر بنانا
- مارکیٹنگ اینڈ ایڈورٹائزنگ پلان
- ویلیو کی پیشکش کو ترقی دینا اور مارکیٹ میں مقام حاصل کرنا
- اسٹاف ڈولپمنٹ اینڈ کیریئر ڈیولپمنٹ پلان
- کارکردگی پیش کرنے اور اس کا مظاہرہ کرنے کیلئے ادارے / عملے کو فروغ دینا
- آئی ٹی سسٹم سولنگس
- مہارت، قدر کا قول اور صارف کے تجربے کیلئے اختیار۔

آڈیٹرز

موجودہ آڈیٹرز، کے پی ایم جی ٹاٹیر ہاؤس اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، اپنی حالیہ مدت مکمل کرنے کے بعد ریٹائر ہو گئے
ہیں اور دوبارہ تقرر دی کے لئے اہل ہیں۔

کوڈ آف کارپوریشن گورننس کی ضروریات کے مطابق، بورڈ آف ڈائریکٹرز نے، سنہ ۲۰۱۷ء کیلئے کمپنی کے آڈیٹر کی حیثیت

سے، بشمول شریعت سے مطابقت رکھنے والے، کے پی ایم جی تاثیر بادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی تحریری کی سفارش کی ہے۔

کارپوریٹ اینڈ فنانشل رپورٹنگ فریم ورک

کمپنی کی انتظامیہ کے تیار کردہ مالیاتی بیانات، اسکے تمام امور، آپریشنز کے نتائج، نقد قومی کے بہاؤ اور ایکویٹی میں تبدیلیاں منصفانہ طور پر پیش کرتی ہے۔

کمپنی کے تمام کھاتے صحیح طور پر مرتب کئے ہیں۔

مالیاتی بیانات کی تیاری میں مناسب اکاؤنٹنگ پالیسیاں کا مسلسل اطلاق کیا گیا ہے اور اکاؤنٹنگ تخمینے مناسب اور محتاط فیصلے پر مبنی ہیں۔

بین الاقوامی اکاؤنٹنگ سٹنڈرڈز، بین الاقوامی فنانشل رپورٹنگ سٹنڈرڈز یا کوئی اور مضابطہ یا قانون، (بشمول شریعہ گائیڈ لائنز/ اصول، جرمان تک محدود نہیں)، جیسا کہ اطلاق پاکستان میں ہوتا ہے، مالیاتی بیانات کے تیاری میں ان پر عمل کیا گیا ہے اور اگر کسی باعث کہیں ان سے اختلاف ہوا ہے تو اسکو مناسب طور پر عیاں کر دیا گیا ہے۔

داخلی کنٹرول کا سسٹم اپنے دھانچے کے اعتبار سے کافی متوازن ہے اور مقررہ طور پر اطلاق شدہ اور زیر نگرانی ہے۔

کمپنی کو یہ کاروبار جاری رکھنے کیلئے اسکی قابلیت کے متعلق کوئی واضح شکوک و شبہات نہیں ہیں۔

کارپوریٹ گورننس کے بہترین طریقہ ہائے کار سے کہیں بھی کوئی مادی اختلاف نہیں کیا گیا ہے۔

۳۱ دسمبر ۲۰۱۶ کو ٹیکسوں، ڈیوٹیوں، محصولات اور دیگر بتایا جات کی مد میں کوئی بھی قانونی واجبات نہیں ہیں جو واجب الادا ہوں، ماسوائے ان کے جن کو مالیاتی بیانات میں ظاہر کیا گیا ہے۔

پچھلے چھ سالوں کا کلیدی آپریشننگ اور مالیاتی مواد منسلک ہے (ضمیمہ "اے")۔

۳۰ جون ۲۰۱۶ کو ڈاؤنٹ شدہ کھاتوں کی بنیاد پر، گریجویٹ فنڈ کی سرمایہ کاری کی مجموعی قدر 21.95 ملین روپے ہے

۳۱ دسمبر ۲۰۱۶ء کو اختتام پزیر ہونے والے سال کے دوران بورڈ کے کل سات اجتماعات ہوئے۔ ہر ڈائریکٹر کی ان اجتماعات میں موجودگی درج ذیل رہی:

نمبر شمار	ڈائریکٹر کا نام	تعداد جن میں شرکت کی
۱	عمر منشاء	۷
۲	رضا منشاء	۲
۳	انیس ایم جاوید	۷
۴	محمد علی زعیب	۷
۵	فرانس چارج پرنسٹو	۷
۶	فریڈرک کوکسٹنر ارڈی بیئر	۷
۷	ناشر عمر	۳

۳۱ دسمبر ۲۰۱۶ء کو حصص شماری کا نمونہ:

حصص کنندگان کی تعداد	حصص کا اندراج	حصص کی تعداد	
7	1	250	1,750
1	24,060,000	24,060,000	24,059,105
1	69,489,000	69,489,000	69,485,545
9			93,549,400

۳۱ دسمبر ۲۰۱۶ء اضافی معلومات

حصص کنندگان کی اقسام	حصص کنندگان	لئے حصص	فیصد
منسلک کمپنیاں، ذمہ داران اور متعلقہ فریق	2	93,547,650	99.998%
آدم جی انشورنس کمپنی لمیٹڈ		69,488,545	74.280%
آئی وی ایم انٹرنیٹ ربربی وی		24,059,105	25.718%
ڈائریکٹر صاحبان	7	1,750	0.002%
محمد عرفان		250	0.000%
رضافشاہ		250	0.000%
ایس ایم جادیہ		250	0.000%
محمد علی زیب		250	0.000%
ناشر عمر		250	0.000%
فرانس جارج پرنسٹو		250	0.000%
فریڈرک کوئٹنر ارڈی بیئر		250	0.000%
		93,549,400	100.00%

فی حصص آمدن

۳۱ دسمبر ۲۰۱۶ء کو انتظام پذیر سال کیلئے بنیادی فی حصص آمدن 0.01 ری۔

فی حصص بنیادی آمدن

سال کے دوران سے منافع	1,177,6786
عمومی حصص کی اوسط تعداد	93,549,400
فی حصص آمدن - بنیادی اور تحلیل شدہ	0.01



فریڈرک کوئٹنر ارڈی بیئر

چیف ایگزیکٹو آفیسر

تاریخ: ۳ اپریل ۲۰۱۷ء

ضمیمہ ”الف“ (صفحات 1)

آدم جی لائف انشورنس کمپنی لمیٹڈ
کلیدی آپریشننگ اور مالیاتی معلوماتی مواد

۲۰۱۱ء تا ۲۰۱۶ء

سال						
2016	2015	2014	2013	2012	2011	خصوصیت
اعداد و شمار (روپوں میں)						
11,301,713,671	9,150,640,095	5,214,947,404	4,474,725,539	2,297,193,200	912,667,401	کل پالیسی عمربری
23.51%	75.47%	16.54%	94.79%	151.70%	241.65%	اولیٰ سطح پر نشو و نما
84.98%	82.74%	79.83%	80.02%	77.90%	67.00%	مجموعی طور پر تجدیدی احکام
13.41%	10.81%	16.33%	9.46%	12.88%	10.85%	سرکاریہ کاریوں کا اوسط نتائج
13.26%	16.70%	20.07%	20.61%	27.15%	43.50%	کل عمربری پالیسی کم پرمیوم حاصل اوسط رقم
16.38%	14.70%	7.03%	15.04%	13.07%	21.96%	پالیسی کنندگان کے کیلئے نقص مجموعی نقص
-0.52%	-0.59%	-1.32%	-0.87%	0.40%	-4.94%	کل عمربری پالیسی کم پرمیوم حاصل ری انشورنس آمد (خرانج)
1,135,654,890	831,167,778	481,276,705	293,011,341	127,037,230	13,264,502	اصل آمد ری انشورنس اخراجات
10.05%	9.08%	8.02%	6.55%	5.53%	1.45%	آمد ری انشورنس کی شرح
769,947,179	549,457,432	428,034,400	303,516,482	221,189,534	177,983,806	ملنے والے منافع کے ساتھ ری انشورنس اخراجات
6.81%	6.00%	8.21%	6.78%	9.63%	19.50%	کل عمربری پالیسی کم پرمیوم حاصل منافع اخراجات
397,300,341	306,063,369	86,583,585	14,591,879	(71,015,419)	(135,963,528)	منافع (اعداد و تحسین)

ضمیمہ ”الف“ (صفحوں نم)

آدم جی لائف انشورنس کمپنی لمیٹید
کلیدی آپریشننگ اور مالیاتی معلوماتی مواد

۲۰۱۱ء تا ۲۰۱۶ء

سال						
2016	2015	2014	2013	2012	2011	خصوصیت
اعداد و شمار (درپای میں)						
585,213,890	655,611,570	641,811,570	571,685,570	537,748,608	396,717,864	قانونی قدر میں حصص کنندگان کے لئے سے سرمائے کے حصے کا ہیزان
422,550,265	350,974,199	363,902,751	419,022,881	240,545,884	172,775,224	حصص کنندگان کی آئینوں
4.52	3.75	3.89	4.48	3.27	3.23	فی حصص بریک اپنڈر
22,166,399,476	14,444,777,523	8,256,341,814	4,860,342,418	2,017,689,215	509,585,616	انتظامیہ کے تحت قانونی قدر
91,294,183	39,943,487	30,783,252	33,580,589	4,640,224	30,240,461	سال کے دوران سرمایہ اخراجات
3.37	2.22	1.82	1.24	1.38	1.08	موجودہ وجہات کے مقابلے میں موجودہ اثاثے
154	162	154	178	112	98	قابل ادائیگی ٹیکس - اوسط ایام
63,277,354	89,598,234	123,954,832	225,416,218	83,057,139	19,528,052	حصص کنندگان سے قدر میں قابل تحلیلات
519	214	183	124	92	69	عملیاتی تعداد
14.06%	14.77%	13.74%	12.72%	9.58%	7.03%	ذاریت میں حصہ فی ہیکٹر

Adamjee Life Assurance Company Limited
Balance Sheet
As at 31 December 2016

Note	Shareholders' Fund	Statutory Funds					Aggregate	
		Conventional Business	Accident and Health Business	Non-utilised Investment Link Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2016	2015
(Rupees)								
Share capital and reserves								
Authorised share capital 150,000,000 (2015: 150,000,000) ordinary shares of Rs. 10 each	1,500,000,000	-	-	-	-	-	1,500,000,000	1,500,000,000
Issued, subscribed and paid up share capital 93,549,400 shares (2015: 93,549,400 shares) ordinary shares of Rs. 10 each	935,494,000	-	-	-	-	-	935,494,000	935,494,000
Accumulated surplus	72,269,455	-	-	-	-	-	72,269,455	71,091,769
Less: Capital contribution by shareholders' fund	(585,213,190) (512,943,735)	-	-	-	-	-	(585,213,190) (512,943,735)	(655,611,570) (584,519,801)
Net shareholders' equity	422,550,265	-	-	-	-	-	422,550,265	350,974,199
Balance of statutory fund (including policy holders' liabilities of Rs.21.251 billion) (2015: Rs.13.856 billion)	-	220,728,449	125,539	2,666,556,861	18,843,573,982	435,414,645	22,166,399,476	14,444,777,523
Deferred Liability								
- Staff retirement benefits	14,361,164	-	-	-	-	-	14,361,164	9,143,183
- Deferred taxation	813,120	-	-	-	-	-	813,120	715,898
Creditors and accruals								
Outstanding claims	-	81,196,867	-	18,264,900	138,891,297	-	238,352,264	198,180,934
Premiums/ contributions received in advance	-	4,797,602	8,800	30,309,310	139,312,360	10,333,645	184,761,917	235,948,685
Amounts due to reinsurers/ retakaful	-	23,001,396	-	-	33,106,577	2,058,470	58,166,443	33,800,150
Amounts due to agents	-	11,045,473	35,559	9,632,660	384,747,287	15,712,055	341,173,034	238,641,637
Accrued expenses	9,484,869	-	-	-	-	30,101	9,514,970	5,339,963
Other creditors and accruals	71,782,541	538,922	-	419,235	7,685,692	492,433	80,838,823	62,292,091
Inter-fund payable	58,332,796	-	-	-	20,879,465	-	78,412,261	78,895,424
Total liabilities	139,520,206	120,579,460	44,359	58,626,385	643,822,678	28,626,704	991,219,712	853,098,884
CONTINGENCIES AND COMMITMENTS								
TOTAL EQUITY AND LIABILITIES	577,244,755	341,307,909	169,898	2,725,183,166	19,487,396,660	464,041,349	23,595,343,737	15,658,709,687

The annexed notes 1 to 36 form an integral part of these financial statements.

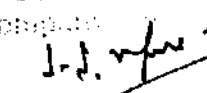

Chairman


Director


Director


Chief Executive Officer

For Adamjee Life Assurance Company Limited


(CFO/Comptroller)

Adamjee Life Assurance Company Limited
Balance Sheet
As at 31 December 2016

Note	Shareholders' Fund	Statutory Funds					Aggregate	
		Conventional Business	Accident and Health Business	Non-licensed Investment Link Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2016	2015
(Rupees)								
Cash and bank deposits	13							
Cash and others		156,254	-	-	4,607,153	4,567,411	9,330,819	4,731,249
Current and other accounts		68,586,641	162,464,994	167,148	392,428,472	986,551,115	1,668,580,880	979,749,709
Deposits maturing within 12 months		-	-	-	608,000,000	4,265,000,000	5,500,000,000	360,000,000
		68,742,895	162,464,994	167,148	992,428,472	5,856,158,268	7,177,911,619	1,344,480,958
Unsecured Loans to employees		8,170,923					8,170,923	3,271,098
Loans secured against Life Insurance Policies	14	-	-	-	15,039,263	5,488,081	20,447,344	10,346,647
Investments								
Government securities	15.1	158,851,443	104,855,716	-	809,531,067	6,210,849,000	7,495,389,682	11,687,851,146
Other fixed income securities	15.6	-	-	-	85,710,931	544,867,771	67,697,500	122,170,643
Listed equity securities and units of mutual funds	15.10	73,785,024	26,098,576	-	629,166,606	5,592,186,978	6,482,474,552	1,872,852,349
		232,636,467	130,954,292	-	1,524,408,604	12,347,903,749	14,596,140,436	13,682,874,138
Deferred taxation	16	-	-	-	-	-	-	-
Current assets - others								
Premium due but unpaid		-	35,610,393	-	-	-	35,610,393	24,275,183
Accrued income on investments	18.1	7,779,752	3,066,171	-	25,110,458	166,178,879	207,311,924	283,170,348
Amount due from reinsurer		-	-	-	5,418,466	-	5,418,466	40,045,458
Taxation - payment less provision	23	68,404,322	-	-	-	-	68,404,322	22,523,345
Advances and deposits	18.2	18,877,749	1,075,096	-	90,000,000	1,890,000,000	577,519	65,113,487
Prepayments	18.3	37,055,332	-	-	-	-	37,255,332	29,058,291
Other receivables	18.4	9,671,735	5,355	-	-	9,851,085	19,528,175	3,473,539
Dividend receivable		19,006	-	-	2,500,000	11,896,598	14,415,604	465,778
Inter-fund receivable		-	8,131,608	2,750	78,277,983	-	78,412,261	78,895,424
		141,807,896	47,888,623	2,750	193,306,827	1,277,926,562	5,854,183	547,820,853
Fixed assets	19							
Tangible								
Furniture and fixtures, office equipment, computers and vehicles		72,494,716	-	-	-	-	72,494,716	54,385,832
Capital work in progress		513,535	-	-	-	-	513,535	-
Intangibles								
Computer Software		51,878,323	-	-	-	-	52,878,323	16,330,161
TOTAL ASSETS		577,244,755	341,307,909	169,898	3,725,183,166	19,487,396,660	23,595,343,737	15,658,709,687

The annexed notes 1 to 36 form an integral part of these financial statements.

Kamaly

Umer Moina
Chairman

[Signature]
Director

[Signature]
Director

[Signature]
Chief Executive Officer

For Adamjee Life Assurance
Company Limited
[Signature]
Jalal Maghni
(CFO/Company Secretary)

Adamjee Life Assurance Company Limited

Profit and Loss Account

For the year ended 31 December 2016

	Note	2016 (Rupees)	2015
Investment income not attributable to statutory funds			
Income from Trading Investments			
Unrealised (diminution) / appreciation in value of quoted equity securities	15.13	(251,788)	854,433
Dividend income		93,205	-
		(158,583)	854,433
Income from Non-Trading Investments			
Return on Government Securities		13,529,097	19,187,766
Return on bank deposits		1,748,106	1,210,854
Dividend income		2,767,366	2,809,341
		18,044,569	23,207,961
		17,885,986	24,062,394
Gain on disposal of non-trading investments		5,772,170	4,108,464
Provision for impairment in value of investments			
Listed equity securities and units of mutual fund	15.12	(26,400)	(626,548)
Net investment income		23,631,756	27,544,310
Other revenues			
Gain/ (loss) on disposal of fixed assets	19.4	494,490	(76,099)
Other income	22	8,250,453	173,056
		8,744,943	96,957
Total investment income and other revenues		32,376,699	27,641,267
Expenses not attributable to statutory funds	20	(30,414,644)	(23,481,571)
Profit before appropriation of surplus to shareholders' fund		1,962,055	4,159,696
Surplus transferred from statutory funds		-	-
Profit before taxation		1,962,055	4,159,696
Taxation	23	(784,369)	(3,288,244)
Profit after taxation		1,177,686	871,452
(Rupees)			
Basic and diluted Earnings per share	24	0.01	0.01

The annexed notes 1 to 36 form an integral part of these financial statements.

for



Chairman


Director


Director


Chief Executive Officer

Adamjee Life Assurance Company Limited
Statement of Changes in Equity
For the year ended 31 December 2016

	Note	Share Capital	Net accumulated deficit			Aggregate
			Capital contribution (to) / from statutory funds	Accumulated surplus	Net accumulated deficit	
			(Rupees)			
Balance as at 1 January 2015		935,494,000	(641,811,570)	70,220,317	(571,591,253)	363,902,747
Profit for the year ended 31 December 2015		-	-	871,452	871,452	871,452
Transactions with the owners directly recorded in equity						
Capital contribution to statutory funds	8	-	(13,800,000)	-	(13,800,000)	(13,800,000)
Balance as at 31 December 2015		935,494,000	(655,611,570)	71,091,769	(584,519,801)	350,974,199
Profit for the period ended 31 December 2016		-	-	1,177,686	1,177,686	1,177,686
Transactions with the owners directly recorded in equity						
Capital contribution to statutory funds	8	-	(114,601,620)	-	(114,601,620)	(114,601,620)
Capital withdrawn from statutory funds	8	-	185,000,000	-	185,000,000	185,000,000
Balance as at 31 December 2016		935,494,000	(585,213,190)	72,269,455	(512,943,735)	422,550,265

The annexed notes 1 to 36 form an integral part of these financial statements.

Umer Martin

Umer Martin

Chairman

[Signature]

Director

[Signature]

Director

[Signature]

Chief Executive Officer

Adamjee Life Assurance Company Limited
Statement of Cash Flows
For the year ended 31 December 2016

Note	Shareholders' Fund	Statutory Funds				Aggregate			
		Conventional Business	Accident and Health Business	Non-unitised Investment Link Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2016	2015	
(Rupees)									
Operating cash flows									
a) Underwriting activities									
Premiums received	-	411,844,541	-	436,094,632	9,918,239,777	473,012,743	11,239,191,693	9,245,635,852	
Payments to Reinsurer	-	-	-	-	-	-	-	(76,155,875)	
Claims paid	-	(345,696,006)	-	(189,993,553)	(2,902,973,522)	(7,102,319)	(3,440,765,480)	(1,952,216,362)	
Commissions paid	-	(26,359,608)	103	(11,831,304)	(1,273,862,250)	(57,885,749)	(1,369,938,888)	(1,473,979,195)	
Net cash flow from underwriting activities	-	39,788,847	103	234,269,695	5,741,404,005	413,024,675	6,428,407,325	5,743,284,420	
b) Other operating activities									
Income tax paid	(46,568,116)	-	-	-	(6,865,375)	-	(53,433,491)	(16,046,133)	
General management expenses paid	(17,844,971)	(29,712,805)	-	(268,410,491)	(1,677,874,715)	(45,789,986)	(2,039,662,960)	(573,784,376)	
Other operating payments	(58,332,796)	-	(107,547)	-	(359,996,557)	-	(418,436,900)	(115,498,130)	
Other operating receipts	228,244,334	16,093,366	2,750	91,574,490	-	82,521,960	418,436,900	115,498,130	
Net cash flow from other operating activities	105,478,451	(13,619,439)	(104,797)	(176,846,001)	(2,044,736,647)	36,731,974	(2,093,896,459)	(589,830,509)	
Total cash flow from all operating activities	105,478,451	26,169,408	(104,694)	57,423,694	3,696,667,358	449,756,649	4,335,390,866	5,153,453,911	
Investment activities									
Profit / return received	12,299,480	12,904,895	8,863	164,951,575	866,448,886	(586,900)	1,854,025,999	970,897,355	
Term deposit placement	-	-	-	(200,000,000)	(225,000,000)	-	(425,000,000)	(100,000,000)	
Investments purchased	(137,116,671)	(205,735,122)	-	(7,866,252,982)	(50,503,049,842)	(399,275,706)	(59,311,430,323)	(23,984,338,401)	
Proceeds from disposal of investments	252,629,360	255,119,984	94,716	8,539,955,332	50,602,242,730	48,455,799	59,698,097,921	18,635,743,833	
Disbursement of policy loans	-	-	-	(14,448,800)	(4,732,431)	-	(19,181,231)	(10,323,266)	
Settlement of policy loans	-	-	-	9,011,918	1,613,981	-	10,625,899	4,140,999	
Dividend received	2,860,569	-	-	1,357,249	54,542,920	-	58,760,738	35,596,512	
Fixed capital expenditure	(91,294,183)	-	-	-	-	-	(91,294,183)	(39,943,487)	
Proceeds from disposal of fixed assets	1,120,752	-	-	-	-	-	1,120,752	1,907,103	
Total cash flow generated from investing activities	(59,580,693)	62,289,957	103,579	634,574,292	792,066,244	(351,806,807)	1,077,725,572	(4,486,319,352)	
Financing activities									
Issue of share capital	-	-	-	-	-	-	-	-	
Capital payments received by statutory funds in cash	-	-	-	-	-	-	-	-	
Total cash flow from financing activities	-	-	-	-	-	-	-	-	
Net cash inflow / (outflow) from all activities	45,897,758	88,458,365	(1,115)	691,997,986	4,488,733,602	97,949,842	5,413,116,438	667,134,559	
Cash and cash equivalents at beginning of the year									
	22,765,137	74,806,629	168,263	108,430,486	1,042,424,666	-	1,239,795,181	572,660,622	
Cash and cash equivalents at end of the year									
13	68,662,895	162,264,994	167,148	792,428,472	5,531,158,268	97,949,842	6,652,911,619	1,239,795,181	
							2016	2015	
							(Rupees)		
Reconciliation to profit and loss account									
Operating cash flows							4,235,390,866	5,153,453,911	
Depreciation expense							19.1.1	(22,742,174)	(20,545,022)
Amortisation expense							19.2.1	(13,268,691)	(5,378,939)
Bad debts								2,671,416	(4,909,772)
Gain on disposal of fixed assets							19.3	494,490	(76,099)
Operating investment income								1,995,422,675	954,491,131
Gain on sale of investments								296,508,344	181,724,769
Capital contribution from shareholders' fund							8	(70,398,380)	13,800,000
Increase / decrease in assets other than cash								1,192,089,331	149,679,150
Increase in liabilities other than running finance								(7,714,990,191)	(6,482,406,192)
Revaluation gain on investments								-	61,038,515
Profit after taxation								1,177,686	871,452

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

Chairman

Chairman
Chairman

Director
Director

Director
Director

Chief Executive Officer
Chief Executive Officer

Adamjee Life Assurance Company Limited
Revenue Account
For the year ended 31 December 2016

	Statutory Funds					Aggregate	
	Conventional Business	Accident and Health Business	Non-unitized Investment Link Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2016	2015
	(Rupees)						
Income							
Premium/ contribution less reinsurance/ retakaful	183,063,212	-	449,833,019	9,819,914,761	468,628,628	10,913,431,620	8,837,690,848
Net investment income	15,397,646	8,863	230,267,154	2,009,010,287	13,705,313	2,238,299,263	1,169,710,104
Total net income	198,370,858	8,863	680,100,173	11,828,925,048	474,325,941	13,181,730,883	10,007,400,952
Claims and expenditure							
Claims net of reinsurance recoveries	110,728,665	-	187,241,058	2,851,576,800	2,182,319	3,151,648,043	1,778,292,544
Management expenses	62,661,452	-	43,521,443	2,812,069,780	120,309,833	2,238,562,506	2,054,672,712
Total claims and expenditure	173,390,117	-	230,762,501	4,663,646,580	122,412,152	5,390,210,550	3,832,965,256
Excess of income over claims and expenditure	24,980,741	8,863	449,337,672	6,965,279,268	351,913,789	7,791,520,333	6,174,635,696
Add: Policyholders' liabilities at beginning of the period	104,895,813	104	2,057,292,293	11,693,709,907	-	13,855,898,117	7,986,454,338
Less: Policyholders' liabilities at end of the period	110,755,996	-	2,370,723,099	18,383,847,745	385,969,255	21,251,296,095	13,855,898,117
	5,860,183	(104)	313,430,806	6,698,137,838	385,969,255	7,395,397,978	5,869,443,779
Surplus/ (deficit)	19,120,558	8,967	135,906,866	275,141,430	(34,855,466)	396,122,355	305,191,917
Movement in policyholders' liabilities	5,860,183	(104)	313,430,806	6,698,137,838	385,969,255	7,395,397,978	5,869,443,779
Capital contribution from/ (to) shareholders' fund	31,680,764	-	(95,000,000)	(98,000,000)	83,000,856	(70,398,388)	13,800,000
Money ceded to Waqf Funds	-	-	-	-	500,000	500,000	-
Qard-e-Hasna from Operator's Sub Fund to PTF	-	-	-	-	(5,000,000)	(5,000,000)	-
Qard-e-Hasna received from Operator's Sub Fund by PTF	-	-	-	-	5,000,000	5,000,000	-
Balance of statutory funds at beginning of the year	164,146,944	115,676	2,312,219,189	11,968,294,714	-	14,444,777,523	8,256,341,827
Balance of statutory funds at end of the year	220,728,449	125,539	2,666,556,861	18,843,573,982	435,414,645	22,166,399,476	14,444,777,523
Represented by:							
Capital contributed by shareholders' fund	289,724,200	1,511,464	131,732,125	159,244,545	83,000,856	585,213,190	655,611,570
Money ceded to Waqf Fund	-	-	-	-	500,000	500,000	-
Qard-e-Hasna from Operator's Sub Fund to PTF	-	-	-	-	(5,000,000)	(5,000,000)	-
Qard-e-Hasna received from Operator's Sub Fund by PTF	-	-	-	-	5,000,000	5,000,000	-
Policyholders' liabilities	110,755,996	-	2,370,723,099	18,383,847,745	385,969,255	21,251,296,095	13,855,898,117
Retained earnings on other than participating business	(99,751,747)	(1,385,925)	164,101,637	300,481,692	(34,855,466)	329,390,191	(66,732,164)
Balance of statutory funds	220,728,449	125,539	2,666,556,861	18,843,573,982	435,414,645	22,166,399,476	14,444,777,523

The annexed notes 1 to 36 form an integral part of these financial statements.

Chairman

Chairman
Chairman

Director
Director

Director
Director

Chief Executive Officer
Chief Executive Officer

Adamjee Life Assurance Company Limited
Statement of Premiums
For the year ended 31 December 2016

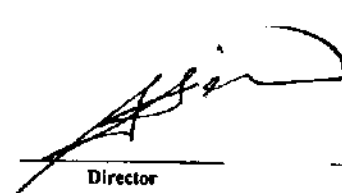
	Statutory Funds				Aggregate	
	Conventional Business	Accident and Health Business	Non-unitised Investment Link Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2016 2015
(Rupees)						
Gross premiums						
Regular premium/ contribution individual policies*						
- first year	-	-	5,267,500	1,945,157,411	127,972,098	2,078,397,009 1,839,087,980
- second year renewal	-	-	40,458,235	1,428,980,043	-	1,469,438,278 981,527,205
- subsequent years renewal	4,276,894	-	407,571,058	1,902,160,852	-	2,314,802,804 1,631,481,736
Single premium/ contribution individual policies*	-	-	4,475,080	4,685,231,627	334,787,800	5,824,413,627 4,340,668,030
Group policies without cash values	415,461,953	-	-	-	-	415,461,953 357,875,144
Total gross premium/ contribution	419,732,847	-	457,771,793	9,961,529,933	462,679,098	11,301,713,671 9,150,640,095
Less: reinsurance premium/ retakaful contribution ceded						
On individual life first year business	-	-	645,232	61,427,256	2,058,470	64,130,958 45,532,780
On individual life second year business	-	-	414,197	29,073,869	-	29,488,066 20,407,895
On individual life subsequent renewal business	127,987	-	6,879,345	51,114,047	-	58,121,379 34,374,798
On single premium individual policies	-	-	-	-	-	- 1,096,155
On group policies	236,541,648	-	-	-	-	236,541,648 211,537,619
Total reinsurance premium/ retakaful contribution ceded	236,669,635	-	7,938,774	141,615,172	2,058,470	388,282,851 312,949,247
Net premium/ contribution	183,063,212	-	449,833,019	9,819,914,761	460,620,628	10,913,431,620 8,837,690,848

* individual policies are those underwritten on an individual basis

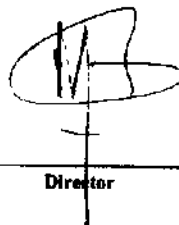
The annexed notes 1 to 36 form an integral part of these financial statements.



Chairman



Director



Director



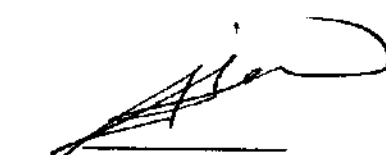
Chief Executive Officer


Adamjee Life Assurance Company Limited
Statement of Claims
For the year ended 31 December 2016

	Statutory Funds				Aggregate	
	Conventional Business	Accident and Health Business	Non-utilised Investment Link Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2015
(Rupees)						
Gross claims						
Claims under individual policies						
- by death	8,349,215	-	21,468,964	150,753,481	-	180,571,660
- by insured event other than death	3,583,348	-	1,000,000	5,800,000	-	10,383,348
- by maturity	-	-	-	242,399,255	-	242,399,255
- by surrender	1,647,982	-	172,353,353	2,526,862,382	2,102,319	2,702,966,036
Total gross individual policy claims	13,580,545	-	194,822,317	2,925,815,118	2,102,319	3,136,320,299
Claims under group policies						
- by death	280,727,538	-	-	-	-	280,727,538
- by insured event other than death	44,745,116	-	-	-	-	44,745,116
- experience refund	19,143,855	-	-	-	-	19,143,855
Total gross group policy claims	344,616,509	-	-	-	-	344,616,509
Total gross claims	358,197,054	-	194,822,317	2,925,815,118	2,102,319	3,480,936,008
Less: Reinsurance recoveries						
- on individual claims	-	-	7,581,259	74,239,118	-	81,820,377
- on group claims	247,468,389	-	-	-	-	247,468,389
	247,468,389	-	7,581,259	74,239,118	-	329,288,766
Net claims	110,728,665	-	187,241,058	2,851,576,000	2,102,319	3,151,648,042
						1,778,292,544

The annexed notes 1 to 36 form an integral part of these financial statements.


Chairman


Director


Director


Chief Executive Officer

Adamjee Life Assurance Company Limited
Statement of Expenses
For the year ended 31 December 2016

Note	Statutory Funds					Aggregate	
	Conventional Business	Accident and Health Business	Non-unitised Investment Link Business	Unit Linked Business	Individual Family Takaful Unit Linked	2016	2015
(Rupees)							
Acquisition costs							
Remuneration to insurance/ takaful intermediaries on individual policies:							
- Commission on first year contribution / premium	-	-	2,665,791	953,231,178	58,805,916	1,014,782,885	1,088,822,373
- Commission on second year contribution / premium	-	-	1,966,938	73,517,114	-	75,484,852	49,415,932
- Commission on subsequent years renewal contribution / premium	186,772	-	6,198,232	46,874,502	-	53,171,506	40,224,140
- Commission on single contribution/premium	-	-	89,500	92,896,846	6,694,148	98,880,486	84,275,238
- Other benefits to insurance intermediaries	-	-	3,228,975	172,868,485	8,097,748	184,187,128	201,678,176
	186,772	-	14,133,436	1,338,588,045	73,597,804	1,426,426,857	1,464,415,859
Remuneration to insurance intermediaries on group policies:							
- Commission	28,984,406	-	-	-	-	28,984,406	30,594,790
- Other benefits to insurance intermediaries	1,971,748	-	-	-	-	1,971,748	1,232,586
	30,956,146	-	-	-	-	30,956,146	31,827,376
Branch overheads	21	-	-	102,998,844	-	102,998,844	72,197,797
Other acquisition costs:							
- Policy stamps	614,658	-	36,911	24,888,793	632,219	25,372,541	19,480,753
- Medical examination fee	335,982	-	27,130	822,021	-	1,185,133	1,159,721
- Others	-	-	-	-	2,814	2,814	-
	950,640	-	64,041	24,910,774	634,233	26,559,688	20,640,474
	32,013,558	-	14,197,477	1,466,497,663	74,232,837	1,586,948,735	1,589,081,506
Administrative expenses							
Salaries allowances and other benefits	22,659,261	-	12,969,071	261,327,750	15,019,572	311,975,654	222,288,512
Travelling expenses	391,499	-	148,538	2,477,222	416,608	3,433,850	2,226,742
Actuary's fee	54,485	-	232,830	5,071,488	235,447	5,594,250	3,862,000
Auditor's remuneration	30,534	-	130,493	2,842,488	508,346	3,511,853	1,432,235
Legal and professional charges	154,091	-	648,455	14,608,945	4,566,744	19,972,235	13,743,562
Advertisement and publicity	29,199	-	13,447	1,861,756	-	1,904,482	1,250,931
Information technology expenses	482,671	-	1,608,225	34,259,548	3,686,835	40,829,271	21,887,934
Printing and stationery	232,834	-	216,742	7,473,552	554,299	8,477,427	6,443,976
Depreciation	356,194	-	849,874	15,114,711	746,682	17,867,461	16,160,391
Amortisation	123,206	-	529,085	11,450,606	438,345	12,533,162	5,140,977
Rent expense	278,613	-	2,024,892	39,057,349	1,764,135	43,124,989	27,432,454
Insurance expense	14,443	-	77,030	1,417,298	-	1,508,771	930,996
Car fuel and maintenance	1,398,273	-	615,435	8,877,615	521,681	10,412,924	10,428,671
Postage and courier	1,022,688	-	326,398	14,707,732	-	16,056,810	10,624,744
Utilities	98,437	-	574,448	9,874,335	204,884	10,752,016	8,761,977
Office maintenance	98,624	-	662,037	9,495,232	447,196	10,703,089	6,014,377
Entertainment	83,580	-	150,166	2,316,834	99,518	2,649,298	2,504,629
Bank and brokerage charges	220,038	-	999,959	14,310,246	65,677	15,395,920	2,739,969
Claim investigation fees	582,580	-	128,435	3,410,240	-	4,121,175	2,406,807
Technical support fee to associate	-	-	-	-	-	-	(570,892)
Training and development	192,614	-	685,261	14,447,826	1,944,976	17,269,877	3,640,185
Fees and subscription	20,941	-	4,740,562	31,080,294	97,922	35,939,719	29,944,961
Marketing cost	4,656,578	-	1,150,855	38,052,477	13,678,919	57,538,829	60,818,616
Other expense / (income)	(2,565,911)	-	(152,875)	-	47,370	(2,671,416)	366,680
Money Ceded to PTF	-	-	-	-	508,000	508,000	-
Charity and donations	29,672	-	2,699	1,839,400	508,693	2,388,464	-
Miscellaneous	2,839	-	-	198,789	38,115	239,743	4,909,772
Gross management expenses	30,647,894	-	29,323,966	545,572,117	46,877,796	651,621,773	465,391,206
Total management expenses	62,661,452	-	43,521,443	2,012,069,780	120,309,833	2,238,562,508	2,054,472,712

The annexed notes 1 to 36 form an integral part of these financial statements.

Chairman

Chairman
Chairman

Director
Director

Director
Director

Chief Executive Officer
Chief Executive Officer

Adamjee Life Assurance Company Limited
Statement of Investment Income
For the year ended 31 December 2016

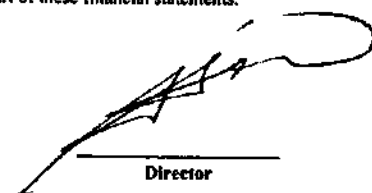
	Note	Statutory Funds				Aggregate		
		Conventional Business	Accident and Health Business	Non-unitised Investment Link Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2016	2015
(Rupees)								
Income from Trading Investments								
Unrealised (diminution)/ appreciation in value of government securities	15.5	-	-	(911,076)	(5,126,829)	(282,120)	(6,320,025)	53,303,787
Unrealised appreciation in value of listed equities and open-end mutual funds	15.13	-	-	66,726,800	877,834,089	8,437,382	952,198,271	3,853,073
Unrealised appreciation in value of other fixed income securities	15.9	-	-	482,627	1,982,577	69,531	2,534,735	3,027,222
	15.15	-	-	66,298,351	873,889,837	8,224,793	948,412,981	60,184,082
Return on government securities		-	5,693	122,406,134	708,107,209	2,982,680	833,421,636	827,215,345
Return on other fixed income securities		-	-	6,024,233	14,059,998	-	20,084,231	11,408,466
Dividend income		-	-	3,857,249	65,992,745	-	69,849,994	33,204,910
Gain / (loss) on disposal of trading Investments:								
- Units of open end mutual funds		-	-	20,253,097	65,723,452	-	85,976,549	64,890,391
- Listed equities		-	-	1,801,066	249,605,239	-	251,406,299	416,858
- Government securities		-	-	(8,788,953)	(39,947,053)	990,756	(47,745,250)	112,286,719
		-	-	13,265,204	275,381,638	990,756	289,637,598	177,593,968
Gross investment income from trading investments		-	5,693	211,851,171	1,937,431,427	12,118,149	2,161,466,440	1,109,606,771
Income from non - trading investments								
Return on government securities		7,800,059	-	-	5,268,248	-	13,068,307	14,497,454
Return on bank deposits		6,720,892	3,170	17,083,403	72,821,569	1,587,164	98,216,198	49,000,842
Mark-up on policy loans		-	-	1,332,588	354,418	-	1,686,998	677,522
		14,520,951	3,170	18,415,983	78,444,235	1,587,164	112,971,503	64,175,818
Gain on disposal of non-trading Investments:								
- Units of open end mutual funds		1,098,576	-	-	-	-	1,098,576	-
- Government securities		-	-	-	-	-	-	22,337
		1,098,576	-	-	-	-	1,098,576	22,337
Gross investment income from non trading investments		15,619,527	3,170	18,415,983	78,444,235	1,587,164	114,070,079	64,198,155
Impairment in the value of investments		(311,881)	-	-	-	-	(311,881)	(80,106)
Net investment income from non-trading investment		15,307,646	3,170	18,415,983	78,444,235	1,587,164	113,758,198	64,118,049
Less: Tax on dividend under FTR		-	-	-	(6,865,375)	-	(6,865,375)	(4,014,716)
Net investment income - Total		15,307,646	8,863	230,267,154	2,009,010,287	13,705,313	2,268,299,263	1,169,710,104

The annexed notes 1 to 36 form an integral part of these financial statements.

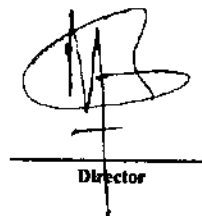




Chairman



Director



Director



Chief Executive Officer

Adamjee Life Assurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2016

1. STATUS AND NATURE OF BUSINESS

- 1.1 Adamjee Life Assurance Company Limited ("the Company") was incorporated in Pakistan on 4 August 2008 as a public unlisted company under the Companies Ordinance, 1984. The Company started its operations from 24 April 2009. Registered office of the Company is at 1st floor, Islamabad Stock Exchange Towers, 55-B, Jinnah Avenue, Blue Area, Islamabad while its principal place of business is at 3rd Floor, The Forum, Khayaban-e-Jami, Clifton, Karachi. The Company is a subsidiary of Adamjee Insurance Company Limited and an associate of IVM Intersurer B.V., each having a holding of 74.28% and 25.72% (2015: 74.28% and 25.72%) respectively in the share capital of the Company. IVM Intersurer B.V. has nominated Holland Life Assurance Company Limited ("HLA"), an associate company of IVM Intersurer B.V. to act on its behalf in respect of matters relating to the Company. HLA is South Africa's largest private sector insurance company.

The Company is engaged in life assurance business carrying on non-participating business only. In accordance with the requirements of the Insurance Ordinance, 2000, the Company has established a shareholders' fund and the following statutory funds in respect of each class of its life assurance business:

- Conventional Business
- Accident and Health Business
- Individual Life Non-unitised Investment Linked Business
- Individual Life Unit Linked Business
- Individual Family Takaful Business (refer note 1.2)

- 1.2 The Company was granted authorization on 4 May 2016 under Rule 6 of Takaful Rules, 2012 to undertake Takaful Window Operations in respect of family takaful products by Securities and Exchange Commission of Pakistan (SECP) and subsequently the Company commenced Window Takaful Operations from 14 July 2016. The Company formed a Waqf Fund namely the Adamjee Life Assurance Company Limited - Window Takaful Operations Waqf Fund (here-in-after referred to as the Participant Takaful Fund (PTF)) on 22 December 2015 under a Waqf deed executed by the Company with the cede amount of Rs. 500,000. The cede money is required to be invested in Shariah compliant investments and any profit thereon can be utilized only to pay benefits to participants or defray PTF expenses. Waqf deed also governs the relationship of the Company and policyholders for the management of Takaful operations, investment of policyholders' funds and shareholders' funds as approved by the Shariah Advisor appointed by the Company.

2. BASIS OF PRESENTATION

These financial statements have been prepared on the format of financial statements issued by the Securities and Exchange Commission of Pakistan through the Securities and Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 2002] vide S.R.O. 938 (1)/2002 dated 12 December 2002.

2.1 Statement of compliance

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

3. BASIS OF MEASUREMENT

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except as disclosed in accounting policies relating to investments.



3.2 Critical accounting estimates and judgments

The preparation of these financial statements in conformity with approved accounting standards, as applicable in Pakistan requires the management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of management estimates and assumption form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment are disclosed in note 32 to these financial statements.

3.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is also the Company's functional and presentation currency. Amounts presented have been rounded off to the nearest Rupee.

3.4 Standards, interpretations and amendments effective in current year

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

New, Amended And Revised Standards And Interpretations of IFRSs

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after January 1, 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after January 1, 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.
- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after January 1, 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - Effective for annual periods beginning on or after January 1, 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements.
- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:
- Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after January 1, 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 - 'Non-current Assets Held for Sale and Discontinued Operations'. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after January 1, 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.

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- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after January 1, 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The amendments are not likely to have an impact on Company's financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Types of Insurance/ Window Takaful Operations

a) Conventional Business

The Conventional Business includes individual life, group life and group credit life assurance.

i) Individual life

The individual life business segment provides coverage to individuals against deaths and disability under conventional policies issued by the Company. Additional riders are included on the discretion of the policyholder. The business is written through bancassurance, tele-sales and direct sales made by head office.

Revenue recognition

Premiums are recognised once the related policies have been issued and the premiums have been received.

Recognition of policyholders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the balance sheet date, in accordance with section 50 of the Insurance Ordinance, 2000.

Claim expenses

Claims expenses are recognised on the earlier of the policy expiry or the date when the intimation of the insured event giving rise to the claim is received. Surrender of conventional business policies is made after these have been approved in accordance with the Company's Policy.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported to the date of the balance sheet.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

ii) Group life and group credit life

Group Life contracts are mainly issued to employers to insure their commitments to their employees as required under the West Pakistan Industrial and Commercial Employment (Standing Orders) Ordinance, 1968.

The group life business segment provides coverage to members / employees of business enterprises and corporate entities, against death and disability under group life assurance schemes issued by the Company. The group credit life business segment provides coverage to a group of members or subscribers registered under a common platform against death and disability. The business is written mainly through direct sales force and bancassurance.

Revenue recognition

Premiums are recognised as and when due. In respect of certain group policies the Company continues to provide insurance cover even if the premium is received after the grace period. Provision for unearned premiums is included in the policyholders' liabilities.

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Recognition of policyholders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the balance sheet date, in accordance with section 50 of the Insurance Ordinance, 2000.

Claim expenses

Claims expenses are recognised on the date the insured event is intimated.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported to the date of the balance sheet.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

Experience refund of premium

Experience refund of premium payable to policyholders' is included in policyholders' liability in accordance with the policy of the Company and the advice of the appointed actuary.

b) Accident and Health Business

Accident and Health Business provides fixed pecuniary benefits or benefits in the nature of indemnity or a combination of both in case of accident or sickness to individuals. The risk underwritten is mainly related to medical expenses relating to hospitalisation and death by accidental means. This business is written through direct sales by the head office as well as through tele-sales.

Revenue recognition

Premiums are recognised once the related policies have been issued and the premiums have been received.

Recognition of policyholders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the balance sheet date, in accordance with section 50 of the Insurance Ordinance, 2000.

Claim expenses

Claims expenses are recognised after the date the insured event is intimated and a reliable estimate of the claim amount can be made.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported to the date of the balance sheet.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

c) Non-unitised Investment Linked Business

Individual Life Non-unitised Investment Linked Business provides life assurance coverage to individuals under universal life policies issued by the Company. Benefits are expressed in terms of account value of the policyholder account which is related to the market value of the underlying assets of the investment fund. The risk underwritten is mainly death and disability. This business is written through bancassurance channel and brokers.

Revenue recognition

Premiums are recognised once the related policies have been issued and the premiums have been received.

Recognition of policyholders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the balance sheet date, in accordance with section 50 of the Insurance Ordinance, 2000.

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Claim expense

Claim expenses are recognised on the earlier of the policy expiry or the date when the intimation of the event giving rise to the claim is received.

Surrender of non-united investment linked business policies is made after these have been approved in accordance with the Company's Policy.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported to the date of the balance sheet.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

d) Unit Linked Business

Individual Life Unit Linked Business provides life assurance coverage to individuals under unit-linked investment policies issued by the Company. Benefits are expressed in terms of account value of the policyholder account which is related to the market value of the underlying assets of the investment fund. Various types of riders (Accidental death, family income benefits etc.) are also sold along with the basic policies. Some of these riders are charged through deductions from policyholders fund value, while others are not charged i.e. additional premium is charged there against. The risk underwritten is mainly death and disability. This business is written through bancassurance channel, brokers and Company's own agency distribution channel.

Revenue recognition

Premiums (including first year, renewal and single premiums) are recognised once the resulted policies have been issued / renewed against receipt and realization of premiums.

Recognition of policyholders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the balance sheet date, in accordance with section 50 of the Insurance Ordinance, 2000.

Claim expenses

Claim expenses are recognised on the earlier of the policy expiry or the date when the intimation of the event giving rise to the claim is received.

Surrender of unit linked business policies is made after these have been approved in accordance with the Company's Policy.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported to the date of the balance sheet.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

e) Individual Family Takaful Unit Linked Business

The Company offers Family Takaful Contracts. Family Takaful Contract is an arrangement which rests on key Shariah principles of mutual cooperation, solidarity and well being of a community, and is based on the principles of Wakala Waqf Model. Under a Takaful arrangement, individuals come together and contribute towards the common objective of protecting each other against financial losses by sharing the risk on the basis of mutual assistance.

The obligation of Waqf for Waqf participants' liabilities is limited to the amount available in the Waqf fund. In case there is a deficit in the Waqf Fund, the Window Takaful Operator shall grant an interest free loan (Qard-e-Hasna) to make good the deficit. The loan shall be repayable from the future surpluses generated in the Waqf Fund, without any excess of the actual amount given to it. Repayment of Qard-e-Hasna shall receive priority over surplus distribution to Participants from the Waqf Fund. The detailed disclosures of window takaful operations are presented in note 34.

The Company offers Unit Linked Takaful Plans which provide Shariah Compliant financial protection and investment vehicle to individual participants. These plans carry cash value, and offer investment choices to the participants to direct their investment related contributions based on their risk / return objectives. The investment risk is borne by the participants.

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Revenue recognition

First year, renewal and single contributions are recognized once the related policies are issued against receipt of contribution.

Recognition of policyholders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the balance sheet date, in accordance with section 50 of the Insurance Ordinance, 2000.

Claim expenses

Claim expenses are recognised on the earlier of the policy expiry or the date when the intimation of the event giving rise to the claim is received.

Surrender of unit linked business policies is made after these have been approved in accordance with the Company's Policy.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported to the date of the balance sheet.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

4.2 Reinsurance / Retakaful contracts held

Individual policies (including joint life policies underwritten as such) are reinsured under an individual life reinsurance / retakaful agreement whereas group life and group credit life policies are reinsured under group life and group credit life reinsurance agreements respectively.

4.2.1 Conventional

Reinsurance premium

Reinsurance premium expense is recognised at the same time when the related premium income is recognised. It is measured in line with the terms and conditions of the reinsurance treaties.

Claim Recoveries

Claim recoveries from reinsurers are recognised at the same time when the claim is intimated and giving rise to the right of recovery is recognised in the books of accounts of the Company.

Experience Refund

Experience refund receivable for re-insurance is included in the re-insurance recoveries of claims.

Amount due from / to reinsurer

All receivables (reinsurer's share in claims, commission from reinsurer and experience refund) and payables (reinsurance premium) under reinsurance agreements are recognised on net basis in the Company's financial statements, only under the circumstances that there is a clear legal right of off-set of the amounts.

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

4.2.2 Takaful

Retakaful Contribution

These contracts are entered into by the Company with the retakaful operator under which the retakaful operator cedes the takaful risk assumed during normal course of its business, and according to which the Waqf is compensated for losses on contracts issued by it.

Retakaful contribution is recorded at the time the retakaful is ceded. Surplus from retakaful operator is recognized in the Revenue Account.

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Retakaful liabilities represent balances due to retakaful companies. Amount payable are calculated in a manner consistent with the associated retakaful treaties.

Retakaful Expense

Retakaful expenses are recognized as a liability.

Retakaful assets represent balances due from retakaful operator. Recoverable amounts are estimated in a manner consistent with the associated retakaful treaties.

Retakaful assets are not offset against related Retakaful liabilities. Income or expenses from retakaful contract are not offset against expenses or income from related Retakaful contracts as required by the Insurance Ordinance, 2000. Retakaful assets and liabilities are derecognized when the contractual rights are extinguished or expired.

4.3 Receivables and payables relating to insurance contracts

These include amounts due to and from agents and policyholders' which are recognised when due.

4.4 Statutory funds

The Company maintains statutory funds in respect of each class of life assurance business in which it operates. Assets, liabilities, revenues and expenses of the Company are referable to the respective statutory funds. However, where these are not referable to statutory funds, these are allocated to shareholders' fund on the basis of actuarial advice. Apportionment of assets, liabilities, revenues and expenses, whenever required between funds are made on the basis certified by the appointed actuary of the Company. Policyholders' liabilities have been included in statutory funds on the basis of the actuarial valuation carried out by the appointed actuary of the Company on the balance sheet date as required under section 50 of the Insurance Ordinance, 2000.

4.5 Policyholders' liabilities

a) Conventional Business

i) Individual Life

Policyholders' liabilities constitute the reserves for basic plans and riders attached to the basic plans and reserves for IBNR Claims.

Policy reserves pertaining to the primary plans are based on Full Preliminary Term - Net Premium method using SLIC (2001-05) Individual Life Ultimate Mortality Table mortality table and a discounting factor interest rate of 3.75% per annum. This table reflects the recent mortality experience in Pakistan and in line with the requirements of Circular No: 17 of 2013 issued by the SECP Insurance Division on September 13, 2013. The interest rate is considerably lower than the actual investment return the Company is managing on its conventional portfolio. The difference between the above and actual investment return is intended to be available to the Company for meeting administrative expense and for providing margins against adverse deviations. Policy reserves for both waiver of premium and accidental death riders are based on net unearned premiums.

- Incurred But Not Reported (IBNR) claims

IBNR reserves for riders are held as a percentage of rider premium earned in the valuation year in view of grossly insufficient claims experience.

ii) Group Life and Group Credit Life

Policy reserves for these plans are based on the unearned premium method net of allowances made for acquisition expenses, unexpired reinsurance premium and profit commission. Consideration is also given to the requirement for a Premium Deficiency Reserve. The reserves also comprise allowance for "Incurred But Not Reported" (IBNR) claims. The provision for 'Incurred But Not Reported' (IBNR) claims as included in policyholders' liability is estimated as 10% of the unearned premium for the year. This approach is being used as the Company has recently started business. Once sufficient experience of claim reporting patterns have built up in the Company's books, the appointed actuary of the Company will determine IBNR in accordance with these claim log patterns for each line of business separately. Appropriate margins will be added to ensure that the reserve set aside are resilient to changes in the experience.

b) Accident and Health Business

Currently there are no policyholders' liabilities to consider in this statutory fund.

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c) Non-unitised Investment Linked Business

Policyholders' liabilities constitute the account value of investment linked contracts as well as non-investment or risk reserves of these contracts. Risk reserves constitute liabilities held to account for risks such as death and risk only riders (accidental death and disability, monthly income benefit, waiver of premium, etc.). Reserves for risk only contracts where premiums are level over the term of the contract are based on the Net Premium Method whereas reserves for age related risk contracts are based on net unearned premiums.

- Incurred But Not Reported (IBNR) claims

IBNR reserves for riders are held as a percentage of rider premium earned in the valuation year in view of grossly insufficient claims experience.

d) Unit Linked Business

Policyholders' liabilities constitute the fund value of unit linked contracts as well as non-investment or risk reserves of these contracts. Risk reserves constitute liabilities held to account for risks such as death and risk only riders (accidental death and disability, monthly income benefit, waiver of premium, etc.). Reserves for risk only contracts where premiums are level over the term of the contract are based on the Net Premium Method whereas reserves for age related risk contracts are based on net unearned premiums.

- Incurred But Not Reported (IBNR) claims

IBNR reserves for riders are held as a percentage of rider premium earned in the valuation year in view of grossly insufficient claims experience.

e) Individual Family Takaful Unit Linked Business

Policyholders' liabilities constitute the fund value of unit linked contracts as well as non-investment or risk reserves of these contracts. Risk reserves constitute liabilities held to account for risks such as death and risk only riders (accidental death and disability, monthly income benefit, waiver of contribution, etc.). Reserves for risk only contracts where contribution are level over the term of the contract are based on the Net Premium Method whereas reserves for age related risk contracts are based on net unearned contribution.

- Incurred But Not Reported (IBNR) claims

IBNR reserves for riders are held as a percentage of rider contribution earned in the valuation year in view of grossly insufficient claims experience.

4.6 Staff retirement benefits

Defined benefit plan

The Company operates an approved funded gratuity scheme for all permanent, confirmed and full time employees who have completed minimum qualifying eligible service period of six months. Contribution to the fund is made and expense is recognised on the basis of actuarial valuation carried out as at each year end using the Projected Unit Credit Method. The relevant details relating to the fund are disclosed in note 9. Gratuity is based on employees' last drawn gross salary. Provisions are made to cover the obligations under the scheme on the basis of actuarial assumptions.

The measurement differences representing actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost/income are recognised immediately with a charge or credit to the profit and loss and revenue account. International Accounting Standards 19, dealing with Employee Benefits requires that these should be recognised in other comprehensive income (OCI). However, the format of presentation and disclosure of financial statements notified by SECP does not require preparation of statement of comprehensive income, resultantly the charge / credit has been taken to profit and loss and revenue account.

4.7 Employees accumulated compensated absences

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

4.8 Acquisition costs

These are costs incurred in acquiring insurance policies/ takaful contracts, maintaining such policies/ takaful contracts, and include without limitation all forms of remuneration paid to insurance agents/ takaful agents.

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Commission and other expenses are recognised as expense in the earlier of the financial year in which they are paid and the financial year in which they become payable, except that commission and other expenses which are directly referable to the acquisition or renewal of specific contracts are recognised not later than the period in which the premium to which they refer is recognised as revenue.

4.9 Takaful Operator Fee

The shareholders of the company manage the Window takaful Operations for the participants. Accordingly, the Company is entitled to takaful Operator's Fee for the management of Window Takaful Operations under the Waqf Fund, to meet its general and administrative expenses. The Takaful Operator's Fee, termed Wakala fee, is recognised upfront.

4.10 Taxation

Tax charge for the year comprises current and deferred taxation.

Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation on income earned or minimum turnover tax payable under the Income Tax Ordinance, 2001, whichever is higher. The charge for current tax is calculated using tax rates enacted or substantively enacted at the balance sheet date. The charge for current tax also includes adjustments, where considered necessary, relating to prior years which arise from assessments framed / finalised during the year.

Deferred

Deferred taxation is recognised using balance sheet liability method on all major temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

4.11 Provisions

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

4.12 Other creditors and accruals

Liabilities for creditors and other amounts payable are recognized initially at fair value plus directly attributable transactions costs, if any, and subsequently measured at amortized cost.

4.13 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include balances with banks, term deposits with original maturity of three months or less and cash and stamps in hand and highly liquid short term investments that are subject to an insignificant risk of changes in their fair value and which are readily convertible into cash.

4.14 Financial Instruments

4.14.1 Financial assets

The Company has classified its financial assets on initial recognition into the following categories: at fair value through profit or loss, held to maturity, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired.

The Company has classified its income earned on financial assets categorised at fair value through profit or loss as 'income from trading investments' while income earned on financial assets categorised as held to maturity, loans and receivables and available for sale as 'income from non-trading investments'.

a) Financial assets at fair value through profit or loss

Financial assets designated at fair value through profit or loss upon initial recognition include those group of financial assets which are managed and their performance evaluated on a fair value basis.

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b) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has both the intent and the ability to hold till maturity.

c) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

d) Available for sale

These are non derivative financial assets that are either designated as in this category or not classified in any of the other categories.

Initial recognition and measurement

All financial assets are recognised when the Company becomes a party to the contractual provision of the instrument. Investments other than those categorised into 'financial assets at fair value through profit or loss' category are initially recognised at fair value plus transaction costs which are directly attributable to the acquisition of the securities. Financial assets classified 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are expensed in the profit and loss / revenue account. All regular way purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date when the Company commits to purchase or sell the investment.

Subsequent measurement

Financial assets classified as 'at fair value through profit or loss' are subsequently measured at their fair values and gains and losses arising from changes in fair value are included in the profit and loss / revenue account. Available for sale investments are subsequently measured at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002 and the reduction is recognised as a provision for impairment in value of financial assets. Any change in the provision for impairment in value of investment is recognised in the profit and loss/ revenue account. Amortization of premium/ discounts on acquisition of investments is carried out using effective yield method and charged to profit and loss/ revenue account, as appropriate. Investments classified as held to maturity and loans and receivables are subsequently measured at amortised cost less any impairment losses, taking into account any discount or premium on acquisition by using the effective interest rate method.

Fair / market value measurements

For investments in quoted equity securities, the market value is determined by using Stock Exchange quotations at the balance sheet date. For investments in Government securities, the market value is determined using PKRV/PKISRV rates. The fair market value of Term Finance Certificates is as per the rates issued by the Mutual Funds Association of Pakistan (MUFAP) and the fair value of open end fund is as declared by the relevant fund.

Impairment against financial assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for 'available for sale' financial assets, the cumulative loss - measured as the difference between the carrying value and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss / revenue account, as the case may be, is taken to the profit and loss account / revenue account. For financial assets classified as 'loans and receivables' and 'held to maturity', a provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash inflows, discounted at the original effective interest rate.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statement 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.

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4.14.2 Financial liabilities

All financial liabilities are recognised at the time the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attribute transaction cost.

Subsequent to initial recognition, these are measured at fair/ market value or amortised cost using the effective interest rate method, as the case may be.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

4.15 Fixed assets

4.15.1 Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for capital work in progress which is stated at cost less impairment losses, if any. All assets having cost exceeding minimum threshold as determined by the management are capitalized. All other assets are charged in the year of acquisition. Cost includes expenditure that is directly attributable to the acquisition of the items.

In accordance with the requirements of Islamic Financial Accounting Standard (IFAS) No. 2 for the accounting and financial reporting of "Ijarah", ijarah arrangements are accounted for as 'Assets held under ijarah' whereby the Bank transfers its usufruct to the Company for an agreed period for an agreed consideration. Assets held by the Company under ijarah are not recognised in the balance sheet of the Company. Rental payments made under these ijarah are recognised as an expense in the Company's profit and loss account on a straight line basis over the ijarah term.

Subsequent Costs

Subsequent costs are included in the assets' 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 towards the Company and the cost of the item can be measured reliably. All other expenses are charged to the profit and loss account / revenue account during the financial year in which they are incurred.

Depreciation

Depreciation is charged using the straight line method at the rates specified in note 19 to these financial statements. Depreciation on additions is charged from the month of addition and on disposals up to the month of disposal. When parts of an item of asset have different useful lives, they are accounted for as separate items in the fixed assets.

The assets' useful lives and depreciation method are reviewed at each balance sheet date and adjusted, if appropriate.

Gains and losses on disposal

An item of tangible assets is derecognised upon disposal or where no future economic benefits are expected to be realised from its use or disposal. Gains or losses of an item of tangible asset is recognised in the profit and loss account.

4.15.2 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Software development cost are capitalized only to the extent where future economic benefits that are to be derived from such capitalization are expected to flow to the Company.

Subsequent Costs

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with them will flow to the Company and the cost of the item can be measured reliably. All other expenses are charged to the profit and loss/ revenue account during the financial period in which these are incurred.

Amortization

Intangible assets are amortised using the straight line method over their estimated useful lives (refer note 19). The useful lives and amortisation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Intangible assets having an indefinite useful life are stated at acquisition cost less impairment losses, if any.

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4.15.3 Capital work in progress

Capital Work in progress is stated at cost less impairment losses. Cost consists of expenditure incurred and advances made in respect of assets in the course of their construction and installation. Transfers are made to relevant asset category as and when assets are available for intended use.

4.16 Impairment of non financial assets (excluding deferred tax)

Non financial assets are subject to impairment review if there are events or changes in circumstances that indicate that the carrying amount may not be recoverable. If any such indication exists, the Company estimates the recoverable amount of the assets and the impairment loss, if any. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of future cash flows from the asset discounted at a rate that reflects market interest rates adjusted for risk specific to the assets. If the recoverable amount of an intangible asset or tangible asset is less than its carrying value, an impairment loss is recognised immediately in the profit and loss / revenue account and the carrying value of the asset reduced by the amount of the loss. A reversal of an impairment loss on intangible assets is recognised as it arises provided the increased carrying value does not exceed that which it would have been had no impairment loss been recognised.

4.17 Foreign currency translation

Transactions in foreign currencies are translated into the reporting currency at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into reporting currency equivalents using the rates of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are taken to the profit and loss account / revenue account.

4.18 Other revenue recognition

- Return on fixed income and government securities are recognised on time proportion basis using the effective interest rate method.
- Return on deposits and loans to policyholders are recognised on a time proportion basis.
- Dividend income from investments is recognised when the Company's right to receive the dividend is established.
- Gain or loss on sale of investments is included in the profit and loss account / revenue account in the year in which disposal has been made.
- Gains and losses on disposal of fixed assets are taken to the profit and loss account in the period in which they arise.
- For the purpose of the statement of Investment Income / Profit and Loss account, all income and expenses on investments, other than those relating to Held to Maturity and Available for Sale are included in the Income from Trading Investments.

4.19 Segment Reporting

A segment is a distinguishable component of the Company that is engaged in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company's primary format of reporting is based on business segments.

Operating segments are reported in a manner consistent with that provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

The Company operates in Pakistan only. The Company has five primary business segments for reporting purposes namely; Conventional Business, Accident and Health Business, Non-Unitised Investment Linked Business and Unit Linked Business and Individual Family Takaful Business. The details of all operating segments are described in note 4.1 to these financial statements. The Company accounts for segment reporting using the classes or sub-classes of business (Statutory Funds) as specified under the Insurance Ordinance 2000 and SEC (Insurance) Rules, 2002 as the primary reporting format.

4.20 Dividend and other appropriations

Dividend and appropriations to reserves except appropriations required by law or determined by the appointed actuary or allowed by the Insurance Ordinance, 2000 are recognised in the year in which these are approved.

4.21 Earning Per Share (EPS)

The Company presents basic and diluted earnings per share (EPS) for the shareholders. Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. There are no dilution effect on the EPS and as such these are not presented.

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5. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2016 (Number of ordinary shares)	2015 (Number of ordinary shares)	Note	2016 (Rupees)	2015 (Rupees)
93,549,400	93,549,400	Ordinary shares of Rs. 10 each fully paid in cash	935,494,000	935,494,000

5.1 Adamjee Insurance Company Limited and its nominees and IVM Insurer B.V. and its nominees respectively hold 69,490,295 (2015: 69,490,295) and 24,059,105 (2015: 24,059,105) ordinary shares of the Company at 31 December 2016.

6. ANALYSIS OF ACCUMULATED DEFICIT AS SHOWN IN THE BALANCE SHEET

6.1 Details of the movement in net accumulated deficit is as follows:

Accumulated surplus in statement of changes in equity at beginning of the year	71,091,769	70,220,317
Surplus in profit and loss account for the year	1,177,686	871,452
Accumulated surplus in statement of changes in equity before capital contribution by shareholders' fund at the end of the year	72,269,455	71,091,769
Capital contribution balance in statement of changes in equity at beginning of the year	(655,611,570)	(641,811,570)
Capital transfers to statutory fund during the year	(114,601,620)	(13,800,000)
Capital withdrawn from statutory fund during the year	185,000,000	-
Capital contribution balance in statement of changes in equity at end of the year	(585,213,190)	(655,611,570)
Net accumulated deficit as at the end of the year	(512,943,735)	(584,519,801)

6.2 Transfers of Rs. 31.601 million (2015: Nil) and Rs. 83.001 million (2015: Nil) during the current year have been made to Conventional Business Fund and Individual Family Takaful Fund respectively, whereas Rs. 95 million (2015: Nil) and Rs. 90 million (2015: Rs. 13.8 million of capital contribution by shareholders' fund) capital have been withdrawn from Non-united Investment Linked Fund and Unit Linked Business Fund respectively as per the advice of appointed actuary.

7. POLICYHOLDERS' LIABILITIES

Note	Conventional Business	Accident and Health Business	Non-united Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	Aggregate
						2016 2015
						(Rupees)
7.1 Gross of reinsurance						
Actuarial liability relating to future events	126,660,074	-	2,401,360,013	18,485,912,058	389,365,556	21,503,297,701 14,011,271,855
Provision for incurred but not reported claims	37,177,463	-	-	-	-	37,177,463 14,786,004
	263,837,537	-	2,401,360,013	18,485,912,058	389,365,556	21,540,475,164 14,026,057,859
7.2 Net of reinsurance						
Actuarial liability relating to future events	96,473,312	-	2,370,723,099	18,383,847,745	385,969,255	21,237,013,411 13,849,330,369
Provision for incurred but not reported claims	14,282,684	-	-	-	-	14,282,684 6,567,748
	110,755,996	-	2,370,723,099	18,383,847,745	385,969,255	21,251,296,095 13,855,898,117

7.3 The appointed actuary of the Company has carried out a valuation of the policyholders' liabilities with respect to the Conventional Business, Accident and Health Business, Non-united Investment Linked Business, Unit Linked Business and Individual Life Family Takaful Unit Linked Business (Statutory Funds) as per section 50 of the Insurance Ordinance, 2000. Significant assumptions used in the valuations are disclosed in note 30 to these financial statements.

7.4 Except in case of conventional business, provision for incurred but not reported claims are included in the actuarial liability for future events. Amount involved is not material.

8. BALANCE OF STATUTORY FUNDS

	Conventional Business	Accident and Health Business	Non-united Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	Aggregate
						2016 2015
						(Rupees)
Policyholders' liabilities						
Balance at beginning of the year	104,895,813	104	2,057,292,293	11,693,709,907	-	13,855,898,117 7,986,454,338
Increase / (decrease) during the year	5,860,183	(104)	313,430,806	6,690,137,838	385,969,255	7,395,397,978 5,869,443,779
Balance at end of the year	110,755,996	-	2,370,723,099	18,383,847,745	385,969,255	21,251,296,095 13,855,898,117
Retained earnings on other than participating business						
Balance at beginning of the year	(118,872,305)	(1,394,892)	28,194,771	25,348,262	-	(66,732,164) (371,924,081)
Surplus / (deficit) for the year	19,120,558	8,967	135,906,866	275,141,430	(34,055,466)	396,122,355 305,191,917
Balance at end of the year	(99,751,747)	(1,385,925)	164,101,637	300,481,692	(34,055,466)	329,390,191 (66,732,164)
Capital contributed by shareholders' fund						
Balance at beginning of the year	178,123,436	1,511,464	226,732,125	249,244,545	-	655,611,570 641,811,570
Money ceded to Waqf Fund	-	-	-	-	500,000	500,000 -
Capital contribution during the year	31,600,764	-	-	-	83,000,856	114,601,620 13,800,000
Capital returned during the year	-	-	(95,000,000)	(90,000,000)	-	(185,000,000) -
Qard-e-Hasna from Operator's Sub Fund to PTF	-	-	-	-	(5,000,000)	(5,000,000) -
Qard-e-Hasna received from Operator's Sub Fund by PTF	-	-	-	-	5,000,000	5,000,000 -
Balance at end of the year	209,724,200	1,511,464	131,732,125	159,244,545	83,500,856	585,713,190 655,611,570
Balance of statutory funds at the year end	220,728,449	125,539	2,666,556,861	18,843,573,982	435,414,645	22,166,399,476 14,444,777,523

Balances in retained earnings are primarily maintained in accordance with the SEC Insurance Rules, 2002 to meet the solvency margins. As of 31 December 2016, the Company has retained an aggregate amount of Rs. 395,441 million (2015: Rs. 273,673 million) in the Statutory Funds based on the advice of the appointed actuary.

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9. STAFF RETIREMENT BENEFIT

9.1.1 As stated in note 4.6, the Company operates a funded gratuity scheme covering eligible employees who have completed the minimum qualifying eligible service period of six months. The employees are entitled to gratuity on the basis of last drawn monthly gross salary on normal retirement or on death in service on the number of years of services with the Company. Contribution to the fund is made and expense is recognised on the basis of actuarial valuations carried out at each year end using the projected unit credit method.

9.1.2 Responsibility for governance of the plans, including investment decisions and contribution schedules, lies with the Board of Trustees. The Company appoints the Trustees and all trustees are employees of the Company. Details of the Company's obligation under the staff gratuity scheme determined on the basis of an actuarial valuation carried out by an independent actuary as at 31 December 2016 under the Projected Unit Credit Method are as follows:

9.2 Balance sheet reconciliation	Note	Gratuity fund	
		2016	2015
		(Rupees)	
Present value of defined benefit obligations	9.2.1	61,604,023	41,887,724
Fair value of plan assets at 31 December	9.2.2	(47,242,859)	(32,744,541)
Net liability at end of the year	9.2.4	14,361,164	9,143,183
9.2.1 Movement in present value of defined benefit obligations			
Present value of defined benefit obligations at beginning of the year		41,887,724	28,340,537
Current service cost	9.2.3	10,955,765	7,765,237
Interest cost - net	9.2.3	5,574,621	4,021,413
Benefits paid during the year	9.2.2	(7,864,834)	(4,029,429)
Remeasurement loss on obligation:			
- due to unexpected experience		8,660,558	810,595
- due to changes in financial assumptions		2,390,189	4,979,371
	9.2.3	11,050,747	5,789,966
Present value of defined benefit obligations at end of the year		61,604,023	41,887,724
9.2.2 Movement in fair value of plan assets			
Fair value of plan assets at beginning of the year		32,744,541	22,041,783
Contributions made by the Company to the Fund		16,742,701	13,031,110
Interest income on plan assets	9.2.3	3,967,401	3,058,404
Benefits paid during the year	9.2.1	(7,864,834)	(4,029,429)
Remeasurement gain/ (loss) on plan assets	9.2.3	1,653,050	(1,357,327)
Fair value of plan assets at end of the year		47,242,859	32,744,541
9.2.3 Expense recognised in profit and loss / revenue account			
Current service cost	9.2.1	10,955,765	7,765,237
Interest cost	9.2.1	5,574,621	4,021,413
Remeasurement losses on defined benefit obligation	9.2.1	11,050,747	5,789,966
Remeasurement (gain)/ loss on fair value of plan assets	9.2.2	(1,653,050)	1,357,327
Interest income on plan assets	9.2.2	(3,967,401)	(3,058,404)
Expense for the year		21,960,682	15,875,539
9.2.4 Net recognised liability			
Net liability at beginning of the year		9,143,183	6,298,754
Expense recognised in profit and loss account / revenue account	9.2.3	21,960,682	15,875,539
Contributions made to the Fund during the year		(16,742,701)	(13,031,110)
Net liability at end of the year	9.2	14,361,164	9,143,183

9.2.5 Estimated Gratuity Cost for the year ending 31 December 2017, is as follows:

	2017 (Rupees)
Current service cost	20,488,311
Net interest cost	2,626,347
Total expense to be recognised in profit and loss / revenue account	23,114,658

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9.3 Plan assets comprise of following:

	Note	2016		2015	
		(Rupees)	%age	(Rupees)	%age
Bank balance		4,914,201	10%	17,287,400	53%
Mutual Funds	9.3.1	42,328,658	90%	15,457,141	47%
Fair value of plan assets at end of the year		47,242,859	100%	32,744,541	100%

9.3.1 Investments of Rs. 6.35 million (2015: Rs. 6.08 million) in mutual funds are managed by a related party.

9.4 The principal assumptions used in the actuarial valuations carried out as of 31 December 2016, using the 'Projected Unit Credit' method, are as follows:

	Gratuity fund	
	2016	2015
Discount rate per annum	10.75%	11.00%
Expected per annum rate of return on plan assets	10.75%	11.00%
Expected per annum rate of increase in salary level	11.00%	11.00%
Expected mortality rate	LIC 94-96 Mortality table for males (rated down by 3 years for females)	LIC 94-96 Mortality table for males (rated down by 3 years for females)
Expected withdrawal rate	Age dependent	Age dependent

9.4.1 The plans expose the Company to actuarial risks such as:

Salary risks

The risks that the final salary at the time of cessation of service is higher than what was assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

Discount risks

The risk of volatile discount rates over the funding life of the scheme. The final effect could go either way depending on the relative of salary increases, timing of contributions, performance of investments and outgo of benefits.

Mortality / withdrawal risks

The risks that the actual mortality / withdrawal experience is different from expected. The effect depends upon the beneficiaries' service / age distribution and the benefit.

Investment risks

The risk of the investment underperforming and not being sufficient to meet the liabilities. This is managed by formulating an investment policy and guidelines based on which investments are made after obtaining approval of trustees of funds.

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In case of the funded plans, the investment positions are managed within an Asset-Liability Matching (ALM) framework to ensure that long-term investments are in line with the obligation under the retirement benefit plan. The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement benefit plan obligations. The Company has not changed the process used to manage its risks from previous periods. Investments are well diversified.

The expected return on plan assets is assumed to be the same as the discount rate (as required by International Accounting Standard IAS 19). The actual return depends on the assets underlying the current investment policy and their performance. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected return on equity investments reflect long-term real rates of return experienced in the market.

9.5 Sensitivity analysis for actuarial assumptions

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	2016	2015
	(Rupees)	
Discount rate (1% increase)	(9,329,000)	(6,249,000)
Discount rate (1% decrease)	11,597,000	7,747,000
Future salary increase rate (1% increase)	11,402,000	8,080,000
Future salary increase rate (1% decrease)	(9,342,000)	(6,590,000)

The impact on defined benefit obligation due to increase in life expectancy by 1 year would be Rs. (52,212).

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant 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 liability.

9.6 The weighted average duration of the defined benefit obligation is 19.56 years.

9.7 The expected maturity analysis of undiscounted retirement benefit plan is between 3-4 years and the amount involved is Rs. 0.885 million.

9.8 Historical Information

	2016	2015	2014	2013	2012
	(Rupees)				
Present value of defined benefit obligation	61,604,023	41,887,724	28,340,537	15,674,836	11,822,534
Fair value of plan assets	(47,056,689)	(32,558,371)	(22,041,783)	-	-
Impact of uncleared cheques	(186,170)	(186,170)	-	-	-
Deficit	14,361,164	9,143,183	6,298,754	15,674,836	11,822,534

9.8.1 Experience adjustment

	2016	2015	2014	2013	2012
	(Rupees)				
Experience adjustments on obligation	18%	14%	24%	-13%	22%
Experience adjustments on asset	4%	(4%)	2%	-	-

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10. OUTSTANDING CLAIMS

	2016			2015		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Conventional Business						
Notified Claims at the beginning of the year	68,695,099	(39,273,562)	29,421,537	56,379,793	(37,180,265)	19,199,528
Cash paid for claims settled in the year	(345,696,086)	232,486,290	(113,209,796)	(270,035,110)	180,604,467	(89,430,643)
Increase / (decrease) in liabilities:						
Claims intimated during the year	358,197,054	(247,468,389)	110,728,665	282,350,416	(182,697,764)	99,652,652
Notified claims at the end of the year	81,196,067	(54,255,661)	26,940,406	68,695,099	(39,273,562)	29,421,537
Non-utilised Investment Linked Business						
Notified Claims at the beginning of the year	13,436,136	(7,387,436)	6,048,700	11,911,222	(7,009,446)	4,901,776
Cash paid for claims settled in the year	(189,993,553)	8,454,299	(181,539,254)	(95,022,455)	4,848,922	(90,173,533)
Increase / (decrease) in liabilities:						
Claims intimated during the year	194,822,317	(7,581,259)	187,241,058	96,547,368	(5,226,912)	91,320,456
Notified claims at the end of the year	18,264,900	(6,514,396)	11,750,504	13,436,135	(7,387,436)	6,048,699
Unit Linked Business						
Notified Claims at the beginning of the year	116,849,701	(64,834,087)	51,215,614	45,207,605	(31,969,877)	13,237,728
Cash Paid for claims settled in the year	(2,902,973,522)	63,733,869	(2,839,239,653)	(1,587,158,797)	37,817,246	(1,549,341,551)
Increase / (decrease) in liabilities:						
Claims intimated during the year	2,925,815,118	(74,239,118)	2,851,576,000	1,658,000,892	(70,681,456)	1,587,319,436
Notified claims at the end of the year	138,891,297	(75,339,336)	63,551,961	116,049,700	(64,834,087)	51,215,613

10.1 There are no notified claims outstanding under accident and health and individual family takaful business as at 31 December 2016.

10.2 As the Company settles its claims obligations within a year, the claim development table has not been presented.

10.3 Statement of Age wise Break up of Unclaimed Insurance Benefits as at 31 December 2016

Circular 11 of 2014 dated 19 May 2014 issued by the Securities and Exchange Commission of Pakistan (SECP) has established requirement for all insurers to disclose age wise break up of unclaimed insurance benefits in accordance with format prescribed in the annexure to the said circular.

The unclaimed benefits is described in the circular as the amounts which have become payable in accordance with the terms and conditions of an insurance policy but have not been claimed by the policyholders or their beneficiaries. Such unclaimed amounts may fall into the following categories:

	Total Amount	Age-wise breakup				
		1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months
		(Rupees)				
Unclaimed maturity benefits	140,844,015	72,333,347	22,329,274	38,118,100	5,227,495	2,835,799
Unclaimed death benefits	* 0,869,761	29,744,761	1,125,000	-	-	-
Unclaimed disability benefits	* 110,333	360,833	49,500	-	-	-
Claims not encashed	30,934,303	28,439,303	1,470,000	825,000	200,000	-
	203,058,412	130,878,244	24,973,774	38,943,100	5,427,495	2,835,799

* Based on intimations subsequent to the year-end, but the loss had occurred before the year-end.

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11. OTHER CREDITORS AND ACCRUALS

Note	Shareholders' Fund	Statutory Funds				Aggregate		
		Conventional Business	Accident and Health Business	Non-qualified Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2016	2015
		(Rupees)						
Sundry creditors	45,117,438	538,922	-	147	368,978	253,460	46,278,927	32,733,653
Withholding tax payable	2,057,091	-	-	-	-	168,406	2,217,577	2,655,683
Sales tax withholding payable	33,051	-	-	-	-	-	33,051	18,338
Sindh services tax payable	665,546	-	-	-	-	-	665,546	171,640
EOBI employees' contribution payable	323,314	-	-	-	-	-	323,314	17,046
Amount due to Adamjee Insurance Company Limited - related party	11.3	4,522,746	-	-	-	-	4,522,746	2,764,153
Remuneration payable to Trustee - related party	11.1	-	-	88,668	939,768	-	1,028,433	683,184
Remuneration payable to management company	11.2	-	-	295,895	3,319,076	-	3,614,973	5,090,766
Amount due to Holland International - related party	11.3	14,938,370	-	-	-	-	14,938,370	14,933,015
Workers' Welfare Fund payable	11.4	933,918	-	-	-	-	933,918	893,171
Employees' cur deposit		2,777,553	-	-	-	-	2,777,553	1,908,500
Zakat payable - maturity / surrender		-	-	-	34,974	-	34,974	110,349
Charity payable		-	-	-	54,630	-	54,630	48,091
Brokerage payable		-	-	38,323	3,836,458	36,735	3,908,501	246,367
Other accruals		345,482	-	2	131,814	41,842	518,318	18,135
		71,702,549	538,922	-	419,235	7,685,682	492,433	80,834,923
								62,292,091

11.1 This represents trustee fee payable to a related party in respect of the custodial services under a service level agreement.

11.2 This includes Rs. 2,557 million fee payable to a related party in respect of the management of discretionary investment portfolio.

11.3 This represents the technical support fee payable to the related party.

11.4 During the current year, the Supreme Court of Pakistan vide its order dated 10 November 2016 has held that the amendments made in the Workers' Welfare Fund (WWF) Ordinance through Finance Act of 2006 and 2008 were not lawful as WWF is not a tax and therefore could not have been passed through the money bill. The Federal Board of Revenue has filed review petitions against this order which are currently pending. The management is of the view that consequent to filing of these review petitions the judgement may not currently be treated as conclusive and accordingly the company maintains provision in respect of WWF.

11.5 The balance is unsecured, interest free and is due in respect of the premium payable to them for general insurance coverage and certain expenses shared with them.

12. CONTINGENCIES AND COMMITMENTS

12.1 CONTINGENCIES

(Claims against the Company not acknowledged as debt
Number of cases)

2016	2015
(Rupees)	
16,287,531	12,904,170
6	7

There are certain pending cases initiated against the Company concerning policy holders' claims rejected by the Company on different grounds. However, management believes that no significant liability is likely to occur in these cases.

12.2 COMMITMENTS

12.2.1 Commitments in respect of lease rentals payable in future period as at 31 December 2016 amounted to Rs. 33.55 million (2015: Rs. 16.187) for vehicles.

Not later than one year

Later than one year and not later than five years

8,876,616	9,980,964
24,673,797	6,205,896
33,550,413	16,186,860

12.2.2 Commitments in respect of capital expenditure amounting to Rs. 6,049 million (2015: Nil)

13. CASH AND BANK DEPOSITS

Note	Shareholders' Fund	Statutory Funds					Aggregate	
		Conventional Business	Accident and Health Business	Non-qualified Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2016	2015
(Rupees)								
Cash and others								
Cash in hand	156,254	-	-	-	-	156,254	43,472	
Policy stamps in hand	13.4	-	-	-	4,607,153	4,567,412	9,174,565	
	156,254	-	-	-	4,607,153	4,567,412	9,338,819	
Cash at banks								
- in current account	51,080	16,357,309	-	-	10,594,729	-	27,003,118	
- in saving accounts	13.1	68,505,561	149,197,685	167,148	392,428,472	975,956,366	58,382,438	
	68,586,641	165,554,994	167,148	392,428,472	986,551,115	58,382,438	1,641,577,682	
Deposit maturing within 12 months								
Term deposit receipts	13.2	-	-	688,000,000	4,845,000,000	31,000,000	5,533,000,000	
	68,742,895	165,554,994	167,148	792,428,472	5,331,551,115	87,382,438	6,652,911,619	

13.1 These carry mark-up at rates ranging from 3.5% to 8% (2015: 5% to 6.5%) per annum.

13.2 These have tenure of 1 month to 12 months and carrying mark-up rate from 5.65 % to 9.50% (2015: 5.90% to 7.10%) per annum and will mature between 2 January 2017 and 27 December 2017.

13.3 Cash and cash equivalents comprise of the following:

Shareholders' Fund	Statutory Funds				Aggregate			
	Conventional Business	Accident and Health Business	Non-qualified Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2016	2015	
	(Rupees)							
- cash and others	156,254	-	-	4,607,153	4,567,412	9,338,819	4,731,249	
- cash at bank	68,586,641	162,464,994	167,148	392,428,472	986,551,115	58,382,438	1,668,580,800	
- term deposits with banks	-	-	-	688,000,000	4,845,000,000	31,000,000	4,975,000,000	
	68,742,895	162,464,994	167,148	792,428,472	5,331,551,115	87,349,342	6,652,911,619	
						1,344,480,948		

13.4 Prior year figure of policy stamps in hand of Rs. 4,686 million has been reclassified from prepayments to cash and bank deposits in accordance with the prescribed format given under Securities and Exchange (Insurance) Rules, 2002.

14. LOAN SECURED AGAINST LIFE INSURANCE POLICIES

These loans carry profit rate at 3 month KIDOR plus 4% per annum and are secured against the cash values of the respective policies of the policyholders. These are generally payable within 3 months.

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15. INVESTMENTS

15.1 Investment in Government Securities

Financial assets 'at fair value through profit or loss upon initial recognition' (FVTPL)
Available for sale (AFS)

Note

2016

2015

(Rupees)

15.2

15.3

7,231,682,523 11,314,803,833
263,707,159 373,047,313
7,495,389,682 11,687,851,146

15.3 Fund wise breakup of Government Securities - FVTPL

Shareholders' Fund

Statutory Funds

Aggregate

Note

(Rupees)

	Conventional Business	Accident and Health Business	Non-qualified Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2016	2015
10 Year Pakistan Investment Bonds	-	-	24,704,333	-	-	24,704,333	24,465,131
5 Year Pakistan Investment Bonds	-	-	165,768,359	494,918,828	-	660,687,179	277,481,620
3 Year Pakistan Investment Bonds	-	-	358,469,300	3,582,483,117	-	3,933,972,317	5,657,316,724
12 Month Treasury Bills	-	-	268,389,175	863,857,146	-	1,132,246,323	2,677,537,485
6 Month Treasury Bills	-	-	-	786,697,400	-	786,697,400	2,180,198,673
3 Month Treasury Bills	-	-	-	431,747,513	-	431,747,513	396,674,200
Government of Pakistan (Jarak Sukuk Bonds	-	-	-	-	-	-	-
15.2.1 & 15.4	-	-	892,531,067	6,210,849,000	211,302,456	7,231,682,523	11,314,803,833

15.3.1 Above investments include Rs. 7.02 billion (2015: Rs. 11.314 billion) which are being managed by a related party and also include Rs. 7.12 billion (2015: Rs. 11.13 billion) held in an IPS account maintained with a related party.

15.3 Fund wise breakup of Government Securities - AFS

Shareholders' Fund

Statutory Funds

Aggregate

Note

(Rupees)

	Conventional Business	Accident and Health Business	Non-qualified Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2016	2015
5 Year Pakistan Investment Bonds	89,967,090	-	-	-	-	89,967,090	24,066,098
3 Year Pakistan Investment Bonds	158,851,443	-	-	-	-	158,851,443	156,331,654
12 Month Treasury Bills	-	-	-	-	-	-	37,365,664
6 Month Treasury Bills	14,885,611	-	-	-	-	14,885,611	155,283,897
15.4	158,851,443	14,885,611	-	-	-	263,707,159	373,047,313
Market value of government securities as at 31 December 2016	161,331,989	108,481,729	-	-	-	269,813,717	388,361,975

15.3.1 Includes investments with carrying value of Rs. 101.75 million (face value being Rs. 99 million) deposited with the State Bank of Pakistan in accordance with the requirements laid down in section 29 of the Insurance Ordinance, 2000.

15.3.2 Had the investments classified as available for sale been valued in accordance with the requirements of International Accounting Standard 39, 'Financial Instruments: Recognition and Measurement', their carrying value would have been higher by Rs 5.11 million (2015: higher by Rs. 15.31 million).

15.3.3 Above investments include Rs. 98.89 million (2015: Rs. 273.76 million) held in an IPS account maintained with a related party.

15.4 Particulars of Government Securities

Name of the Investments	Carrying value	Face value	Tenor	Maturity periods	Principal payment	Coupon rate / yield per annum (%)	Coupon payment
Financial assets 'at fair value through profit or loss upon initial recognition'	(Rupees)						
Pakistan Investment Bonds	24,649,872	21,301,877	10 years	July 2010 to July 2020	On maturity	12.00%	Half-yearly
	54,441	50,000	10 years	August 2008 to August 2018	On maturity	12.00%	Half-yearly
	24,704,333	21,351,877					
	270,633,529	251,750,000	5 years	July 2013 to July 2018	On maturity	11.50%	Half-yearly
	390,051,650	350,000,000	5 years	July 2014 to July 2019	On maturity	11.50%	Half-yearly
	660,687,179	601,750,000					
	1,254,587,072	1,220,900,000	3 years	July 2014 to July 2017	On maturity	11.25%	Half-yearly
	151,760,100	150,000,000	3 years	April 2016 to April 2019	On maturity	7.00%	Half-yearly
	2,526,725,145	2,450,000,000	3 years	March 2015 to March 2016	On maturity	8.75%	Half-yearly
	3,921,072,317	3,820,900,000					
Treasury Bills	189,709,203	190,260,000	12 months	January 2016 to January 2017	On maturity	5.89%	-
	297,405,281	400,000,000	12 months	February 2016 to February 2017	On maturity	5.95%	-
	12,444,689	13,000,000	12 months	March 2016 to March 2017	On maturity	5.91%	-
	513,057,310	530,000,000	12 months	July 2016 to July 2017	On maturity	5.84%	-
	19,229,840	20,000,000	12 months	September 2016 to August 2017	On maturity	5.90%	-
	1,122,246,323	1,153,260,000					
	496,287,500	500,000,000	6 Months	August 2016 to February 2017	On maturity	5.89%	-
	290,409,900	300,000,000	6 Months	July 2016 to January 2017	On maturity	5.87%	-
	786,697,400	800,000,000					
	421,844,375	425,000,000	3 Months	November 2016 to February 2017	On maturity	5.93%	-
	9,903,140	10,000,000	3 Months	December 2016 to March 2017	On maturity	6.01%	-
	431,747,515	435,000,000					

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Name of the investments	Carrying value (Rupees)	Face value	Tenor	Maturity periods	Principal payments	Coupon rate / yield per annum (%)	Coupon payment
Government of Pakistan / Punjab Sukuk Bond	51,225,000	50,000,000	3 years	December 2015 to December 2018	On maturity	5.90%	Half-yearly
	4,110,956	4,000,000	3 years	December 2015 to December 2018	On maturity	5.45%	Half-yearly
	94,991,500	92,000,000	3 years	February 2016 to February 2019	On maturity	6.10%	Half-yearly
	112,200,000	110,000,000	3 years	March 2016 to March 2019	On maturity	5.59%	Half-yearly
	<u>262,527,456</u>	<u>256,000,000</u>					
Available for sale							
Pakistan Investment Bonds	24,232,276	25,000,000	5 years	July 2014 to July 2019	On maturity	11.50%	Half-yearly
	63,734,822	65,000,000	5 years	April 2016 to April 2019	On maturity	7.00%	Half-yearly
	<u>89,967,098</u>	<u>90,000,000</u>					
	158,851,443	157,000,000	3 years	July 2014 to July 2017	On maturity	11.25%	Half-yearly
Treasury Bills	14,888,618	15,000,000	6 months	August 2016 to February 2017	On maturity	5.91%	-

15.5 Net unrealized (diminution)/ appreciation on re-measurement of Government Securities 'at fair value through profit or loss upon initial recognition'	2016					
	Shareholders' Fund	Conventional Business	Accident and Health Business	Non-utilised Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business
Market value of investments	-	-	-	809,531,867	6,310,849,888	213,302,456
Less: Carrying value of investment (before revaluation for the year ended 31 December 2016)	-	-	-	(810,443,143)	(6,318,975,839)	(213,354,878)
Recognized in Revenue Account	-	-	-	(911,876)	(8,126,829)	(282,128)

	2015					
	Shareholders' Fund	Conventional Business	Accident and Health Business	Non-utilised Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business
Market value of investments	-	-	-	1,827,306,757	9,487,497,076	-
Less: Carrying value of investment (before revaluation for the year ended 31 December 2015)	-	-	-	(1,818,388,944)	(9,443,111,182)	-
Recognized in Revenue Account	-	-	-	8,917,813	44,385,974	-

15.6 Investment in Fixed Income Securities	Note	2016	2015
		(Rupees)	(Rupees)
Term Finance Certificates	15.7	698,276,202	122,170,643

15.7 Fund wise breakup of term finance certificates	Statutory Fund					
Note	Assets					
	Shareholder's Fund	Conventional Business	Accident and Health Business	Non-utilised Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business
'At fair value through profit or loss upon initial recognition'						
Term-Finance Certificates	15.8	-	-	85,718,931	544,867,771	47,697,508

15.8 Particulars of term finance certificates (TFCs)	Market value as at 31 December	Maturity Year	Tenor (Years)	Profit rate % per annum	Year end applicable rate of profit p.a. - (%)	Profit Payment	Principal repayment
	2016	2015					
	(Rupees)	(Rupees)					
Non-utilised Investment Linked Business							
TFC's - Bank AlQalab Limited			2021	8 years	6 months KIBOR+1.25%	7.28%	Semi-annually
	35,516,118	35,252,166					First 7.5 years - Rs 8017 million per six months and Rs 45,204 million on last 18th installment
TFC's - Habib Bank Limited			2026	10 years	6 months KIBOR+0.5%	6.53%	Semi-annually
	58,194,713	-					First 9 years - Rs 801 million per six months and Rs 49,82 million per six months during the 10th year
	<u>85,718,931</u>	<u>35,252,166</u>					
Unit Linked Business							
TFC's - Bank AlQalab Limited			2021	8 years	6 months KIBOR+1.25%	7.28%	Semi-annually
	87,583,784	86,918,477					First 7.5 years - Rs 8017 million per six months and Rs 45,204 million on last 18th installment
TFC's - Bank Al Habib Limited			2026	10 years	6 months KIBOR+0.7%	6.75%	Semi-annually
	53,603,670	-					First 9 years - Rs 801 million per six months and Rs 27,381 million per six months during the 10th year
TFC's - Askari Bank Limited			2024	10 years	6 months KIBOR+1.2%	7.26%	Semi-annually
	58,884,260	-					First 9 years - Rs 801 million per six months and Rs 176,378 million per six months during the 10th year
TFC's - Habib Bank Limited			2026	10 years	6 months KIBOR+0.5%	6.53%	Semi-annually
	348,796,857	-					First 9 years - Rs 807 million per six months and Rs 176,378 million per six months during the 10th year
	<u>544,867,771</u>	<u>86,918,477</u>					

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Individual Family Takaful Unit Linked Business

Sabuk - Mezzan Bank Limited

2016 10 years 6 months 6.56% Semi-annually On maturity
KIBOR+0.5%

67,697,500

15.9 Net unrealised appreciation / (disappointment) on re-measurement of term finance certificates 'at fair value through profit or loss upon initial recognition'

	2016					
	Shareholders' Fund	Conventional Business	Accident and Health Business	Non-utilised Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business
	(Rupees)					
Market value of investments	-	-	-	85,718,931	544,847,771	67,697,500
Less: Carrying value of investment (before revaluation for the year ended 31 December 2016)	-	-	-	(85,218,304)	(542,885,154)	(67,627,969)
Recognised in Revenue Account	-	-	-	483,427	1,962,927	69,531
	2015					
	Shareholders' Fund	Conventional Business	Accident and Health Business	Non-utilised Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business
	(Rupees)					
Market value of investments	-	-	-	15,252,166	86,918,477	-
Less: Carrying value of investment (before revaluation for the year ended 31 December 2015)	-	-	-	(14,374,685)	(84,768,736)	-
Recognised in Revenue Account	-	-	-	877,481	2,149,741	-

15.10 Investments in listed equity securities and units of mutual funds

	Shareholders' Fund	Statutory Funds				Aggregate	
		Conventional Business	Accident and Health Business	Non-utilised Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2016 2015
Financial assets 'at fair value through profit or loss upon initial recognition' (FVTPL) - note 15.11	1,644,202	-	-	623,616,672	5,592,186,978	81,237,368	6,298,687,228
Available for sale (AFS) - note 15.12	72,138,822	26,098,576	-	5,549,934	-	-	183,787,332
	73,783,024	26,098,576	-	629,166,606	5,592,186,978	81,237,368	6,482,474,560

15.11 Breakup of listed equity securities and units of mutual funds - FVTPL

	Note	Shareholders' Fund	Statutory Funds				Aggregate	
			Conventional Business	Accident and Health Business	Non-utilised Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2016 2015
			(Rupees)					
Listed equity securities	15.14	1,644,202	-	-	381,877,345	2,730,416,426	-	3,113,939,973
Units of open-end mutual funds	15.14	-	-	-	241,739,277	2,861,770,552	81,237,368	3,184,747,247
		1,644,202	-	-	623,616,622	5,592,186,978	81,237,368	6,298,687,228

15.12 Breakup of listed equity securities and units of mutual funds - AFS

	Note	Shareholders' Fund	Statutory Funds				Aggregate	
			Conventional Business	Accident and Health Business	Non-utilised Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2016 2015
Listed equity securities	15.14	18,343,222	-	-	5,549,934	-	-	23,893,156
Units of open-end mutual funds	15.14	53,822,098	26,098,576	-	-	-	-	79,920,674
		72,165,322	26,098,576	-	5,549,934	-	-	103,813,732
Provision for impairment in the value of available for sale		*(26,400)	-	-	-	-	-	(26,400)
		72,138,922	26,098,576	-	5,549,934	-	-	103,787,332
Market value of listed equity securities and units of mutual fund securities as at 31 December 2016	15.14.1, 15.14.2 & 15.14.3	99,550,608	26,599,358	-	6,610,764	-	-	132,760,730

* against the shares of Kot Addu Power Company Limited.

15.12.1 Had the investment in available for sale securities been valued in accordance with the requirements of International Accounting Standard 39, 'Financial Instruments: Recognition and Measurement', the carrying value of the above mentioned investments would have been higher by Rs. 30.88 million (2015: Rs. 11.015 million).

15.13 Net unrealised (disappointment)/ appreciation on re-measurement of listed equity securities and open-end mutual funds 'at fair value through profit or loss upon initial recognition'

	2016					
	Shareholders' Fund	Conventional Business	Accident and Health Business	Non-utilised Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business
	(Rupees)					
Market value of investments	1,644,202	-	-	623,616,672	5,592,186,978	72,437,382
Less: Carrying value of investment (before revaluation for the year ended 31 December 2016)	(1,897,990)	-	-	(556,889,872)	(4,715,152,889)	(64,000,000)
Recognised in profit and loss account / revenue account	(253,788)	-	-	86,726,800	877,034,089	8,437,381
	2015					
	Shareholders' Fund	Conventional Business	Accident and Health Business	Non-utilised Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business
	(Rupees)					
Market value of investments	1,897,990	-	-	237,882,157	1,527,084,461	-
Less: Carrying value of investment (before revaluation for the year ended 31 December 2015)	(1,043,557)	-	-	(229,755,678)	(1,531,257,867)	-
Recognised in profit and loss account / revenue account	854,433	-	-	8,126,829	(4,273,406)	-

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15.14 Particulars of listed equity securities and open-end mutual funds

The Company has made investment in the ordinary shares of listed companies and the units of certain mutual funds. The face value of the ordinary shares are of Rs. 10 each except in case of K-Electric Limited, whereas the face value is Rs. 3.5 each.

The relevant details of these investments are as follows:

		Note	2016			2015		
			Number of shares / units	Cost	Market value	Number of shares / units	Cost	Market value
			(Rupees)			(Rupees)		
15.14.1	Shareholders' fund							
a. Financial assets 'at fair value through profit or loss upon initial recognition'								
Shares of Listed Companies								
	Arif Habib Corporation Limited		36,300	1,855,293	1,597,200	36,300	1,427,436	1,855,293
	Askari Bank Limited		1,964	42,697	49,002	1,964	31,515	42,697
				1,897,990	1,646,202		1,458,951	1,897,990
b. Available for sale								
Shares of Listed Companies								
	Pakistan Petroleum Limited		36	3,161	4,774	36	3,161	4,385
	National Bank of Pakistan		79,062	2,989,740	5,928,963	79,062	2,989,740	4,272,510
	Fatimah Fertilizer Company Limited - Dividend in Specie		9,000	-	332,810	9,000	-	402,570
	Fauji Fertilizer Company Limited		37,500	2,048,530	3,913,875	37,500	2,048,530	4,424,250
	Pakistan Oil Fields Limited		500	134,810	267,310	500	212,163	134,010
	Habib Bank Limited		25,773	2,499,859	7,042,472	25,773	2,499,859	5,157,693
	United Bank Limited		29,400	2,500,164	7,023,660	29,400	2,500,163	4,555,530
	K-Electric Limited		130,000	967,201	1,218,100	130,000	975,072	967,200
	Nishat Power Limited		40,000	2,054,805	2,563,600	40,000	2,054,805	2,147,200
	Kot Addu Power Company Limited		12,000	973,000	945,600	12,000	981,978	972,000
	Saif Power Limited		25,000	818,752	889,000	25,000	959,484	818,753
	Attock Cement Limited		20,000	3,355,000	6,725,300	20,000	3,723,824	3,355,000
	Aisha Steel Mills (Conv't Preference Shares)		3,300	-	51,909	3,300	-	27,291
				18,343,322	36,908,463		18,948,779	27,238,392
Units of Open end Mutual Funds								
	ABL Government Securities Fund		772,068	7,737,367	7,894,936	717,602	7,193,682	7,498,725
	Meezan Balanced Fund		959,609	15,403,975	17,512,873	1,366,120	20,000,000	20,355,191
	Meezan Islamic Fund		89,929	5,229,552	7,489,280	86,460	5,000,000	5,183,293
	MCB Pakistan Asset Allocation Fund - related party		335,529	28,451,106	29,752,856	324,418	25,000,000	24,979,010
				53,822,000	62,649,945		57,193,682	58,016,219
				72,165,222	99,550,408		76,144,461	85,254,611
15.14.2	Conventional business							
Available for sale								
Units of Open end Mutual Funds								
	MCB Pakistan Income Enhancement Fund - related party		198,375	10,509,928	10,738,060	183,891	10,000,000	10,216,991
	MCB Pakistan Asset Allocation Fund - related party		200,410	15,588,648	17,771,299	193,774	15,000,000	14,919,894
				26,098,576	28,509,359		25,000,000	25,136,885
15.14.3	Non-utilised investment linked business							
a. Financial assets 'at fair value through profit or loss upon initial recognition'								
Units of Open end Mutual Funds								
	MCB Pakistan Stock Market Fund - related party		1,595,883	143,323,119	178,978,301	-	-	-
	MCB Pakistan Islamic Stock Fund - related party		4,680,173	60,000,000	62,761,026	-	-	-
	MCB Dynamic Cash Fund - related party		-	-	-	426,322	46,036,509	46,601,084
	Metrobank-Pakistan Sovereign Fund - related party		-	-	-	3,462,102	183,699,072	191,283,073
				203,323,119	241,739,327		229,735,581	237,882,157
b. Available for sale								
Shares of Listed Companies								
	Habib Bank Limited		33,034	5,549,934	6,610,764	33,034	5,549,934	6,610,764
c. Financial assets 'at fair value through profit or loss upon initial recognition'								
Shares of Listed Companies								
	Abbott Laboratories (Pakistan) Limited		100,000	85,000,000	95,709,000	-	-	-
	Engro Fertilizers Limited		1,000,000	62,784,070	67,980,000	-	-	-
	Kot Addu Power Company Limited		1,670,000	117,067,475	131,596,000	-	-	-
	Nishat Chunian Limited - associated undertaking	15.16	200,000	11,400,000	12,486,000	-	-	-
	Sui Northern Gas Pipelines Limited - associated undertaking	15.16	908,500	67,315,170	74,106,345	-	-	-
				383,566,715	381,877,345		-	-

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15.14.4 Unit linked business

a. Financial assets 'at fair value through profit or loss upon initial recognition'

Shares of Listed Companies

	Note	2016			2015		
		Number of shares / units	Cost	Market value	Number of shares / units	Cost	Market value
			(Rupees)			(Rupees)	
Pakistan Petroleum Limited		890	125,698	158,544	18,300	3,080,000	2,253,483
HUB Power Company Limited		1,133,780	139,683,719	139,989,376	29,000	2,283,637	2,975,400
Maple Leaf Cement Factory Limited		813,580	100,068,611	103,786,330	25,000	1,106,250	1,864,500
Packages Limited		35,400	36,438,194	30,091,770	4,000	2,358,290	2,328,440
Attock Petroleum Limited		-	-	-	2,800	1,510,824	1,414,336
Lucky Cement Limited		297,850	217,106,704	258,015,541	900	450,252	445,536
Kot Addu Power Company Limited		2,389,000	186,661,180	188,253,200	-	-	-
Pakistan Suzuki Motors Company Limited		-	-	-	3,400	1,261,808	1,684,020
Engro Corporation Limited		202,800	67,614,865	64,183,052	6,300	1,865,626	1,760,157
Fauji Foods Limited (Non-Voting)		3,000	208,164	287,600	-	-	-
Pak Elektron Limited		917,500	63,778,425	65,399,400	-	-	-
Crescent Steel & Allied Products		58,500	8,439,784	9,819,530	-	-	-
Sui Southern Gas Company Limited		500,000	21,643,250	18,178,000	-	-	-
Sui Northern Gas Pipelines Limited - associated undertaking	15.16	764,000	57,704,963	62,319,480	-	-	-
Dawood Hercules Corporation Limited		50,000	7,351,055	7,216,500	-	-	-
D.G. Khan Cement Company Limited - associated undertaking	15.16	20,000	3,687,264	4,434,600	-	-	-
Fauji Foods Limited		60,000	5,184,093	5,328,200	-	-	-
Haseol Petroleum Limited		30,000	10,108,670	10,125,600	-	-	-
Mari Petroleum Company Limited		98,850	96,007,906	134,809,927	-	-	-
Oil & Gas Development Company Limited		1,003,700	146,424,173	165,961,795	-	-	-
Pakistan Cables Limited		10,000	2,692,493	3,499,400	-	-	-
Pakistan National Shipping Corporation		40,000	6,378,355	6,455,200	-	-	-
Service Industries Limited		2,000	3,109,897	2,994,220	-	-	-
Summit Bank Limited		50,000	225,000	220,000	-	-	-
Pace (Pakistan) Limited		50,000	610,866	564,000	-	-	-
MCB Bank Limited - associated undertaking	15.16	1,042,200	226,433,171	247,856,004	-	-	-
Dewan Cement Limited		282,580	10,579,118	11,028,800	-	-	-
Engro Polymer & Chemicals Limited		250,000	4,076,530	4,615,800	-	-	-
Fauji Fertilizer Company Limited		202,700	21,226,692	20,639,306	-	-	-
International Industries Limited		260,000	49,334,780	52,969,800	-	-	-
International Steels Limited		17,500	1,593,675	1,718,275	-	-	-
Nishat (Chunian) Limited - associated undertaking	15.16	25,000	1,812,750	1,568,750	-	-	-
Aisha Steel Limited		50,000	834,455	786,580	-	-	-
Systems Limited		433,500	31,042,615	36,674,100	-	-	-
Murree Brewery Company Limited		8,000	6,238,747	7,421,440	-	-	-
K-Electric Limited		5,547,500	46,531,023	51,980,075	-	-	-
Mughal Iron & Steel Industries		262,000	21,871,632	23,097,928	-	-	-
National Bank of Pakistan		1,400,000	97,307,965	104,846,080	-	-	-
Pakistan Telecommunication Company Limited		500	8,784	8,590	-	-	-
Attock Refinery Limited		163,200	63,762,607	69,408,960	-	-	-
Avanceon Limited		470,000	16,668,725	16,379,500	-	-	-
Faysal Bank Limited		600,000	12,734,080	13,068,080	-	-	-
NetSol Technologies Limited		716,500	42,485,610	38,891,620	-	-	-
National Refinery Limited		80,000	48,503,571	45,689,600	-	-	-
GlaxoSmithKline (Pakistan) Limited		10,000	2,371,237	2,333,000	-	-	-
Fauji Cement Company Limited		-	-	-	22,000	568,480	810,040
Engro Fertilizers Limited		2,896,000	192,837,386	196,870,080	18,000	1,405,800	1,514,340
Habib Metropolitan Bank Limited		-	-	-	200,000	7,460,000	6,094,000
United Bank Limited		642,700	134,597,882	153,541,038	-	-	-
Indus Motors Company Limited		2,500	3,980,510	4,036,325	1,300	1,524,000	1,315,184
ICI Pakistan Limited		4,500	4,387,270	4,471,785	2,200	888,800	1,064,844
Pakistan Oilfields Limited		189,600	73,591,592	101,363,952	5,000	1,821,551	1,340,100
Pakistan State Oil Company Limited		242,400	98,701,822	105,252,584	5,000	2,013,390	1,628,850
Amreli Steels Limited		599,500	41,372,990	39,936,215	8,864	452,064	532,460
Honda Atlas Cars (Pakistan) Limited		2,000	1,206,323	1,337,280	7,500	1,931,504	1,792,050
Habib Bank Limited		335,000	80,852,041	91,538,750	158,793	26,678,290	31,777,656
			<u>2,506,854,752</u>	<u>2,730,416,426</u>		<u>58,658,366</u>	<u>62,595,398</u>

Units of Open end Mutual Funds

Metrobank-Pakistan Sovereign Fund - related party	-	-	-	9,999,526	536,386,734	552,477,395
MCB Pakistan Stock Market Fund - related party	15,289,490	1,232,206,929	1,785,717,325	7,497,526	608,253,831	600,848,017
MCB Pakistan Islamic Stock Fund - related party	46,670,326	462,070,710	625,849,884	28,252,889	288,500,000	270,603,160
MCB Islamic Income Fund - related party	104,431	10,695,000	10,799,415	368,054	36,986,945	37,966,164
Allah GHP Money Market Fund (formerly IGI Money Market Fund)	26,553	2,744,876	2,680,934	25,019	2,626,929	2,594,327
Faysal Saving Growth Fund	2,971,480	302,080,621	307,191,548	-	-	-
Faysal Islamic Savings Growth Fund- Type B Growth Units	14,489	1,500,000	1,501,157	-	-	-
Faysal MTS Fund - Type B Growth Units	9,879	1,000,000	1,004,149	-	-	-
Pakistan International Element Islamic Asset Allocation Fund - related party	2,032,118	158,000,000	159,480,621	-	-	-
Faysal Balanced Growth Fund - Type B Growth Units	319,328	22,000,000	23,273,629	-	-	-
Faysal MTS Fund - Type B Growth Units	39,518	4,000,000	4,071,923	-	-	-
Faysal Income & Growth Fund - Type B Growth Units	93,650	18,000,000	18,006,556	-	-	-
Faysal Asset Allocation Fund - Type B Growth Units	134,608	18,000,000	18,195,181	-	-	-
		<u>2,208,298,136</u>	<u>2,861,770,552</u>		<u>1,472,754,439</u>	<u>1,464,489,063</u>
		<u>4,715,152,888</u>	<u>5,592,186,978</u>		<u>1,531,413,005</u>	<u>1,527,084,461</u>

15.14.5 Individual Family Takaful Unit Linked Business

Units of Open end Mutual Funds

Meezan Islamic Fund	138,541	10,000,000	11,537,663	-	-	-
Meezan Balanced Fund	482,191	8,799,986	8,799,986	-	-	-
Nafa Islamic Stock Fund	667,235	9,000,000	9,952,144	-	-	-
Nafa Islamic Energy Fund	721,483	9,000,000	10,125,586	-	-	-
MCB Pakistan Islamic Stock Fund - related party	746,888	9,000,000	10,015,768	-	-	-
ABL Islamic Stock Fund	589,229	9,000,000	10,292,748	-	-	-
NIT - Islamic Equity Fund	800,712	9,000,000	10,273,132	-	-	-
Atlas Islamic Stock Fund	16,854	9,000,000	10,240,321	-	-	-
		<u>72,799,986</u>	<u>81,237,368</u>		-	-

15.15 Movement in investment

	Shareholders' Fund		Conventional Business	Accident and health	Non-united Investment Linked business		Unit Linked Business		Individual Family Takaful Unit Linked Business	Aggregate	
										2016	2015
	At fair value through profit or loss upon initial recognition	Available for sale	Available for sale	Available for sale	At fair value through profit or loss upon initial recognition	Available for sale	At fair value through profit or loss upon initial recognition	Available for sale	At fair value through profit or loss upon initial recognition		
(Rupees)											
As at 1 January 2016	1,897,990	239,915,929	176,436,719	91,814	2,108,441,078	5,549,934	11,101,500,016	57,840,658	-	13,682,874,138	8,099,714,365
Movement during the year:											
Additions	-	237,116,671	205,735,122	-	7,866,252,982	-	50,503,049,842	-	399,275,706	59,211,430,323	23,984,338,401
Disposals / maturity	-	(246,857,190)	(254,021,408)	(94,716)	(8,526,690,128)	-	(50,269,436,135)	(57,424,957)	(47,065,043)	(59,401,589,577)	(18,454,019,064)
Amortisation of discount/ (premium) on government securities	-	841,255	3,115,740	2,902	12,556,387	-	138,900,189	384,299	(198,132)	155,602,640	(7,491,423)
Provision for impairment in value of investments	-	(26,400)	(311,881)	-	-	-	-	-	-	(338,281)	(706,654)
Unrealised (loss)/ gain on revaluation	(251,788)	-	-	-	66,298,351	-	873,889,837	-	8,224,793	948,161,193	61,038,513
As at 31 December 2016	1,646,202	230,990,265	130,954,292	-	1,518,858,670	5,549,934	12,347,903,749	-	360,237,324	14,596,140,436	13,682,874,138

15.16 The Company during the year made investments in certain associated companies. Special resolutions were adopted and investments made were ratified by the shareholders after the investments, in their meetings held on 26 November 2016 and 10 March 2017.

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16. DEFERRED TAXATION

2016 2015

(Rupees)

Taxable temporary differences arising on:

- difference between accounting book value of operating fixed assets and the tax base

813,120 715,898

16.1 Charge of Rs. 0.097 million (2015: Rs. 1.895 million) has been recognised in the profit and loss account (refer note 22).

17. PREMIUMS DUE BUT UNPAID

Note	Statutory Funds					Aggregate	
	Conventional Business	Accident and Health Business	Non-united Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2016	2015
(Rupees)							
Considered good							
Due from related parties	14,907,262	-	-	-	-	14,907,262	6,451,655
Due from others	20,703,131	-	-	-	-	20,703,131	17,823,528
	35,610,393	-	-	-	-	35,610,393	24,275,183
Considered doubtful							
Due from others	17.2 6,846,520	-	-	-	-	6,846,520	4,909,772
	42,456,913	-	-	-	-	42,456,913	29,184,955
Provision for bad and doubtful debts	17.2 (6,846,520)	-	-	-	-	(6,846,520)	(4,909,772)
Net premium due but unpaid	35,610,393	-	-	-	-	35,610,393	24,275,183

17.1 The trade debts amounting to Rs. 0.977 million (2015: Rs. 0.150 million) are receivable from the related parties that are past due but not impaired. These are due between 90 to 180 days and 180 to 365 days, respectively amounting to Rs. 0.486 million and Rs. 0.491 million (2015: Rs. 0.064 million and Rs. 0.086 million). Total amount due from them is Rs. 14.9 million (2015: 6.4 million). The remaining balance of Rs. 13.9 million is for a period less than 90 days (2015: Rs. 6.3 million).

17.2 Movement in provision of bad and doubtful debts:

Note 2016 2015
(Rupees)

Opening balance	4,909,772	-
Charge for the year	1,936,748	4,909,772
Closing balance	29.2.1.2 6,846,520	4,909,772

18. ACCRUED INCOME ON INVESTMENTS, ADVANCE & DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

18.1 Accrued income on investments

Note	Shareholders'	Statutory Funds					Aggregate	
	Fund	Conventional Business	Accident and Health Business	Non-united Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2016	2015

18.2 Advances and deposits

Note	Shareholders'	Statutory Funds					Aggregate	
	Fund	Conventional Business	Accident and Health Business	Non-united Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2016	2015
					</			

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18.2.1 These represents IPO subscription advance for participating in privately placed sukuk of Fatima Fertilizer Limited and term finance certificates of Bank of Punjab. The terms of the investments are as follows:

Particulars of Sukuk and Term Finance Certificates (TFCs)	Face value (Rupees)	Market value as at 15 March 2017 (Rupees)	Maturity (Years)	Tenor (Years)	Rate of profit per annum (%) (of the instrument)	Profit payment	Principal repayment
Non-utilised Investment							
Linked Business							
Sukuk - Fatima Fertilizer Company Limited	90,000,000	92,254,140	28 Nov 2016 to 28 Nov 2021	5 years	6 months KIBOR+1.1%	Semi-annually	Rs. 9 million per six months
Unit Linked Business							
Sukuk - Fatima Fertilizer Company Limited	835,000,000	855,913,410	28 Nov 2016 to 28 Nov 2021	5 years	6 months KIBOR+1.1%	Semi-annually	Rs. 9 million per six months
TFCs - The Bank of Punjab	255,000,000	257,368,185	23 Dec 2016 to 23 Dec 2026	10 years	6 months KIBOR+1%	Semi-annually	First 9 years - Rs. 0.218 million per six months and Rs. 543.04 million per six months during the 10th year.
	1,090,000,000	1,113,281,595					

Subsequent to the year-end, instruments against the above advances were received by the Company.

18.3 Prepayments

Note	Shareholders'	Statutory Funds					Aggregate	
		Fund	Conventional Business	Accident and Health Business	Non-utilised Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2016
(Rupees)								
Rentals	29,903,540	-	-	-	-	-	29,903,540	25,551,652
Information Technology	5,629,910	-	-	-	-	-	5,629,910	2,343,116
Office maintenance	68,134	-	-	-	-	-	68,134	45,940
Fees and subscription	1,053,748	-	-	-	-	-	1,053,748	1,049,350
CDC charges	400,000	-	-	-	-	200,000	600,000	-
Vehicle and other insurance	-	-	-	-	-	-	-	68,233
13.4	37,055,332	-	-	-	-	200,000	37,255,332	29,058,291

18.4 Other receivables

In respect of the shareholders fund, this includes Rs. 4 million due from an insurance company regarding joint sponsorship. In respect of Unit Linked Business, the balance of Rs. 9.851 million represent the amount due against the sale of listed equity shares, which were received subsequent to the year-end.

19.	FIXED ASSETS	Note	2016	2015
			(Rupees)	
	Tangible	19.1	72,494,716	54,385,832
	Capital work in progress	19.2	513,535	-
	Intangible assets	19.3	52,878,323	16,330,161
			<u>125,886,574</u>	<u>70,715,993</u>

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19.1 Tangible assets

	2016									
	Cost				Rate %	Depreciation				Written Down Value as at 31 December 2016
	As at 1 January 2016	Additions	(Disposals)	As at 31 December 2016		As at 1 January 2016	For the year	(Disposals)	As at 31 December 2016	
	(Rupees)									
Office equipments	16,520,210	4,925,736	(59,063)	21,386,883	20%	6,851,814	3,065,079	(35,930)	9,880,963	11,505,920
Computer and related equipments	50,713,620	17,131,687	(1,581,232)	66,264,075	33.33%	35,932,830	11,370,726	(1,581,232)	45,722,324	20,541,751
Furniture and fixtures	42,480,616	11,765,077	(164,635)	54,081,058	14.3%	19,007,472	6,283,097	(164,635)	25,045,934	29,835,124
Leasehold improvements (rented premises)	-	7,654,830	-	7,654,830	14.3%	-	171,867	-	171,867	7,482,963
Motor vehicles	10,366,673	-	(2,128,950)	8,237,723	20%	3,903,171	1,931,405	(1,525,811)	4,308,765	3,928,958
	<u>120,081,119</u>	<u>41,477,330</u>	<u>(3,933,888)</u>	<u>157,624,569</u>		<u>65,695,287</u>	<u>22,742,174</u>	<u>(3,387,688)</u>	<u>85,129,853</u>	<u>72,494,716</u>
2015										
	Cost				Rate %	Depreciation				Written Down Value as at 31 December 2015
	As at 1 January 2015	Additions	(Disposals)	As at 31 December 2015		As at 1 January 2015	(For the year)	Disposals	As at 31 December 2015	
	(Rupees)									
Office equipments	11,088,181	5,545,429	(113,400)	16,520,210	20%	4,282,096	2,615,708	(45,990)	6,851,814	9,668,396
Computer and related equipments	43,210,821	7,882,359	(379,560)	50,713,620	33.33%	25,841,534	10,367,868	(276,572)	35,932,830	14,780,790
Furniture and fixtures	30,464,918	13,006,498	(990,800)	42,480,616	14.3%	14,050,313	5,535,151	(577,992)	19,007,472	23,473,144
Motor vehicles	12,269,526	291,487	(2,194,340)	10,366,673	20%	2,671,220	2,026,295	(794,344)	3,903,171	6,463,502
	<u>97,033,446</u>	<u>26,725,773</u>	<u>(3,678,100)</u>	<u>120,081,119</u>		<u>46,845,163</u>	<u>20,545,022</u>	<u>(1,694,898)</u>	<u>65,695,287</u>	<u>54,385,832</u>

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

	Note	2016	2015
		(Rupees)	(Rupees)
Depreciation expense not related to Statutory Funds	20	730,809	646,737
Depreciation expense related to Statutory Funds		16,320,779	16,160,391
Depreciation expense related to Takaful Funds		746,682	-
Depreciation expense related to Branch overheads	21	4,943,904	3,737,894
		<u>22,742,174</u>	<u>20,545,022</u>

19.2 This represents advance given to contractor for leasehold improvements.

19.3 Intangible Assets

	2016									
	Cost				Rate %	Amortisation				Written Down Value as at 31 December 2016
	As at 1 January 2016	Additions	(Disposals)	As at 31 December 2016		As at 1 January 2016	For the year	(Disposals)	As at 31 December 2016	
	(Rupees)									
Computer Softwares	49,985,568	49,816,853	-	99,802,421	20%	33,655,407	13,268,691	-	46,924,098	52,878,323
	<u>49,985,568</u>	<u>49,816,853</u>	<u>-</u>	<u>99,802,421</u>		<u>33,655,407</u>	<u>13,268,691</u>	<u>-</u>	<u>46,924,098</u>	<u>52,878,323</u>
	2015									
	Cost				Rate %	Amortisation				Written Down Value as at 31 December 2015
	As at 1 January 2015	Additions	(Disposals)	As at 31 December 2015		As at 1 January 2015	For the year	(Disposals)	As at 31 December 2015	
	(Rupees)									
Computer Softwares	36,767,854	13,217,714	-	49,985,568	20%	28,276,468	5,378,939	-	33,655,407	16,330,161
	<u>36,767,854</u>	<u>13,217,714</u>	<u>-</u>	<u>49,985,568</u>		<u>28,276,468</u>	<u>5,378,939</u>	<u>-</u>	<u>33,655,407</u>	<u>16,330,161</u>

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19.3.1 The amortisation charge for the year has been allocated as follows:

	Note	2016 (Rupees)	2015
Amortisation expense not related to Statutory Funds	20	590,284	237,962
Amortisation expense related to Statutory Funds		12,102,817	5,140,977
Amortisation expense related to Takaful Funds		430,345	-
Amortisation expense related to Branch overheads	21	145,245	-
		<u>13,268,691</u>	<u>5,378,939</u>

19.4 Disposals / write-off of fixed assets

Disposal of fixed assets during the year having net book value of Rs. 50,000 and above are as follows:

	Cost	Accumulated depreciation	Net Book value (Rupees)	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of buyers
Motor vehicle	2,128,950	(1,525,811)	603,139	1,024,557	421,418	Company policy	Mr. Asad Zaidi (Ex- Employee)
	<u>2,128,950</u>	<u>(1,525,811)</u>	<u>603,139</u>	<u>1,024,557</u>	<u>421,418</u>		

Disposal of fixed assets during the year having net book value not exceeding Rs. 50,000 each are as follows:

	Cost	Accumulated depreciation	Net Book value (Rupees)	Sale proceeds	Gain/ (Loss) on disposal
Computer equipments	1,581,232	(1,581,232)	-	48,195	48,195
Furniture and fixtures	164,635	(164,635)	-	42,000	42,000
Office and other equipments	59,063	(35,930)	23,133	6,010	(17,123)
	<u>1,804,930</u>	<u>(1,781,797)</u>	<u>23,133</u>	<u>96,205</u>	<u>73,072</u>
Total	<u>3,933,880</u>	<u>(3,307,608)</u>	<u>626,272</u>	<u>1,120,762</u>	<u>494,490</u>

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20. EXPENSES NOT ATTRIBUTABLE TO STATUTORY FUNDS	Note	2016	2015
		(Rupees)	
Salaries allowance and other benefits		18,763,563	14,344,316
Information technology		996,077	957,712
Rent		1,975,294	1,259,792
Marketing		417,773	168,969
Advertisement and publicity		69,938	26,852
Car fuel and maintenance		229,095	198,270
Utilities		478,091	478,067
Fee and subscription		239,258	244,367
Depreciation	19.1.1	730,809	646,737
Amortisation	19.3.1	590,284	237,962
Printing and stationery		347,794	260,671
Postage and courier		571,662	79,323
Office maintenance		912,380	1,063,055
Auditor's remuneration	27.1	439,635	188,512
Legal and professional		2,280,940	2,499,191
Travelling		300,825	461,849
Entertainment		172,567	124,258
Insurance		387,549	93,536
Bank charges		163,275	27,482
Workers Welfare Fund		40,747	84,892
Training and development		12,179	6,527
Others		294,909	29,231
		30,414,644	23,481,571

20.1 The above expenses represent allocation in accordance with the advice of the appointed actuary as approved by the Board of Directors.

21. **BRANCH OVERHEADS - Unit Linked Business**

Override and incentives		15,088,082	11,613,142
Administrative Expenses			
Salaries allowance and other benefits		41,619,259	25,658,667
Information technology		1,505,061	658,490
Rent		11,549,369	9,483,244
Marketing		9,092,007	7,269,709
Advertisement and publicity		77,630	159,650
Car fuel and maintenance		3,219,495	1,711,231
Utilities		3,964,367	3,006,673
Depreciation	19.1.1	4,943,904	3,737,894
Amortisation	19.3.1	145,245	-
Printing and stationery		928,352	837,338
Office maintenance		5,077,329	3,905,743
Travelling		1,025,003	650,576
Entertainment		1,262,863	792,608
Insurance		255,862	139,215
Bank charges		161,646	277,034
Training and development		2,770,800	1,839,671
Legal and professional charges		95,000	40,373
Postage and courier		217,570	102,688
Others		-	313,851
		87,910,762	60,584,655

Branch Overheads - Total

102,998,844	72,197,797
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22. OTHER INCOME

This includes an amount of Rs. 8.19 million, income from the sale of a software to an insurance company.

23. TAXATION

Note

2016

2015

(Rupees)

Current

- for the year

554,435

1,117,928

- for prior year

132,712

275,743

Deferred

16

97,222

1,894,573

23.1

784,369

3,288,244

23.1 Relationship between tax expense and accounting profit

Profit before taxation

1,962,055

4,159,696

Tax at applicable rate of 31% (2015: 32%)

608,237

1,331,103

Tax effect on unrealised diminution / appreciation in the value of quoted securities

86,238

(72,923)

Prior year

132,712

275,743

Income charged at lower rate / exempted income

Impact of reduced tax rate

(42,818)

(995,961)

Tax impact of dividend income

-

(547,821)

Deferred tax not recorded

-

3,298,103

Tax charge for the year

784,369

3,288,244

23.2 Tax Contingencies

Return of income has been filed for the tax year 2016, which is deemed to be assessed unless selected for audit or otherwise by the taxation authorities. Assessments of the Company has been finalised up to tax year 2015.

For tax years 2011, 2012 and 2013, tax authorities have issued an orders under section 221 of Income Tax Ordinance, 2001 (the Ordinance) raising tax demand of Rs. 2.63 million, Rs. 3.04 million and Rs. 2.19 million respectively for these years primarily on the ground of charging WWF under sections 4(4) of the WWF Ordinance, 1971 and full tax credits of tax paid / deducted not allowed due to non verification of tax challans. The Company has filed an appeal against these orders with the Commissioner Inland Revenue - Appeals (CIR(A)). However, CIR(A) has maintained the levy and disposed off the Company's appeal. Now the Company has further filed an appeal against CIR (A) orders which is pending before the Appellate Tribunal Inland Revenue (ATIR). However, based on consultations with the tax advisor, the management considers that the Company has enough grounds for success in appeal before the appellate authorities and the management is confident that the outcome of the appeals would be in their favour. Hence, no provision has been made in these financial statements against the aforesaid tax demand.

24. BASIC AND DILUTED EARNINGS PER SHARE

2016

2015

(Rupees)

Profit for the year

1,177,686

871,452

Weighted average number of ordinary shares outstanding at year end

93,549,400

93,549,400

Earnings per share - basic and diluted

0.01

0.01

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25. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amount charged in the financial statements for remuneration, including all benefits to the Chief Executive and executives of the Company are as follows:

	2016		2015	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees)			
Managerial remuneration including bonus	59,766,012	53,695,125	57,244,069	46,605,107
House rent allowance	4,898,376	21,478,101	5,490,375	16,303,013
Utilities	881,741	5,369,489	675,065	4,075,754
Medical expenses	-	3,625,549	-	1,552,500
Incentive payments and other allowances	3,308,268	23,831,364	1,772,400	10,942,283
	<u>68,854,397</u>	<u>107,999,628</u>	<u>65,181,909</u>	<u>79,478,657</u>
Number of persons	<u>1</u>	<u>42</u>	<u>1</u>	<u>37</u>

Remuneration to Chief Executive is inclusive of running cost of Company maintained vehicle and furnished accommodation. In addition, certain executives are provided with free use of Company maintained vehicles in accordance with Company policy.

26. NUMBER OF EMPLOYEES AND AVERAGE NUMBER OF EMPLOYEES

Number of employees

- Permanent employees
- Contractual employees
- Outsourced employees

2016
2015
(Numbers)

248	195
252	1
26	18
<u>526</u>	<u>214</u>

Average number of employees

<u>392</u>	<u>199</u>
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27. AUDITORS' REMUNERATION

Note

2016
2015
(Rupees)

Audit fees	1,300,000	1,160,000
Shariah compliance audit - window takaful operations	350,000	-
Fees for other certifications and services	1,970,000	265,000
Out of pocket expenses	331,488	195,747
	<u>3,951,488</u>	<u>1,620,747</u>

27.1 The auditors' remuneration for the year has been allocated as follows:

Not related to statutory fund	20	439,635	188,512
Related to statutory fund		<u>3,511,853</u>	<u>1,432,235</u>
		<u>3,951,488</u>	<u>1,620,747</u>

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28. FINANCIAL INSTRUMENTS BY CATEGORY

	At fair value through profit or loss	Available for sale	Held to maturity	Loans and receivables	Aggregate	
					2016	2015
Financial Assets	(Rupees)					
Cash and bank deposits						
Cash and others	-	-	-	9,330,819	9,330,819	4,731,249
Current and other accounts	-	-	-	1,668,580,800	1,668,580,800	979,749,707
Deposits maturing within 12 months	-	-	-	5,500,000,000	5,500,000,000	360,000,000
Unsecured loans to employees	-	-	-	8,170,923	8,170,923	3,271,098
Loans secured against Life Insurance Policies	-	-	-	20,447,344	20,447,344	10,346,647
Investments						
Government securities	7,231,682,523	263,707,159	-	-	7,495,389,682	11,687,851,143
Other fixed income securities	698,276,202	-	-	-	698,276,202	122,170,643
Listed equity securities and units of mutual funds	6,298,687,220	103,787,332	-	-	6,402,474,552	1,872,852,349
	14,228,645,945	367,494,491	-	-	14,596,140,436	13,682,874,135
Current assets - others						
Premium due but unpaid	-	-	-	35,610,393	35,610,393	24,275,183
Accrued income on investments	-	-	-	207,211,924	207,211,924	283,170,348
Amounts due from reinsurer	-	-	-	5,418,466	5,418,466	40,045,458
Advances and deposits	-	-	-	1,200,252,845	1,200,252,845	64,313,487
Other receivable	-	-	-	18,486,391	18,486,391	124,067
Dividend receivable	-	-	-	14,415,604	14,415,604	465,778
	-	-	-	1,481,395,623	1,481,395,623	412,394,321
	14,228,645,945	367,494,491	-	8,687,925,509	23,284,065,945	15,453,367,157

	2016	2015
Financial liabilities at amortised cost	(Rupees)	
Outstanding claims	238,352,264	198,180,934
Amounts due to reinsurers/retakaful	58,166,443	33,800,150
Amounts due to agents	341,173,034	238,641,637
Accrued expenses	9,514,970	5,339,963
Other creditors and accruals	76,642,443	58,425,863
	723,849,154	534,388,547

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

29.1 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer of the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

The Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and regulations laid down by the Securities and Exchange Commission of Pakistan.

Market risk comprises of three types of risk: foreign currency risk, interest rate risk and price risk.

29.1.1 Foreign currency risk

Foreign Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company, at present is not exposed to any significant foreign currency risk as its operations are geographically restricted to Pakistan and its transactions are mainly carried out in Pakistani Rupees.

29.1.2 Interest rate risk exposure

The Company invests in government securities, other fixed income securities and term deposit and demand deposit with bank that are subject to interest rate risk. Interest rate risk to the Company is the risk of changes in market interest rates reducing the overall return on its interest bearing securities. The Company limits interest rate risk by monitoring the changes in interest rates affecting its bank balances and investments.

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Yield / interest rate sensitivity position for on and off balance sheet financial instruments is based on the earlier of contractual repricing or maturity date. The information about Company's exposure to interest rate risk based on contractual repricing or maturity dates as of 31 December 2016, whichever is earlier is as follows:

		2016										
		Exposed to yield / interest rate risk								Non-interest bearing financial instruments	Total	
	Effective yield / interest rate %	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
		(Rupees)										
On balance sheet financial instruments												
Financial assets												
Cash and bank deposits												
Cash and others		-	-	-	-	-	-	-	-	-	9,330,819	9,330,819
Current and other accounts	3.5-8%	1,641,577,682	-	-	-	-	-	-	-	-	27,803,118	1,668,580,800
Deposits maturing within 12 months	5.65-9.5%	4,675,000,000	680,000,000	45,000,000	100,000,000	-	-	-	-	-	-	5,500,000,000
Unsecured loan to employees												
		-	-	-	-	-	-	-	-	-	8,170,923	8,170,923
Loans secured against Life Insurance Policies												
	10.01%-10.51%	-	20,447,344	-	-	-	-	-	-	-	-	20,447,344
Investments												
Government securities	4.13-12.92%	480,119,103	1,353,173,423	-	1,945,725,845	2,852,749,091	838,972,348	24,649,872	-	-	-	7,495,389,682
Other fixed income securities	6.53-7.28%	-	698,276,202	-	-	-	-	-	-	-	-	698,276,202
Listed equity securities and units of mutual funds		-	-	-	-	-	-	-	-	-	6,402,474,552	6,402,474,552
Current assets - others												
Premium due but unpaid		-	-	-	-	-	-	-	-	-	35,610,393	35,610,393
Accrued income on investments		-	-	-	-	-	-	-	-	-	207,211,924	207,211,924
Amount due from reinsurer		-	-	-	-	-	-	-	-	-	5,418,466	5,418,466
Advances and deposits		-	-	-	-	-	-	-	-	-	1,200,252,845	1,200,252,845
Other receivables		-	-	-	-	-	-	-	-	-	18,486,391	18,486,391
Dividend receivable		-	-	-	-	-	-	-	-	-	14,415,604	14,415,604
		6,796,696,785	2,751,896,969	45,000,000	2,045,725,845	2,852,749,091	838,972,348	24,649,872	-	-	7,928,375,035	23,284,065,945
Financial liabilities												
Outstanding claims		-	-	-	-	-	-	-	-	-	238,352,264	238,352,264
Amounts due to reinsurers/retakaful		-	-	-	-	-	-	-	-	-	58,166,443	58,166,443
Amounts due to agents		-	-	-	-	-	-	-	-	-	341,173,034	341,173,034
Accrued expenses		-	-	-	-	-	-	-	-	-	9,514,970	9,514,970
Other creditors and accruals		-	-	-	-	-	-	-	-	-	76,642,443	76,642,443
		-	-	-	-	-	-	-	-	-	723,849,154	723,849,154
On balance sheet gap		6,796,696,785	2,751,896,969	45,000,000	2,045,725,845	2,852,749,091	838,972,348	24,649,872	-	-	7,204,525,881	22,560,216,791
Off balance sheet financial instruments												
Contingencies and commitments												
		-	-	-	-	-	-	-	-	-	39,599,413	39,599,413
Off balance sheet gap		-	-	-	-	-	-	-	-	-	39,599,413	39,599,413
Total yield / interest rate risk sensitivity gap		6,796,696,785	2,751,896,969	45,000,000	2,045,725,845	2,852,749,091	838,972,348	24,649,872	-	-	7,244,125,294	22,599,816,204
Cumulative yield / interest rate risk sensitivity gap		6,796,696,785	9,548,593,754	9,593,593,754	11,639,319,599	14,492,068,690	15,331,041,038	15,355,690,910	15,355,690,910	15,355,690,910	22,599,816,204	

2015

	Effective yield / interest rate %	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Exposed to yield / interest rate risk						Non-interest bearing financial instruments	Total
					Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
(Rupees)												
On balance sheet financial instruments												
Financial assets												
Cash and bank deposits												
Cash and others		-	-	-	-	-	-	-	-	-	4,731,249	4,731,249
Current and other accounts	5-6.5%	962,078,962	-	-	-	-	-	-	-	-	17,670,747	979,749,709
Deposits maturing within 12 months	5.9-7.1%	260,000,000	-	-	100,000,000	-	-	-	-	-	-	360,000,000
Unsecured loan to employees	5.57%	-	-	-	-	3,271,098	-	-	-	-	-	3,271,098
Loans secured against Life Insurance Policies	10.49-14.18%	7,515,409	2,831,238	-	-	-	-	-	-	-	-	10,346,647
Investments												
Government securities	5.89-12%	1,872,417,802	2,397,459,075	403,901,242	3,820,470,939	1,677,697,675	1,467,441,538	48,462,875	-	-	-	11,687,851,146
Other fixed income securities	8.31%	-	122,170,643	-	-	-	-	-	-	-	-	122,170,643
Listed equity securities and units of mutual funds		-	-	-	-	-	-	-	-	-	1,872,852,349	1,872,852,349
Current assets - others												
Premium due but unpaid		-	-	-	-	-	-	-	-	-	24,275,183	24,275,183
Accrued income on investments		-	-	-	-	-	-	-	-	-	283,170,348	283,170,348
Amount due from reinsurer		-	-	-	-	-	-	-	-	-	40,045,458	40,045,458
Advances and deposits		-	-	-	-	-	-	-	-	-	64,313,487	64,313,487
Other receivables		-	-	-	-	-	-	-	-	-	124,067	124,067
Dividend receivable		-	-	-	-	-	-	-	-	-	465,778	465,778
		3,102,012,173	2,522,460,956	403,901,242	3,920,470,939	1,680,968,773	1,467,441,538	48,462,875	-	-	2,307,648,666	15,453,367,162
Financial liabilities												
Outstanding claims		-	-	-	-	-	-	-	-	-	198,180,934	198,180,934
Amounts due to reinsurers		-	-	-	-	-	-	-	-	-	33,800,150	33,800,150
Amounts due to agents		-	-	-	-	-	-	-	-	-	238,641,637	238,641,637
Accrued expenses		-	-	-	-	-	-	-	-	-	5,339,963	5,339,963
Other creditors and accruals		-	-	-	-	-	-	-	-	-	58,425,863	58,425,863
		-	-	-	-	-	-	-	-	-	534,388,547	534,388,547
On balance sheet gap		3,102,012,173	2,522,460,956	403,901,242	3,920,470,939	1,680,968,773	1,467,441,538	48,462,875	-	-	1,773,260,119	14,918,978,615
Off balance sheet financial instruments												
Contingencies and commitments												
Off balance sheet gap		-	-	-	-	-	-	-	-	-	16,186,860	16,186,860
Total yield / interest rate risk sensitivity gap		3,102,012,173	2,522,460,956	403,901,242	3,920,470,939	1,680,968,773	1,467,441,538	48,462,875	-	-	1,757,073,259	
Cumulative yield / interest rate risk sensitivity gap		3,102,012,173	5,624,473,129	6,028,374,371	9,948,845,310	11,629,814,083	13,097,255,621	13,145,718,496	13,145,718,496	13,145,718,496	14,902,791,755	

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Sensitivity analysis

(a) Sensitivity analysis for variable rate instruments

Presently, the Company holds GoP Ijarah Sukuk and Term Finance Certificates exposing it to cash flow interest rate risk. In case of 100 basis points increase/decrease in interest yield on 31 December 2016 with all other variables held constant, the net assets of the statutory funds of the Company and net income of the statutory funds for the year would have been higher/lower by Rs. 1.542 million (2015: Rs. 0.478 million).

None of the financial instruments of the shareholder's fund are exposed to variable interest rate risk.

(b) Sensitivity analysis for fixed rate instruments

	2016	2015
	(Rupees)	
Shareholder's Fund		
Bank balances	68,535,561	22,719,665
Investment in Government Securities (PIBs + T-bills)	158,851,443	164,398,016
Unsecured loans to employees	-	3,271,098
	<u>227,387,004</u>	<u>190,388,779</u>
Statutory Funds		
Bank balances	1,573,042,121	939,359,297
Deposits maturing within 12 months	5,500,000,000	360,000,000
Investment in Government Securities (PIBs + T-bills+Sukuk)	7,336,538,239	11,523,453,127
Loans secured against Life Insurance Policies	20,447,344	10,346,647
	<u>14,430,027,704</u>	<u>12,833,159,071</u>

Above balances also includes available for sale investments of Rs. 263.707 million (2015: Rs. 373.047 million). However, interest rate increase would not have had an effect on the shareholders fund or the statutory funds as the carrying values of the respective available for sale investments are carried at lower of cost or market value in accordance with the requirement of the SEC Insurance Rules, 2002.

However, if the interest rate had decreased, it could have effected both the carrying value and the net income of the shareholders fund and statutory funds. However, since the market value of the investments are much higher than their carrying values the impact of a change of 200 basis points would not have had a material effect on the respective statutory funds and the shareholders fund.

In case of a change of 100 basis points in financial instruments other than the above mentioned available for sale investments, with all other variables held constant, the value of fixed rate financial instruments in shareholder's fund would be effected by Rs. 0.69 million (2015: Rs. 0.26 million) and in statutory funds by Rs. 128.10 million (2015: Rs. 88.08 million).

29.1.3 Price Risk

The Company's listed securities are susceptible to market price risk arising from uncertainties about the future value of investment securities. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity, money market fund and term finance certificates (TFCs). In addition, the Company actively monitors the key factors that affect stock, money market and TFCs market. In the equity portfolio, the top three sectors by exposure are Oil and Gas, Banks and Mutual Funds.

In case of 5% increase in market prices of equity securities classified as:

- a) at fair value through profit or loss, the post tax profit would increase by Rs. 313.941 million (2015: Rs. 88 million);
- b) available for sale, the post tax profits would increase by Rs. 0.026 million (2015: Rs. 0.334 million)

In case of 5% decrease in market prices of equity securities classified as:

- a) at fair value through profit or loss, the post tax profit would decrease by Rs. 313.941 million (2015: Rs. 88 million);
- b) available for sale, the net assets of the Company would decrease by Rs. 0.630 million (2015: Rs. 3.518 million). The value of net assets of the Company will only decrease if the fall in prices is other than temporary in accordance with the local regulatory requirements applicable on insurance companies in Pakistan.

29.2 Credit risk and concentration of credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss.

Concentration of credit risk arises when a number of counterparties have similar types of business activities. As a result, any change in economic, political or other conditions would affect their ability to meet contractual obligations in a similar manner.

Major credit risk arises in credit exposure to group life policyholders on account of premiums due but unpaid and on bank balances. The management monitors exposure to credit risk through regular review of credit exposure and assessing credit worthiness of counter parties.

Due to the Company's strong standing business relationships with its counterparties and after giving due consideration to their sound financial standing, management does not expect non-performance by these counter parties on their obligations to the Company.

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The credit quality of the Company's bank balances, premium due but unpaid and term finance certificates held as at 31 December 2016 can be assessed with reference to external credit ratings as follows:

	2016																		Not rated	Total
	AAA	AA+	AA	AM2++	AM2+	AM3+	A3	A-1+	A-1	A+	AA-	A-	A	A2	B	BBB+	D			
	(Rupees)																			
Bank balances (including interest)	-	-	-	-	-	-	-	1,005,745,815	263,929,746	-	-	-	-	-	-	-	-	-	1,669,675,561	
Deposits maturing within 12 months (including interest)	-	-	-	-	-	-	-	4,990,573,699	529,080,624	-	-	-	-	-	-	-	-	-	5,519,654,323	
Unsecured loan to employees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,170,923	8,170,923
Loan secured against Life Insurance Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,447,344	20,447,344
Term finance certificate (including interest)	407,190,366	-	56,727,278	-	-	-	-	-	-	-	249,674,438	-	-	-	-	-	-	-	713,600,074	
Units of open ended mutual funds	-	2,688,934	-	-	-	-	-	-	-	5,006,445	-	317,990,985	10,000,936	-	-	-	-	-	2,928,908,523	3,244,647,823
Premium due but unpaid	3,538,510	4,154,305	125,276	183,969	-	-	-	-	-	4,500,889	34,332	5,895,836	4,239,875	-	-	-	-	-	12,977,391	35,610,393
Amount due from reinsurer	-	-	5,418,466	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,418,466	
Advances and deposits	-	-	-	-	-	-	-	4,187,434	-	-	1,100,000,000	-	-	-	-	-	-	-	14,065,411	8,200,252,845
Other receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,486,391	10,486,391
Dividend receivable	-	574,500	2,352,274	-	-	-	-	-	-	-	10,110,000	-	-	-	-	-	-	-	1,348,836	14,415,604
	410,736,884	7,409,739	64,623,284	183,969	-	-	-	6,480,506,948	293,010,370	9,587,334	1,439,871,770	323,446,823	14,240,811	-	-	-	-	-	3,006,424,813	12,470,399,747

	2015																		
	AAA	AA+	AA	AM2++	AM2+	AM3+	A3	A-1+	A-1	A+	AA-	A-	A	A2	B	BBB+	D	Not rated	
	(Rupees)																		
Bank balances (including interest)	-	-	-	-	-	-	-	965,976,372	11,664,858	-	-	-	-	2,707,945	-	-	-	-	980,349,175
Deposits maturing within 12 months	-	-	-	-	-	-	-	263,590,758	100,129,315	-	-	-	-	-	-	-	-	-	363,720,073
Unsecured loan to employees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,946,177	3,946,177
Loan secured against Life Insurance Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,346,647	10,346,647
Term finance certificate (including interest)	-	-	125,838,586	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	125,838,586
Units of open ended mutual funds	-	-	2,594,331	-	-	-	-	-	-	800,359,552	37,966,164	-	7,195,682	-	-	-	-	936,350,077	1,784,465,806
Premium due but unpaid	1,157,929	2,345,504	3,148,676	188,508	-	-	-	-	-	2,351,817	150,572	576,681	-	-	-	-	2,088,875	12,266,521	24,275,183
Amount due from reinsurer	-	-	40,045,458	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	40,045,458
Advances and deposits	-	-	-	-	-	-	-	52,198,278	-	-	-	-	-	-	-	-	-	12,115,200	64,313,487
Other receivables	-	-	13,921	-	-	-	-	-	-	-	-	-	-	-	-	-	-	110,146	124,067
Dividend receivable	-	-	-	-	-	-	-	326,075	25,000	-	-	-	-	-	-	-	-	114,703	465,778
	1,157,929	2,345,504	171,640,972	188,508	-	-	-	1,282,091,483	111,819,173	802,711,369	38,116,736	576,681	7,195,682	2,707,945	-	-	2,088,875	973,249,480	3,397,890,437

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29.2.1 Credit risk

29.2.1.1 Details of the maximum exposure to credit risk at the balance sheet date was as follows:

Carrying values of financial assets other than 'premium due but unpaid' which are neither past due nor impaired.

Financial Assets	2016	2015
	(Rupees)	
Cash and bank deposits		
Current and other accounts	1,668,580,800	979,749,709
Deposits maturing within 12 months	5,500,000,000	360,000,000
Unsecured loans to employees	8,170,923	3,271,098
Loans secured against Life Insurance Policies	20,447,344	10,346,647
Investments		
Other fixed income securities	698,276,202	122,170,643
Units of mutual funds	3,264,667,823	1,784,465,806
Current assets - others		
Accrued income on investments	36,072,956	8,662,561
Amount due from reinsurer	5,418,466	40,045,458
Advances and deposits	1,200,252,845	64,313,487
Other receivables	18,486,391	124,067
Dividend receivable	14,415,604	465,778
	12,434,789,354	3,373,615,254

An age analysis of the carrying value of premiums, 'due but unpaid', that are past due but not impaired are as under:

Up to 30 days	17,999,753	6,323,510
31 to 60 days	4,151,610	1,398,558
61 to 90 days	1,132,994	10,825,482
91 to 180 days	6,491,219	564,612
181 to 365 days	2,636,388	4,964,484
Over 365	3,198,429	198,537
	35,610,393	24,275,183
	12,470,399,747	3,397,890,437

Difference between the above total balance and the total balance of financial assets reported in note 28 is due to the fact that the investment in Government securities amounting to Rs. 7,667 million (2015: Rs. 11,962 million), investment in listed equity securities amounting to Rs. 3,137.807 million (2015: Rs. 88.387 million) and cash and others amounting to Rs. 9.331 million (2015: Rs. 4.731 million) are not exposed to credit risk.

29.2.1.2 An age analysis of the carrying value of premiums due but unpaid that are past due and impaired are as under:

91 to 180 days	4,544,561	595,457
181 to 365 days	2,931	3,954,054
Over 365	2,299,028	360,261
	6,846,520	4,909,772

Due to the nature of its financial assets, the Company believes it is not exposed to any major concentration of credit risk.

Based on the past experience, consideration of financial position, past track records and recoveries, the company believes that premium due but unpaid past due do not require any impairment except as provided in these financial statements. None of the above financial statements are past due or impaired

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

	2016		2015	
	Carrying Value ------(Rupees)-----	%	Carrying Value ------(Rupees)-----	%
Banks and financial institutions	8,188,236,244	65.66%	1,529,942,039	45.03%
Mutual Funds	3,264,667,823	26.18%	1,784,465,806	52.52%
Reinsurance company	5,418,466	0.04%	40,045,458	1.18%
Policyholders	20,447,344	0.16%	10,346,647	0.30%
Employees	7,644,937	0.06%	3,984,071	0.12%
Sugar and allied industry	4,737,170	0.04%	3,311,472	0.10%
Fertilizers	935,199,236	7.50%	-	0.00%
Textile Industry	1,262,588	0.01%	5,752,371	0.17%
Electricity	2,302,729	0.02%	266,556	0.01%
Foods and beverages	381,149	0.00%	1,343,666	0.04%
Government agency	700,000	0.01%	400,000	0.01%
Insurance company	10,001,926	0.08%	178,560	0.01%
Leasing Company	2,054,052	0.02%	2,054,052	0.06%
Individuals	6,079,724	0.05%	4,205,875	0.12%
Others	21,266,359	0.17%	11,593,864	0.34%
	<u>12,470,399,747</u>	<u>100%</u>	<u>3,397,890,437</u>	<u>100%</u>

29.3 Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

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

	2016		
	Total	Not later than 1 month	later than 1 month and not later than 3 months
	------(Rupees)-----		
Outstanding claims	238,352,264	238,352,264	-
Amounts due to reinsurers	58,166,443	-	58,166,443
Amounts due to agents	341,173,034	341,173,034	-
Accrued expenses	9,514,970	9,514,970	-
Other creditors and accruals	76,642,443	76,642,443	-
	<u>723,849,154</u>	<u>665,682,711</u>	<u>58,166,443</u>
	2015		
	Total	Not later than 1 month	later than 1 month and not later than 3 months
	------(Rupees)-----		
Outstanding claims	198,180,934	198,180,934	-
Amounts due to reinsurers	33,800,150	-	33,800,150
Amounts due to agents	238,641,637	238,641,637	-
Accrued expenses	5,339,963	5,339,963	-
Other creditors and accruals	58,425,863	58,425,863	-
	<u>534,388,547</u>	<u>500,588,397</u>	<u>33,800,150</u>

29.4 Fair value of financial instruments

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised.

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

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).

On balance sheet financial instruments

On balance sheet financial instruments	2016								
	Available for Sale	FVTPL	Loans and Receivables	Financial liabilities	Total	Level 1	Level 2	Level 3	Total
	(Rupees in '000)								
Financial assets measured at fair value									
- Investments									
Government Securities (Tbills + PIBs + Sukuks)	80,574,712	7,231,682,523	-	-	7,312,257,235	-	7,312,257,235	-	7,312,257,235
Listed equity securities	945,600	3,113,939,973	-	-	3,114,885,573	3,114,885,573	-	-	3,114,885,573
Units of mutual funds	-	3,184,747,247	-	-	3,184,747,247	3,184,747,247	-	-	3,184,747,247
Debt securities (listed TFCs)	-	698,276,202	-	-	698,276,202	-	698,276,202	-	698,276,202
Financial assets not measured at fair value									
- Investments									
Government Securities (Tbills + PIBs)	183,132,447	-	-	-	183,132,447	-	185,612,736	-	185,612,736
Listed equity securities (at lower of cost or market value)	22,921,156	-	-	-	22,921,156	42,566,227	-	-	42,566,227
Units of mutual funds (at lower of cost or market value)	79,920,576	-	-	-	79,920,576	91,159,304	-	-	91,159,304
- Balances with banks	-	-	7,168,580,800	-	7,168,580,800	-	-	-	-
- Other financial assets	-	-	1,519,344,708	-	1,519,344,708	-	-	-	-
	367,494,491	14,228,645,945	8,687,925,508	-	23,284,065,944	6,433,358,351	8,196,146,173	-	14,629,504,524
Financial liabilities not measured at fair value									
- Financial liabilities	-	-	-	723,849,154	723,849,154	-	-	-	-
	-	-	-	723,849,154	723,849,154	-	-	-	-
	367,494,491	14,228,645,945	8,687,925,508	(723,849,154)	22,560,216,790	6,433,358,351	8,196,146,173	-	14,629,504,524

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On balance sheet financial instruments

2015

	Available for Sale	FVTPL	Loans and Receivables	Financial liabilities	Total	Level 1	Level 2	Level 3	Total
	(Rupees in '000)								
Financial assets measured at fair value									
- Investments									
Government Securities (Tbills + PIBs + Sukuks)	-	11,314,803,833	-	-	11,314,803,833	-	11,314,803,833	-	11,314,803,833
Listed equity securities	6,246,963	64,493,388	-	-	70,740,351	70,740,351	-	-	70,740,351
Units of mutual funds	39,898,904	1,702,371,220	-	-	1,742,270,124	1,742,270,124	-	-	1,742,270,124
Debt securities (listed TFCs)	-	122,170,643	-	-	122,170,643	-	122,170,643	-	122,170,643
Financial assets not measured at fair value									
- Investments									
Government Securities (Tbills + PIBs)	373,047,313	-	-	-	373,047,313	-	-	-	-
Listed equity securities (at lower of cost or market value)	17,646,192	-	-	-	17,646,192	-	-	-	-
Units of mutual funds (at lower of cost or market value)	42,195,682	-	-	-	42,195,682	-	-	-	-
- Balances with banks	-	-	1,339,749,709	-	1,339,749,709	-	-	-	-
- Other financial assets	-	-	430,743,315	-	430,743,315	-	-	-	-
	479,035,054	13,203,839,084	1,770,493,024	-	15,453,367,162	1,813,010,475	11,436,974,476	-	13,249,984,951
Financial liabilities not measured at fair value									
- Financial liabilities	-	-	-	534,388,549	534,388,549	-	-	-	-
	-	-	-	534,388,549	534,388,549	-	-	-	-
	479,035,054	13,203,839,084	1,770,493,024	(534,388,549)	14,918,978,613	1,813,010,475	11,436,974,476	-	13,249,984,951

Investments on the balance sheet are carried at fair value except for investments in available for sale securities of shareholders fund and statutory funds which are stated at lower of cost or market value. The Company is of the view that the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or are frequently re-priced.

Financial assets designated
as available for sale

	2016		2015	
	Carrying value	Fair value	Carrying value	Fair value
	(Rupees)		(Rupees)	
Government securities	263,707,159	269,813,717	373,047,313	388,361,975
Listed equities and mutual funds	103,787,332	134,670,530	105,987,741	117,002,260

30. INSURANCE RISK AND MANAGEMENT OF INSURANCE RISK

30.1 Conventional business

30.1.1 Individual Life

The risk underwritten is mainly death and sometimes disability. The risk of death and disability will vary in degree by age, gender, occupation, income group and geographical location of the assured person. The Company's exposure to poor risks may lead to unexpectedly high severity and frequency in claims' experience. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The Company may also face the risk of poor investment return, inflation of business expenses and liquidity issues on amount invested in the fund. The Company faces the risk of under-pricing particularly due to the fact that majority of these contracts are long term. Additionally, the risk of poor persistency may result in the Company being unable to recover expenses incurred at policy acquisition.

The Company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The Company has a well defined medical underwriting policy and avoids selling policies to high risk individuals. This puts a check on anti-selection. The need for profit testing is reviewed on an annual basis to ensure reasonableness of premiums charged. Reinsurance contracts have been purchased by the Company to limit the maximum exposure on any one insured person. The Company is developing and intends to eventually have a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency the Company applies quality controls on the standard of service provided to policyholders and has placed checks to control mis-selling and to track improvements in the standard of service provided to policyholders. For this, a regular monitoring of lapsation rates is conducted. On the claims handling side, the Company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, Claims Committee with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. Further, all payments on account of claims are made after necessary approval of the Chief Executive Officer of the Company. The Company maintains adequate liquidity in its fund to cater for a potentially sudden and high cash requirement.

a) Frequency and severity of claims

The Company measures concentration of risk in terms of exposure by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.

There is some concentration by sum assured amounts which may have an impact on the severity of benefit payments on a portfolio basis.

The table below presents the concentration of assured benefits across five bands of assured benefits per individual life assured. The benefit assured figures are shown gross and net of the reinsurance contracts described above.

The amounts presented are showing total exposure of the Company including exposure in respect of riders attached to the main policies.

Benefits assured per life

Rupees	Sum assured at the end of 2016			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees)	Percentage	(Rupees)	Percentage
0-200,000	3,447,190	4.43%	876,854	5.66%
200,000 - 400,000	6,892,061	8.86%	1,840,093	11.88%
400,001 - 800,000	11,288,175	14.52%	3,086,226	19.92%
800,001 - 1,000,000	2,648,055	3.41%	686,522	4.43%
More than 1,000,000	53,473,319	68.78%	9,000,817	58.10%
Total	77,748,800		15,489,712	

Benefits assured per life

Rupees	Sum assured at the end of 2015			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees)	Percentage	(Rupees)	Percentage
0-200,000	3,032,736	2.68%	909,821	4.32%
200,000 - 400,000	10,168,536	8.98%	3,050,561	14.49%
400,001 - 800,000	12,071,711	10.66%	3,621,513	17.20%
800,001 - 1,000,000	1,893,330	1.67%	567,999	2.70%
More than 1,000,000	86,024,266	76.00%	12,900,000	61.28%
Total	113,190,579		21,049,894	

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b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term conventional assurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and morbidity incidence rates.

The Company assumes the expected mortality to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible. Morbidity incidence rates are taken as a percentage of reinsurer's risk premium rate.

c) Process used to decide on assumptions

For long-term conventional assurance contracts, long-term assumptions are made at the inception of the contract. Keeping the statutory minimum reserving basis in view, the Company determines assumptions on future mortality, morbidity, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies.

Assumptions used for profit testing of the main policies are as follows:

- The expected mortality is assumed to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.
- Morbidity incidence rates for morbidity are taken as a percentage of reinsurer's risk premium rate.
- Persistency: The Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.
- Expense levels and inflation: As the business is new, estimates from business projections have been used. Once established, a periodic study will be conducted on the Company's current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.
- Investment returns: The investment returns are based on the historic performance of the assets and asset types underlying the fund.

d) Changes in assumptions

There have been no changes in assumptions since the last valuation carried out a year ago.

e) Sensitivity analysis

After reinsurance, the overall liability for individual life conventional business stands at less than 1% of the total policyholder liability held in respect of individual life business. Due to its immateriality, sensitivity analysis has not been conducted.

30.1.2 Group Life

The main risk written by the Company is mortality. The Company may be exposed to the risk of unexpected claim severity or frequency. This can be a result of writing business with higher than expected mortality (such as mining or other hazardous industries), writing high cover amounts without adequate underwriting, difficulty of verification of claims, fraudulent claims or a catastrophe. The Company also faces risk such as that of underpricing to acquire business in a competitive environment and of non-receipt of premium in due time. There also exists a potential risk of asset liability term mismatch due to liabilities being very short term in nature.

The Company manages these risks through underwriting, reinsurance, effective claims handling and other related controls. The Company has a well defined medical under-writing policy and avoids writing business for groups with overly hazardous exposure. Pricing is done in line with the actual experience of the Company. The premium charged takes into account the actual experience of the client and the nature of mortality exposure the group faces. The Management undertakes to write business in line with the limits set by the appointed actuary, especially for large groups having a group assurance policy with annual premium of Rs 2 million or above in accordance with the requirements of Circular 11 of 2013 dated June 14, 2013. The Company also maintains a Management Information System (MIS) to track the adequacy of the premium charged. Reinsurance contracts have been purchased by the Company to limit the maximum exposure to any one life. At the same time, due caution is applied in writing business in areas with a high probability of terrorism. The Company ensures writing business with good geographical spread and tries to maintain a controlled exposure to large groups which generally have poor experience. Writing business of known hazardous groups is also avoided. On the claims handling side, the Company ensures that payment of any fraudulent claims is avoided. For this, Claims Committee with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. Strict monitoring is in place at the Board of Directors level in order to keep the outstanding balances of premium at a minimum, especially the ones that are due for more than 90 days. The bulk of the assets held against liabilities of this line of business are cash to money market with short durations and high liquidity, thus mitigating the risk of asset value deterioration and liability mismatch.

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a) Frequency and severity of claims

The Company measures concentration of risk in terms of exposure by geographical area. Concentration of risk arising from geographical area is not a factor of concern as the Company aims to achieve a spread of risks across various parts of the country.

The following table presents the concentration of assured benefits across five bands of assured benefits per individual life assured. The benefit assured figures are shown gross and net of the reinsurance contracts described above.

The amounts presented are showing total exposure of the company including exposure in respect of riders attached to the main policies.

Benefits assured per life

Rupees	Sum assured at the end of 2016			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	Rupees	Percentage	Rupees	Percentage
400,001 - 800,000	30,800,000	0.01%	30,800,000	0.01%
800,001 - 1,000,000	1,626,800,000	0.29%	1,626,800,000	0.74%
More than 1,000,000	565,183,993,557	99.71%	216,907,161,695	99.24%
Total	566,841,593,557		218,564,761,695	

Benefits assured per life

Rupees	Sum assured at the end of 2015			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	Rupees	Percentage	Rupees	Percentage
0-200,000	776,160	0.00%	776,160	0.00%
200,000 - 400,000	300,000	0.00%	300,000	0.00%
400,001 - 800,000	8,250,000	0.00%	2,475,000	0.00%
800,001 - 1,000,000	48,300,000	0.02%	48,300,000	0.04%
More than 1,000,000	259,490,872,743	99.98%	132,502,116,030	99.96%
Total	259,548,498,903		132,553,967,190	

b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Other than conducting a liability adequacy for Unexpired Risk Reserves (URR), there is no need to estimate mortality for future years because of the short duration of the contracts.

c) Process used to decide on assumptions

The business is too new for any meaningful investigation into the group's past experience. However, industry experience, the insured group's own past experience and reinsurer risk rates are used to determine the expected level of risk in relation to the SLIC (2001-05) Individual Life Ultimate Mortality Table.

d) Changes in assumptions

There have been no changes in assumptions since the last valuation carried out a year ago.

e) Sensitivity analysis

After reinsurance, the net unearned premium reserve for this business stands at less than 1% of the total policyholder liability. This liability will be on the Company's books for under a year. Due to its immateriality, a sensitivity analysis has not been conducted.

30.2 Non utilised Investment Linked Business

The risk underwritten is mainly death and sometimes disability. The risk of death and disability will vary in degree by age, gender, occupation, income group and geographical location of the assured person. The Company's exposure to poor risks may lead to unexpectedly high severity and frequency in claims' experience. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The Company may also face the risk of inflation of business expenses and liquidity issues on amount invested in the fund. The Company faces the risk of under-pricing particularly due to the fact that these contracts are long term. Additionally, the risk of poor persistency may result in the Company being unable to recover expenses incurred at policy acquisition.

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The Company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The Company has a well defined medical underwriting policy and avoids selling policies to high risk individuals. This puts a check on anti-selection. The need for profit testing is reviewed on an annual basis to ensure reasonableness of premiums charged. Reinsurance contracts have been purchased by the Company to limit the maximum exposure on any one insured person. The Company is developing and intends to eventually have a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency the Company applies quality controls on the standard of service provided to policyholders and has placed checks to control mis-selling and to track improvements in the standard of service provided to policyholders. For this, a regular monitoring of lapsation rates is conducted. On the claims handling side, the Company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, Claims Committee with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. The Company maintains adequate liquidity in its fund to cater for a potentially sudden and high cash requirement. Further all payments on account of claims are made after necessary approval of the Chief Executive Officer of the Company. The Company reserves the right to review the charges deductible under the contracts, thus limiting the risk of under pricing.

a) Frequency and severity of claims

The Company measures concentration of risk by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.

There is some concentration by sum assured amounts which may have an impact on the severity of benefit payments on a portfolio basis.

The Company charges for mortality risk on a monthly basis for all insurance contracts. It has the right to alter these charges based on its mortality experience and hence minimises its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may hinder its mitigating effect. The Company manages these risks through its underwriting strategy and reinsurance arrangements.

The table below presents the concentration of assured benefits across five bands of assured benefits per individual life assured. The benefit assured figures are shown gross and net of the reinsurance contracts described above. The amounts presented are showing total exposure of the Company including exposure in respect of riders attached to the main policies.

Benefits assured per life Rupees	Sum assured at the end of 2016			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees)	Percentage	(Rupees)	Percentage
0-200,000	605,863,390	9.34%	63,399,751	6.12%
200,000 - 400,000	1,041,221,279	16.05%	161,318,167	15.58%
400,001 - 800,000	1,977,292,338	30.48%	349,154,521	33.73%
800,001 - 1,000,000	1,244,465,862	19.18%	324,770,712	31.37%
More than 1,000,000	1,618,173,037	24.94%	136,583,577	13.19%
Total	6,487,015,906		1,035,226,728	

Benefits assured per life Rupees	Sum assured at the end of 2015			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees)	Percentage	(Rupees)	Percentage
0-200,000	728,901,683	10.11%	218,670,505	11.64%
200,000 - 400,000	1,188,505,327	16.49%	356,551,598	18.98%
400,001 - 800,000	2,001,041,465	27.75%	600,312,440	31.96%
800,001 - 1,000,000	1,486,272,288	20.61%	445,881,686	23.74%
More than 1,000,000	1,805,939,121	25.05%	257,100,000	13.68%
Total	7,210,659,884		1,878,516,229	

b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term Non-unitised Investment Linked assurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and morbidity of the insured population and variability in policyholders' behaviour.

Factors impacting future benefit payments and premium receipts are as follows:

- Mortality: The Company assumes the expected mortality to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.
- Morbidity: Incidence rates for morbidity are taken as a proportion of reinsurer's risk rates.

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- **Persistency:** The Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

c) Process used to decide on assumptions

For long-term Non-unitised Investment Linked assurance contracts, assumptions are made in two stages. At inception of the contract, the Company determines assumptions on future mortality, morbidity, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies are as follows:

- **Mortality:** The expected mortality is assumed to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.
- **Morbidity:** Incidence rates for morbidity are taken as a proportion of reinsurer's risk rates.
- **Persistency:** Since the Company has recently started business, it has no own experience to which it can refer. Industry standards for anticipated persistency rates have been used initially. Eventually, a periodic analysis of the Company's recent and historic experience will be performed and persistency will be calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance will then be made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.
- **Expense levels and inflation:** As the business is new, estimates from business projections have been used. Once established, a periodic study will be conducted on the Company's current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.
- **Investment returns:** The investment returns are based on the historic performance of different types of assets underlying the fund.

d) Changes in assumptions

There have been no changes in assumptions since the last valuation carried out a year ago.

e) Sensitivity analysis

Periodic sensitivity analyses of the Company's in-force business determine whether any reserve needs to be created or product prices for new business need to be revised in light of changing or anticipated changes in experience from that expected when pricing the existing book of business. The current nature, volume and age of in-force business does not require a detailed sensitivity analysis at this stage.

30.3 Unit Linked Business

The risk underwritten is mainly death and sometimes disability and/or critical illness. The risk of death and disability will vary from region to region. The Company may get exposed to poor risks due to unexpected experience in terms of claim severity or frequency. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The Company may also face the risk of poor investment return, inflation of business expenses and liquidity issues on monies invested in the fund. The Company faces the risk of under-pricing particularly due to the fact that these contracts are long term. Additionally, the risk of poor persistency may result in the Company being unable to recover expenses incurred at policy acquisition.

The Company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The Company has a well defined medical under-writing policy and avoids selling policies to high risk individuals. This puts a check on anti-selection. The need for profit testing is reviewed on an annual basis to ensure reasonableness of premiums charged. Reinsurance contracts have been purchased by the Company to limit the maximum exposure on any one policyholder. The Company has a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency the Company applies quality controls on the standard of service provided to policyholders and has placed checks to curb mis-selling and improvement in standard of service provided to the policyholders. For this, a regular branch wise monitoring of lapsation rates is conducted. On the claims handling side, the Company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, Claims Committee with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. The Company maintains adequate liquidity in each unit fund to cater for potentially sudden and high cash requirement. The Company reserves the right to review the charges deductible under the contracts, thus limiting the risk of under pricing.

Frequency and severity of claims

The Company measures concentration of risk by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.

However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

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The Company charges for mortality risk on a monthly basis for all insurance contracts. It has the right to alter these charges based on its mortality experience and hence minimises its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may hinder its mitigating effect. The Company manages these risks through its underwriting strategy and reinsurance arrangements.

The table below presents the concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above. At year-end, none of these insurance contracts had triggered a recovery under the reinsurance held by the Company.

The amounts presented are showing total exposure of the Company including exposure in respect of riders attached to the main policies.

Benefits assured per life	Sum assured at the end of 2016			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees)	Percentage	(Rupees)	Percentage
0-200,000	2,294,486,361	2.45%	555,423,452	2.84%
200,000 - 400,000	9,559,268,364	10.20%	2,571,816,001	13.17%
400,001 - 800,000	21,823,999,028	23.29%	5,765,259,212	29.53%
800,001 - 1,000,000	22,692,996,303	24.21%	6,091,487,768	31.20%
More than 1,000,000	37,351,150,466	39.85%	4,541,498,597	23.26%
Total	93,721,900,522		19,525,485,030	

Benefits assured per life	Sum assured at the end of 2015			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees)	Percentage	(Rupees)	Percentage
0-200,000	1,623,231,821	2.34%	486,969,546	2.96%
200,000 - 400,000	6,691,175,122	9.64%	2,007,352,537	12.21%
400,001 - 800,000	16,402,875,605	23.63%	4,920,862,681	29.94%
800,001 - 1,000,000	17,596,544,649	25.35%	5,278,963,395	32.12%
More than 1,000,000	27,091,052,882	39.03%	3,743,100,000	22.77%
Total	69,404,880,079		16,437,248,159	

a) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term unit linked insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and variability in policyholder's behaviour.

b) Factors impacting future benefit payments and premium receipts are as follows:

Mortality: The expected mortality is assumed to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.

Persistency: The business is developing and eventually the Company intends to conduct periodic analyses on its historic book of business, using statistical methods to determine its persistency experience. Persistency rates are expected to vary by product and more importantly the sales distribution channel. Allowance will then be made for any trend in the data to arrive at best estimates of future persistency rates for each sales distribution channel.

c) Process used to decide on assumptions

For long-term unit linked insurance contracts, assumptions are made in two stages. At inception of the contract, the Company determines assumptions on future mortality, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies are as follows:

Mortality: The Company assumes the expected mortality to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.

Persistency: Since the Company has recently started business, it has no own experience to which it can refer. Industry standards for anticipated persistency rates have been used initially. Eventually, a periodic analysis of the Company's recent and historic experience will be performed and persistency will be calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance will then be made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

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Expense levels and inflation: As the business is new, estimates from business projections have been used. Once established, a periodic study will be conducted on the Company's current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.

Investment returns: The investment returns are based on the historic performance of the assets and asset types underlying the fund.

d) Changes in assumptions

There have been no changes in assumptions since the last valuation carried out a year ago.

e) Sensitivity analysis

Periodic sensitivity analyses of the Company's in-force business determine whether any reserve needs to be created or product prices for new business need to be revised in light of changing or anticipated changes in experience from that expected when pricing the existing book of business. The current nature, volume and age of in-force business does not require a detailed sensitivity analysis at this stage.

30.4 Individual Family Takaful Unit Linked Business

The risk underwritten is mainly death and sometimes disability and/or critical illness. The risk of death and disability will vary from region to region. The Company may get exposed to poor risks due to unexpected experience in terms of claim severity or frequency. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The Company may also face the risk of poor investment return, inflation of business expenses and liquidity issues on monies invested in the fund. The Company faces the risk of under-pricing particularly due to the fact that these contracts are long term. Additionally, the risk of poor persistency may result in the Company being unable to recover expenses incurred at policy acquisition.

However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Company charges for mortality risk on a monthly basis for all takaful contracts. It has the right to alter these charges based on its mortality experience and hence minimises its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may hinder its mitigating effect. The Company manages these risks through its underwriting strategy and retakaful arrangements.

The table below presents the concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the retakaful contracts described above. At year-end, none of these takaful contracts had triggered a recovery under the retakaful held by the Company.

The amounts presented are showing total exposure of the Company including exposure in respect of riders attached to the main policies.

Benefits covered per life

Rupees	Sum cover at the end of 2016			
	Total benefits covered			
	Before retakaful		After retakaful	
	(Rupees)	Percentage	(Rupees)	Percentage
0-200,000	16,528,075	1.62%	4,631,542	2.56%
200,000 - 400,000	84,044,717	8.22%	24,244,821	13.43%
400,001 - 800,000	146,311,589	14.31%	42,064,533	23.29%
800,001 - 1,000,000	202,514,348	19.80%	58,354,028	32.31%
More than 1,000,000	573,399,424	56.06%	51,286,623	28.40%
Total	1,022,798,153		180,581,547	

a) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and contribution receipts for long-term unit linked takaful contracts arises from the unpredictability of long-term changes in overall levels of mortality and variability in policyholder's behaviour.

b) Factors impacting future benefit payments and premium receipts are as follows:

Mortality: The expected mortality is assumed to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.

Persistency: The business is developing and eventually the Company intends to conduct periodic analyses on its historic book of business, using statistical methods to determine its persistency experience. Persistency rates are expected to vary by product and more importantly the sales distribution channel. Allowance will then be made for any trend in the data to arrive at best estimates of future persistency rates for each sales distribution channel.

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c) Process used to decide on assumptions

For long-term unit linked takaful contracts, assumptions are made in two stages. At inception of the contract, the Company determines assumptions on future mortality, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies are as follows:

Mortality: The Company assumes the expected mortality to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.

Persistency: Since the Company has recently started business, it has no own experience to which it can refer. Industry standards for anticipated persistency rates have been used initially. Eventually, a periodic analysis of the Company's recent and historic experience will be performed and persistency will be calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance will then be made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

Expense levels and inflation: As the business is new, estimates from business projections have been used. Once established, a periodic study will be conducted on the Company's current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.

Investment returns: The investment returns are based on the historic performance of the assets and asset types underlying the fund.

d) Sensitivity analysis

Periodic sensitivity analyses of the Company's in-force business determine whether any reserve needs to be created or product prices for new business need to be revised in light of changing or anticipated changes in experience from that expected when pricing the existing book of business. The current nature, volume and age of in-force business does not require a detailed sensitivity analysis at this stage.

30.5 Liability Adequacy Test

Liability adequacy test is applied to all long term contracts where necessary, especially those products where actuarial liability estimation is based on conservative assumptions. Liability adequacy test is carried out using current best estimates of assumptions and future net cash flows, including premiums receivable, benefits payable and investment income from related assets.

To determine the adequacy of liabilities, assumptions must be based on realistic best estimates. We have compared our valuation mortality assumption (SLIC mortality table) with the mortality of developing Asian countries, namely: India and Malaysia. The comparison suggests that the best estimate assumption is better than the experience reflected in SLIC mortality table.

The table below compares total policyholder liabilities under existing valuation basis with policyholder liabilities calculated using best estimate assumptions:

Assumptions	Policyholder liabilities on existing valuation basis	Policyholder liabilities using best estimate assumptions
	————— (Rupees) —————	
Mortality	21,251,296,095	21,249,625,265
Investment Returns	21,251,296,095	21,505,811,255

The liabilities evaluated under the assumptions suggest the recognised liabilities are adequate and no further provision is required.

31. REINSURANCE/ RETAKAFUL RISK

In order to minimise the financial exposure arising from large claims, the Company, in the normal course of business, enters into agreement with other reinsurers.

Reinsurance ceded does not relieve the Company from its obligation to policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that reinsurer fails to meet the obligation under the reinsurance agreements.

In order to manage this risk, the Company obtains reinsurance/ retakaful cover only from companies with sound financial health.

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32. ACCOUNTING ESTIMATE AND JUDGEMENT

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates relating to insurance contracts are based on the advice of the appointed actuary. Some of the critical accounting estimates and judgments are as follows:

32.1 Policyholders' liabilities

32.1.1 Valuation discount rate

The valuation of policyholders' liabilities has been based on a discount rate of 3.75% per annum, which is in line with the requirements under the statutory minimum valuation basis and is considerably lower than the actual investment return the Company is managing on its conventional portfolio. The difference each year between the above and the actual investment return is intended to be available to the Company for meeting administrative expenses and to provide margins for adverse deviation.

32.1.2 Mortality assumption

As per Circular No: 17 of 2013 issued by the SECP Insurance Division on 13th September 2013, the SLIC (2001-05) Individual Life Ultimate Mortality Table is to be used in Minimum Valuation Basis for the determination of minimum actuarial reserves for Policyholder Liabilities. In the opinion of the appointed actuary the table matches the recent mortality of the covered population.

32.1.3 Claims provision

The provision for 'Incurred But Not Reported' (IBNR) claims as included in policyholders' liability is estimated as 10% of the unearned premium for the year. This approach is being used as the Company has recently started business. Once sufficient experience of claim reporting patterns have built up in the Company's books, the appointed actuary of the Company will determine IBNR in accordance with these claim log patterns for each line of business separately. Appropriate margins will be added to ensure that the reserve set aside are resilient to changes in the experience.

32.1.4 Surrenders

For the purpose of valuation of conventional business, no provision has been made for lapses and surrenders. This gives prudence to the value placed on the liability by not taking any credits for the profits made on surrenders.

32.2 Other assets

Judgment is also involved in assessing the realisability of the asset balances.

32.3 Income Taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on disputed issues in the past. However, the Company has made adequate provision in this respect.

32.4 Impairment in respect of listed securities

The Company determines that listed available for sale securities are impaired when there has been a significant or prolonged decline in fair value below its cost. In making this judgement, the Company evaluates, among other factors, volatility in the share prices in normal course. In addition, impairment may be appropriate when there is evidence of deterioration in financial health of the investee, industry or sector performance.

33. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are:

- to comply with the minimum capital requirements as set by the Securities and Exchange Commission of Pakistan through Circular 3 of 2007 dated 10 April 2007 and S.R.O. 828(I)/2015 dated 18 August 2015 which currently amounts to Rs 600 million. Above circular also requires that by 30 June 2017, the life insurance companies needs to have a minimum paid capital of Rs. 650 million and by 31 December 2017 Rs. 700 million. The Company meets the minimum capital requirements.
- 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;
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk; and
- to maintain a strong capital base to support the sustained development of its business.

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

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34. WINDOW TAKAFUL OPERATIONS

The statement of financial position of Window Takaful Operations as at 31 December 2016 and its financial performance for the year ended 31 December 2016 is as follows:

Balance Sheet

As at 31 December 2016

Share capital and reserves

Operator's Fund (Fund received from Shareholders' fund)
Accumulated deficit
Qard-e-Hasna contributed by the Takaful window operator
Net shareholders' equity

Shareholders' Fund	Statutory Fund	
Operator's Sub Fund	Individual Family Takaful	Aggregate
(Rupees)		
83,000,856	-	83,000,856
(31,853,463)	-	(31,853,463)
(5,000,000)	-	(5,000,000)
46,147,393	-	46,147,393

Balance of statutory fund (including policyholders' liabilities)

Participant Investment Fund
Participant Takaful Fund - Waqf [Rs. 0.912 million (2015: Nil)]
Cede Money - Waqf

-	385,057,262	385,057,262
-	3,709,990	3,709,990
-	500,000	500,000
-	389,267,252	389,267,252

Creditors and accruals

Contribution received in advance
Amounts due to retakaful
Amounts due to agents
Accrued expenses
Other creditors and accruals
Inter-fund payable
Total liabilities

-	10,333,645	10,333,645
-	2,058,470	2,058,470
15,712,055	-	15,712,055
30,101	-	30,101
455,708	36,725	492,433
4,061,788	-	4,061,788
20,259,652	12,428,840	32,688,492

Contingencies and commitments

Total equity and liabilities

66,407,045	401,696,092	468,103,137
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Cash and bank deposits

Cash and others
Current and other accounts
Deposit maturing within twelve months

4,567,412	-	4,567,412
12,373,305	46,009,125	58,382,430
20,000,000	15,000,000	35,000,000
36,940,717	61,009,125	97,949,842

Investments

Government securities
Other fixed income securities
Units of open end Mutual Funds

19,599,956	191,702,500	211,302,456
-	67,697,500	67,697,500
8,799,986	72,437,382	81,237,368
28,399,942	331,837,382	360,237,324

Current assets - others

Investment income accrued
Advances and deposits
Prepayments
Inter-fund receivable

488,867	4,587,797	5,076,664
577,519	-	577,519
-	200,000	200,000
-	4,061,788	4,061,788
1,066,386	8,849,585	9,915,971

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66,407,045	401,696,092	468,103,137
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34.1 Revenue Account
For the period from 14 July 2016 to 31 December 2016

34.1.1 Participants' Investment Fund (PIF)

**Individual
Family Takaful
(Rupees)**

Income	
Allocated contribution	379,245,751
Investment income	10,380,713
Total net income	389,626,464
Less: Claims expense	
Surrender - single premium	(2,102,319)
Less: Expenditure	
Tabarru charges	(1,046,227)
Thrawat fee	(1,363,939)
Bank charges	(51,899)
CDC charges	(4,818)
	(2,466,883)
Excess of income over expenditures	385,057,262
Technical reserve at beginning of the period	-
Technical reserve at end of the period	385,057,263
Movement in technical reserve	385,057,263
Deficit for the period	(1)
Movement in Technical Reserve	385,057,263
Balance of Participant Investment Fund at beginning of the period	-
Balance of Participant Investment Fund at end of the period	385,057,262

34.1.2 Participants' Takaful Fund (PTF)

Income	
Allocated contribution	182,423
Tabarru income	1,046,227
Retakaful ceded	(2,058,470)
Total net contribution income	(829,820)
Investment income	3,613
Less: Expenditure	
Participant takaful fund management charges	(429,323)
Other charges	(34,480)
	(463,803)
Deficit of income over expenditure	(1,290,010)
Technical reserve at beginning of the period	-
Technical reserve at end of the period	911,992
Movement in technical reserve	911,992
Deficit for the period before distribution	(2,202,002)
Movement in Technical Reserve	911,992
Money ceded to Waqf	500,000
Qard-e-Hasna contributed by Window Takaful Operator	5,000,000
Balance of Participant Takaful Fund at beginning of the period	-
Balance of Participant Takaful Fund at end of the period	4,209,990

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34.1.3 Operator's Sub Fund**Individual
Family Takaful
(Rupees)****Income**

Wakala fee	70,741,615
Tharawat fee	1,363,939
Bid offer spread	19,203,449
Contribution towards extra allocation in PIF	(6,694,140)
Participant Takaful fund management income	429,323
Net investment income	3,320,987
Total net income	88,365,173

Less: Expenditures

Acquisition Costs	74,232,037
Administration Cost	45,986,599
Total Management Cost	120,218,636

Deficit of income over expenditure	(31,853,463)
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Deficit for the period	(31,853,463)
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Contribution Received from Shareholders' Fund during the period	50,000,000
Qard-e-Hasna contributed to PTF	(5,000,000)
Balance of Operators Sub Fund at end of the period	13,146,537

34.2 Statement of Contribution

For the period ended 31 December 2016

Gross contribution**Regular contribution individual policies**

First year	127,972,098
Single contribution individual policies	334,707,000
Total gross contribution	462,679,098

34.2.1 Participants Investment Fund (PIF)

- Allocated Regular Contribution	54,474,538
- Allocated Single Contribution	324,771,213
	379,245,751

34.2.2 Participants Takaful Fund (PTF)

- Allocated gross Contribution	182,423
	182,423

34.2.3 Operator's Sub Fund

- Wakala fees	70,741,615
- Bid offer spread	19,203,449
- Contribution towards extra allocation in PIF	(6,694,140)
	83,250,924

Total gross contribution allocated to sub-funds**462,679,098**

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34.3 Statement of Claims
For the period ended 31 December 2016

**Individual
Family Takaful
(Rupees)**

Gross claims

Claims under individual policies

- by death
- by insured event other than death
- by maturity
- by surrender

Total gross claims

2,102,319
2,102,319

34.3.1 Participants' Investment Fund (PIF)
Claim under individual policies by death

2,102,319

34.3.2 Participants' Takaful Fund (PTF)
Claims under individual policies - by death
Less: Retakaful recoveries
Net claims

-
-
-

34.4 Statement of Expenses
For the period ended 31 December 2016

Operator's Sub Fund

**Individual Family
Takaful
(Rupees)**

Acquisition costs

Remuneration to takaful intermediaries on individual policies:

- commission on first year contribution
- commission on single contribution
- other benefits to insurance intermediaries
- Total commission cost

58,805,916
6,694,140
8,097,748
73,597,804

Other acquisition cost

- Policy Stamps
- Others

632,219
2,014

Total acquisition cost

634,233
74,232,037

Administrative Expenses

- Salaries & Other Benefits
- Traveling Expenses
- Actuary's fee
- Auditor's remuneration
- Legal and professional charges
- Information technology expenses
- Printing and stationery
- Depreciation
- Amortisation
- Rent expense
- Car fuel and maintenance
- Utilities
- Office maintenance
- Entertainment
- Bank and brokerage charges
- Training and development
- Fees and subscription
- Marketing cost
- Other expenses
- Money ceded to PTF
- Charities and donations
- Miscellaneous
- Total Administrative Expenses**

15,019,572
416,600
235,447
508,346
4,560,744
3,686,835
554,299
746,682
430,345
1,764,135
521,601
204,804
447,196
99,518
65,677
1,944,976
97,922
13,678,919
47,370
500,000
508,693
38,115

46,077,796

Gross management expenses

120,309,833

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34.5 Statement of Investment Income
For the period ended 31 December 2016

	Individual Family Takaful (Rupees)
Participants' Investment Fund (PIF)	
Return on government securities-Sukuks	1,153,107
Profit on bank deposits	921,986
Unrealized gain on Investment	8,305,620
Investment income of PIF	<u>10,380,713</u>
Participants' Takaful Fund (PTF)	
Return on government securities	-
Profit on bank deposits	3,613
Investment income of PTF	<u>3,613</u>
Operator's Sub Fund	
Return on government securities	1,749,493
Gain on disposal of government securities	990,756
Unrealized loss on investment in government securities	(80,827)
Profit on bank deposits	661,565
Investment income of Operator's Sub Fund	<u>3,320,987</u>
Net Investment Income	<u><u>13,705,313</u></u>

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35 RELATED PARTY TRANSACTIONS

The related parties comprise of the parent company, directors, key management personnel, associated undertakings, and entities with common directors. Related party transactions and balances, other than those disclosed elsewhere in these financial statements are given below:

Transactions during the year	Note	2016 (Rupees)	2015
Holding company			
Premium written		4,612,793	3,824,677
Insurance expense		7,047,819	5,299,458
Claims expense		2,500,000	2,500,000
AICL Premises rentals expense		4,754,814	3,571,083
Associated undertakings			
Premium written		72,789,579	64,555,262
Claims expense		46,954,696	43,909,489
Commission and other incentives in respect of Bancassurance		1,026,049,987	1,006,563,528
Profit on bank deposits		31,493,417	26,101,117
Bank charges		378,627	532,142
Investments purchased		858,022,916	-
Investments sold		586,014,716	-
Dividend income		10,925,200	-
Other related parties			
Premium written		33,446,641	24,332,811
Claims expense		19,458,553	10,600,000
Investment advisor fee		23,099,406	21,134,893
Trustee fee		10,495,328	6,620,059
Investments purchased		2,873,980,418	2,475,626,445
Investments sold		2,590,389,896	1,901,503,616
Dividend income		11,173,695	27,896,567
Staff Retirement Benefit Plan (Gratuity Fund)			
Charge for the year	9.2.4	21,960,682	15,875,539
Contributions made to Gratuity fund	9.2.3	16,742,701	13,031,110
Receivable from Gratuity fund		1,041,784	-
Transactions with key management personnel			
Sale Proceeds from sale of fixed assets		1,024,557	1,577,568
Gain on sale of fixed assets		421,418	185,728
Balances outstanding as at the end of the year			
Holding company			
Premium due but unpaid		318,341	-
Claims payable		-	3,500,000
Other payables to AICL		4,522,746	2,764,153
Insurance claims receivable		-	13,921
Associated undertakings			
Premium due but unpaid		6,117,792	4,272,525
Premium received in advance		1,879,299	440,69
Bank deposits		1,235,808,893	830,266,963
Technical support fee payable	11	14,938,370	14,933,015
Investments held		402,763,179	-
Other receivables		5,355	5,355
Commission payable		280,607,324	180,916,138
Claims payable		4,300,267	3,067,442
Other related parties			
Premium due but unpaid		8,471,129	1,365,555
Premium received in advance		-	8,301
Investments held		2,813,945,458	1,754,706,001
Dividend receivable		-	159,500
Claims payable		700,500	753,000
Remuneration payable for the management of discretionary investment portfolio		2,614,973	5,090,766
Remuneration payable to Trustee		1,028,433	683,184

35.1 Contributions/ charge to the staff retirement benefit plan are as per the actuarial advice.

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35.2 Remuneration given to key management personnel included in note 24 are as per the terms of their employment. Other transactions are at agreed rates.

36. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Company in their meeting held on 04 APR 2017

Kum

Uma Mondra

Chairman

[Signature]

Director

[Signature]

Director

[Signature]

Chief Executive Officer