

ANNUAL REPORT 2017



SERVING RELIABLY



Reliance Insurance
Company Limited



Window Takaful



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Company Information



BOARD OF DIRECTORS

CHAIRMAN
ISMAIL H. ZAKARIA

DIRECTORS

A. AZIZ AYOOB
IRFAN ZAKARIA BAWANY
MUHAMMAD OMAR BAWANY
ZOHAIK ZAKARIA
AHMED ALI BAWANY
NOOR M. ZAKARIA
HAMZA OMAR BAWANY
MUHAMMAD IQBAL

CHIEF EXECUTIVE & MANAGING DIRECTOR

A. RAZAK AHMED

CHIEF ACCOUNTANT AND COMPANY SECRETARY

HAROON A. SHAKOOR

AUDIT COMMITTEE

| | |
|----------------------|----------|
| MUHAMMAD OMAR BAWANY | CHAIRMAN |
| IRFAN ZAKARIA BAWANY | MEMBER |
| ZOHAIK ZAKARIA | MEMBER |
| MUHAMMAD IQBAL | MEMBER |

INVESTMENT COMMITTEE

| | |
|----------------------|-----------|
| IRFAN ZAKARIA BAWANY | CHAIRMAN |
| ZOHAIK ZAKARIA | MEMBER |
| AHMED ALI BAWANY | MEMBER |
| A. RAZAK AHMED | MEMBER |
| HAROON A. SHAKOOR | SECRETARY |

ETHICS, HUMAN RESOURCE & REMUNERATION COMMITTEE

| | |
|----------------------|----------|
| ZOHAIK ZAKARIA | CHAIRMAN |
| IRFAN ZAKARIA BAWANY | MEMBER |
| A. RAZAK AHMED | MEMBER |

COMPLIANCE OFFICER

GHULAM HAIDER

CREDIT RATING

A (SINGLE A) BY JCR-VIS
OUTLOOK "POSITIVE"

AUDITORS

KRESTON HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

LEGAL ADVISOR

ABDUL SATTAR PINGAR

SHARI'AH ADVISOR

MUFTI MUHAMMAD FARHAN FAROOQ

BANKERS

HABIB BANK LIMITED
MCB BANK LIMITED
ALLIED BANK LIMITED
SONERI BANK LIMITED
BANK ALFALAH LIMITED
NATIONAL BANK OF PAKISTAN
MEEZAN BANK LIMITED
DUBAI ISLAMIC BANK
MCB ISLAMIC BANK LIMITED
UNITED BANK LIMITED
THE BANK OF PUNJAB
FAYSAL BANK LIMITED
HABIB METROPOLITAN BANK LIMITED
JS BANK LIMITED

REGISTERED OFFICE

96-A, Sindhi Muslim Co-operative
Housing Society, Karachi.

HEAD OFFICE

Reliance Insurance House,
181-A, Sindhi Muslim Co-operative Housing
Society, P.O. Box No. 13356, Karachi-74400.
Phone : 34539415-17
Fax : 92-21-34539412
E-mail : reli-ins@cyber.net.pk
ric-re@cyber.net.pk
Website: www.relianceins.com

SHARES REGISTRAR

M/s. C&K Management Associates (Pvt.) Ltd.
404-Trade Tower, Abdullah Haroon Road,
Near Hotel Metropole, Karachi-75530.
Tel: (021) 35687839 & 35685930

Our Vision

To be recognized as a professional and dependable business entity committed to play a meaningful role in the development of insurance industry in Pakistan and to safeguard the legitimate interests of all stakeholders, namely policy-holders, share-holders, reinsurers, employees and all other business associates / partners.

Our Mission

To provide quality service and protection to its clients aiming at achieving a respectable volume of business and become a prominent player through good governance and sound professionalism focusing to become a well-known and respected Corporate entity in the eyes of Society and Government.

Code of Conduct

Reliance Insurance Company Limited is engaged in general insurance business with the objective to achieve sustainable productivity, profitability and high standards of service. The Company solemnly believes in the application of business ethics as have been embodied in this document.

- The credibility, goodwill and repute earned over the years can be maintained through continued conviction in our corporate values of honesty, justice, integrity and respect for people. The Company strongly promotes trust, openness, teamwork and professionalism in its entire business activities.
- The Company conducts its business in accordance with all applicable laws and Regulations.
- RICL recognizes following obligations, which need to be discharged with best efforts, commitment and efficiency:
- Safeguarding of shareholders' interest and a suitable return on equity.
- Service to customers / policyholders by providing products, which offer value in terms of price, quality, safety and honest and fair dealing with people and organization.
- Respect human right, provide congenial working environment, offer competitive terms of employment, develop human resource and be an equal opportunity employer.
- Seek mutually beneficial business relationship with policyholders, business development staff / officers, investment partners and Banks.
- The Company believes that profit is essential for business survival. It is a measure of efficiency and the value that the customer place on services provided by the Company.
- The Company requires honesty and fairness in all aspect of its business and in its relationships with all those with whom it does business. The direct or indirect offer, payment, soliciting and accepting of bribe in any form are undesirable.
- The Company requires all its employees to essentially avoid conflict of interest between private financial activities and their professional role in the conduct of Company business.
- The Company does not support any political party or contributes funds to group having political interests. The Company will however, promote its legitimate business interests through trade associations.
- The Company, consistent with its priority, has the approach for protecting the health and safety of employees at the work-place.
- All employees are duty-bound to make business decisions in the best interest of the Company and not based on their personal interest and are obliged to protect all the assets including software and use all such properties for the exclusive benefit of the Company only.
- The Company is committed to observe laws of Pakistan and is fully aware of its social responsibility. It would assist the community in activities such as training programs, skills development and employment within the parameters of its commercial objectives.
- The Company supports free market system. It seeks to compete fairly and ethically within the framework of applicable competition laws in the country. The Company will not stop others from competing freely with it.
- In view of the critical importance of its business and impact on national economy, the Company provides all relevant information about its activities to legitimate interested parties, subject to any overriding constraints of confidentiality and cost. The members of RICL are forbidden to pass on inside information at any time or to any other person inside or outside the Company.



Company Profile

Reliance Insurance Company Limited, was incorporated in Pakistan in the year 1981 with a Share Capital of Rs. 5.0 Million by two Leading Industrial Houses of Pakistan, namely (i) Al-Noor Group and (ii) Amin Bawany Group. Al-Noor Group is headed by renowned industrialist Mr. Ismail H.Zakaria, who is also the Chairman of Reliance Insurance, while Amin Bawany Group is headed by Mr. Mohammed Amin Ahmed Bawany (now late), who is also the Director of Reliance Insurance. Both the groups having successfully implemented a number of projects are the reputed industrial groups of Pakistan.

RICL underwrites all classes of General Insurance and enjoys reputation second to none. Apart from the traditional covers such as Fire, Accident Motor, Marine (Import & Exports), Loss of Profits, Personal Accident, Group Hospitalization, Workmen's Compensation, Burglary, Cash-in-Safe or in Transit etc., it also transacts non-traditional covers such as Machinery Breakdown, Loss of Profits following Machinery Breakdown, Terrorism, Contractors All Risks, Erection All Risks, Bonds, Products liability, Director's and Officer's liability, Aviation and the like.

The Company's results have been consist-

ently improving yielding handsome results. The Present Authorised Capital of the Company is Rs. 750 Million while Paid-up Capital has increased to 561.412 million. General Reserve to Rs. 250 million & the Shareholders' equity to Rs.791.262 million.

Reliance is one of the leading General Insurance Company of Pakistan having a network of 23 Branches at all important places throughout Pakistan employing a full time work force of 198 persons.

Since its establishment Reliance has progressed smoothly and steadily. Its Gross Premium Income has increased from Rs. One Million in 1983 to Rs.1230.175 million (inclusive of Takaful Contribution) at the end of the year 2017 and the Technical Reserves at Rs. 739.388 million.

RICL has an excellent Treaty Reinsurance arrangements under the lead of world's renowned reinsurer namely Swiss Re, having handsome automatic Treaty Capacity.

JCR-VIS Credit Rating Company an affiliate of Japan Credit Rating Agency has assigned Insurers Financial Strength Rating (IFS) at A (Single A). Outlook on the assigned Rating is "Positive".

Directors' Profile



Ismail H. Zakaria - Chairman

Mr. Ismail H. Zakaria is Chairman of the Board of Directors of Reliance Insurance Company Limited since its inception. He has diversified experience of over forty five years covering various industrial, commercial and financial sectors. He is also Chairman of First Al Noor Modaraba, Shahmurad Sugar Mills Limited, and Managing Director Al Noor Sugar Mills Limited. The depth of knowledge and breadth of experience of Mr. Ismail H. Zakaria is an invaluable asset and a guiding force to the Board of Reliance Insurance.



A. Aziz Ayoob - Director

Mr. A. Aziz Ayoob is a Non-Executive Director since 1995. Mr. A. Aziz Ayoob is a graduate having over 45 years of diversified industrial and commercial experience in various fields. He is also a Director on the Board of First Al Noor Modaraba, Al Noor Sugar Mills Limited and Shahmurad Sugar Mills Limited.



Irfan Zakaria Bawany - Director

Mr. Irfan Zakaria Bawany is a Non-Executive Director of Reliance Insurance Company Limited since 1991. He is CEO of Anam Fabrics (Pvt.) Limited and Director of Faran Sugar Mills Limited. He has served on The Board of Pioneer Cables Limited from 1983 to 1991. He has diversified experience in Electrical Cable Manufacturing and Textile made up business. After receiving a B.B.A. (accounting) from The University of Houston, USA, he was certified as a Fellow Member of the Texas Society of Certified Public Accountants. He is a certified Director from Pakistan Institute of Corporate Governance (P.I.C.G.)

Directors' Profile



Zohair Zakaria - Director

Mr. Zohair Zakaria is a Non-Executive Director of Reliance Insurance Company Limited since 1998. He is also serving on the Board of Directors of Al-Noor Sugar Mills Limited, Shahmurad Sugar Mills Limited. Mr. Zohair Zakaria has diversified experience of working in senior management positions. He holds BBA Degree from Boston. He is a Certified Director from Pakistan Institute of Corporate Governance. (P.I.C.G)



Muhammad Omar Bawany - Director

Mr. Muhammad Omar Bawany is a Non-Executive Director of Reliance Insurance Company Limited, since 1995. He acquired his early education from Karachi American School and proceeded to American College, Switzerland and obtained an Associate Degree in Business Administration. He has extensive experience in textile, sugar and financial sectors. He is on the Board of Directors of Faran Sugar Mills Limited since 1984, and is currently he is the Chairman of Farhan Sugar Mills and Farhan Power Limited. He is also Chief Executive of B.F. Modaraba managed by E.A Management and is on the board of Unicol Limited & Uni-Food Industry Limited.



Ahmed Ali Bawany - Director

Mr. Ahmed Ali Bawany is a Non-Executive Director of Reliance Insurance Company Limited since 2001. He acquired his early education from CAS, Karachi and degree in business entrepreneurship from University of Southern California. His special field of interest includes finance, procurement and marketing. He is the Chief Executive of Faran Sugar Mills Limited and Farhan Power Limited. He has also served as Chairman of Pakistan Sugar Mills Association-Sindh Zone in 2014. He is also Chairman B.F. Modaraba and Uni-Food Industries Limited. He also Serves as Director of Unicol Limited & UniEnergy. He is a Certified Director from Pakistan Institute of Corporate Governance. (P.I.C.G)

Directors' Profile



Noor Mohammed Zakaria - Director

Mr. Noor Mohammed Zakaria is a Non-Executive Director since 2003. He has over 40 years of diversified industrial and commercial experience. He is B.A. (Hons) from University of Karachi. He is also on the Boards of (Non-Executive Director) Al Noor Sugar Mills Limited and Shahmurad Sugar Mills Limited. He is socially very well connected active and is member of various Clubs of Karachi.



Hamza Omar Bawany - Director

Mr. Hamza Omar Bawany is currently the CEO of Uni-Food Industries Ltd. He has a diverse working experience in various fields such as Manufacturing, FMCG and Islamic Banking. For over 10 years he has served as Chief Operating Officer of Sind Particle Board Mills Ltd. Mr. Hamza acquired his BBA and MBA degree in Marketing and Finance from IBA, Karachi. He also serves as Director on Boards of Faran Sugar Mills Ltd., and BF Modaraba. He is a Certified Director from Pakistan Institute of Corporate Governance. (P.I.C.G)



Muhammad Iqbal - Director

Mr. Muhammad Iqbal Chartered Accountant from Institute of Chartered Accountant of Pakistan. He is Fellow Member Cost & Management Accountant of Pakistan. Having more than 40 years of diversified experience at Senior and top level management position with emphasize on financial management and reporting, operational management, internal audits, capital restructuring, pre-investment and acquisition, critical financial review and analysis, corporate and legal affairs as well as taxation. He was associated with Fecto Group of Companies in the capacity of Director Finance and Company Secretary.



A. Razak Ahmed - Chief Executive & M.D.

Mr. A. Razak Ahmed is the Chief Executive Officer/Managing Director of the Company since 1st November 1995. He has over 45 years of extensive and varied experience-both in public & private sectors. Prior to joining Reliance he had worked with Adamjee Insurance, Pakistan Insurance Corporation (now PRCL) National Insurance Corporation & Premier Insurance Company. He has been on the Executive Committee of the Insurance Association of Pakistan (IAP) several times and had also been the Chairman of Accident & Fire Committees for several terms, beside being Council Member of the Karachi Insurance Institute and member standing committee on Banking and Insurance of the Federation of Pakistan Chamber of Commerce & Industry. He is a Commerce Graduate and a fellow of the Chartered Insurance Institute (FCII) London. He is a Chartered Insurer.



Our Services

Reliance Insurance underwrites in all classes of General Insurance and enjoys reputation second to none. Apart from Conventional General Insurance RIC has also commenced its General Takaful operations.



General Insurance (Conventional)

Reliance Insurance commenced its general insurance business in 1981 and it underwrites in all classes of traditional and non-traditional lines.

Reliance Insurance offering a wide range of covers such as Fire & Property, Marine Cargo, Motor Vehicles (Commercial & Private), Personal Accident, Money Insurance, Burglary & Liability (Public & Product) and Workmen Compensation while non-traditional covers such as Engineering Risks (MBD, CAR, EAR), Aviation Insurance, Terrorism and Bonds are also being offered.



General Takaful (Islamic)

Takaful is an Islamic alternate of Insurance and is growing steadily. Reliance Insurance commenced its Window Takaful Operations in June 2016 under the guidance of renowned, qualified and certified Sharia Scholars.

Reliance Takaful is offering a wide range of Sharia Compliant General Takaful Products such as Fire & Property Takaful, Marine Cargo Takaful, Motor Takaful (Private / Commercial Vehicles), Engineering Takaful, Terrorism & Political Violence Takaful and Miscellaneous Accident Takaful.

Fire & Property Insurance

Fire & Allied Perils Insurance

Reliance Insurance provides comprehensive Fire insurance coverage at most competitive rates. The standard Fire policy covers loss and/or damage to the property caused by Fire & Lightning. The basic Fire policy can be extended to cover a number of additional risks known as 'special perils' or 'allied perils'. These includes: Riot and Strike Damage, Malicious Damage, Explosion, Atmospheric Disturbance (including Flood), Earthquake Fire and Shock, Impact Damage, Aircraft Damage, Burglary and Sabotage including Political Violence Risks.

The property insured normally includes Buildings, Plant & Machinery of all kind (industrial, commercial, residential, offices, factory & warehouse / godowns), fixtures & fittings, stocks in godowns, raw materials, work-in-process and finished goods.

Consequential Loss Due to Fire

RICL also provides this coverage in conjunction with Fire Policy. It provides protection against Loss of Profit incurred as a result of business interruption or interference in Business caused by an event indemnifiable under Fire Policy.



Marine Cargo Insurance



Marine Cargo insurance provides protection to Imports & Exports of goods by any mode of transport viz by Sea, by Air or by Road/Rail. Cargo is usually insured on a warehouse (of departure) to warehouse (of arrival) basis and usually covering all transit risks as per Institute Cargo Clauses 'A'. For lesser risks Cargo clauses 'B' & 'C' are available; even cover on TLO (Total Loss only, due to total loss of vessel / aircraft) basis is also available. Marine Inland Transit insurance policy provides adequate cover to protect goods in transit by any mode of transport i.e., by Air or by Road/Rail within the territory of Pakistan.

Reliance Insurance provides most comprehensive Marine Cargo insurance at most competitive rates.

Motor Insurance



Reliance Insurance provides most comprehensive coverage against accidental damage to the motor cars, motorcycles, trucks and other vehicles. Following are major types of Motor insurance:

Comprehensive Motor Policy (Private Vehicles)

Our Motor Insurance provides protection against losses incurred as a result of theft, accidents, riots, malicious damage and against liability that could be incurred in an accident. This policy can be extended to include accidental personal injuries and death of Driver and Passengers.

Commercial Vehicles

We also insure Motor vehicles used for trade / commercial purposes and classified as Commercial Vehicles such as Trucks, Trailers, Buses, Ambulances, Wagons / Vans etc. and providing protection against losses incurred as a result of theft, accidents, riots, malicious damage and against liability that could be incurred in an accident.

Third Party Liabilities Insurance

To meet requirement by law under Motor Vehicle Act 1939 is in respect of legal liability to pay damages arising out of bodily injury caused to any third party person, the following policies are also available under the legal section

Act Liability Only: it provides coverage in respect of liability incurred through death or injury to a third party person. This is minimum legal cover available under the law.

Third Party Liability Only: it provides coverage as above plus damage to third party property.

Aviation Insurance

Reliance Insurance is amongst the few Pakistani insurance companies who offer aviation insurance to the commercial airlines as well as private jets. Our comprehensive aviation insurance plan protects the insured from probable risks of Aircraft Hull & Spares All Risks, Aviation Legal Liabilities, War & Allied Perils, Loss of License to Pilots, Aircraft's Ferry Flight Insurance, Crew Legal Liabilities, Airport Operations Insurance.



Engineering Insurance

Engineering policies mainly cover plant & machinery and projects of various kinds. It covers damage or breakdown of plant & machinery or its specific items. It indemnifies the cost of repair of plant & machinery own damage and legal liability for damage to the property of third party. Engineering policies also cover the contractor against the risks of the projects.

Cover for loss of profits and standing charges following machinery breakdown is also available. Engineering risk usually provides coverage for Contractor's All Risks Insurance, Contractor's Plant & Machinery Insurance, Plant & Machinery Erection All Risks Insurance, Machinery Break-Down Insurance and Comprehensive Machinery Insurance



Bonds & Surety Insurance



Contractor undertaking the construction of public works like buildings, roads, bridges, dams, civil works etc are usually required to furnish guarantees / bonds guaranteeing the fulfillment of their contractual obligations to the principals.

Traditionally Bid Bonds, Advance Payment / Mobilization Bonds, Performance Bonds, Maintenance Bonds and Customs & Excise Bonds are available.

Miscellaneous & Others

Miscellaneous Insurance

insurance
Money
Burglary
Plate Glass
Fidelity Guarantee



A wide range of products available under Miscellaneous & Others insurance which includes, but not limited to, Products Liability Insurance, Professional Indemnity Insurance, Group / Personal Accident Insurance, Employer's Legal Liability Insurance, Workmen Compensation Insurance, Fidelity Guarantee Insurance, Public Liability Insurance, Third Party Liability Insurance, Directors & Officers Liability Insurance, Product Liability Insurance, Travel Insurance, All Risks Insurance, House-breaking & Burglary Insurance, Money Insurance (Cash in Safe & Cash in transit), Group Health Insurance, Plate Glass Insurance and Baggage Insurance etc.



Window Takaful Operations

The Company has commenced Window Takaful Operations which has been widely appreciated by the business fraternity, Islamic banks and financial institutions.

“**Reliance Takaful**” is operating under the guidance of renowned, qualified and certified Shariah Scholars. Our Takaful model is WAQF based; the concept of brotherhood and mutual solidarity in Islam and its operations are being managed by a team of well experienced, dedicated & competent professionals.

Reliance Takaful is providing coverage to a wide range of Shariah Compliant products details as hereunder:-

Reliance Takaful is offering a wide range of Shariah Compliant General Takaful Products such as Fire & Property Takaful, Marine Cargo Takaful, Private / Commercial Vehicles Takaful, Engineering Takaful, Terrorism & Political Violence Takaful and Miscellaneous Accident Takaful. A short brief of major takaful products is as under:-

Fire Takaful provides loss or damage to the property caused by Fire &/or duly extended allied perils. The basic Fire takaful extendable to cover allied / special perils such as Riots & Strikes Damage, Malicious Damage, Atmospheric Damage, Earthquake Fire & Shock, Explosions, Aircraft Damages and Impact Damages etc.

Marine Takaful covers losses to cargo during transit as per Institute Caro Clauses ‘A’, ‘B’ or ‘C’ by all means of transport like by Sea, by Air or by Road/Rail. Usually marine cargo takaful provides coverage of goods from warehouse (of departure) to warehouse (of arrival) but can also be from port of departure to port of arrival.

Motor Takaful provides coverage against any loss / damage to motor vehicles (private & commercial) due to road accidents, Theft & Burglary, Snatching by violent means, Riot & Strike damage, Loss or damage due to natural calamities and Third party liability (Bodily Injury and property damage). This cover can be extended to include accidental injuries and death of Driver and Passenger(s).

Engineering Takaful mainly covers plant & machinery and projects and provides coverage for Contractor's All Risks, Contractor's Plant & Machinery, Erection All Risks, Machinery Breakdown Insurance and Comprehensive Machinery Insurance etc.

Miscellaneous & Others: A wide range of products available under Miscellaneous Takaful which includes, but not limited to, Products Liability, Professional Indemnity, Group / Personal Accident, Employer's Legal Liability, Workmen Compensation, Public Liability, Third Party Liability, Directors & Officers Liability, Travel, All Risks Takaful, House-breaking & Burglary, Money (Cash in Safe & Cash in transit), Plate Glass takaful and Baggage takaful etc.

Notice of the Thirty Six Annual General Meeting

Notice is hereby given that the 36th Annual General Meeting of the Shareholders of RELIANCE INSURANCE COMPANY LIMITED will be held on Saturday the 28th April, 2018 at 12.30 p.m. at the Head Office of the Company at RELIANCE INSURANCE HOUSE 181-A Sindhi Muslim Housing Society near Mehdi Tower, off: Sharah-e-Faisal, Karachi, to transact the following business:

ORDINARY BUSINESS:

1. To confirm the Minutes of the 35th Annual General Meeting of the company held on 29th April, 2017.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended 31st December, 2017 together with Chairman's Review, Directors' and Auditors' Reports thereon.
3. To appoint auditors and fix their remuneration for the year ending December 31, 2018. The Audit Committee and the Board of Directors have recommended the name of M/s. Kreston Hyder Bhimji & Co., Chartered Accountants for re-appointment as auditors.
4. To transact any other business with the permission of the Chair.

The Share Transfer Books of the Company will remain closed from 20th April, 2018 to 28th April, 2018 (both days inclusive).

By order of the Board

(HAROON A. SHAKOOR)
Chief Accountant & Company Secretary

Karachi: 27th March, 2018

NOTES:

1. A member of the Company entitled to attend and vote may appoint another member as his/her proxy to attend and vote on his/her behalf. **PROXIES MUST BE RECEIVED AT THE HEAD OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.**
2. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting:

- i. In case of individuals, the account holder or sub-account holder and/or person whose securities are in group account and their registration details are up-loaded as per the Regulations, shall authenticate his identity by showing his Original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- ii. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For appointing Proxies:

- i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirements.
 - ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - iii. Attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iv. The proxy shall produce his original CNIC or Original Passport at the time of the meeting.
 - v. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.
3. Shareholders are requested to timely notify the Company's Share Registrar of any change in their address, if any immediately.
 4. **SUBMISSION OF COPIES CNIC (MANDATORY)**
As per SECP directives, the dividend warrants of the shareholders whose valid CNICs, are not available with the Share Registrar could be withheld. All shareholders having physical shareholding are, therefore, advised to submit a photo copy of their valid CNICs and Corporate entities are requested to provide NTN immediately, if already not provided, to the Company's Share Registrar at the following address, M/s. C & K Management Associates (Pvt.) Ltd., 404, Trade Tower, Abdullah Haroon Road, Near Metropole Hotel, Karachi-75530 without any further delay.
 5. **ELECTRONIC DIVIDEND MANDATE**
Under section 242 of Companies Act, 2017 it is mandatory for all listed Companies to pay cash dividend to its shareholders only through electronic mode directly in to the bank account designated by the entitled shareholders.

In order to receive dividend directly into their bank account, shareholders are requested (if not already provided) to fill in Bank Mandate Form for Electronic Credit of Cash Dividend available in the Company's website www.relianceins.com and send it duly signed along with a copy of CNIC to the Share Registrar of the Company, M/s. C & K Management Associates (Pvt.) Ltd., 404, Trade Tower, Abdullah Haroon Road, Near Metropole Hotel, Karachi-75530 in case of physical shares.

In case shares are held in CDC, electronic dividend mandate form must be directly submitted to shareholder's brokers/ participant / CDC account services.

In case of non-receipt of information, the Company will be constrained to withhold payment of dividend to shareholders.

6. ELECTRONIC TRANSMISSION OF ANNUAL FINANCIAL STATEMENTS AND NOTICES

Pursuant to Notification vide SRO.787(1) / 2014 of September 8, 2014, the SECP has directed to facilitate the members of the Company receiving annual financial statements and notices through electronic mail system (e-mail). We are pleased to offer this facility to our members who desire to receive annual financial statements and notices of the Company through email in future. In this respect members are hereby requested to convey their consent via email on a standard request form which is available at the Company website www.relianceins.com. Please ensure that your email has sufficient rights and space available to receive such email which may be larger than 1 MB file in size. Further, it is the responsibility of the member to timely update the share registrar of any change in their registered email address.

Financial Statements and relevant reports have been placed on the website of the company which can be seen on www.relianceins.com.

7. TRANSMISSION OF ANNUAL AUDITED ACCOUNTS AND NOTICE THROUGH CD/DVD/USB.

In compliance with the SECP Notification No.SRO 470(1)2016, dated May 31, 2016. The Company in the 35th Annual General Meeting held on April 29, 2017, obtained the approval of the shareholders to circulate Annual Accounts through CD/DVD/USB at their registered address instead of transmitting the Annual Accounts in hard copies. However, shareholder may request the Company Secretary or Share Registrar of the Company for hard copy of Annual Audited Accounts instead of CD / DVD / USB and the same will be provided at his / her registered address, free of cost, within one week on the demand. In this regard, a 'Standard Request Form', has also been placed at the website of the Company for communicating the need of hard copies of the Annual Audited Accounts instead of sending the same through CD / DVD / USB.

8. UNCLAIMED DIVIDEND

As per the provision of section 244 of the Companies Act 2017, any shares issued or dividend declared by the Company which have remained unclaimed/unpaid for a period of three years from the date on which it was due and payable are required to be deposited with the Commission for the credit of Federal Government after issuance of notices to the shareholders to file their claim. The details of the shares issued and dividend declared by the Company which have remained due for more than three years was sent to shareholders. Shareholders are requested to ensure that their claims for unclaimed dividend and shares are lodged timely. In case, no claim is lodged with the Company in the given time, the Company shall after giving notice in newspaper proceed to deposit the unclaimed/unpaid amount and shares with the Federal Government pursuant to the provision of Section 244 (2) of Companies Act, 2017.

9. CONSENT FOR VIDEO CONFERENCING FACILITY

Pursuant to the provision to the Companies Act, 2017 the members can also avail the video Conferencing facility. In this regard, please fill the following and submit to Head Office of the Company at least 7 days before the holding of annual general meeting. If the Company receives consent from members holding aggregate 10% or more shareholding residing at the geographical location to participate in the meeting, the Company will arrange video conference facility in the city subject to availability of such facility in that city.

I / We, _____ of _____, being a member of Reliance Insurance Co., Ltd. holder of _____ ordinary share(s) as per registered folio no. _____ hereby opt for video conferencing facility at _____.

10. E – VOTING

Pursuant to SECP SRO No.43(1)2016 dated January 22, 2016 Shareholders can also exercise their right to vote through e-voting by giving their consent in writing at least 10 days before the date of meeting to the Company on the appointment by the Intermediary as a proxy.

11. POSTAL BALLOT

Shareholders can also demand a poll and exercise their right to vote by means of ballot i.e. by post or through electronic mode subject to the requirements of section 143 to 145 of the Companies Act, 2017 and applicable clauses of companies (Post Ballot) Regulations 2018.

Horizontal Analysis of Balance Sheet & Income Statement

| | Rupees '000 | | | | | | % Increase / (Decrease) over preceeding year | | | | | |
|---|-------------|----------|----------|----------|----------|-----------|--|---------|---------|---------|---------|---------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| BALANCE SHEET | | | | | | | | | | | | |
| Cash and Bank Deposit | 186.934 | 146.958 | 133.930 | 104.499 | 103.079 | 68.760 | 27.20 | 9.73 | 28.16 | 1.37 | 49.91 | (13.86) |
| Loan to Employees | 1.336 | 0.998 | 1.418 | 1.534 | 1.517 | 1.566 | 33.87 | 29.62 | (7.56) | 1.12 | (3.13) | 70.03 |
| Investment | 671.281 | 751.662 | 653.669 | 584.858 | 500.322 | 436.862 | (10.69) | 14.99 | 11.76 | 16.90 | 14.53 | 7.46 |
| Other Assets | 777.128 | 771.445 | 896.803 | 823.391 | 780.381 | 1,062.035 | 0.74 | (13.98) | 8.91 | 5.51 | (26.52) | 90.19 |
| Fixed Assets - Tangible and Intangible | 81.020 | 87.071 | 80.742 | 81.651 | 71.281 | 63.801 | (6.95) | 7.84 | (1.11) | 14.55 | 11.72 | 0.89 |
| Total Assets from General takaful operation OPF | 65.750 | 53.334 | - | - | - | - | 23.28 | - | - | - | - | - |
| Total Assets | 1783.449 | 1811.477 | 1766.561 | 1595.944 | 1456.580 | 1,633.024 | (1.55) | 2.54 | 10.69 | 9.57 | (10.80) | 47.26 |
| Total Equity | 791.262 | 863.526 | 786.034 | 725.219 | 653.418 | 578.713 | (8.37) | 9.86 | 8.38 | 10.99 | 12.91 | 12.28 |
| Underwriting Provisions | 739.388 | 782.589 | 868.201 | 764.835 | 679.626 | 947.898 | (5.52) | (9.86) | 13.51 | 12.54 | (28.30) | 103.70 |
| Creditors and Accruals | 234.426 | 158.821 | 111.074 | 104.980 | 122.987 | 105.841 | 47.60 | 42.98 | 5.80 | (14.64) | 16.20 | (17.35) |
| Other Liabilities | 2.221 | 1.665 | 1.250 | 0.910 | 0.549 | 0.572 | 33.39 | 1.33 | 37.36 | 65.75 | (4.02) | 434.58 |
| Total Liabilities from General takaful Operation OPF | 16.152 | 4.876 | - | - | - | - | 231.26 | - | - | - | - | - |
| Total Equity and Liabilities | 1783.449 | 1811.477 | 1766.561 | 1595.944 | 1456.580 | 1,633.024 | (1.55) | 2.54 | 10.69 | 9.57 | (10.80) | 47.28 |
| PROFIT AND LOSS ACCOUNT | | | | | | | | | | | | |
| Net Premium Revenue | 357.654 | 359.415 | 316.412 | 295.757 | 260.758 | 240.703 | (0.49) | 13.59 | 6.99 | 13.42 | 8.33 | 0.84 |
| Net Claims | 88.157 | 101.721 | 89.862 | 94.300 | 87.893 | 83.096 | (13.33) | 13.20 | (4.71) | 7.29 | 5.77 | (3.74) |
| Management Expenses | 137.732 | 132.486 | 127.951 | 122.763 | 116.698 | 106.778 | 3.96 | 3.54 | 4.23 | 5.19 | 9.29 | 7.69 |
| Net Commission | 60.678 | 60.919 | 49.389 | 39.246 | 36.568 | 33.748 | (0.40) | 23.34 | 25.84 | 7.32 | 8.36 | (11.17) |
| Underwriting Results | 71.087 | 64.289 | 49.219 | 39.447 | 19.599 | 17.044 | 10.57 | 30.62 | 24.77 | 101.27 | 14.99 | 11.81 |
| Investment Income | (48.025) | 99.009 | 86.693 | 96.216 | 97.437 | 110.252 | (148.51) | 14.21 | (9.89) | (1.25) | (11.62) | 16.23 |
| Other Income | 2.650 | 0.952 | 1.285 | 2.812 | 2.903 | 2.590 | 178.36 | (25.91) | (54.30) | (3.13) | 12.08 | (14.01) |
| Financial Charges | 0.000 | 0.047 | 0.203 | 0.464 | 0.088 | 0.625 | (100.00) | (76.85) | (56.25) | 427.27 | (85.92) | 37.96 |
| General and Admin Expenses | 51.258 | 47.128 | 46.206 | 41.888 | 38.646 | 35.357 | 8.76 | 1.99 | 10.31 | 8.39 | 9.30 | 20.50 |
| (Loss) / Profit before Tax | (25.546) | 115.540 | 90.788 | 96.540 | 81.205 | 93.905 | (122.11) | 27.26 | 5.96 | 18.88 | (13.52) | 12.71 |
| Taxation Net | 21.198 | 14.350 | 9.800 | 6.400 | 6.500 | 6.700 | 47.72 | 51.53 | 53.12 | 1.54 | 2.99 | 3.07 |
| (Loss) / Profit after Tax | (46.744) | 100.690 | 80.988 | 90.140 | 74.705 | 87.205 | (146.42) | 24.43 | (10.15) | 20.66 | (14.33) | 13.52 |

Vertical Analysis of Balance Sheet & Income Statement

Rupees '000

| | 2017 | | 2016 | | 2015 | | 2014 | | 2013 | | 2012 | |
|--|-----------------|---------------|-----------------|---------------|-----------------|---------------|-----------------|---------------|-----------------|---------------|------------------|---------------|
| | Rupees | % | Rupees | % | Rupees | % | Rupees | % | Rupees | % | Rupees | % |
| BALANCE SHEET | | | | | | | | | | | | |
| Cash and Bank Deposit | 186.934 | 10.48 | 146.96 | 8.11 | 133.93 | 7.58 | 104.499 | 6.55 | 103.079 | 7.08 | 68.760 | 4.21 |
| Loan to Employees | 1.336 | 0.07 | 0.998 | 0.06 | 1.418 | 0.08 | 1.534 | 0.10 | 1.517 | 0.10 | 1.566 | 0.10 |
| Investment | 671.281 | 37.64 | 751.662 | 41.49 | 653.669 | 37.00 | 584.868 | 36.65 | 500.322 | 34.35 | 436.862 | 26.75 |
| Other Assets | 777.128 | 43.57 | 771.446 | 42.59 | 896.803 | 50.77 | 823.391 | 51.59 | 780.381 | 53.58 | 1,062.035 | 65.03 |
| Fixed Assets - Tengible and Intendible | 81.020 | 4.54 | 87.071 | 4.81 | 80.742 | 4.57 | 81.652 | 5.12 | 71.281 | 4.89 | 63.801 | 3.91 |
| Total Assets from General takaful operation OPF | 65.750 | 3.69 | 53.342 | 2.94 | | | | | | | | |
| Total Assets | 1783.449 | 100.00 | 1811.478 | 100.00 | 1766.561 | 100.00 | 1595.944 | 100.00 | 1456.580 | 100.00 | 1,633.024 | 100.00 |
| Total Equity | 791.262 | 44.37 | 863.526 | 47.67 | 786.034 | 44.50 | 725.219 | 45.44 | 653.418 | 44.86 | 578.713 | 35.44 |
| Underwriting Provisions | 739.388 | 41.46 | 782.589 | 43.20 | 868.201 | 49.15 | 764.835 | 47.92 | 679.626 | 46.66 | 947.898 | 58.05 |
| Creditors and Accruals | 234.426 | 13.14 | 158.821 | 8.77 | 111.074 | 6.29 | 104.980 | 6.58 | 122.987 | 8.44 | 105.841 | 6.48 |
| Other Liabilities | 2.221 | 0.12 | 1.666 | 0.09 | 1.250 | 0.07 | 0.910 | 0.06 | 0.549 | 0.04 | 0.572 | 0.04 |
| Total Liabilities from General takaful Operation OPF | 16.152 | 0.91 | 4.876 | 0.27 | | | | | | | | |
| Total Equity and Liabilities | 1783.449 | 100.00 | 1811.478 | 100.00 | 1766.561 | 100.00 | 1595.944 | 100.00 | 1456.580 | 100.00 | 1,633.024 | 100.00 |
| PROFIT AND LOSS ACCOUNT | | | | | | | | | | | | |
| Net Premium Revenue | 357.654 | 100.00 | 359.415 | 100.00 | 316.422 | 100.00 | 295.757 | 100.00 | 260.758 | 100.00 | 240.703 | 100.00 |
| Net Claims | 88.157 | 24.65 | 101.721 | 28.30 | 89.862 | 28.40 | 94.300 | 31.88 | 87.893 | 33.71 | 83.096 | 34.52 |
| Management Expenses | 137.732 | 38.51 | 132.486 | 36.86 | 127.951 | 40.44 | 122.763 | 41.51 | 116.698 | 44.75 | 106.778 | 44.36 |
| Net Commission | 60.678 | 16.97 | 60.919 | 16.95 | 49.389 | 15.61 | 39.246 | 13.27 | 36.568 | 14.02 | 33.784 | 14.04 |
| Underwriting Results | 71.087 | 19.88 | 64.289 | 17.89 | 49.219 | 15.55 | 39.447 | 13.34 | 19.599 | 7.52 | 17.044 | 7.08 |
| Investment (Loss) / Income | (48.025) | (13.43) | 99.009 | 27.55 | 86.693 | 27.40 | 96.216 | 32.53 | 97.437 | 37.37 | 110.252 | 45.80 |
| Other Income | 2.650 | 0.74 | 0.952 | 0.26 | 1.285 | 0.41 | 2.812 | 0.95 | 2.903 | 1.11 | 2.590 | 1.08 |
| Financial Charges | 0.000 | 0.00 | 0.047 | 0.01 | 0.203 | 0.06 | 0.464 | 0.16 | 0.088 | 0.03 | 0.624 | 0.26 |
| General and Admin Expenses | 51.258 | 14.33 | 47.128 | 13.11 | 46.206 | 14.60 | 41.888 | 14.16 | 38.646 | 14.82 | 35.357 | 14.69 |
| (Loss) / Profit before Tax | (25.546) | (7.14) | 115.540 | 32.15 | 90.788 | 28.69 | 96.540 | 32.64 | 81.205 | 31.14 | 93.905 | 39.01 |
| Taxation Net | 21.198 | 5.93 | 14.850 | 4.13 | 9.800 | 3.10 | 6.400 | 2.16 | 6.500 | 2.49 | 6.700 | 2.78 |
| (Loss) / Profit after Tax | (46.744) | (13.07) | 100.690 | 28.01 | 80.989 | 25.60 | 90.140 | 30.48 | 74.705 | 28.65 | 87.205 | 36.23 |

Key Financial Data

10 Years Growth At A Glance

Rupees '000

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---------------------------------|----------|--------------|--------------|-------------|-------------|----------|-----------------|----------|----------|----------|
| PAID-UP CAPITAL | 561.41 | 510.37 | 463.98 | 403.46 | 366.78 | 318.93 | 318.93 | 252.01 | 252.01 | 229.09 |
| SHARE HOLDER'S EQUITY | 791.26 | 863.52 | 786.03 | 725.22 | 653.42 | 578.71 | 450.56 | 374.52 | 322.58 | 355.23 |
| GENERAL RESERVE | 250.00 | 220.00 | 200.00 | 180.00 | 160.00 | 90.00 | 90.00 | 87.50 | 87.50 | 80.00 |
| CASH AND BANK DEPOSIT | 186.93 | 146.96 | 133.93 | 104.50 | 103.08 | 68.76 | 79.82 | 57.54 | 63.05 | 85.03 |
| INVESTMENT | 671.28 | 751.66 | 653.67 | 584.86 | 500.32 | 436.86 | 341.67 | 284.60 | 282.68 | 285.85 |
| UNDERWRITING PROVISIONS | 739.39 | 782.59 | 868.20 | 764.85 | 679.63 | 947.90 | 465.33 | 437.16 | 493.36 | 527.08 |
| TOTAL ASSETS BOOK VALUE | 1783.45 | 1811.48 | 1766.56 | 1595.94 | 1456.58 | 1633.02 | 1044.07 | 903.46 | 904.35 | 938.72 |
| RETURN ON ASSETS % | (2.62) | 5.56 | 4.58 | 5.65 | 5.13 | 5.34 | 6.93 | 11.99 | (3.61) | 4.31 |
| RETURN ON EQUITY % | (5.91) | 11.66 | 10.34 | 12.43 | 11.43 | 15.07 | 14.90 | 13.86 | (10.11) | 11.40 |
| PAID-UP CAPITAL TO ASSETS % | 31.48 | 28.17 | 26.26 | 25.28 | 25.18 | 19.53 | 28.76 | 26.04 | 27.86 | 24.40 |
| EQUITY / TOTAL ASSETS % | 44.37 | 47.67 | 44.50 | 45.44 | 44.86 | 35.43 | 46.48 | 45.33 | 35.67 | 37.84 |
| GROSS PREMIUM | 1155.40 | 1201.84 | 1114.40 | 1028.14 | 837.23 | 613.72 | 543.40 | 529.54 | 506.34 | 603.19 |
| NET PREMIUM | 357.65 | 359.41 | 316.42 | 295.76 | 260.76 | 240.70 | 238.7 | 267.92 | 326.55 | 445.54 |
| RATIO TO GROSS PREMIUM % | 30.95 | 29.90 | 28.39 | 28.77 | 31.14 | 39.22 | 43.93 | 50.59 | 64.49 | 73.86 |
| NET CLAIMS INCURRED | 88.16 | 101.72 | 89.86 | 94.30 | 87.89 | 83.09 | 86.32 | 96.43 | 227.46 | 208.36 |
| RATIO TO NET PREMIUM % | 24.65 | 28.30 | 28.40 | 31.88 | 33.71 | 34.52 | 36.16 | 35.99 | 69.65 | 46.77 |
| EXPENSES | 188.99 | 179.66 | 174.36 | 164.67 | 155.34 | 142.76 | 128.95 | 130.78 | 140.59 | 153.65 |
| RATIO TO GROSS PREMIUM % | 16.36 | 14.95 | 15.65 | 16.02 | 18.55 | 23.26 | 23.73 | 24.70 | 27.77 | 25.47 |
| RATIO TO NET PREMIUM % | 52.84 | 49.98 | 55.10 | 55.68 | 59.57 | 59.31 | 54.02 | 48.81 | 43.05 | 34.49 |
| INVESTMENT (LOSS)/INCOME | (48.02) | 99.00 | 86.69 | 96.22 | 97.44 | 110.25 | 94.08 | 54.86 | 53.86 | 18.26 |
| RETURN ON INVESTMENT % | (7.15) | 13.17 | 13.26 | 16.45 | 19.47 | 25.24 | 23.33 | 15.73 | 19.05 | 6.39 |
| U/W (LOSS)/PROFIT | 71.09 | 64.29 | 49.22 | 39.45 | 19.6 | 17.04 | 15.24 | 31.93 | (51.98) | 48.17 |
| PRE TAX (LOSS)/PROFIT | (25.64) | 115.54 | 90.79 | 96.54 | 81.21 | 93.9 | 82.54 | 56.68 | (30.99) | 52.26 |
| PERCENTAGE TO GROSS PREMIUM % | (2.22) | 9.61 | 8.15 | 9.39 | 8.92 | 14.21 | 14.00 | 99.81 | (6.45) | 6.71 |
| (LOSS)/PROFIT AFTER TAX | (46.74) | 100.69 | 80.99 | 90.14 | 74.7 | 87.21 | 76.04 | 51.93 | (32.64) | 40.51 |
| PERCENTAGE TO NET PREMIUM % | 13.07 | 28.02 | 25.60 | 30.48 | 28.65 | 36.23 | 31.85 | 90.38 | (10.00) | 9.09 |
| (LOSS)/EARNINGS PER SHARE (Rs.) | (0.83) | 1.79 | 1.75 | 1.94 | 2.03 | 2.73 | 2.38 | 2.06 | (1.30) | 1.77 |
| DIVIDEND /BONUS % | - | 10%(B) 5%(C) | 10%(B) 5%(C) | 15%(B)5%(C) | 10%(B)5%(C) | 15%(B) | 12.5%(B)7.5%(C) | 12.5%(B) | NIL | 10%(B) |
| BREAK UP VALUE PER SHARE (Rs.) | 14.09 | 16.92 | 16.94 | 17.97 | 17.81 | 18.15 | 14.13 | 14.86 | 12.80 | 15.50 |
| SUMMARY OF CASHFLOW | | | | | | | | | | |
| NET CASH FLOW FROM | | | | | | | | | | |
| OPERATING ACTIVITIES | 38.113 | 102.288 | 40.013 | 23.354 | 16.692 | (57.429) | (6.862) | (58.624) | (91.354) | (13.817) |
| NET CASH FLOW FROM | | | | | | | | | | |
| INVESTING ACTIVITIES | 26.825 | (66.426) | 9.450 | 3.908 | 17.237 | 70.445 | 29.606 | 53.313 | 75.606 | (1.676) |
| NET CASH FLOW FROM | | | | | | | | | | |
| FINANCING ACTIVITIES | (24.963) | (22.831) | (20.035) | (18.024) | (0.111) | (24.080) | (0.461) | (0.193) | (0.463) | (0.202) |
| INCREASE / DECREASE IN | | | | | | | | | | |
| CASH EQUIVALANTS | 39.975 | 13.031 | 29.428 | 1.420 | 34.318 | (11.063) | 22.282 | (5.504) | (16.211) | (15.696) |
| CASH FLOW AND CASH | | | | | | | | | | |
| EQUIVALENT (YEAR END) | 186.934 | 146.958 | 133.927 | 104.499 | 103.078 | 68.760 | 79.824 | 57.541 | 63.045 | 79.257 |

Shareholders' Information

Registered Office

96-A, Sindhi Muslim Co-operative Housing Society
Karachi.

Head Office

Reliance Insurance House,
181-A, Sindhi Muslim Co-operative Housing Society,
Karachi

Share Registrar Office

C&K Management Associates (Pvt.) Ltd.
404-Trade Tower, Abdullah Haroon Road,
Near Hotel Metropole, Karachi-75530.
Tel: (021) 35687839 & 53685930

Listing on Stock Exchanges

RICL equity shares are listed on Pakistan Stock
Exchange (PSX).

Listing Fees

The annual listing fee for the financial year
2017-2018 was paid to the Pakistan Stock Exchange
and Central Depository Company (CDC) within the
prescribed time.

Stock Symbol

The stock symbol for Reliance Insurance Company
Limited at the PSX is RICL.

Statutory Compliance

During the year, the Company complied with all
applicable provisions of the (Repealed) Companies
Ordinance, 1984, the Companies Act, 2017, the
Insurance Ordinance 2000, the Code of Corporate
Governance, listing requirements and regulations
prescribed by the SECP.

Book Closure Dates

The register of Member and share transfer books of
the Company will remain closed from 20th April
2018 to 28th April 2018, (both days inclusive).

36th Annual General Meeting

| | | |
|-------|---|--|
| Date | : | 28th April, 2018 |
| Time | : | 12:30 p.m. |
| Venue | : | Reliance Insurance House, 181-A, SMCHS, Karachi |

Website of the Company

A website of your Company has been developed
which allows the users to get the Company related
information about its financial, history, types of
insurance available with the Company and list of
reinsurers etc.

An online complaint system is also available to
improve the efficiency.

Website: www.relianceins.com

Annual, half yearly and quarterly financial statements
of the Company are available at
<http://www.relianceins.com>

Disclosures to the Stock Exchange on strategic events
are made as and when required.

Change of Address

Members are requested to immediately notify the
change of address, if any, to the Company's Registrar.

Investors' Grievances Policy

RICL ensures that our Investors receive exemplary
services. Investor's queries and complaints constitute
an important voice for us. Following are our guiding
principles:

- Complaints raised by Investors are dealt in a
timely manner; and
- Investors are informed of avenues to raise their
queries and complaints.

M/s. C&K Management Associates (Pvt.) Ltd., being
the Registrars is primarily responsible to resolve the
investor's grievance. Shareholders' enquiries about
their holding, dividend or share certificate etc. can be
directed to the Share Registrar at the following
address:

M/s. C&K Management Associates (Pvt.) Limited

404, Trade Tower, Abdullah Haroon Road,
Near Hotel Metropole, Karachi.

In case investor's grievance is not addressed up to
his/her satisfaction or within reasonable time.
Investors may also directly write to the Company their
query/complaint at,

Shareholders' Information

Company Secretary

Reliance Insurance Company Limited
181-A, SMCHS Karachi.

Company has designated email id reli-ins@cyber.net.pk for handling investor grievance on which investor can make a complaint.

SUBMISSION OF CNIC COPIES (MANDATORY)

As per SECP directives, the dividend warrants of the shareholders whose valid CNICs, are not available with the Share Registrar could be withheld. All shareholders having physical shareholding are, therefore, advised to submit a photo copy of their valid CNICs and Corporate entities are requested to provide NTN immediately, if already not provided, to the Company's Share Registrar at the following address, M/s. C & K Management Associates (Pvt.) Ltd., 404, Trade Tower, Abdullah Haroon Road, Near Metropole Hotel, Karachi-75530 without any further delay.

ELECTRONIC DIVIDEND MANDATE

Under section 242 of Companies Act, 2017 it is mandatory for all listed Companies to pay cash dividend to its shareholders only through electronic mode directly in to the bank account designated by the entitled shareholders.

In order to receive dividend directly into their bank account, shareholders are requested (if not already provided) to fill in Bank Mandate Form for Electronic Credit of Cash Dividend available in the Company's website www.relianceins.com and send it duly signed along with a copy of CNIC to the Share Registrar of the Company, M/s. C & K Management Associates (Pvt.) Ltd., 404, Trade Tower, Abdullah Haroon Road, Near Metropole Hotel, Karachi-75530 in case of physical shares.

In case shares are held in CDC, electronic dividend mandate form must be directly submitted to shareholder's brokers/ participant / CDC account services.

In case of non-receipt of information, the Company will be constrained to withhold payment of dividend to shareholders.

ELECTRONIC TRANSMISSION OF ANNUAL FINANCIAL STATEMENTS AND NOTICES

Pursuant to Notification vide SRO.787(1) / 2014 of September 8, 2014, the SECP has directed to facilitate the members of the Company receiving annual financial statements and notices through electronic mail system (e-mail). We are pleased to offer this facility to our members who desire to receive annual financial statements and notices of the Company through email in future. In this respect members are hereby requested to convey their consent via email on a standard request form which is available at the Company website www.relianceins.com. Please ensure that your email has sufficient rights and space available to receive such email which may be larger than 1 MB file in size. Further, it is the responsibility of the member to timely update the share registrar of any change in their registered email address.

Financial Statements and relevant reports have been placed on the website of the company which can be seen on www.relianceins.com.

TRANSMISSION OF ANNUAL AUDITED ACCOUNTS AND NOTICE THROUGH CD/DVD/USB.

In compliance with the SECP Notification No.SRO 470 (1) 2016, dated May 31, 2016. The Company in the 35th Annual General Meeting held on April 29, 2017, obtained the approval of the shareholders to circulate Annual Accounts through CD/DVD/USB at their registered address instead of transmitting the Annual Accounts in hard copies. However, shareholders may request the Company Secretary or Share Registrar of the Company for hard copy of Annual Audited Accounts instead of CD / DVD / USB and the same will be provided at his / her registered address, free of cost, within one week on the demand. In this regard, a 'Standard Request Form, has also been placed at the website of the Company for communicating the need of hard copies of the Annual Audited Accounts instead of sending the same through CD / DVD / USB.

UNCLAIMED DIVIDEND

As per the provision of section 244 of the Companies Act 2017, any shares issued or dividend declared by the Company which have remained unclaimed/unpaid for a period of three years from the date on which it was due and payable are required to

Shareholders' Information

be deposited with the Commission for the credit of Federal Government after issuance of notices to the shareholders to file their claim. The details of the shares issued and dividend declared by the Company which have remained due for more than three years was sent to shareholders. Shareholders are requested to ensure that their claims for unclaimed dividend and shares are lodged timely. In case, no claim is lodged with the Company in the given time, the Company shall after giving notice in newspaper proceed to deposit the unclaimed/unpaid amount and shares with the Federal Government pursuant to the provision of Section 244 (2) of Companies Act, 2017.

CONSENT FOR VIDEO CONFERENCE FACILITY

Pursuant to the provision to the Companies Act, 2017 the members can also avail the video Conferencing facility. In this regard, please fill the following and submit to Head Office of the Company at least 7 days before the holding of annual general meeting. If the Company receives consent from members holding aggregate 10% or more shareholding residing at the geographical location to participate in the meeting, the Company will arrange video conference facility in the city subject to availability of such facility in that city.

I / We, _____ of _____, being a member of Reliance Insurance Co., Ltd. holder of _____ ordinary share(s) as per registered folio no. _____ hereby opt for video conferencing facility at _____.

E – VOTING

Pursuant to SECP SRO No.43(1)2016 dated January 22, 2016 Shareholders can also exercise their right to vote through e-voting by giving their consent in writing at least 10 days before the date of meeting to the Company on the appointment by the Intermediary as a proxy.

POSTAL BALLOT

Shareholder can also demand a poll and exercise their right to vote by means of ballot i.e. by post or through electronic mode subject to the requirements of section 143 to 145 of the Companies Act, 2017 and applicable clauses of companies (Post Ballot) Regulations 2018.

DECISIONS TAKEN AT THE LAST ANNUAL GENERAL MEETING

As per agenda following matters were approved in the meeting and the decisions taken were implemented in due course:

- ♦ Approval of the minutes of the 35th Annual General Meeting, held on 30th April 2017.
- ♦ Approval of the audited financial statements for the year ended December 31, 2016 alongwith Directors' and Auditors' reports.
- ♦ Approval of 5% cash dividend for the year ended December 31, 2016.
- ♦ Appointment of M/s. Kreston Hyder Bhimji & Co., Chartered Accountants as auditors of the Company for the year 2017 and fixation of their remuneration.
- ♦ Approval of the Bonus Shares @10% for the year ended December 31, 2016.
- ♦ Approval of transmission of annual balance sheet, profit and loss account, auditors' and directors' reports etc. ("Annual Audited Accounts) and other information contained therein to the members at their registered address through CD/DVD/USB, instead of transmitting the same in hard copies.
- ♦ Approval of special resolution to amended the Articles of Association of the Company by adding new clause 94-A 113-A, and 120-A for e-voting.

Financial Calendar

| | |
|----------------------------|--|
| 28th March, 2017 | Meeting of the Board of Directors for approval of the audited financial statements for the year ended December 31, 2016. Directors recommended to pay 10% Bonus Share and 5% Cash Dividend subject to the approval of members in Annual General Meeting. |
| 29th April, 2017 | <p>The Annual General Meeting of the Company was held at the Head Office for approval of annual audited financial statement for the year ended December 31, 2016, approval of Bonus Shares Entitlement @ 10% for every 100 ordinary shares and Cash Dividend @ 5% .</p> <p>Appointment of M/s. Kreston Hyder Bhimji & Co., Chartered Accountants as auditors of the Company for the year 2017 and fixation of their remuneration was approved.</p> <p>Approval of transmission of annual balance sheet, profit and loss account, auditors' and directors' reports etc. ("Annual Audited Accounts) and other information contained therein to the members at their registered address through CD/DVD/USB, instead of transmitting the same in hard copies.</p> <p>Approval of special resolution the Articles of the Company be amended by adding new clause as 94-A 113-A, and 120-A for e-voting.</p> |
| 29th April, 2017 | Meeting of the Board of Directors for approval of the unaudited first quarter financial statements for the period ended March 31, 2017. |
| 25th May, 2017 | Cash dividend @ 5% (Rs.0.50 per share) for the year 2016, was disbursed on May 25, 2017. |
| 25th May, 2017 | Issuance of Bonus Shares, for the year 2016, advised Central Depository Company, to credit participant Account and dispatch of Cash Dividend Warrants. |
| 25th May, 2017 | Bonus Shares Certificates for the year 2016, issued to Physical Share-holders. |
| 29th August, 2017 | Meeting of the Board of directors for approval of the half yearly Unaudited financial statements for the period ended June 30, 2017. |
| 29th October, 2017 | Meeting of the Board of Directors for approval of the unaudited financial statements for the nine months period ended September 30, 2017. |
| 27th November, 2017 | JCR-VIS Credit Rating Company Limited has reaffirmed the Insurer Financial Strength Rating of Reliance Insurance Company Limited (RICL) at 'A' (Single A). Outlook on the assigned rating is 'Positive'. |

Categories of Shareholding

as at December 31, 2017

| Categories of share holders | Number of share holders | Number of shares held | Percentage of shares held % |
|---|-------------------------|-----------------------|-----------------------------|
| ASSOCIATE COMPANIES UNDERTAKINGS AND RELATED PARTIES | | | |
| Anam Fabrics | 1 | 72,897 | 0.13 |
| NIT / ICP/ IDBP | | | |
| Investment Corporation of Pakistan, IDBP ICP Units | 6 | 720 | 0.00 |
| DIRECTORS, CEO & OTHER SPOUSES AND MINOR CHILDREN | | | |
| The detail are as under: | 15 | 13,753,398 | 24.50 |
| MR. ISMAIL H. ZAKARIA | 1 | 560,195 | |
| MR. A. AZIZ AYOOB | 1 | 236,443 | |
| MR. IRFAN ZAKARIA BAWANY | 1 | 3,471,400 | |
| MR. MOHD. OMAR BAWANY | 1 | 332,852 | |
| MR. ZOHAIK ZAKARIA | 1 | 252,397 | |
| MR. AHMED ALI BAWANY | 1 | 218,776 | |
| MR. NOOR M. ZAKARIA | 1 | 222,625 | |
| MR. HAMZA OMAR BAWANY | 1 | 610,185 | |
| MR. MUHAMMAD IQBAL | 1 | 5,995 | |
| MRS. ZARINA BAI ISMAIL | 1 | 515,833 | |
| MRS. MEHRUNNISA A. AZIZ | 1 | 262,581 | |
| MRS. SHEHLA IRFAN | 1 | 3,358,450 | |
| MRS. RUKHSANA BAI OMER | 1 | 1,195,040 | |
| MRS. AMBREEN AHMED ALI | 1 | 2,161,949 | |
| MRS. SHAHNAZ NOOR MOHAMMAD | 1 | 348,677 | |
| EXECUTIVE | | | |
| | - | - | |
| PUBLIC SECTOR COMPANIES AND CORP. | | | |
| | - | - | |
| BANK, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE INSTITUTION, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS | | | |
| | 4 | 2,072 | 0.00 |
| JOINT STOCK COMPANIES | | | |
| | 20 | 8,629,453 | 15.37 |
| | 2 | 786,621 | |
| GOVERNMENT DEPARTMENT | | | |
| Federal Board of Revenue | | | 1.40 |
| INDIVIDUALS | | | |
| | 1,549 | 32,673,250 | 58.20 |
| STOCK EXCHANGE | | | |
| ISE Tower REIT Management Co. Ltd. | 1 | 2,024 | 0.00 |
| WELFARE SOCIETY | | | |
| Pakistan Memon Educational & Welfare Society | 1 | 28,070 | 0.05 |
| CHARITABLE TRUSTS | | | |
| Begum Aisha Ahmed & Latif Foundation | 1 | 192,111 | 0.34 |
| TRADE | | | |
| Haral Sons (Pvt.) Limited | 1 | 669 | 0.00 |
| TOTAL :- | 1,601 | 56,141,285 | 100.00 |
| SHAREHOLDERS HOLDING FIVE PERCENT OR MORE VOTING INTEREST. | | | |
| M/s.Irfan Ashfaq & Company (Pvt.) Ltd., | 1 | 6,159,833 | 10.97 |
| Mr. Irfan Zakaria Bawany | 1 | 3,471,400 | 6.18 |
| Mrs.Shehla Irfan | 1 | 3,358,450 | 5.98 |

Pattern of Shareholding

as at December 31, 2017

| Number of Shareholders | Shareholdings | | Total shares held |
|------------------------|---------------|---------|-------------------|
| | From | To | |
| 424 | 1 | 100 | 8,030 |
| 211 | 101 | 500 | 57,950 |
| 161 | 501 | 1000 | 112,060 |
| 389 | 1001 | 5000 | 930,769 |
| 143 | 5001 | 10000 | 1,021,862 |
| 43 | 10001 | 15000 | 512,295 |
| 35 | 15001 | 20000 | 604,583 |
| 27 | 20001 | 25000 | 612,964 |
| 23 | 25001 | 30000 | 624,294 |
| 12 | 30001 | 35000 | 391,898 |
| 8 | 35001 | 40000 | 295,275 |
| 10 | 40001 | 45000 | 426,032 |
| 10 | 45001 | 50000 | 479,775 |
| 3 | 50001 | 55000 | 158,136 |
| 4 | 55001 | 60000 | 229,158 |
| 5 | 60001 | 65000 | 314,241 |
| 2 | 65001 | 70000 | 136,478 |
| 4 | 70001 | 75000 | 293,531 |
| 2 | 75001 | 80000 | 156,736 |
| 2 | 80001 | 85000 | 162,187 |
| 3 | 85001 | 90000 | 264,524 |
| 4 | 95001 | 100000 | 395,308 |
| 4 | 105001 | 110000 | 432,238 |
| 1 | 110001 | 115000 | 115,000 |
| 3 | 115001 | 120000 | 349,576 |
| 3 | 120001 | 125000 | 367,071 |
| 1 | 125001 | 130000 | 129,841 |
| 1 | 135001 | 140000 | 136,987 |
| 1 | 145001 | 150000 | 146,182 |
| 2 | 150001 | 155000 | 308,035 |
| 2 | 160001 | 165000 | 323,049 |
| 1 | 185001 | 190000 | 186,150 |
| 1 | 190001 | 195000 | 192,111 |
| 3 | 195001 | 200000 | 597,105 |
| 1 | 200001 | 205000 | 200,317 |
| 1 | 205001 | 210000 | 206,828 |
| 3 | 215001 | 220000 | 655,090 |
| 1 | 220001 | 225000 | 222,625 |
| 1 | 225001 | 230000 | 226,428 |
| 2 | 230001 | 235000 | 467,017 |
| 2 | 235001 | 240000 | 476,248 |
| 1 | 240001 | 245000 | 241,024 |
| 1 | 245001 | 250000 | 248,962 |
| 1 | 250001 | 255000 | 252,397 |
| 1 | 260001 | 265000 | 262,581 |
| 1 | 265001 | 270000 | 269,820 |
| 1 | 330001 | 335000 | 332,852 |
| 2 | 345001 | 350000 | 697,104 |
| 1 | 370001 | 375000 | 374,312 |
| 1 | 390001 | 395000 | 391,065 |
| 2 | 415001 | 420000 | 830,723 |
| 1 | 430001 | 435000 | 431,509 |
| 2 | 465001 | 470000 | 932,569 |
| 1 | 495001 | 500000 | 495,426 |
| 1 | 500001 | 505000 | 504,405 |
| 1 | 515001 | 520000 | 515,833 |
| 2 | 545001 | 550000 | 1,100,000 |
| 1 | 560001 | 565000 | 560,195 |
| 1 | 610001 | 615000 | 610,185 |
| 1 | 630001 | 635000 | 633,934 |
| 1 | 680001 | 685000 | 682,501 |
| 1 | 740001 | 745000 | 743,988 |
| 2 | 785001 | 790000 | 1,575,613 |
| 1 | 790001 | 795000 | 794,367 |
| 1 | 840001 | 845000 | 843,844 |
| 1 | 1100001 | 1105000 | 1,103,733 |
| 1 | 1130001 | 1135000 | 1,131,486 |
| 1 | 1285001 | 1290000 | 1,285,912 |
| 1 | 1680001 | 1685000 | 1,683,816 |
| 1 | 1785001 | 1790000 | 1,787,583 |
| 1 | 2125001 | 2130000 | 2,129,188 |
| 1 | 2160001 | 2165000 | 2,161,949 |
| 1 | 2190001 | 2195000 | 2,193,970 |
| 1 | 2395001 | 2400000 | 2,397,955 |
| 1 | 2495001 | 2500000 | 2,497,976 |
| 1 | 3355001 | 3360000 | 3,356,700 |
| 1 | 6155001 | 6160000 | 6,159,833 |
| 1601 | | | 56,141,285 |

| Sr. No. | Categories of share holders | Number of share holders | Total shares held | Percentage % |
|---------|-------------------------------|-------------------------|-------------------|--------------|
| 1 | INDIVIDUALS | 1564 | 46,426,648 | 82.70 |
| 2 | INVESTMENT COMPANIES | 6 | 1687 | 0.00 |
| 3 | INSURANCE COMPANIES | 1 | 648 | 0.00 |
| 4 | JOINT STOCK COMPANIES | 21 | 8702350 | 15.50 |
| 5 | FINANCIAL INSTITUTIONS | 2 | 456 | 0.00 |
| 6 | STOCK EXCHANGE | 1 | 2,024 | 0.00 |
| 7 | WELFARE SOCIETY | 1 | 28,070 | 0.06 |
| 8 | CHARITABLE TRUSTS | 1 | 192,111 | 0.34 |
| 9 | MODARABA MANAGEMENT COMPANIES | 1 | 1 | 0.00 |
| 10 | TRADE | 1 | 669 | 0.00 |
| 11 | GOVERNMENT DEPARTMENT | 2 | 786621 | 1.40 |
| | | 1601 | 56,141,285 | 100 |

Chairman's Review

It is my pleasure to present Thirty Sixth Annual Report and performance Review of your Company on behalf of the Board of Directors for the year ended 31st December, 2017.

The year 2017 was a challenging year witnessing political turmoil & uncertainty. On the economic front, the current account deficit widened and the trade deficit gap further worsened due to rising oil prices in the international market, following the surge in imports both for CPEC and non-CPEC related energy and infrastructure projects. Exports failing to make desired headway, the GDP growth rate stood at 5.3%. Power & Gas shortage continues to be the govt.'s major concern and is being vigorously addressed and is showing the signs of improvement in energy supplies.

China Pakistan Economic Corridor (CPEC) continues to gain momentum and would play a vital role to support the economy, particularly in the wake of Gawader Port becoming fully operational. Government seems to be committed to revive the economy and boost investment in the country but still the results are not encouraging. The security concerns, continued power and gas shortage and law and order situation, create compounding factors to keeping the performance of economy below its potential.

Pakistan Stock Exchange had the honor of being one of the best performing markets of the world for a number of years, was bearish during 2017 and 100 index plunged down from 53157.24 highest during 2017 points to close at 40471.48 points as at 31st December 2017. Insurance Sector Dividend Income and Capital gain continues to be subject to tax at normal corporate tax rate i.e., 30% as against previous lower tax regime, resulting in severe blow to the profitability of insurance sector.

Moreover, on the lighter side, your Company has made underwriting profit from its core business for Rs.71.086 million but due to the fall in Stock prices the unrealized loss / impairment on investment portfolio for Rs.94.745 million has occurred. The net investment loss after consuming Dividend / other income stood at Rs.48.024 million, thereby resulting in the overall net loss of Rs.46.745 million. Unrealized loss on investment is expected to be converted in unrealized profit because of substantial improvement of PSX index in the year 2018.

While closing I would like to thank and convey my gratitude to the members of the Board of Directors, for their commitment and in guiding and supporting the management, and shareholders for their confidence and support in the Company. I would also like to express my appreciation to the Chief Executive and his team for their efforts, dedication and sincerity.



Ismail H. Zakaria
Chairman
Karachi. 27 March, 2018.

چیرمین کی جائزہ رپورٹ:

31 دسمبر 2017 کو ختم ہونے والے سال کے لئے بورڈ آف ڈائریکٹرز کے چیرمین کی حیثیت سے آپ کی کمپنی کی 36 ویں سالانہ رپورٹ اور کارکردگی کا جائزہ پیش کرتے ہوئے مسرت محسوس کر رہا ہوں۔

سال 2017 سیاسی بحران اور غیر یقینی صورتحال کا سامنا کرنے میں ایک مشکل سال تھا۔ اقتصادی محاذ پر کرنٹ اکاؤنٹ کا خسارہ وسیع ہو گیا ہے۔ بین الاقوامی مارکیٹ میں تیل کی قیمتوں میں اضافے، سی پیپک (CPEC) اور غیر سی پیپک (NON-CPEC) سے متعلقہ توانائی اور بنیادی ڈھانچے کے منصوبوں کے لئے درآمدات میں اضافہ کی وجہ سے تجارت کے خسارے کے فرق میں مزید اضافہ ہوا۔ برآمدات میں مطلوبہ پیشرفت میں ناکامی کی وجہ سے جی ڈی پی کی شرح 5.3 فیصد رہی۔ پاور اور گیس کی قلت حکومت کے لئے بڑا مسئلہ ہے اور اس پر بھرپور طریقے سے توجہ دی جا رہی ہے جس کی وجہ سے توانائی کی فراہمی میں بہتری کے آثار نظر آ رہے ہیں۔

چین پاکستان اقتصادی کوریڈور (CPEC) کی رفتار بڑھ رہی ہے جو معیشت کو سہارا دینے میں اہم کردار ادا کرے گا، خاص طور پر گوادریٹ پورٹ کے آپریشنل ہونے کے بعد۔ حکومت معیشت کی بحالی اور ملک میں سرمایہ کاری کو فروغ دینے کا عزم کر رکھا ہے ہے لیکن ابھی تک نتائج حوصلہ افزا نہیں ہیں۔ سیکورٹی خدشات، بجلی اور گیس کی قلت اور امن و امان کی صورت حال، یہ وہ تمام منفی اثرات ہیں جو اقتصادی کارکردگی کو اس کی گنجائش کے مقابلے میں نچلی سطح پر رکھنے کے موجب ہیں

پاکستان اسٹاک ایکسچینج نے کئی سالوں کے لئے دنیا کے بہترین پرفارمنس کا اعزاز حاصل کیا ہوا تھا۔ سال 2017 میں زبردست مندی کی وجہ سے 100 انڈیکس اسی سال کی 53157.24 کی بلند ترین سطح سے نیچے آ کر 31 دسمبر 2017 کو 40471.48 پوائنٹس پر بند ہوا۔ انشورنس سیکٹر کی ڈیویڈنڈ آمدنی اور حاصلات سرمایہ (کیپیٹل گین) اب عام کارپوریٹ ٹیکس کی شرح میں ٹیکس سے مشروط ہے جو کہ پچھلے کم حکومتی (regime) ٹیکس کے برعکس 30 فیصد ہے جس کے نتیجے میں انشورنس سیکٹر کے منافع کو شدید دھچکا پہنچا ہے۔

تاہم آپ کی کمپنی نے اپنے بنیادی کاروبار سے 71.086 ملین روپے کا منافع حاصل کیا ہے لیکن شیئرز کی قیمتوں میں گرنے کے باعث، سرمایہ کاری کے پورٹ فولیو پر غیر یقینی شدہ نقصان/خرابی (impairment) 94.745 ملین روپے ہے۔ ڈیویڈنڈ اور دوسری آمدنی کو ملانے کے بعد خالص سرمایہ کاری نقصان 48.024 ملین روپے ہے۔ سرمایہ کاری پر غیر حقیقی نقصانات غیر متوقع منافع میں تبدیل ہونے کی امید ہے کیونکہ سال 2018 میں پی ایس ایکس انڈیکس کی بہتری میں اضافہ ہوا ہے

آخر میں، میں بورڈ آف ڈائریکٹرز کے ممبروں کا ان کے عزم اور انتظام کے رہنمائی اور حمایت اور شیئرز ہولڈرز کے اعتماد اور کمپنی کے ساتھ تعاون کا شکریہ ادا کرنا چاہتا ہوں۔ میں چیف ایگزیکٹو اور ان کی ٹیم اپنی اعلیٰ کوششوں، اعتقاد اور اخلاقیات کے لئے نیک خواہشات کا اظہار کرتا ہوں



اسما ائیج ذکریا

چیرمین

کراچی 27 مارچ 2018

Directors' Report

The Directors of the Company take pleasure in presenting their report together with the audited financial statements and Auditors report thereon for the year ended December 31, 2017.

OPERATIONAL RESULTS FOR THE YEAR 2017

The comparative financial highlights of your Company for the year ended 31st December, 2017 are as follows:

| | 2017 | 2016 |
|----------------------------------|----------------|----------|
| | Rs. in Million | |
| Gross Premium | | |
| (Including Takaful Contribution) | 1230.175 | 1226.215 |
| Net Premium | 357.654 | 359.414 |
| Net Incurred Claims | | |
| (including IBNR) | 88.160 | 101.720 |
| Management Expenses | 137.732 | 132.486 |
| Underwriting Profit | 71.087 | 64.289 |
| Investment Income | (48.024) | 99.009 |
| Profit/Loss before Taxation | (25.547) | 115.539 |
| Profit/Loss after Taxation | (46.745) | 100.689 |
| Earnings per Share (EPS) (Rs.) | (0.83) | 1.79 |

Your Company underwrote gross premium of Rs.1230.175 million (inclusive of Rs.74.774 million of Takaful Contribution) against Rs.1226.215 million of the last year showing an increase of Rs.3.96 million. The net premium marginally decreased from Rs.359.414 to Rs.357.654 million, i.e. decrease of Rs.1.76 million.

Claims incurred during the year were Rs.88.16 million against Rs.101.720 million of the previous year, showing a decrease of Rs.13.564 million. However Management Expenses marginally increased from Rs.132.486 million to Rs.137.732 an increase of Rs.5.246 million. Your Company has earned underwriting profit for Rs.71.086 million from its core business, but due to the reduction in prices of equities held under the Head Investment, incurred net loss for Rs.25.547 i.e., after consuming Return on Securities, Capital Gain & dividend income for Rs.46.780 million.

APPROPRIATION

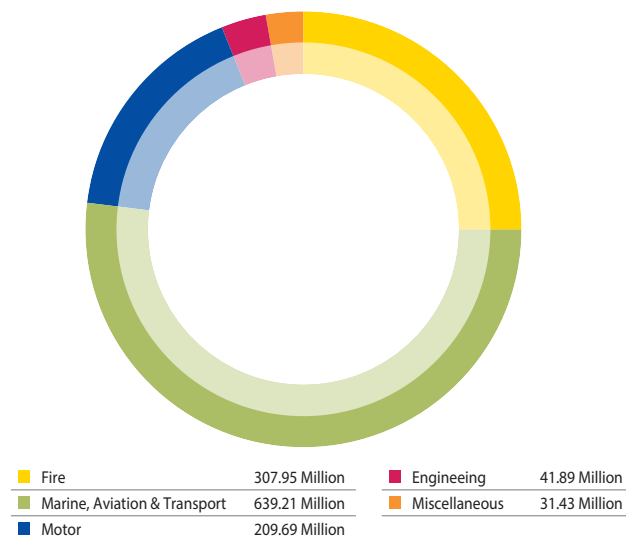
| | (Rs. in million) |
|---|------------------|
| Unappropriate profit brought forward from previous year | 26.594 |
| Loss after tax for the year ended December 31, 2017 | (46.744) |
| Loss carried forward | <u>(20.150)</u> |

INVESTMENT

The overall investment policy of your Company continues unchanged i.e., preference to Shariah Complaint Islamic Funds securing risk - free returns.

The shares portfolio of RICL is diversified amongst various sectors fundamentally focusing on blue chip

Gross Premium by Class of Business -2017



scrips having high dividend yields / paying bonuses and also future growth prospects and to maintain balance between fixed income securities and equities. The portfolio remains under surveillance of the investment committee.

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

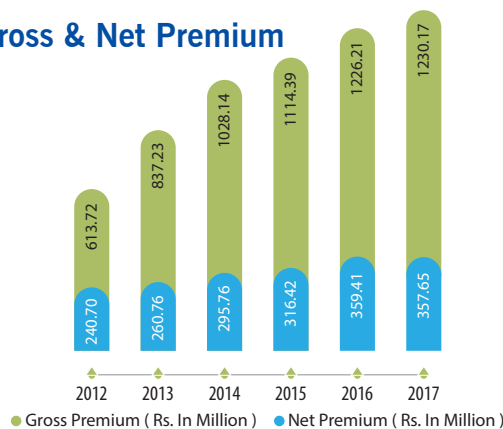
Dividend Income stood at Rs. 32.993 million in 2017 compared to previous year of Rs. 28.216 million an increase of 16.93%. Your company has realized capital gain of Rs. 5.922 million against Rs. 11.690 million, of the previous year and unrealized loss for Rs. 94.795 million compared to Rs. 46.134 million gain of the previous year. The total investment income / loss for 2017 stood at Rs. (48.024) million against Rs. 99.009 million income in 2016.

Your company continues generating a significant portion of its investment income from sustainable sources such as interest & dividends and capital gain ensuring healthy cash flow. The market value of Investment portfolio stood at Rs.676.946 million as at 31st December 2017 and Cash and Bank Deposits Accounts stood at Rs.186.934 million, against 146.958 million in 2016.

CLAIMS

The Company recognize liability in respect of all claims incurred up to the Balance Sheet date which is measured at the undiscounted value of the expected future payments.

Gross & Net Premium



The provision for claims incurred but not reported (IBNR) is made at the balance sheet date. In compliance with SECP Circular no.9 of 2016. The Company takes Actuarial advice for the determination of IBNR claims. IBNR claims have been estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claim to reach their ultimate level.

REINSURANCE

Your Company has successfully concluded the reinsurance arrangements for the year 2018. Swiss Re world's most prestigious and renowned Re-Insurer continues to be the leader of RIC's reinsurance programme for the year 2018. Underwriting capacity for certain lines of business has improved further in 2018, thus your Company would be able to underwrite larger risks. We are thankful to all our re-insurers for their unwavering confidence and continued support.

WINDOW TAKAFUL OPERATION

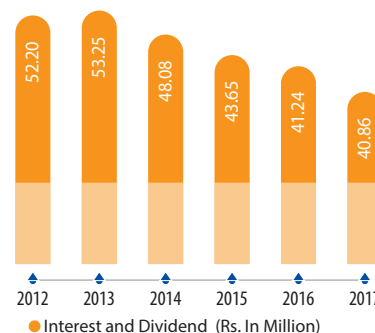
The written contribution for the year was Rs.74.774 million as against Rs.24.375 million of June to December last year. The net contribution revenue was Rs.26.310 compared to 8.167 in 2016, and profit from operator's Fund for the year was Rs.1.132 million as against loss of Rs.1.535 million of last year.

INFORMATION TECHNOLOGY

Your Company is cognizant of the importance of Information Technology and is constantly investing to expand & upgrade its technological platform. General Insurance Software 'iGIAS'; is running successfully at branch level since last many years. The quality of 'iGIAS' is that it is integrated software with all its modules i.e., Underwriting, Claim, Accounts and Reinsurance. It is (JSP) Java scripted online web-based software with Oracle data base and its data management is hassle-free and highly secure in its modesty & safety.

iGIAS has been incorporated with General Takaful services which has also been successfully implemented at branch user level for Takaful operations to satisfy short and long term day to day needs.

Interest and Dividend



The IT strategy of the Company is fully aligned with its operational requirements in order to provide swift services to our customers for their highest level of satisfaction.

JCR VIS CREDIT RATING

JCR VIS Credit Rating Company Limited – an affiliate of Japan Credit Rating Agency Limited has reaffirmed the Insurer Financial Strength (IFS) of Reliance Insurance Company Limited (RICL) at 'A' (single A). Outlook on the assigned Rating continues to be 'Positive'. Overall liquidity profile of RICL is considered sound with positive operating Cash Flow. Strong reinsurance program, improved underwriting performance. Reinsurance panel of the Company is considered strong with Swiss Re as the lead reinsurer. Retention level and treaty Capacities have witnessed steady increase given anticipated growth in business volume.

RELATED PARTY TRANSACTIONS

All related party transactions are put up before the Audit Committee and the Board for their review and approval. These transactions have been reviewed & recommended by the Audit Committee and approved by the Board of Directors in their respective meetings. All transactions executed with related parties are on arm's length basis.

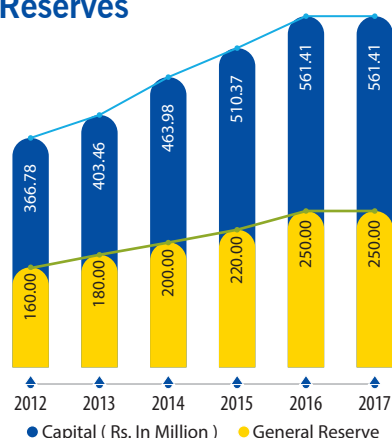
CORPORATE GOVERNANCE LEADERSHIP SKILL PROGRAM:

Following directors have already completed Corporate Governance Leadership skills (CGLS) program of Pakistan Institute of Corporate Governance (PICG). During the year one more director - Mr. Hamza Omer Bawany also completed the training program.

1. Mr. Irfan Zakaria Bawany
2. Mr. Zohair Zakaria
3. Mr. Ahmed Ali Bawany
4. Mr. Hamza Omar Bawany

Four Directors have completed corporate governance leadership skill (CGLS) program of Pakistan Institute of Corporate Governance (PICG), while Five Directors meets the criteria of eligibility as directors of 15 years' experience on the Board of listed companies and 14 years of Education as required under code of corporate governance.

Capital & Reserves



STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the regulatory authority have been duly complied with. A statement to this effect is annexed with the report.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Company has been in compliance with the provisions set out by the Securities and Exchange Commission of Pakistan and the listing rules of the Pakistan Stock Exchange. There has been no material departure from best practices of the Corporate Governance, as detailed in the listing regulation.

- The financial statements prepared by the management of the company fairly present its state of affairs, the results of the operations, cash flow 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 statement and accounting estimates are based on reasonable and prudent judgment.
- The International Financial Reporting Standards (IFRS), 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.
- The pattern of shareholding in the Company as at 31st December, 2017 is annexed to the accounts.
- 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 as detailed in the listing regulations.
- Key operating and financial data for the last Ten years in summarized form is annexed.

The Value of investments based on the unaudited accounts as at 31st December 2017, in respect of the Provident Fund Stands at Rs.49.529 million.

BOARD OF DIRECTORS

The Board was actively involved during the year in performing its duties including those to be performed under various relevant Laws and Memorandum and Article of Association of the Company, with the ultimate objectives of self-guarding the interest of the Shareholders, increase in profitability of the Company and promoting market confidence.

All the directors represent rich exposure of diverse field of business and professions and possess requisite skills and understanding to deal with the various business and Corporate issues and have the ability to review, analyze and challenge the management performance. They have contributed immensely in terms of their experience and practical advice.

Role of Chairman & Managing Director/CEO

Chairman of the Board is responsible to ensure that the Board is working properly and all the matters relevant to the governance of the company are considered in the Board Meetings. The Chairman presides and conducts the Board meetings and is responsible to lead the Board and ensure its effective functioning and continuous development. The Chairman has no involvement in day-to-day operations of the Company.

Managing Director/CEO

The Board of Directors appoint The Managing director / Chief Executive Officer of the Company for the tenure of three years. Chief Executive Officer is responsible for the operations of the Company and Conduct of its business in accordance with all statutory obligations and subject to the direction of the Board and power vested in him by law. His responsibilities include implementation of strategies and policies of the Board. He is responsible for exercising the overall control, direction, administration and supervision for sound and efficient management and conduct of the business of the Company. The Chairman and Managing Director meet regularly to discuss / review issues, opportunities and problems.

MD's Performance Review

The performance of the Managing Director is evaluated by the Board on annual basis based on the business activities performed during the year.

BOARD COMMITTEES

The Board has constituted Audit, Investment and Ethics Human Resource & Remuneration Committees, comprising of the following Non-Executive Directors.

AUDIT COMMITTEE

The following are the members committee.

1. Mr. Muhammad Omar Bawany
Chairman (Non-Executive Director)
2. Mr. Irfan Zakaria Bawany
Member (Non-Executive Director)
3. Mr. Zohair Zakaria
Member (Non-Executive Director)
4. Mr. Muhammad Iqbal
Member (Independent Director)

The terms of reference of the Audit Committee shall include the following:

- i. Recommending to the Board of Directors the appointment of External Auditors and consider any questions of audit fee; taking into consideration a number of factors including satisfactory rating under ICAPS quality control review program.
- ii. Consideration of questions regarding resignation or removal of External Auditors
- iii. Determination of appropriate measures to safeguard the company's assets.
- iv. Review of quarterly, half yearly and annual financial statements of the Company, prior to the approval by the Board of Directors.
- v. Review of adjustments resulting from audit.
- vi. Review of preliminary announcement of results prior to publication.
- vii. Review and recommend significant related party transactions.
- viii. Compliance with applicable accounting standards.
- ix. Compliance with listing regulations and other statutory and regulatory requirements.
- x. Monitoring compliance with the best practices of corporate governance and identification of any significant violations thereof
- xi. Focusing on the going concern assumption, and any changes in accounting policies and practices
- xii. Review of the scope and extent of internal audit.
- xiii. Consideration of major findings of internal investigation of activities characterized by fraud, corruption and abuse of power.
- xiv. Consideration of any other issue or matter as may be assigned by the board of directors.

INVESTMENT COMMITTEE

Investment Committee consists of five members including Chief Executive Officer.

1. Mr. Irfan Zakaria Bawany
Chairman (Non Executive Director)
2. Mr. Zohair Zakaria
Member (Non Executive Director)
3. Mr. Ahmed Ali Bawany
Member (Non Executive Director)
4. Mr. A. Razak Ahmed
Member (Executive Director)
5. Mr. Haroon A. Shakoor
Member Secretary

The terms of reference of this Committee shall include the following:-

- To review the overall Investment Portfolio every quarter
- To recommend the investments to be made in equities, mutual funds, fixed income securities Shariah compliant and Government (Sukkuk) Securities.
- To review purchase and sale of investment made during the quarter and the income accruing from each sector
- To establish the benchmarks against which performance of the overall investment portfolio and its sectors are to be assessed.

ETHICS, HUMAN RESOURCE & REMUNERATION COMMITTEE

The committee comprises of three members including the Chairman of this committee.

1. Mr. Zohair Zakaria
Chairman (Non Executive Director)
2. Mr. Irfan Zakaria Bawany
Member (Non Executive Director)
3. Mr. A. Razak Ahmed
Member (Executive Director)

The committee shall be responsible for:-

- a) Recommending human resource management policies to the board.
- b) Recommending to the board the selection and compensation (including retirement benefits) of CEO, CFO/Co. Secretary and Head of Internal Audit
- c) Periodic reviews of the amount and form of reimbursement for terminal benefits in case of retirement and death of any employee in relation to current norms.
- d) Consideration and approval on the recommendation of CEO on such matters for key management positions who report directly to CEO.
- e) Review recruitment policy and procedures for hiring of executives.
- f) Review and recommend annual appraisal and salary revision of Senior Executives of the company and staff members.
- g) Review and approve any changes required in perquisites and benefits of Senior Executives and employees.
- h) Approve termination and acceptance of resignations of Senior Executives
- i) Any other issue or matter as may be assigned by the Board of Directors.

Management Committees

The Board has also constituted three Management Committees – namely Underwriting, Reinsurance & Co-insurance, Claims Settlement and Takaful committees. These committees meet on regular basis and headed by the Chief Executive Officer. The functions and composition of the committees are given below:-

Underwriting, Reinsurance & Co-Insurance Committee

The functions of the Underwriting Committee includes:-

- The Underwriting Committee formulates the underwriting policy of the Company.
- It sets out the criteria for assessing various types of insurance risks and determines the premium policy of different insurance covers.
- It regularly reviews the underwriting and premium policies of the Company with due regards to relevant factors such as the business portfolio and the market scenario.

The functions of the Re-Insurance & Co-Insurance Committee includes:-

- This committee ensures that adequate re-insurance arrangements are made for company's business.
- The Committee pursues the proposed re-insurance arrangements prior to their execution, review the arrangements from time to time and subject to the consent of the participating re-insurers, suggest appropriate adjustments from time to time.
- The Committee also assesses the effectiveness of the re-insurance programme for future reference.

The Committee consists of the following members:-

1. Mr. A. Razak Ahmed Chairman
2. Mr. Rizwan Akhtar Member
3. Mr. Mohammad Ishaque Azim Member
4. Mr. Abdul Rahim Member

Claims Settlement Committee

The functions of the Committee includes:-

- It review the class wise aging of outstanding claims
- The Committee determines the circumstances under which claims disputes shall be brought to its attention and decide how to deal with such claims disputes.
- The Committee shall review matters relating to management of claims. It oversees the claim position of the company and ensure the adequate claims reserves are made.
- The Committee pays attention to significant claims cases or event which give rise to a series of claims and oversees the implementation of the measures for combating claims.

The Committee consists of the following members:-

1. Mr. A. Razak Ahmed Chairman
2. Mr. Haroon A. Shakoor Member
3. Mr. Sadruddin Hussain Member
4. Mr. Shaikh Muhammad Siddiq Member

Takaful Committee

The function of this Committee is to review the performance of the Takaful Operations and advise the Board accordingly on quarterly basis. The Committee endorse the policies and procedures to be implemented in the Takaful Operations. It recommends the appointment of key personal related to Takaful Operations. The Committee also monitors the adherence to the Takaful Rules and Shariah principal by the Takaful Operations.

The following are the members of Takaful committee:

1. Mr. A. Razak Ahmed Chairman
2. Mr. Rizwan Akhtar Member
3. Mr. Najmullah Khan Member
4. Mr. Kashif Wadiwala Member

Board of Director's Meetings

During the year Four (4) meetings of the Board of Directors were held and the number of meetings attended by each Director is given hereunder:

| Name of Directors | Attendance |
|-----------------------------|------------|
| 1. Mr. Ismail H. Zakaria | 3 |
| 2. Mr. A. Aziz Ayoob | 4 |
| 3. Mr. Irfan Zakaria Bawany | 4 |
| 4. Mr. Mohammad Omar Bawany | 4 |
| 5. Mr. Zohair Zakaria | 1 |
| 6. Mr. Ahmed Ali Bawany | 2 |
| 7. Mr. Noor M. Zakaria | 3 |
| 8. Mr. Hamza Omar Bawany | 4 |
| 9. Mr. Mohammad Iqbal | 4 |

Leave of absence was granted to the Directors who could not attend some of the Board meetings due to their busy schedules/prior engagements.

TRADING OF COMPANYS SHARES

No trading in the shares of the Company was carried-out by the Directors, CEO, CFO/ Company Secretary and their spouses and minor children except the following.

Mr. Ahmed Ali Bawany, Director of the Company has been gifted 118,577 (Physical) Shares of Reliance Insurance Company Limited by a family member.

PATTERN / CATEGORIES OF SHAREHOLDING

The pattern of shareholding of the company is annexed.

STATEMENT OF THE ETHICS AND BUSINESS PRACTICES

The Board has adopted the statement of Ethics and Business Practices. All employees are informed and are required to observe these rules of conduct.

CORPORATE SOCIAL RESPONSIBILITY

Being a responsible corporate citizen RICL has extended its support as assistance for treatment to needy patients. A donation for Three Hundred Thousand was made to SINA Health Education & Welfare Trust.

AUDITORS

M/s. Kreston Hyder Bhimji Chartered Accountants retire at the conclusion of the Annual General Meeting and being eligible, offer themselves for re-appointment for the financial year ending 31st December 2018, at a fee to be mutually agreed.

The Audit Committee has recommended and the Board has endorsed the appointment of M/s. Kreston Hyder Bhimji Chartered Accountant, as auditors for the year ended 31st December 2018.

Karachi: 27 March, 2018

FUTURE OUTLOOK

Government is eyeing 6.00% GDP growth rate for the year 2017-2018. The year 2018, would be an exciting and challenging year for the insurance industry in particular and the region in general. Your Company will focus on long-term profitable growth through consolidation, improvement in systems and quality management information systems facilitating prudent and real time decisions.

Takaful operations will further provide new avenues and opportunities to enhance your company's business. China Pakistan Economic Corridor (CPEC) is a game-changer & would open new and challenging avenues for overall economic development of the country in particular and our region in general.

ACKNOWLEDGMENT

We would like to thank our valued customers for their continued patronage and support. We also avail this opportunity to thank all our Reinsurers including Pakistan Reinsurance Company Limited and Brokers for extending their guidance and valuable support.

We are also thankful for the continued co-operation and assistance extended by the Securities & Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP) for their professional guidance, assistance and support over the years.

The Directors also wish to record their appreciation for the untiring efforts put in by Officers, Field Force and Staff for their dedication, sincerity and hard work for their contribution to the growth of the Company. Your Directors are also grateful to the shareholders for the confidence, support and understanding.

By Order of the Board



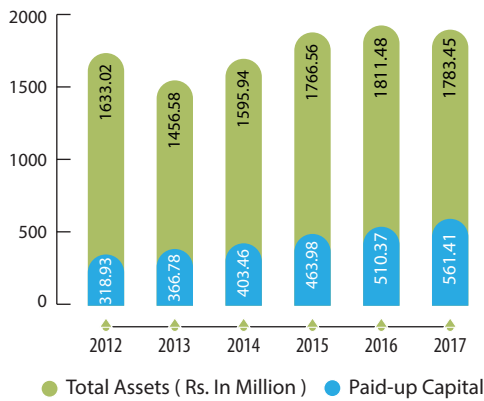
A. Razak Ahmed
Chief Executive & Managing Director



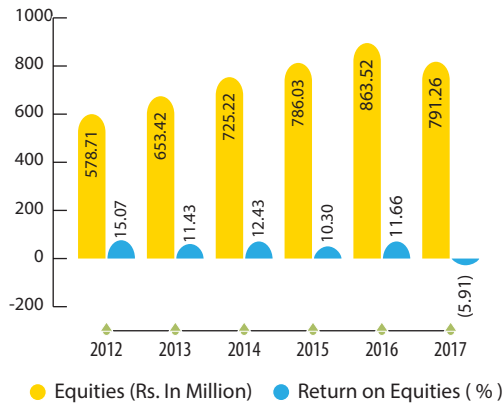
A. Aziz Ayoob
Director

Graphical Presentation

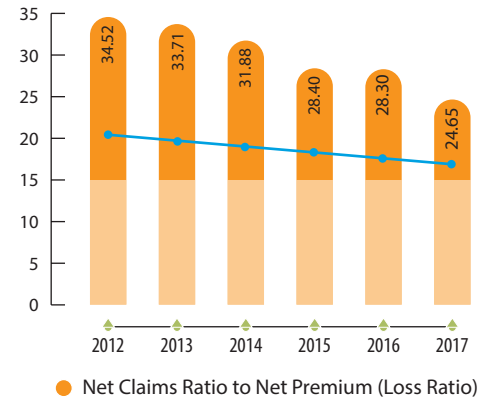
Total Assets & Paid-up Capital (Rs. In Million)



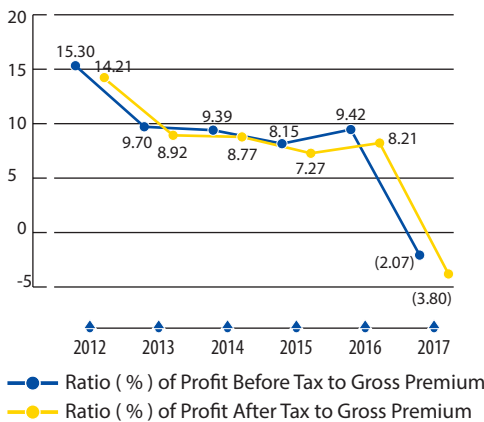
Equities & Return on Equities



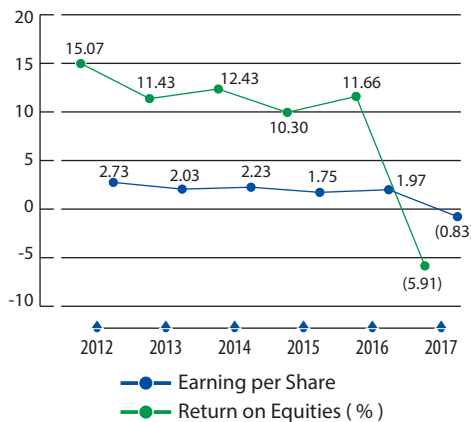
Net Claims Ratio to Net Premium (Loss Ratio)



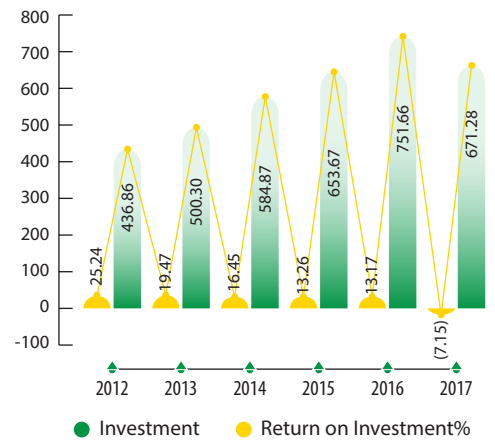
Ratio of Profit Before & After Tax to Gross Premium



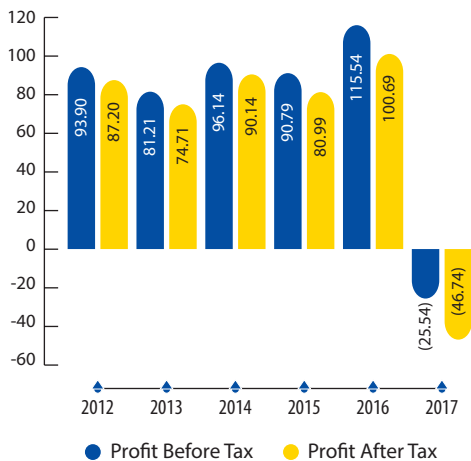
Return on Equity & Earning per Share



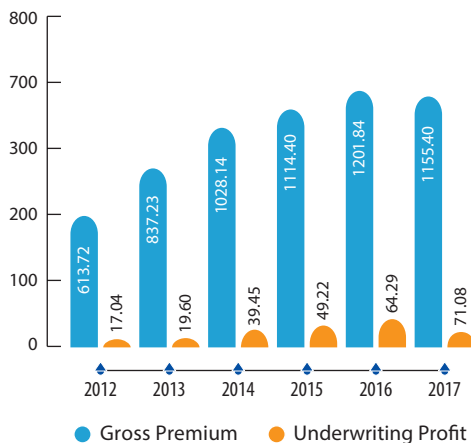
Return on Investment



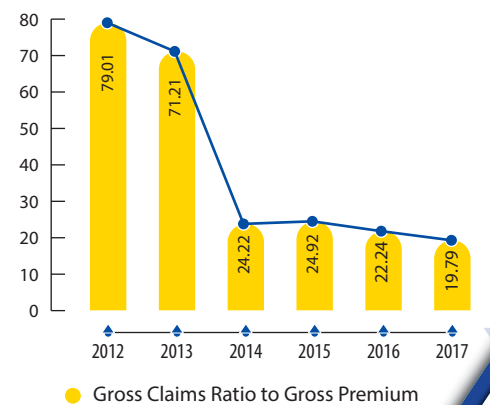
Profit Before Tax & After Tax



Gross Premium & Underwriting Profit



Gross Claims Ratio to Gross Premium



Assets, Liabilities & Equities 2017



| | | | |
|-------------------------|--------|----------------------------------|--------|
| ■ Creditors and Acruals | 2.21% | ■ Other Assets | 23.64% |
| ■ Other Liabilities | 4.88% | ■ Paid up Share Capital | 15.75% |
| ■ Fixed Assets | 2.27% | ■ Reserves and Retained Earnings | 6.45% |
| ■ Investments | 18.83% | ■ Underwriting Provisions | 20.74% |
| ■ Cash & Bank Deposit | 5.24% | | |

Assets, Liabilities & Equities 2016



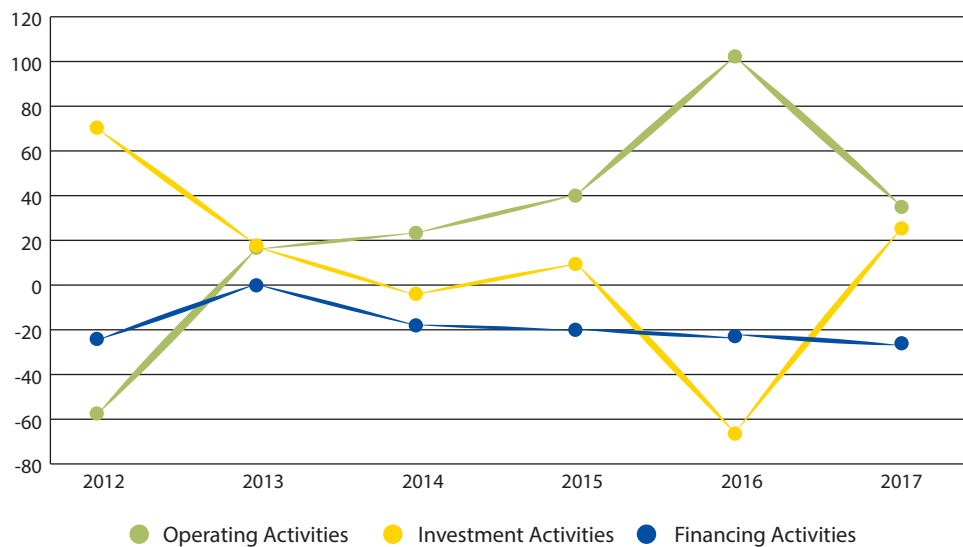
| | | | |
|-------------------------|--------|----------------------------------|--------|
| ■ Creditors and Acruals | 1.54% | ■ Other Assets | 32.58% |
| ■ Other Liabilities | 1.70% | ■ Paid up Share Capital | 9.77% |
| ■ Fixed Assets | 1.92% | ■ Reserves and Retained Earnings | 7.96% |
| ■ Investments | 13.38% | ■ Underwriting Provisions | 29.04% |
| ■ Cash & Bank Deposit | 2.11% | | |

Summary of Cash Flow

Cash Flow Statement

NET CASH FLOW FROM OPERATING ACTIVITIES
NET CASH FLOW FROM INVESTING ACTIVITIES
NET CASH FLOW FROM FINANCING ACTIVITIES

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|----------|----------|----------|----------|---------|----------|
| NET CASH FLOW FROM OPERATING ACTIVITIES | 38.113 | 102.288 | 40.013 | 23.354 | 16.692 | (57.429) |
| NET CASH FLOW FROM INVESTING ACTIVITIES | 26.825 | (66.426) | 9.450 | 3.908 | 17.237 | 70.445 |
| NET CASH FLOW FROM FINANCING ACTIVITIES | (24.963) | (22.831) | (20.035) | (18.024) | (0.111) | (24.080) |



اکنٹا بکنٹ

ہم اپنے معزز صارفین کا ان کی مستقل سرپرستی اور تعاون کے لئے شکریہ ادا کرنا چاہتے ہیں۔ ہم اس موقع کا فائدہ اٹھاتے ہوئے اپنے تمام ری انشوررز بشمول پاکستان ری انشورنس کمپنی لمیٹڈ اور بروکرز کا بھی ان کی رہنمائی اور قابل قدر سپورٹ کے لئے شکریہ ادا کرتے ہیں۔ ہم سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) اور اسٹیٹ بینک آف پاکستان (SBP) کے ساہا سال سے مستقل تعاون اور رہنمائی کے لئے ان کی پیشہ ورانہ رہنمائی، معاونت اور سپورٹ پر شکر گزار ہیں۔

ڈائریکٹرز افسران، فیڈبک فورس اور اسٹاف کی جانب سے کمپنی کی ترقی کے ضمن میں ان کی شراکت کے لئے ان کی انتھک محنت، عزم، دیانتداری کو بھی خراج تحسین پیش کرتے ہیں۔ آپ کے ڈائریکٹرز اعتماد، تعاون اور بھروسے کے لئے شیئرز ہولڈرز کے بھی مشکور ہیں۔

حسب الحکم بورڈ



اے عزیز ایوب
ڈائریکٹر



اے رزاق احمد
چیف ایگزیکٹو مینجنگ ڈائریکٹر

کراچی 27 مارچ 2018

ان ڈائریکٹرز کو غیر حاضری کے لئے چھٹی منظور کر دی گئی تھی جو اپنے مصروف شیڈول/بٹیکنگی مصروفیات کے باعث بورڈ کے کچھ اجلاسوں میں شرکت نہیں کر سکتے تھے۔

کمپنی کے شیئرز کی ٹریڈنگ

کمپنی کے شیئرز میں سوائے درج ذیل کے کسی ڈائریکٹر، ای او، ایف او/کمپنی سیکریٹری اور ان کے شریک حیات اور نابالغ بچوں کی جانب سے کسی بھی قسم کی ٹریڈنگ نہیں کی گئی۔

جناب احمد علی باوانی، کمپنی کے ڈائریکٹر کو خاندان کے ایک رکن نے ریلائنس انشورنس کمپنی لمیٹڈ کے 118، 577 فزیکل شیئرز تحفے میں دیے

پیٹرن ریکٹیگریز آف شیئرز ہولڈنگ

کمپنی کے شیئرز ہولڈنگ منسلک ہے۔

ضابطہ اخلاق اور کاروباری طریقہ کار کا اسٹیٹمنٹ

بورڈ نے ضابطہ اخلاق اور کاروباری طریقہ کار کے لئے ایک اسٹیٹمنٹ راج کیا ہے۔ تمام ملازمین کو اس سے آگاہ کر دیا گیا ہے اور ضروری ہے کہ وہ ان ضابطہ اخلاق کی پابندی کریں۔

کارپوریٹ سماجی ذمہ داری:

RICL ایک ذمہ دار کارپوریٹ ہونے کے ناطے ضرورت مند مریضوں کے علاج معالجے کے لیے مختلف اسپتالوں اور طبی تنظیموں کے لئے اپنی امداد میں توسیع کر دی ہے۔ سینا (SINA)، ہیلتھ ایجوکیشن اور ویلفیئر ٹرسٹ کو تین لاکھ روپے کا عطیہ دیا گیا۔

آڈیٹرز:

کرسٹن حیدر بھیجی چارٹرڈ اکاؤنٹنٹس کی سالانہ جنرل اجلاس کے اختتام پر مدت ختم ہو رہی ہے اور 31 دسمبر 2018 کو ختم ہونے والے مالی سال کے لئے اپنے آپ کو متفقہ معاوضہ پر پیش کرتے ہیں۔ آڈٹ کمیٹی 31 دسمبر 2018 کو ختم ہونے والے سال کے لئے میسرز کیرسٹن حیدر بھیجی، چارٹرڈ اکاؤنٹنٹس کی بحیثیت آڈیٹرز کی تقرری کی سفارش کی ہے اور بورڈ نے اسکی توثیق کر دی ہے۔

مستقبل پر ایک نگاہ

سال 2017-2018 کے لئے حکومت نے %6.00 جی ڈی پی گروتھ ریٹ پر نگاہ ہے۔ سال 2018 عام طور پر علاقے میں اور خاص طور پر انشورنس کی صنعت کے لئے ایک دلچسپ اور چیلنج کا سال ہوگا۔ آپ کی کمپنی مجموعی کوششوں، سسٹم میں بہتری اور محتاط و بروقت فیصلوں پر عملدرآمد کے سلسلے میں کوالٹی مینجمنٹ انفرامیشن سسٹم کے ذریعے طویل مدتی منافع بخش ترقی پر نگاہ رکھے ہوئے ہے۔

مزید برآں، مکافل آپریشنز آپ کی کمپنی کے کاروبار کو بڑھانے کے لئے مزید مواقع اور نئی راہیں فراہم کرے گا۔ چین پاکستان اقتصادی راہداری (CPEC) خطے کا نوشہ بدل دینے والا منصوبہ ہے۔ اور اس سے عام طور پر خطے میں اور خاص طور پر ہمارے ملک کی ترقی کے لئے نئی اور چیلنجنگ راہیں کھلیں گی

کمیٹی درج ذیل ممبران پر مشتمل ہے:

| | |
|----------|-----------------------|
| چیئر مین | 1- جناب اے رزاق احمد |
| ممبر | 2- جناب ہارون اے شکور |
| ممبر | 3- صدر الدین حسین |
| ممبر | 4- شیخ محمد صدیق |

ہکافل کمیٹی

اس کمیٹی کا ہکافل آپریشنز کی کارکردگی کا جائزہ لینا اور سہ ماہی بنیاد پر بورڈ کو مشورہ دینا ہے۔ کمیشن ہکافل آپریشنز میں پالیسیوں کے نافذ کرنے اور طریقہ کار کی توثیق کرتی ہے۔ یہ تاہم ہکافل آپریشنز سے متعلق اہم شخص کی تقرری کی سفارش کرتی ہے۔ یہ کمیٹی ہکافل آپریشنز کی طرف سے ہکافل قواعد و شرعی پرنسپل کی بھی نگرانی کرتا

ہے

کمیٹی درج ذیل ممبران پر مشتمل ہے۔

| | |
|----------|------------------------|
| چیئر مین | 1- جناب اے رزاق احمد |
| ممبر | 2- جناب رضوان اختر |
| ممبر | 3- جناب نجم اللہ خان |
| ممبر | 4- جناب کاشف واڈی والا |

بورڈ آف ڈائریکٹرز کے اجلاس

سال کے دوران بورڈ آف ڈائریکٹرز کے چار (4) اجلاس منعقد ہوئے اور ہر ایک ڈائریکٹر کی جانب سے اجلاسوں میں شرکت کی تعداد ذیل میں درج ہے۔

| ڈائریکٹرز کے نام | اجلاس میں حاضری |
|----------------------------|-----------------|
| 1- جناب اسماعیل ایچ ڈکریا | 3 |
| 2- جناب اے عزیز ایوب | 4 |
| 3- جناب عرفان ڈکریا باوانی | 4 |
| 4- جناب محمد عمر باوانی | 4 |
| 5- جناب زوہیر ڈکریا | 1 |
| 6- جناب احمد علی باوانی | 2 |
| 7- جناب نور ایم ڈکریا | 3 |
| 8- جناب حمزہ عمر باوانی | 4 |
| 9- جناب محمد اقبال | 4 |

میںجمنٹ کمیٹیاں

بورڈ نے تین انتظامی کمیٹیاں بنام انڈر رائٹنگ، ری انشورنس اور کو۔ انشورنس، کلیئر اور ٹرانزیکشن کمیٹیاں بھی تشکیل دی ہیں۔ یہ کمیٹیاں باقاعدگی کے ساتھ اجلاس منعقد کرتی ہیں اور چیف ایگزیکٹو آفیسر کی سربراہی میں کام کر رہی ہیں۔ کمیٹیوں کی تشکیل اور امور و فرائض ذیل میں درج کئے گئے ہیں۔

انڈر رائٹنگ، ری انشورنس اور کو انشورنس کمیٹی

انڈر رائٹنگ کمیٹی کے فرائض میں شامل ہے:

- انڈر رائٹنگ کمیٹی کمپنی کی انڈر رائٹنگ پالیسی تشکیل دیتی ہے۔
- یہ بیمہ خطرات کی مختلف اقسام کا تعین کرنے کے لئے معیار طے کرتی ہے اور مختلف انشورنس کورز کی پریمیم پالیسی کا تعین کرتی ہے۔
- یہ باقاعدگی کے ساتھ کمپنی کی انڈر رائٹنگ اور پریمیم پالیسیوں کا جائزہ لینے کے ساتھ متعلقہ عناصر مثلاً بزنس پورٹ فولیو اور مارکیٹ کی صورتحال پر بھی نگاہ رکھتی ہے۔

ری انشورنس اور کو انشورنس کمیٹی کے فرائض میں شامل ہے:

- یہ کمیٹی کمپنی کے کاروبار کے لئے کئے جانے والے موزوں ری انشورنس انتظامات کو یقینی بناتی ہے۔
- کمیٹی مجوزہ ری انشورنس انتظامات کی ان کی تکمیل سے قبل نگرانی کرتی ہے، وقتاً فوقتاً انتظامات کا جائزہ لیتی ہے اور شرکت کرنے والے ری۔ انشوررز کی اجازت سے مشروط وقتاً فوقتاً مناسب موزوں انتظامات تجویز کرتی ہے۔
- کمیٹی مستقبل کے حوالے کے لئے ری انشورنس پروگرام کے موثر ہونے کا جائزہ بھی لیتی ہے۔

کمیٹی درج ذیل ممبران پر مشتمل ہے۔

| | | |
|----|-------------------|----------|
| 1- | جناب اے رزاق احمد | چیئر مین |
| 2- | جناب رضوان اختر | ممبر |
| 3- | جناب اسحاق عظیم | ممبر |
| 4- | جناب عبدالرحیم | ممبر |

کلیئر کمیٹی

کمیٹی کے فرائض میں شامل ہے:

- یہ واجب الادا کلیئر کی درجہ بندی کے ساتھ مدت کا جائزہ لیتی ہے۔
- یہ کمیٹی ان حالات کا تعین کرتی ہے جس کے تحت کلیئر کے تنازعات اس کی توجہ کے لئے سامنے لائے گئے اور یہ فیصلہ کرتی ہے کہ ایسے تنازعہ کلیئر کے ساتھ کیسے نمٹا جائے۔
- کمیٹی کلیئر کے انتظامات سے متعلق امور کا جائزہ لیتی ہے۔ یہ کمپنی کے کلیئر پوزیشن کی نگرانی کے ساتھ مناسب کلیم اثاثہ جات کی موجودگی کو یقینی بناتی ہے۔
- کمیٹی کلیئر کے نمایاں کیسز یا واقعات پر توجہ دیتی ہے جو کلیئر کی سیریز کے لئے اٹھائے جاتے ہیں اور کلیئر سے نمٹنے کے لئے اقدامات پر عملدرآمد کی نگرانی کرتی ہے۔

انویسٹمنٹ کمیٹی

انویسٹمنٹ کمیٹی پانچ ممبران بشمول چیف ایگزیکٹو آفیسر پر مشتمل ہے۔

- 1- جناب عرفان ذکریا باوانی چیئر مین (نان ایگزیکٹو ڈائریکٹر)
- 2- جناب زوہیر ذکریا ممبر (نان ایگزیکٹو ڈائریکٹر)
- 3- جناب احمد علی باوانی ممبر (نان ایگزیکٹو ڈائریکٹر)
- 4- جناب اے رزاق احمد ممبر (ایگزیکٹو ڈائریکٹر)
- 5- جناب ہارون اے شکور ممبر (سیکرٹری)

اس کمیٹی کے ڈائریکٹرز آف ریفرنس میں درج ذیل امور شامل ہوں گے۔

- یہ سہ ماہی پراسرماہی کاری کے پورٹ فولیو کا جائزہ لے گی۔
- کمیٹی ایکویٹیٹیز، میوچل فنڈز، فیکسڈ انکم سیکورٹیز، شریعہ کمپلائٹ اور سرکاری (سکوک) سیکورٹیز میں کی جانے والی سرمایہ کاریوں کی سفارش کرتی ہے۔
- سہ ماہی کے دوران ہر ایک شعبے میں حاصل ہونے والی آمدنی سے کی جانے والی سرمایہ کاریوں کی خریداری اور فروخت کا جائزہ۔
- اہداف کا تعین کرنا جس کے تحت مجموعی سرمایہ کاری کے پورٹ فولیو اور اس کے سیکٹرز کی کارکردگی کا جائزہ لیتے ہیں۔

انتھیکس، ہیومن ریسورس و ری میونریشن کمیٹی:

کمیٹی تین ممبران بشمول اس کمیٹی کے چیئر مین پر مشتمل ہے

- 1- جناب زوہیر ذکریا چیئر مین (نان ایگزیکٹو ڈائریکٹر)
- 2- جناب عرفان ذکریا باوانی ممبر (نان ایگزیکٹو ڈائریکٹر)
- 3- جناب اے رزاق احمد ممبر (ایگزیکٹو ڈائریکٹر)

کمیٹی درج ذیل امور کی ذمہ دار ہوگی۔

- اے) بورڈ کو ہیومن ریسورس مینجمنٹ کی پالیسیوں کی سفارش کرنا۔
- بی) بورڈ کو سی ای او، سی ایف او/ معاون سیکریٹری اور انٹرنل آڈٹ کے ہیڈ کے انتخاب اور معاوضے (بشمول ریٹائرمنٹ کے فوائد) کی سفارش کرنا۔
- سی) کسی ملازم کی سبکدوشی اور دوران ملازمت انتقال ہونے کی صورت میں ٹرمینل فوائد کے لئے زرتلافی کی رقم اور اس کی شکل کا باقاعدگی سے جائزہ لینا۔
- ڈی) اہم انتظامی پوزیشنز کے لئے ایسے معاملات جہاں پر براہ راست سی ای او کو رپورٹ کرنی ہو، ان پر سی ای او کی سفارشات پر غور و خوض اور منظوری دینا۔
- ای) ایگزیکٹو کی خدمات حاصل کرنے کے لئے ریکروٹمنٹ پالیسی اور طریقہ کار کا جائزہ لینا۔
- ایف) کمپنی کے سینئر ایگزیکٹوز اور اسٹاف ممبرز کی سالانہ ترقی اور تنخواہوں پر نظر ثانی کا جائزہ لینا اور سفارشات دینا۔
- جی) سینئر ایگزیکٹوز اور ملازمین کی مراعات اور فوائد کے سلسلے میں درکار تبدیلیوں کا جائزہ لینا اور منظوری۔
- ایچ) سینئر ایگزیکٹو کی برطرفی اور استعفوں کی منظوری۔
- آئی) کوئی بھی ایسا دیگر امور جو بورڈ آف ڈائریکٹرز کی جانب سے تفویض کیا گیا ہو۔

ایم ڈی کی کارکردگی کا جائزہ:

ایم ڈی کی کارکردگی سال کے دوران کمپنی کی کاروباری سرگرمیوں کی بنیاد پر بورڈ کی طرف سالانہ بنیاد پر تعین کی جاتی ہے۔

بورڈ کمیٹیز:

بورڈ نے درج ذیل نان ایگزیکٹو ڈائریکٹرز پر مشتمل آڈٹ، انویسٹمنٹ اور ہیومن ریسورس و ری میوزیشن کمیٹیاں تشکیل دی ہیں۔ آڈٹ کمیٹی کے ممبران درج ذیل ہیں:

آڈٹ کمیٹی

| | | |
|----|-------------------------|----------------------------------|
| 1- | جناب عمر باوانی | چیئر مین (نان-ایگزیکٹو ڈائریکٹر) |
| 2- | جناب عرفان ذکریا باوانی | ممبر (نان-ایگزیکٹو ڈائریکٹر) |
| 3- | جناب زوہیر ذکریا | ممبر (نان-ایگزیکٹو ڈائریکٹر) |
| 4- | جناب محمد اقبال | ممبر (نان-ایگزیکٹو ڈائریکٹر) |

آڈٹ کمیٹی کے ممبران آف ریفرنس میں مندرجہ ذیل نکات شامل ہیں۔

- (i) بورڈ آف ڈائریکٹرز کو بیرونی آڈیٹرز کے تقرر کی سفارش کی جاتی ہے اور آڈٹ کے علاوہ بیرونی آڈیٹرز کی جانب سے کسی سروس کے حصول کے لئے آڈٹ فیس کے بارے میں غور و خوض۔ کوالٹی کنٹرول کا جائزہ لینے کے ICAPS پروگرام کے تحت تسلی بخش درجہ بندی سمیت عوامل پر غور۔
- (ii) بیرونی آڈیٹرز کے انتخاب یا برطرفی سے متعلق سوالات پر غور و خوض۔
- (iii) کمپنی کے اچانک جات کو محفوظ رکھنے کے لئے مناسب و موزوں اقدامات کا تعین۔
- (iv) بورڈ آف ڈائریکٹرز کی منظوری سے قبل کمپنی کے سہ ماہی، ششماہی اور سالانہ مالیاتی گوشواروں کا جائزہ۔
- (v) آڈٹ سے حاصل نتائج پر اینڈ جسٹمنٹس کا جائزہ۔
- (vi) اشاعت سے قبل نتائج کے ابتدائی اعلان کا جائزہ۔
- (vii) اہم متعلقہ پارٹی ٹرانزیکشنز کا جائزہ اور سفارش۔
- (viii) نافذ العمل اکاؤنٹنگ اسٹینڈرڈز پر عمل درآمد۔
- (ix) لسٹنگ ریگولیشنز اور دیگر بنیادی اور ریگولیٹری شرائط پر عمل درآمد۔
- (x) کارپوریٹ گورننس کے بہتر بن طریقہ کار پر عمل درآمد کی نگرانی اور کسی نمایاں خلاف ورزی کی شناخت اور وضاحت۔
- (xi) متوقع امور پر توجہ دینا اور اکاؤنٹنگ پالیسیوں اور طریقہ کار میں تبدیلیاں۔
- (xii) اندرونی آڈٹ کے اسکوپ اور توسیع کا جائزہ۔
- (xiii) فراڈ، بدعنوانی اور اختیارات کے ناجائز استعمال کے ذریعے سامنے آنے والی سرگرمیوں کی بنیاد پر چھان بین اور اندرونی تحقیقات پر غور و خوض۔
- (xiv) کسی دیگر مسئلے یا امور پر غور و خوض جو کہ بورڈ آف ڈائریکٹرز کی جانب سے پیش کیا جائے۔

- اے۔ کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی حسابات شفاف انداز میں امور کار، آپریشنز کے نتائج، کٹش فلوا اور ایکویٹی میں تبدیلیوں میں واضح کردیئے گئے ہیں
- بی۔ کمپنی کے اکاؤنٹس کی باقاعدہ کتب مرتب کی ہیں
- سی۔ مالی تفصیلات اور ذمہ داریوں کو مرتب کرنے کے لئے مناسب حساب داری پالیسیوں کا تسلسل سے اطلاق کیا جاتا ہے جو کہ مناسب اور محتاط فیصلوں پر منحصر ہیں۔
- ڈی۔ انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز (IFRS) جیسا کہ پاکستان میں نافذ العمل ہیں، مالیاتی گوشواروں کی تیاری میں لاگو کئے جاتے ہیں اور مستحکم فیصلوں پر منحصر ہوتی ہیں۔
- ای۔ اندرونی کنٹرول کا نظام مستحکم طور پر ڈیزائن کیا گیا ہے اور موثر طور پر نافذ العمل ہونے کے ساتھ اسکی باقاعدگی سے نگرانی کی جاتی ہے۔
- ایف۔ 31 دسمبر 2017 کے مطابق کمپنی میں پیٹرن آف شیئرز ہولڈنگ کھاتوں کے ساتھ منسلک ہے۔
- جی۔ اس امر میں کوئی شبہات نہیں کہ کمپنی میں آگے بڑھنے کی صلاحیت موجود ہے۔
- ایچ۔ کارپوریٹ گورننس کے بہترین طریقہ کار سے انحراف کا کوئی جواز نہیں جیسا کہ لسٹنگ ریگولیشنز میں درج ہے۔
- آئی۔ گزشتہ دس سالوں کے لئے اہم آپریٹنگ اور مالیاتی مواد مختصر شکل میں منسلک ہے۔

31 دسمبر 2017 کے مطابق پراویڈنٹ فنڈ کی رقمات کے سلسلے میں غیر آڈٹ شدہ اکاؤنٹس پر منحصر سرمایہ کاریوں کی ویلیو 49.528 ملین روپے پر برقرار ہے۔

بورڈ آف ڈائریکٹرز:

بورڈ پورے سال کے دوران اپنے فرائض کو انجام دینے میں موثر طور پر مصروف عمل رہا بشمول ان امور کے جو متعلقہ قوانین اور کمپنی کے میمورنڈم اور آرٹیکل آف ایسوسی ایشن کے تحت انجام دیئے گئے اور ان سب کا بنیادی مقصد حصص یافتگان کے مفادات کا تحفظ کرنا، کمپنی کے منافع جات میں اضافہ کرنا تھا اور بنیادی ہدف شیئرز ہولڈرز کے اتنا شجاعت میں اضافہ اور مارکیٹ میں اعتماد کو فروغ دینا تھا۔

تمام ڈائریکٹرز کاروبار اور اپنے پیشے کے مختلف شعبوں کی بھرپور مہارت کے حامل ہیں اور مختلف کاروباری اور کارپوریٹ امور کے ساتھ نمٹنے کے لئے ضروری مہارت اور اسے سمجھنے کی صلاحیت رکھنے کے ساتھ تمام تر معاملات پر عبور رکھتے، ان کا جائزہ لینے اور انتظامی کارکردگی کے چیلنج کو پورا کرنے کا اہل ہیں۔ وہ اپنے تجربے اور عملی مشاورت کے ضمن میں بھی بھرپور شراکت رکھتے ہیں۔

چیئرمین و ایگزیکٹو سی ای او کا کردار:

بورڈ کا چیئرمین اس امر کو یقینی بنانے کے ذمہ دار ہے کہ بورڈ مناسب اور صحیح طریقے سے کام کر رہا ہے اور کمپنی کے گورننس سے متعلق تمام معاملات بورڈ کے اجلاس میں زیر غور لانا ہے۔ چیئرمین بورڈ کے اجلاس کا انعقاد اور صدارت کرتا ہے اور بورڈ کی قیادت اور اس کی موثر کام کاج اور مسلسل ترقی کو یقینی بنانے کی ذمہ دار ہے۔ کمپنی کے روزمرہ کی کارروائیوں چیئرمین میں کی کوئی شمولیت نہیں ہے

ایگزیکٹو / سی ای او:

بورڈ آف ڈائریکٹرز کمپنی کے ایگزیکٹو / چیف ایگزیکٹو آفیسر کو تین سال کے لیے مقرر کرتا ہے۔ چیف ایگزیکٹو آفیسر بورڈ کی رہنمائی اور قانون میں دیئے گئے اختیار کے مطابق کمپنی کے آپریشنز اور اس کے کاروبار کے انعقاد کی کارروائیوں کے لئے ذمہ دار ہے۔ ان کی ذمہ داریوں میں بورڈ کی حکمت عملی اور پالیسیوں اور ان کا نفاذ شامل ہیں۔ یہ کمپنی کے کاروبار کی مضبوط اور موثر انتظام اور انعقاد کے لیے مجموعی طور پر کنٹرول، سمت، انتظامیہ اور نگرانی کے لئے ذمہ دار ہے۔ کمپنی کے جائزے اور مسائل پر بات چیت کے لئے چیئرمین اور ایگزیکٹو کے مابین باقاعدہ ملاقاتیں ہوتی رہتی ہیں۔

'iGIAS' گزشتہ کئی سالوں سے برانچ کی سطح پر کامیابی کے ساتھ نافذ العمل ہے 'iGIAS' کی خصوصیت اس کے تمام ماڈیول یعنی، انڈر رائٹنگ، کلیمز، اکاؤنٹس اور ری۔ انشورنس ایک ساتھ مربوط ہے۔ یہ (JSP) جاوا اسکرپٹ اور بیکل ڈیٹا بیس کے ساتھ آن لائن ویب بیس سافٹ ویئر ہے اور اس کے ڈیٹا مینجمنٹ پریشانی سے آزاد اور بہت زیادہ محفوظ ہے

iGIAS میں جزل تکفل کی سرورز کو شامل کیا گیا ہے اور مختصر اور طویل مدتی تکفل کارروائیوں کے لئے برانچ کی سطح پر نافذ العمل ہے۔ اپنے صارفین کو سوئفٹ خدمات فراہم کرنے کے لئے کمپنی کی انفارمیشن ٹیکنالوجی کی حکمت عملی مکمل طور پر اس کی آپریشنل ضروریات کے ساتھ منسلک کیا گیا ہے

جے سی آروی آئی ایس (JCR VIS) کریڈٹ ریٹنگ:

جے سی آروی آئی ایس کریڈٹ ریٹنگ کمپنی۔ جو کہ جاپان کریڈٹ ریٹنگ ایجنسی لمیٹڈ سے منسلک ہے، نے ریٹننگ انشورنس کمپنی لمیٹڈ کی "Single A" پر انشورر فنانشل اسٹریٹج (IFS) کی دوبارہ تصدیق کر دی ہے۔ اور آؤٹ لک مثبت "Postive Outlook" ہے۔ ریٹنگ میں مستحکم لیکویڈیٹی پر وفائل، موزوں و مناسب سرمایہ کار اشاریے اور ری انشورنس پروگرام سمیت بہتر ہوتی ہوئی انڈر رائٹنگ کارکردگی شامل ہے

متعلقہ پارٹی ٹرانسیکشنز:

تمام متعلقہ پارٹی ٹرانسیکشنز کو آؤٹ کمیٹی اور بورڈ کے روبرو ان کے جائزے اور منظوری کے لئے رکھا جا رہا ہے۔ ان ٹرانسیکشنز کا جائزہ رسفارش آؤٹ کمیٹی کی جانب سے لیا گیا اور بورڈ آف ڈائریکٹرز کی جانب سے ان کے متعلقہ اجلاسوں میں انکی منظوری دی گئی۔ تمام ٹرانسیکشنز متعلقہ پارٹیوں کے ساتھ ان کی ضرورت کی بنیاد پر تخیل دی گئیں۔

کارپوریٹ گورننس لیڈرشپ اسکل پروگرام

پاکستان انسٹیٹیوٹ آف کارپوریٹ گورننس سے درج ذیل ڈائریکٹرز نے کارپوریٹ گورننس لیڈرشپ اسکل پروگرام مکمل کر لیا ہے۔ اس سال ایک اور ڈائریکٹر جناب حمزہ عمر باوانی نے پڑھنا مکمل کر لیا ہے۔

۱۔ جناب عرفان ذکر باوانی

۲۔ جناب زوہیر ذکر یا

۳۔ جناب احمد علی باوانی

۳۔ جناب حمزہ عمر باوانی

چار ڈائریکٹرز نے پاکستان انسٹیٹیوٹ آف کارپوریٹ گورننس سے کارپوریٹ گورننس لیڈرشپ اسکل پروگرام مکمل کر لیا ہے جبکہ پانچ ڈائریکٹرز کارپوریٹ گورننس کے تحت اہلیت کے معیار، کمپنیوں کے بورڈ پر 15 سال ڈائریکٹر کے تجربے کے اور 14 سال کی تعلیم رکھتے ہیں

کوڈ آف کارپوریٹ گورننس پر عملدرآمد کا اسٹیٹمنٹ:

کوڈ آف کارپوریٹ گورننس کی شرائط جو کہ ریگولیٹری اتھارٹی کی جانب سے طے کردہ ہیں ان پر عملدرآمد کیا جا رہا ہے۔ اس سلسلے میں ایک اسٹیٹمنٹ رپورٹ ساتھ منسلک ہے۔

کارپوریٹ اور فنانشل رپورٹنگ کا فریم ورک:

کمپنی سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے طے کردہ شیڈول اور پاکستان اسٹاک ایکسچینج کے لسٹنگ قواعد پر عمل درآمد کر رہی ہے۔ اس میں کارپوریٹ گورننس کے بہتر طریقہ کار سے انحراف ممکن نہیں جیسا کہ لسٹنگ ریگولیشنز میں تفصیلی طور پر درج ہے۔

سرمایہ کاری میں نقصانات کو پرافٹ اینڈ لاس اکاؤنٹ میں ظاہر کیا جاتا ہے۔ ایسے نقصانات کے لئے مختص کی گئی گنجائش پر ہر بیلنس شیٹ کی تاریخ پر نظر ثانی کی جاتی ہے۔ اور اس میں اس وقت کے بہترین تخمینوں کے مطابق ردوبدل کیا جاتا ہے۔ اس گنجائش میں ردوبدل آمدن یا اخراجات کی شکل میں ظاہر کیا جاتا ہے

منافع منقسمہ کی آمدنی 2017 میں 32.993 ملین روپے تھی جبکہ گزشتہ سال یہ رقم 28.216 ملین روپے تھی اس طرح اس سال 16.93 فیصد اضافہ ہے۔ آپ کی کمپنی نے گزشتہ سال کے 11.690 ملین روپے کے مقابلے میں 5.922 ملین روپے کا کینیٹل گین حاصل کیا اور گزشتہ سال کے 46.134 ملین روپے مقابلے میں 94.795 ملین روپے کے لئے غیر تسلیم شدہ نقصان کا اندراج کیا ہے۔ 2017 میں سرمایہ کاری پر نقصان (48.024) ملین روپے کے برخلاف 2016 میں 99.009 ملین روپے منافع تھا۔

آپ کی کمپنی پائیدار ذرائع مثلاً شرح سود اور منافع منقسمہ اور کینیٹل گین سے اسکی سرمایہ کار آمدنی کا ایک بڑا حصہ حاصل کرنے کی کوششوں کو جاری رکھے ہوئے ہے تاکہ مناسب کیش حصول کا ذریعہ پیدا کیا جائے۔ سرمایہ کاری کے پورٹ فولیو کی مارکیٹ ویلیو 31 دسمبر 2017 کو 676.946 ملین روپے پر ریکارڈ تھی اور بینک ڈپازٹس اکاؤنٹس سرمایہ کاری کی سطح 2016 کے 146.958 ملین روپے کے مقابلے میں 186.934 ملین روپے رہی

کلیمز:

واجب الادا کلیمز بیلنس شیٹ کی تاریخ تک ہونے والے تمام کلیمز کے ضمن میں ہوتی ہے اور اس کے مستقبل میں متوقع ادا کیوں کی غیر تخفیف شدہ مالیت کے طور پر ظاہر کیا جاتا ہے۔

واجب الادا کلیمز کی گنجائش ہے لیکن بیلنس شیٹ کی تاریخ تک رپورٹ (IBNR) نہیں ہوئے۔ 2016 کے ایس ای سی پی سرکلر نمبر 9 کی تکمیل کے لئے کمپنی نے IBNR کا تخمینہ کے طریقہ کار کو تبدیل کر دیا گیا۔ کمپنی اب IBNR دعویوں کے تعین کے لئے ایکچوریل مشورہ لیتی ہے۔ IBNR کلیمز کا تخمینہ Chain Ladder (CL) کے طریقے سے لگایا گیا ہے۔ Chain Ladder (CL) طریقہ میں ترقی کے عوامل کا تعین یا ہر مدت کے لئے لنک کے تناسب شامل ہے۔ یہ بعد میں مشترکہ طور پر Cumulative Development Factor (CDF) کا تعین کرتے ہیں۔ جس میں کلیمز کے آخری سطح تک پہنچنے کے لئے مستقبل کی حد تک نمائندگی کرتا ہے

ری۔ انشورنس:

آپ کی کمپنی نے سال 2018 کے لئے ری۔ انشورنس انتظامات نہایت معتبر ہیں۔ معروف اور اعلیٰ شہرت یافتہ سوئس ری (Swiss Re) سال 2018 کے آر آئی سی ایل کے ری انشورنس پروگرام کے لیڈر بننے کا عمل جاری ہے۔ سال 2018 کے لئے کاروبار کے تمام مراحل کے لیے انڈر رائٹنگ کی گنجائش میں مزید اضافہ کر دیا ہے اس طرح آپ کی کمپنی کو بڑے خطرات کو انڈر رائٹ کرنے کی صلاحیت حاصل ہو گئی ہے۔ ہم غیر متزلزل اعتماد اور مستقل سپورٹ و تعاون کے لئے اپنے تمام ری انشوررز کے انتہائی ممنون اور شکر گزار ہیں

ونڈ وٹ کافل آپریشن:

اس سال تحریری شراکت 74.774 ملین روپے رہی جب کہ گزشتہ سال جون تا دسمبر 24.375 ملین روپے تھی۔ خالص شراکت داری آمدنی گزشتہ سال کی 8.167 ملین روپے کے مقابلے میں 26.310 ملین روپے رہی۔ ونڈ وٹ کافل آپریشن سے آپریٹنگ فنڈ میں 1.132 ملین روپے کا نفع ہوا ہے جو کہ گزشتہ سال 1.535 ملین روپے نقصان تھا

انفارمیشن ٹیکنالوجی:

آپ کی کمپنی انفارمیشن ٹیکنالوجی کی اہمیت سے آگاہ ہے اور مسلسل توسیع اور اس کی تکنیکی پلیٹ فارم کو اپ گریڈ کرنے کی سرمایہ کاری کر رہی ہے۔ جنرل انشورنس سافٹ ویئر

ڈائریکٹرز رپورٹ:

آپ کے ڈائریکٹرز بمسرت 31 دسمبر 2017 کو ختم ہونے والے سال کے لئے سالانہ رپورٹ بشمول آڈٹ شدہ حسابات پیش کر رہے ہیں

سال 2017 کے لئے آپریشنل نتائج:

31 دسمبر 2017 کو ختم ہونے والی مدت کے لئے آپ کی کمپنی کی تقابلی مالی جھلکیاں مندرجہ ذیل ہیں:

| 2016 | 2017 | |
|---------------|----------|----------------------------------|
| روپے ملین میں | | |
| 1226.215 | 1230.175 | مجموعی پریمیم (نکافل شراکت سمیت) |
| 359.414 | 357.654 | خالص پریمیم |
| 101.720 | 88.160 | خالص حاصل کردہ کلیم (بشمول IBNR) |
| 132.486 | 137.732 | انتظامی اخراجات |
| 64.289 | 71.087 | انڈر رائٹنگ آمدنی |
| 99.009 | (48.024) | سرمایہ کار آمدنی |
| 115.539 | (25.547) | نفع / نقصان قبل از ٹیکس |
| 100.689 | (46.745) | نفع / نقصان بعد از ٹیکس |
| 1.97 | (0.83) | آمدنی فی شیئر (EPS) |

آپ کی کمپنی نے 1230.175 ملین روپے (بشمول 74.774 ملین روپے نکافل شراکتاری) کا مجموعی پریمیم ظاہر کیا ہے اسکے برخلاف گزشتہ سال کا حجم 1226.215 ملین روپے تھا جس سے 3.96 ملین روپے اضافہ واضح ہوتا ہے۔ خالص پریمیم بشمول نکافل معمولی کمی کے ساتھ 359.414 ملین روپے سے کم ہو کر 357.654 ملین روپے ہوا۔ یعنی 1.76 ملین روپے کم رہا

سال کے دوران کلیمز پر 88.16 ملین روپے صرف کئے گئے جبکہ گزشتہ سال 101.720 ملین روپے صرف کئے گئے تھے جو کہ 13.564 ملین روپے کم ہیں۔ تاہم انتظامی اخراجات معمولی اضافہ سے 132.486 ملین روپے سے بڑھ کر 137.732 ملین روپے ہوئے اور اس میں 5.246 ملین روپے اضافہ ہوا۔ آپ کی کمپنی نے کو اپنے بنیادی کاروبار سے 71.086 ملین روپے منافع ہوا ہے لیکن سرمایہ کاری کے تحت ایکویٹی (Shares) کی قیمتوں میں کمی کی وجہ سے 25.547 ملین روپے کا نقصان رہا جو کہ سیکورٹیز پر منافع، کیپیٹل گین اور ڈیویڈنڈ سے ہونے والی 46.780 ملین روپے کی آمدنی کے ایڈجسٹمنٹ کے بعد ہے

منافع اور فوائد کا مختص کرنا:

(ملین روپے)

26.594

گزشتہ سال سے لائی گئی رقم:

(46.744)

بعد از ٹیکس اس سال کا نقصان:

(20.150)

مختص کرنے کے موجودہ نقصان:

سرمایہ کاری:

آپ کی کمپنی سرمایہ پالیسی اسی انداز میں جاری ہے اور شریعہ کمپلیٹ طویل مدتی سرمایہ کاری کی خطرات سے تحفظ آزاد منافع جات پر ترجیح دی گئی ہے آرائی سی ایل کا شیئر ز پورٹ فولیو خوب اچھی طرح پھیلا ہوا اور مختلف شعبوں میں تقسیم شدہ ہے اور بنیادی طور پر بلیو چپ اسکرپٹس پر توجہ رکھی گئی ہے جو بہترین منافع منقسمہ کے حصول، بونس کی ادائیگیوں اور مستقبل میں ترقی کے امکانات کی حامل ہے۔ پورٹ فولیو سرمایہ کاری کمیٹی کی زیر نگرانی رہتا ہے۔

Statement of Compliance with the Code of Corporate Governance for Insurer

for the year ended December 31, 2017

This statement is being presented in compliance with the Code of Corporate Governance, for Insurers, 2016 for the purpose of establishing a framework of good governance, whereby an insurer is managed in compliance with the best practices of corporate governance. The Code of Corporate Governance as contained in Regulation No. 5.19.24 of the listing Regulation of the Pakistan Stock Exchange.

Reliance Insurance Company Limited has applied the principles contained in the Code in the following manner:

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

| Sr. No. | Name | Category | Sr. No. | Name | Category |
|---------|--------------------------|---------------|---------|-----------------------|--------------------|
| 1 | Mr. Ismail H. Zakaria | Non-Executive | 7 | Mr. Noor M. Zakaria | Non-Executive |
| 2 | Mr. A. Aziz Ayoob | Non-Executive | 8 | Mr. Hamza Omar Bawany | Non-Executive |
| 3 | Mr. Irfan Zakaria Bawany | Non-Executive | 9 | Mr. Muhammad Iqbal | Independent |
| 4 | Mr. Mohammad Omar Bawany | Non-Executive | 10 | Mr. A. Razak Ahmed | Executive Director |
| 5 | Mr. Zohair Zakaria | Non-Executive | | | |
| 6 | Mr. Ahmed Ali Bawany | Non-Executive | | | |

The independent directors meet the criteria of independence as laid down under the Code of Corporate Governance for Insurers, 2016.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayer and none of them has defaulted in payment of any loan to a banking company. A DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by a stock exchange.
4. No casual vacancy occurred on The Board during the year.
5. The Company has prepared "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company alongwith its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and the key officers, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board has established a system of sound internal control, which is effectively implemented at all levels within the Company. The Company has adopted and complied with all the necessary aspects of internal controls given in the Code.
10. Four Directors have completed corporate governance leadership skill (CGLS) program of Pakistan Institute of Corporate Governance (PICG), while Six Directors meets the criteria of eligibility as directors of 15 years experience on the Board of listed companies and 14 years of education as required under code of corporate governance.
11. There was no new appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit during the year. The Board has however, approved the remunerations of CFO / Company Secretary and Head of Internal Audit on recommendation of Ethics, Human Resource and Remuneration Committee as determined by CEO.

12. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
14. The directors, CEO and other executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
15. The Company has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed the following Management Committees:

Underwriting, Reinsurance & Co-insurance Committee:

| Name of the Member | Designation | Category |
|--------------------|-------------------------------|----------|
| Mr. A. Razak Ahmed | Executive Director | Chairman |
| Mr. Rizwan Akhtar | Executive Vice President | Member |
| Mr. Ishaque Azim | Vice President (Underwriting) | Member |
| Mr. Abdul Rahim | Deputy Chief Manager | Member |

Claim Settlement Committee:

| Name of the Member | Designation | Category |
|----------------------------|---------------------------|----------|
| Mr. A. Razak Ahmed | Executive Director | Chairman |
| Mr. Haroon A. Shakoor | Chief Accountant | Member |
| Mr. Sadurddin Hussain | Vice President Claims | Member |
| Mr. Shaikh Muhammad Siddiq | Dep. Chief Manager Claims | Member |

Risk Management & Compliance Committee:

| Name of the Member | Designation | Category |
|-----------------------|--------------------------|----------|
| Mr. A. Razak Ahmed | Executive Director | Chairman |
| Mr. Rizwan Akhtar | Executive Vice President | Member |
| Mr. Haroon A. Shakoor | Chief Accountant | Member |
| Mr. Ghulam Haider | Compliance Officer | Member |
| Mr. Abdul Rahim | Deputy Chief Manager | Member |

17. The Board has formed the following Board Committees:

Ethics, Human Resource and Remuneration Committee:

| Name of the Member | Designation | Category |
|--------------------------|------------------------|----------|
| Mr. Zohair Zakaria | Non-Executive Director | Chairman |
| Mr. Irfan Zakaria Bawany | Non-Executive Director | Member |
| Mr. A. Razak Ahmed | Executive Director | Member |

Nominations Committee:

| Name of the Member | Designation | Category |
|-----------------------|--------------------------|----------|
| Mr. A. Razak Ahmed | Executive Director | Chairman |
| Mr. Rizwan Akhtar | Executive Vice President | Member |
| Mr. Haroon A. Shakoor | Chief Accountant | Member |

Investment Committee:

| Name of the Member | Designation | Category |
|--------------------------|------------------------------|----------|
| Mr. Irfan Zakaria Bawany | Non-Executive Director | Chairman |
| Mr. Zohair Zakaria | Non-Executive Director | Member |
| Mr. Ahmed Ali Bawany | Non-Executive Director | Member |
| Mr. A. Razak Ahmed | Executive Director | Member |
| Mr. Haroon A. Shakoor | Chief Accountant (Secretary) | Member |

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

Audit Committee:

| Name of the Member | Designation | Category |
|--------------------------|------------------------|----------|
| Mr. Muhammad Omar Bawany | Non-Executive Director | Chairman |
| Mr. Irfan Zakaria Bawany | Non-Executive Director | Member |
| Mr. Zohair Zakaria | Non-Executive Director | Member |
| Mr. Muhammad Iqbal | Independent Director | Member |

19. The meetings of the Committees, except Ethics, Human Resource and Remuneration Committee, were held at least once every quarter prior to the approval of interim and final results of the Company and as required by the Code. The terms of references of the Committees have been formed and advised to the Committees for compliance.
20. The Board has set up an effective internal audit function, which comprise of suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a regular basis.
21. The Chief Executive Officer, Chief Financial Officer, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under the Code of Corporate Governance for Insurers, 2016. Moreover, the persons heading the underwriting, claim, reinsurance, risk management and grievance functions / departments possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000):

| Name of the person | Designation |
|-----------------------|--|
| Mr. A. Razak Ahmed | Chief Executive Officer & Managing Director |
| Mr. Haroon A. Shakoor | Chief Financial Officer & Company Secretary, |
| Mr. Shuja Baig | Head of Internal Audit |
| Mr. Ishaque Azim | Head of Underwriting |
| Mr. Sadurddin Hussain | Head of Claims |
| Mr. Abdul Rahim | Head of Reinsurance |
| Mr. Rizwan Akhtar | Head of Risk Management |
| Mr. Ghulam Haider | Compliance Officer |

22. The statutory auditors of the Company have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). The statutory auditors have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
23. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
24. The Company has an Investment policy, however the Company will align the policy with the requirements of new Code of Corporate Governance for Insurers, 2016 within the prescribed time limit.
25. The Board ensures that the risk management system of the Company is in place as per the requirement of the Code of Corporate Governance for Insurers, 2016.
26. The Company has set up a risk management function / department, which carries out its tasks as covered under the Code of Corporate Governance for Insurers, 2016.
27. The Company has been rated by JCR-VIS, and the rating assigned on is A (Single A) with positive outlook.
28. The Board has set up a grievance department/function, which fully complies with the requirements of the Code of Corporate Governance for Insurers, 2016.
29. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

30. Material/price sensitive information has been disseminated amongst all market participants at once through Pakistan Stock Exchange.
31. The 'closed period', prior to the announcement of interim / final results and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and The Pakistan stock exchange.
32. The Company has not obtained any exemption(s) from the Securities and Exchange Commission of Pakistan in respect of the requirement of the Code of Corporate Governance for Insurers, 2016.
33. We confirm that all other material principles contained in the Code have been complied.



ISMAIL H. ZAKARIA
Chairman



A. RAZAK AHMED
Chief Executive & Managing Director

Karachi: 27 March, 2018

Review Report to the Members on Statement of Compliance with the Best Practices of the Code of Corporate Governance

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

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

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

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

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

Karachi: 27 March, 2018



Kreston Hyder Bhimji & Co.
CHARTERED ACCOUNTANTS
Engagement Partner: Mohammad Hanif Razzak

Auditor's Report to the Members

We have audited the annexed financial statements comprising of:

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

of Reliance Insurance Company Limited ("the Company") as at 31 December 2017 together with the notes forming part thereof, for the year then ended.

It is the responsibility of the Company's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the repealed 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 the repealed 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 repealed 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 2017 and of the loss, 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 repealed Companies Ordinance, 1984; and
- d) 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.

Without modifying our opinion, we draw attention to note 9.1(b) to the financial statements disclosing a contingent liability relating to an aviation claim reported on November 3, 2015.

The financial statements of the Company for the year ended 31 December 2016 were audited by another firm of chartered accountants who had expressed an unmodified opinion and emphasis on contingent liability thereon dated 28 March 2017.



Kreston Hyder Bhimji & Co.
CHARTERED ACCOUNTANTS
Engagement Partner: Mohammad Hanif Razzak

Karachi: 27 March, 2018



Financial **Statements**



Balance Sheet

As at December 31, 2017


| | December 31, 2017 | December 31, 2016 |
|---|----------------------|----------------------|
| | Rupees | |
| SHARE CAPITAL AND RESERVES | | |
| Authorised share capital | 750,000,000 | 750,000,000 |
| Issued, subscribed and paid-up capital | 561,412,850 | 510,375,320 |
| Accumulated loss / Retained earnings | (20,150,789) | 133,150,360 |
| Reserves | 250,000,000 | 220,000,000 |
| | 791,262,061 | 863,525,680 |
| UNDERWRITING PROVISIONS | | |
| Provision for outstanding claims (including IBNR) | 209,590,488 | 220,507,963 |
| Provision for unearned premium | 494,450,943 | 527,368,394 |
| Commission income unearned | 35,347,057 | 34,712,441 |
| Total underwriting provision | 739,388,488 | 782,588,798 |
| CREDITORS AND ACCRUALS | | |
| Amounts due to other insurers/reinsurers | 138,626,640 | 71,401,782 |
| Accrued expenses | 3,069,372 | 3,779,536 |
| Taxation - provision less payments | 13,925,667 | 7,591,756 |
| Other creditors and accruals | 78,803,887 | 76,047,677 |
| | 234,425,566 | 158,820,751 |
| OTHER LIABILITIES | | |
| Unclaimed dividend | 2,221,253 | 1,665,878 |
| Total liabilities of Window Takaful operations - | | |
| Operators Fund | 16,152,019 | 4,876,703 |
| CONTINGENCIES AND COMMITMENTS | | |
| | - | - |
| TOTAL EQUITY AND LIABILITIES | 1,783,449,387 | 1,811,477,810 |

The annexed notes from 1 to 32 form an integral part of these financial statements.

| | Note | December 31, 2017 | December 31, 2016 |
|--|------|----------------------|----------------------|
| | | Rupees | |
| CASH AND BANK DEPOSITS | | | |
| Cash and other equivalent | | 498,290 | 403,974 |
| Current and other accounts | | 159,687,246 | 119,835,079 |
| Deposit maturing within 12 months | | 26,748,613 | 26,719,457 |
| | 10 | 186,934,149 | 146,958,510 |
| LOANS | | | |
| To employees | 11 | 1,336,200 | 997,775 |
| | 12 | 671,280,749 | 751,662,862 |
| INVESTMENTS | | | |
| CURRENT ASSETS-OTHERS | | | |
| Premium due but unpaid | 14 | 205,540,384 | 165,903,439 |
| Amounts due from other insurers/reinsurers | | 2,246,536 | 2,781,333 |
| Accrued investment income | | 1,399,061 | 1,436,343 |
| Reinsurance recoveries against outstanding claims | | 167,283,860 | 172,078,362 |
| Deferred commission expense | | 60,932,042 | 61,298,491 |
| Prepaid reinsurance premium ceded | | 337,538,956 | 364,533,433 |
| Trade deposits and prepayments | | 1,811,294 | 1,664,515 |
| Sundry receivables | | 376,032 | 1,749,854 |
| | 15.1 | 777,128,165 | 771,445,770 |
| FIXED ASSETS | | | |
| Tangible | | | |
| Land and buildings | | 7,464,632 | 8,294,036 |
| Furniture, fixtures and office equipment | | 7,077,710 | 6,876,059 |
| Motor vehicles | | 66,478,154 | 71,900,994 |
| | | 81,020,496 | 87,071,089 |
| Intangible | | | |
| Computer software | 15.3 | - | - |
| Total assets of Window Takaful operations - | | | |
| Operators Fund | | 65,749,628 | 53,341,804 |
| TOTAL ASSETS | | 1,783,449,387 | 1,811,477,810 |


Ismail H. Zakaria
Chairman


A. Aziz Ayoob
Director


Mohammad Omar Bawany
Director


Haroon A. Shakoor
Chief Accountant and
Company Secretary


A. Razak Ahmed
Chief Executive & Managing Director

Karachi 27 March, 2018

Profit & Loss Account

for the year ended December 31, 2017

| | Note | Fire & Property | Marine Aviation & Transport | Motor | Miscellaneous | 2017 Aggregate | 2016 Aggregate |
|--|------|-------------------|-----------------------------|-------------------|------------------|---------------------|------------------|
| Rupees | | | | | | | |
| Revenue Account | | | | | | | |
| Net premium revenue | | 118,676,310 | 65,050,302 | 162,453,682 | 11,474,111 | 357,654,405 | 359,414,656 |
| Net claims | | (10,555,535) | (14,924,007) | (61,562,926) | (1,114,454) | (88,156,922) | (101,720,297) |
| Management expenses | 16 | (45,702,199) | (25,050,845) | (62,560,847) | (4,418,675) | (137,732,566) | (132,485,984) |
| Net commission | | (33,779,884) | (10,521,993) | (16,148,137) | (228,253) | (60,678,267) | (60,919,075) |
| Underwriting result | | <u>28,638,692</u> | <u>14,553,457</u> | <u>22,181,772</u> | <u>5,712,729</u> | <u>71,086,650</u> | 64,289,300 |
| Investment (loss) / income | | | | | | (48,024,626) | 99,008,903 |
| Other income | 17 | | | | | 1,517,137 | 952,048 |
| Financial charges | | | | | | - | (47,389) |
| General and administration expenses | 18 | | | | | (51,258,382) | (47,128,102) |
| Profit/(Loss) before tax from takaful operations-OPF | | | | | | 1,132,508 | (1,534,899) |
| (Loss)/Profit before tax | | | | | | <u>(25,546,713)</u> | 115,539,861 |
| Provision for taxation | | | | | | | |
| Current | 19 | | | | | (21,198,140) | (14,850,000) |
| (Loss)/Profit after tax | | | | | | <u>(46,744,853)</u> | 100,689,861 |
| Profit and loss appropriation account | | | | | | | |
| Balance at commencement of the year | | | | | | 133,150,360 | 122,057,137 |
| Cash dividend for the year 2016: 5% (2015: 5%) | | | | | | (25,518,766) | (23,198,878) |
| Transfers to general reserve | | | | | | (30,000,000) | (20,000,000) |
| Bonus shares for the year 2016: 10% (2015:10%) | | | | | | (51,037,530) | (46,397,760) |
| | | | | | | <u>26,594,064</u> | 32,460,499 |
| (Loss)/Profit after tax for the year | | | | | | <u>(46,744,853)</u> | 100,689,861 |
| Balance accumulated at the end of the period | | | | | | <u>(20,150,789)</u> | 133,150,360 |
| (Loss)/Earnings per share - basic and diluted | 20 | | | | | <u>(0.83)</u> | Restated 1.79 |

The annexed notes from 1 to 32 form an integral part of these financial statements.



Ismail H. Zakaria
Chairman



A. Aziz Ayoob
Director



Mohammad Omar Bawany
Director



Haroon A. Shakoor
Chief Accountant and
Company Secretary



A. Razak Ahmed
Chief Executive & Managing Director

Karachi 27 March, 2018

Statement of Comprehensive Income


for the year ended December 31, 2017

| | December 31, 2017 | December 31, 2016 |
|---|----------------------|----------------------|
| | Rupees | |
| (Loss) / Profit after tax | (46,744,853) | 100,689,861 |
| Other comprehensive income | - | - |
| Total comprehensive (Loss)/income for the year | (46,744,853) | 100,689,861 |

The annexed notes from 1 to 32 form an integral part of these financial statements.


Ismail H. Zakaria
 Chairman


A. Aziz Ayoob
 Director


Mohammad Omar Bawany
 Director


Haroon A. Shakoor
 Chief Accountant and
 Company Secretary


A. Razak Ahmed
 Chief Executive & Managing Director

Karachi 27 March, 2018

Statement of Changes in Equity


for the year ended December 31, 2017

| | Share capital | General reserves | Unappropriated profit / (Accumulated Loss) | Total |
|---|--------------------|--------------------|--|--------------------|
| | Rupees | | | |
| Balance as at January 01, 2016 | 463,977,560 | 200,000,000 | 122,057,137 | 786,034,697 |
| Transfer to general reserves | - | 20,000,000 | (20,000,000) | - |
| Transactions with owners: | | | | |
| Issuance of bonus shares | 46,397,760 | - | (46,397,760) | - |
| Cash dividend | - | - | (23,198,878) | (23,198,878) |
| | 46,397,760 | - | (69,596,638) | (23,198,878) |
| Total comprehensive income for the year ended December 31, 2016 | - | - | 100,689,861 | 100,689,861 |
| Balance as at December 31, 2016 | 510,375,320 | 220,000,000 | 133,150,360 | 863,525,680 |
| Transactions with owners: | | | | |
| Issuance of bonus shares | 51,037,530 | - | (51,037,530) | - |
| Final cash dividend for the year ended December 31, 2016 | - | - | (25,518,766) | (25,518,766) |
| | 51,037,530 | - | (76,556,296) | (25,518,766) |
| Transfer to general reserve | - | 30,000,000 | (30,000,000) | - |
| Total comprehensive loss for the year ended December 31, 2017 | - | - | (46,744,853) | (46,744,853) |
| Balance as at December 31, 2017 | 561,412,850 | 250,000,000 | (20,150,789) | 791,262,061 |

The annexed notes from 1 to 32 form an integral part of these financial statements.


Ismail H. Zakaria
Chairman


A. Aziz Ayoob
Director


Mohammad Omar Bawany
Director


Haroon A. Shakoor
Chief Accountant and
Company Secretary


A. Razak Ahmed
Chief Executive & Managing Director

Karachi 27 March, 2018

Statement of Cash Flows

for the year ended December 31, 2017

| | December 31, 2017 | December 31, 2016 |
|---|----------------------|----------------------|
| | Rupees | |
| Operating cash flow | | |
| a) Underwriting activities | | |
| Premium received | 1,115,765,007 | 1,226,543,928 |
| Reinsurance premium paid | (735,910,866) | (789,981,433) |
| Claims paid | (228,649,424) | (267,349,350) |
| Reinsurance and other recoveries received | 134,369,529 | 161,597,677 |
| Commission paid | (139,273,371) | (140,027,846) |
| Commission received | 79,596,169 | 78,967,896 |
| Net cash generated from underwriting activities | 225,897,044 | 269,750,872 |
| b) Other operating activities | | |
| Income tax paid | (14,864,229) | (9,634,616) |
| General management expenses paid | (137,732,566) | (132,485,984) |
| Other operating payments | (38,121,470) | (34,726,406) |
| (Loans advanced) / Repayment received | (338,425) | 420,380 |
| Other creditors and accruals | 2,046,046 | 10,146,623 |
| Other receipts / (payments) in respect of operating assets | 1,227,043 | (1,182,937) |
| Net cash used in other operating activities | (187,783,601) | (167,462,940) |
| Net cash generated from operating activities | 38,113,443 | 102,287,932 |
| Investment activities | | |
| Interest / dividend received | 40,885,582 | 41,580,132 |
| Payments for investments | (174,843,363) | (618,153,358) |
| Proceeds from disposal of investments | 166,352,550 | 527,925,226 |
| Fixed capital expenditures | (11,191,882) | (21,585,898) |
| Proceeds from disposal of fixed assets | 5,622,700 | 3,808,000 |
| Net cash generated from / (used in) investing activities | 26,825,587 | (66,425,898) |
| Financing activities | | |
| Dividend paid | (24,963,391) | (22,783,296) |
| Financial charges | - | (47,389) |
| Net cash used in financing activities | (24,963,391) | (22,830,685) |
| Net increase in cash and cash equivalent | 39,975,639 | 13,031,349 |
| Cash and cash equivalent at the beginning of the period | 146,958,510 | 133,927,161 |
| Cash and cash equivalent at the end of the period | 186,934,149 | 146,958,510 |

Statement of Cash Flows


for the year ended December 31, 2017

| | December 31, 2017 | December 31, 2016 |
|--|----------------------|----------------------|
| | Rupees | |
| Reconciliation to profit and loss account | | |
| Operating cash flow | 38,113,443 | 102,287,932 |
| Depreciation / amortization expense | (13,136,912) | (12,401,696) |
| Financial charges | - | (47,389) |
| Gain on disposal of fixed assets | 1,517,137 | 952,048 |
| Increase / (decrease) in assets other than cash | 6,058,102 | (125,441,888) |
| (Increase) / decrease in liabilities other than running finance | (32,404,505) | 37,866,850 |
| Investment income | (48,024,626) | 99,008,903 |
| Profit /(loss) before tax from Takaful operations-Operators' Fund | 1,132,508 | (1,534,899) |
| (Loss) / Profit after taxation | (46,744,853) | 100,689,861 |
| Definition of cash | | |
| Cash in hand and at banks, stamps in hand and short term placements with banks | | |
| Cash for the purposes of the statement of cash flows consists of: | | |
| Cash and equivalents | 498,290 | 403,974 |
| Current and other accounts | 159,687,246 | 119,835,079 |
| Deposits maturing within 12 months | 26,748,613 | 26,719,457 |
| | 186,934,149 | 146,958,510 |

The annexed notes from 1 to 32 form an integral part of these financial statements.


Ismail H. Zakaria
Chairman


A. Aziz Ayooob
Director


Mohammad Omar Bawany
Director


Haroon A. Shakoor
Chief Accountant and
Company Secretary


A. Razak Ahmed
Chief Executive & Managing Director

Karachi 27 March, 2018

Statement of Premiums

for the year ended December 31, 2017


Business underwritten inside Pakistan.

| Class | Premium written | Unearned Premium | | Premium earned | Reinsurance ceded | Prepaid Reins Premium | | Reinsurance expenses | 2017 Net Premium revenue | 2016 Net Premium revenue |
|--------------------------------|----------------------|--------------------|--------------------|----------------------|--------------------|-----------------------|--------------------|----------------------|--------------------------|--------------------------|
| | | Opening | Closing | | | Opening | Closing | | | |
| Rupees | | | | | | | | | | |
| Direct and facultative | | | | | | | | | | |
| Fire and property damage | 338,810,139 | 175,693,171 | 179,489,112 | 335,014,198 | 225,153,027 | 111,979,460 | 120,794,599 | 216,337,888 | 118,676,310 | 113,600,749 |
| Marine, aviation and transport | 622,862,429 | 251,051,958 | 215,737,950 | 658,176,437 | 560,075,415 | 241,216,834 | 208,166,114 | 593,126,135 | 65,050,302 | 66,927,693 |
| Motor | 166,228,646 | 85,909,234 | 87,019,596 | 165,118,284 | 2,913,752 | 1,310,290 | 1,559,440 | 2,664,602 | 162,453,682 | 169,024,023 |
| Miscellaneous | 27,500,738 | 14,714,031 | 12,204,285 | 30,010,484 | 15,528,327 | 10,026,849 | 7,018,803 | 18,536,373 | 11,474,111 | 9,862,191 |
| Grand total | 1,155,401,952 | 527,368,394 | 494,450,943 | 1,188,319,403 | 803,670,521 | 364,533,433 | 337,538,956 | 830,664,998 | 357,654,405 | 359,414,656 |

The annexed notes from 1 to 32 form an integral part of these financial statements.


Ismail H. Zakaria
Chairman


A. Aziz Ayoob
Director


Mohammad Omar Bawany
Director


Haroon A. Shakoor
Chief Accountant and
Company Secretary


A. Razak Ahmed
Chief Executive & Managing Director

Karachi 27 March, 2018

Statement of Claims

for the year ended December 31, 2017


Business underwritten inside Pakistan.

| Class | Claims paid | Outstanding claims | | Claims expense | Reinsurance and other recoveries received | Reinsurance and other recoveries in respect of outstanding claims | | Reinsurance and other recoveries revenue | 2017 Net Claims expense | 2016 Net Claims expense |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|---|---|--------------------|--|-------------------------|-------------------------|
| | | Opening | Closing | | | Opening | Closing | | | |
| Rupees | | | | | | | | | | |
| Direct and facultative | | | | | | | | | | |
| Fire and property damage | 120,575,569 | 107,374,419 | 111,820,234 | 125,021,384 | 106,012,405 | 92,237,760 | 100,691,204 | 114,465,849 | 10,555,535 | 21,842,912 |
| Marine, aviation and transport | 41,617,881 | 86,294,663 | 72,748,801 | 28,072,019 | 23,128,650 | 74,492,121 | 64,511,483 | 13,148,012 | 14,924,007 | 14,091,183 |
| Motor | 60,848,068 | 23,975,092 | 22,667,614 | 59,540,590 | 853,000 | 3,275,896 | 400,560 | (2,022,336) | 61,562,926 | 64,955,240 |
| Miscellaneous | 5,607,906 | 2,863,789 | 2,353,839 | 5,097,956 | 4,375,474 | 2,072,585 | 1,680,613 | 3,983,502 | 1,114,454 | 830,962 |
| Grand Total | 228,649,424 | 220,507,963 | 209,590,488 | 217,731,949 | 134,369,529 | 172,078,362 | 167,283,860 | 129,575,027 | 88,156,922 | 101,720,297 |

The annexed notes from 1 to 32 form an integral part of these financial statements.


Ismail H. Zakaria
Chairman


A. Aziz Ayoob
Director


Mohammad Omar Bawany
Director


Haroon A. Shakoor
Chief Accountant and
Company Secretary


A. Razak Ahmed
Chief Executive & Managing Director

Karachi 27 March, 2018

Statement of Expenses

for the year ended December 31, 2017


Business underwritten inside Pakistan.

| Class | Commissions paid or payable | Opening Deferred commission | Closing Deferred commission | Net commission Expense | Other Management Expenses | Underwriting Expenses | Commission from reinsurers | 2017 Net underwriting expense | 2016 Net underwriting expense |
|--------------------------------|-----------------------------|-----------------------------|-----------------------------|------------------------|---------------------------|-----------------------|----------------------------|-------------------------------|-------------------------------|
| | | | | | | | | | |
| Direct and facultative | | | | | | | | | |
| Fire and property damage | 86,371,836 | 45,351,626 | 46,000,704 | 85,722,758 | 45,702,199 | 131,424,957 | 51,942,874 | 79,482,083 | 74,100,622 |
| Marine, aviation and transport | 31,491,478 | 4,678,322 | 3,903,348 | 32,266,452 | 25,050,845 | 57,317,297 | 21,744,459 | 35,572,838 | 34,508,982 |
| Motor | 16,259,174 | 8,590,923 | 8,701,960 | 16,148,137 | 62,560,847 | 78,708,984 | - | 78,708,984 | 81,224,882 |
| Miscellaneous | 5,150,883 | 2,677,620 | 2,326,030 | 5,502,473 | 4,418,675 | 9,921,148 | 5,274,220 | 4,646,928 | 3,570,573 |
| Grand Total | 139,273,371 | 61,298,491 | 60,932,042 | 139,639,820 | 137,732,566 | 277,372,386 | 78,961,553 | 198,410,833 | 193,405,059 |

The annexed notes from 1 to 32 form an integral part of these financial statements.


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Director


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Company Secretary


A. Razak Ahmed
Chief Executive & Managing Director

Karachi 27 March, 2018

Statement of Investment Income


for the year ended December 31, 2017

| | December 31, 2017 | December 31, 2016 |
|--|----------------------|----------------------|
| | Rupees | |
| Income from non-trading investments | | |
| Held to maturity | | |
| Return on Government securities | 3,257,647 | 8,659,964 |
| Return on other fixed income, securities and deposits | 4,607,141 | 4,368,036 |
| | 7,864,788 | 13,028,000 |
| Available for sale | | |
| Dividend income | 12,278,998 | 2,549,862 |
| Gain on sale of available for sale investments | 4,658,475 | 9,662,265 |
| Impairment | (18,941,984) | (1,950,949) |
| | (2,004,511) | 10,261,178 |
| Income from trading investments | | |
| Held for trading | | |
| Dividend income | 20,714,468 | 25,665,904 |
| Gain on sale of investments | 1,264,036 | 2,027,620 |
| Unrealized (loss) / gain on held for trading investments | (75,853,453) | 48,085,365 |
| | (53,874,949) | 75,778,889 |
| Less: Investment related expenses | (9,954) | (59,164) |
| Net investment (loss) / income transferred to profit and loss account | (48,024,626) | 99,008,903 |

The annexed notes from 1 to 32 form an integral part of these financial statements.


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Chairman


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Director


Mohammad Omar Bawany
Director


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Chief Accountant and
Company Secretary


A. Razak Ahmed
Chief Executive & Managing Director

Karachi 27 March, 2018

Notes to the Financial Statements

for the year ended December 31, 2017

1. STATUS AND NATURE OF BUSINESS

Reliance Insurance Company Limited (the Company) was incorporated in Pakistan as a public limited company on November 4, 1981. The Company is engaged in general insurance business and has also been allowed to undertake Window Takaful Operations (WTO) on May 25, 2016 by Securities and Exchange Commission of Pakistan (SECP) under SECP Takaful Rules, 2012 to carry on General Window Takaful Operations in Pakistan. The shares of the Company are quoted on Pakistan Stock Exchange Limited.

The registered office of the Company is situated at 96-A, Sindhi Muslim Co-operative Housing Society, Karachi. JCR-VIS Credit Rating Company Limited has assessed the Insurer Financial Strength (IFS) rating of the Company as 'A' (Single A). Outlook on the assigned rating is 'Positive'.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the formats prescribed by Securities and Exchange Commission of Pakistan through repealed Securities and Exchange Commission (Insurance) Rules 2002, vide SRO 938 dated December 12, 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 (IFRS) issued by the International Accounting Standards Board as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984, the Insurance Ordinance, 2000, repealed SEC (Insurance) Rules, 2002 and Takaful Rules, 2012. In case requirements differ, the provisions or directives of the repealed Companies Ordinance, 1984, Insurance Ordinance, 2000, repealed SEC (Insurance) Rules, 2002 and Takaful Rules, 2012 shall prevail.

The Companies Act, 2017 was enacted on 30 May 2017 and SECP vide its circular 23 of 2017 has clarified that the companies whose financial year closes on or before 31 December 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 applicable for financial year beginning on 1 January 2018 requires certain additional disclosures and Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017. The amendments are not likely to have an impact on Company's financial statements except extended disclosures.

Securities and Exchange Commission of Pakistan ("SECP") vide S.R.O 88(1)/2017 and S.R.O 89(1)/2017 dated 9 February 2017 has issued the Insurance Accounting Regulations, 2017 and Insurance Rules, 2017 (the new Rules and Regulations). The application of these Regulations and Rules for the purpose of preparation and presentation of the financial statements was effective from 1 April 2017. SECP vide its letter ID/OSM/Reliance/2017/12203 dated 6th October, 2017 has granted exemption to the Company to prepare their annual accounts for the year ended 31 December 2017 in accordance with the requirements of repealed SEC (Insurance) Rules 2002 and has allowed the application of New Regulations effective from the accounting year commencing from 1 January 2018. Hence these financial statements for the year ended 31 December 2017 are prepared in accordance with the requirements of repealed SEC (Insurance) Rules 2002.

The new Rules and Regulations require significant disclosures / requirements, which are relevant to the Company includes but not limited to: Presentation and disclosure of financial statements prescribed in Annexure II of the Insurance Rules, 2017, recognition of available-for-sale investments at fair value as per IAS 39 "Financial Instruments: Recognition and Measurement" and recognition of premium cover note subject to realisation of premium in full or installment.

The management has completed an initial assessment of changes required in respect of the above stated requirements and considered major impact in accordance with the format prescribed by SEC Insurance Rules, 2017 is on Presentation and disclosure of financial statements as per Annexure II of the Insurance Rules, 2017 and on valuation of available-for-sale investments. Had the Company adopted International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" in respect of recognition of gain / loss on remeasurement of available-for-sale securities directly into equity, the investments of the Company would have been higher by Rs.5.684 million (2016: Rs.65.748 million) and the total comprehensive income would have increased by Rs.5.684 million (2016 : Rs.65.748 million).

In terms of requirements of Takaful Rules, 2012, read with SECP Circular 25 of 2015 dated July 9, 2015, the assets, liabilities and profit and loss of Operator Fund of General Takaful Operations of the Company have been presented as a single line item in the balance sheet and profit and loss account of the Company respectively.

A separate set of financial statements of General Takaful operations has been annexed to these financial statements as per requirements of the Takaful Rules, 2012.

Notes to the Financial Statements

for the year ended December 31, 2017

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except certain investments which have been measured at fair value. No adjustment for the effect of inflation has been accounted for in the financial statements.

2.3 Functional and presentation currency

These financial statements have been presented in Pak Rupees, which is the functional and presentation currency of the Company.

3. NEW AND REVISED STANDARDS AND INTERPRETATIONS

a) Standards, interpretations and amendments to published approved accounting standards that became effective during the year

The following Standards, interpretations and amendments to published approved accounting standards became effective during the year.

| | |
|---------|---|
| IAS-7 | Statement of Cash Flows - Amendment |
| IAS-12 | Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses (Amendments) |
| IAS-16 | Property, Plant and Equipment and IAS 38 - Intangible Assets: Clarification of Acceptable Method of Depreciation and Amortization (Amendment) |
| IAS-16 | Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment) |
| IAS-27 | Separate Financial Statements: Equity Method in Separate Financial Statements (Amendment) |
| IAS-28 | Investment in associates and Joint Ventures |
| IFRS-1 | Presentation of Financial Statements: Disclosure Initiative (Amendment) |
| IFRS-7 | Financial Instruments: Disclosures – Disclosure Initiative (Amendments) |
| IFRS-10 | Consolidated Financial Statements |
| IFRS-11 | Joint Arrangements: Accounting for Acquisition of Interest in Joint Operation (Amendment) |
| IFRS-12 | Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements: Investment Entities: Applying the Consolidation Exception (Amendment) |

These Standards, interpretations and amendments do not have significant impact on Company's financial statements except for some additional disclosures. In addition to above, certain new cycle of improvements are applicable in current year, are either considered not to be relevant or are not expected to have significant impact to the Company's financial statements and hence have not been specified.

b) Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following Standards, interpretations and amendments to published approved accounting standards that are either effective for accounting periods, beginning on or after January 01, 2018 or their effective date is yet not finalized.

| | |
|----------|---|
| IAS-40 | Investment Property: Transfers of Investment Property (Amendments) |
| IFRS-2 | Classification and Measurement of Share based Payments Transactions |
| IFRS-4 | Insurance Contracts: Applying IFRS 6 Financial Instruments with IFRS 4 Insurance contracts – (Amendments) |
| IFRS-10 | Consolidated Financial Statements and IAS -28 Investments in Associates and Joint Ventures: Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments) |
| IFRS-12 | Classification and Measurement of Share based Payment Transactions (Amendments) |
| IFRIC-22 | Foreign Currency Translations and Advance Consideration |
| IFRIC-23 | Uncertainty over Income Tax Treatments |

These standards, interpretations and the amendments are either not relevant to or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures, if applicable in certain circumstances.

Notes to the Financial Statements

for the year ended December 31, 2017

In addition to above, certain new cycle of improvements will apply prospectively for period beginning on or after 01, July 2017, are either considered not to be relevant or are not expected to have significant impact to the Company's financial statements and hence have not been specified.

c) New Standards issued by IASB and but not yet been notified by SECP

- IFRS – 1 First Time Adoption of IFRS
- IFRS – 9 Financial Instruments : Classification and Measurement
- IFRS -14 Regulatory Deferral Accounts
- IFRS – 15 Revenue from Contracts with Customers
- IFRS – 16 Leases
- IFRS – 17 Insurance Contracts

The Company expects that these standards will not have any material impact and therefore will not affect the Company's financial statements in the period of initial application.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on periodic basis. Revisions to accounting estimates are recognized in the period in which the revision has been made.

Significant areas where assumptions and estimates were exercised in application of accounting policies relate to:

4.1 Estimates

The areas where assumptions and estimates are significant to the financial statements or judgement was exercised in application of accounting policies, are as follows:

| | Note |
|---|-----------|
| - Provision for unearned premiums | 5.1.1(a) |
| - Premium due but unpaid - net | 5.1.1(c) |
| - Provision for outstanding claims (including IBNR) | 4.7 |
| - Premium deficiency reserve | 5.1.6 |
| - Useful life of tangible assets | 5.7 (a) |
| - Taxation (current and deferred) | 5.4 |
| - Impairment in available for sale investments | 5.6.2 |
| - Reinsurance recoveries against outstanding claims | 5.1.4 |
| - Deferred commission expense | 5.1.5 (b) |

4.2 Classification of Investments

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

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

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates are classified as available for sale. Subsequent to the initial recognition at cost, quoted investments are stated at the lower of cost or market value (in accordance with the requirements of SRO 938 issued by the SECP on December 12, 2002).

Notes to the Financial Statements

for the year ended December 31, 2017

4.3 Income tax

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

4.4 Fixed assets and depreciation

In making estimates of the depreciation method, the management uses the method which reflects pattern in which economic benefits are expected to be consumed by the Company. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern. Such change is accounted for as change in accounting estimate in accordance with International Accounting Standard 8 "Accounting Policies, Changes in accounting Estimates and Errors".

4.5 Impairment in available for sale investments

The Company determines that available for sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged, requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

4.6 Premium deficiency reserve

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

4.7 Outstanding claims including incurred but not reported (IBNR)

A liability for outstanding claims is recognized in respect of all claims incurred up to the balance sheet date which is measured at the undiscounted value of expected future payments. Provision for outstanding claims include amounts in relation to claims reported but not settled, claims incurred but not reported (IBNR) and expected claims settlement costs, which is determined using actuarial method

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

4.7.1 Claims reported but not settled

Provision of liability in respect of claims reported but not settled at the balance sheet date is made on the basis of individual case estimates. The case estimates are based on assessed amounts of individual losses and where the assessment have not been carried out, the estimates are established in the light of currently available information, past experience of similar claims and in some cases in relation to sums insured, Case estimates are reviewed periodically to ensure that the recognized outstanding claim amounts are adequate to cover expected future payments including expected claims settlement costs and are updated as and when new information becomes available.

4.7.2 Claims incurred but not reported

The provision for claims incurred but not reported (IBNR) is made at the balance sheet date. In accordance with SECP Circular No.9 of 2016, the Company has changed its method of estimation of IBNR. The Company now takes actuarial advice for the determination of IBNR claims. IBNR claim have been estimated using Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Insurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.

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

Notes to the Financial Statements

for the year ended December 31, 2017

In addition to direct insurance, at times the Company also participates in risks under coinsurance from other companies and also accepts risks through reinsurance inward by way of facultative acceptances on case to case basis provided such risks are within the underwriting policies of the Company.

The Company neither issues investment contracts nor does it issue insurance contracts with Discretionary Participation Features (DPF).

5.1.1 Premiums

Premium written under a policy is recognized as income over the period of insurance from the date of issuance of the policy to which it relates to its expiry. Where the pattern of incidence of risk varies over the period of the policy, premium is recognized as revenue in accordance with the pattern of the incidence of risk.

a) Provision for unearned premium

The portion of premium written relating to the unexpired period of coverage is recognized as unearned premium by the Company. The unearned portion of premium income is recognized as a liability. The liability is calculated by applying 1/24 method as specified in the Securities and Exchange Commission (Insurance) Rules, 2002.

b) Administration surcharge

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

c) Premiums due but unpaid

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

5.1.2 Reinsurance ceded

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or accepted reinsurance business being reinsured. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the provision for outstanding claims or settled claims associated with the reinsurance policies and are in accordance with the related reinsurance contract.

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

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired. The Company assesses its reinsurance assets for impairment on balance sheet date. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the profit and loss account. In addition, the Company also monitors the financial ratings of its reinsurers on each reporting date.

5.1.3 Claims expense

General insurance claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

The Company recognizes liability in respect of all claims incurred up to the balance sheet date, which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract. The liability for claims includes amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates. Provision for IBNR is based on the management's best estimate which takes into account the past trends, expected future patterns of reporting of claims and the claims actually reported subsequent to the balance sheet date.

Notes to the Financial Statements

for the year ended December 31, 2017

5.1.4 Reinsurance recoveries against outstanding claims

Claim recoveries receivable from the reinsurer are recognized as an asset at the same time as the claims which give rise to the right of recovery are recognized as a liability and are measured at the amount expected to be received.

5.1.5 Commission

Commission and other acquisition costs incurred in obtaining and recording on direct, facultative and reinsurance cessions has been deferred and recognized as asset and liability as under:

a) Commission income

Commission income is being taken to profit and loss account on a time proportion basis in accordance with the pattern of recognition of reinsurance premium to comply with the requirements of SRO 938 issued by the SECP in 2002.

b) Deferred commission expense

Commission expenses are deferred and recognized as an asset in correlation with unearned premium that will be recognized in the subsequent reporting period to comply with the requirements of SRO 938 issued by the SECP in 2002 as an expense in accordance with the pattern of recognition of premium.

5.1.6 Premium deficiency reserve

The Company is required to maintain a provision in respect of premium deficiency for the individual class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the balance sheet date. The movement in the premium deficiency reserve is recognised as an expense in the profit and loss account. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims.

The management considers that the unearned premium reserve for all classes of business as at the year end is adequate to meet the expected future liability after reinsurance, from claims and other expenses, expected to be incurred after the balance sheet date in respect of policies in those classes of business in force at the balance sheet date. Hence, no reserve for the same has been made in these financial statements.

5.2 Creditors, accruals and provisions

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and / or services received. Provisions are recognized when the Company has a 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 can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

5.3 Cash and bank balances

Cash and bank balances are defined as cash in hand and at banks, stamps in hand and short-term placements with banks and are carried in the balance sheet at nominal amount.

5.4 Taxation

5.4.1 Current

Provision for taxation is based on taxable income at current rates of taxation, under the relevant provisions of the Income Tax Ordinance, 2001, after taking into account rebates and tax credits available, if any.

5.4.2 Deferred

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

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

Notes to the Financial Statements

for the year ended December 31, 2017

Deferred tax assets, if any, are recognized only to the extent that it is probable that future taxable profit will be available against which the assets can be utilized.

5.5 Staff retirement benefits

The Company maintains recognized contributory provident fund for all permanent employees for which contribution equal to one month's basic pay plus cost of living allowance per annum is charged to profit and loss account.

5.6 Investments

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

5.6.1 Held to maturity

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

Subsequently, these are measured at amortized cost less provision for impairment, if any. Any premium paid or discount availed on acquisition of held to maturity investment is deferred and amortised over the term of investment using the effective yield.

These are reviewed for impairment at year end and any losses arising from impairment in values are charged to the profit and loss account.

5.6.2 Available for sale

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates are classified as available for sale.

Subsequent to initial recognition at cost, quoted investments are stated at the lower of cost or market value (market value on an individual investment basis being taken as lower if the fall is other than temporary) in accordance with the requirements of the Securities and Exchange Commission repealed (Insurance) Rules, 2002 vide SRO 938 dated December 12, 2002. The Company uses stock exchange quotations at the balance sheet date to determine the market value and in case of mutual funds their net asset values are considered for valuation.

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

5.6.3 Investment at fair value through profit or loss - held for trading

Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading. After initial recognition these are measured at fair values with any resulting gains and losses recognized directly in profit and loss account. Subsequent to initial recognition these are measured at fair value by reference to quoted market prices with resulting gain or loss being included in net profit or loss for the year in which it arises. These are measured at fair value through profit or loss upon initial recognition.

5.7 Operating fixed assets

a) Tangible

These are stated at cost less accumulated depreciation computed on the reducing balance method on yearly basis applying the rates as mentioned in note 15.

Depreciation on addition to fixed assets during the year is provided from the date of purchase while no depreciation is charged on disposal of assets during the year. Gains and losses on disposal of fixed assets is taken to profit and loss account.

Maintenance and normal repairs are charged to profit and loss account as and when incurred, whereas major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Notes to the Financial Statements

for the year ended December 31, 2017

b) Intangible

Computer software license acquired is capitalized on the basis of cost incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of three years using the straight line method. Impairment losses, if any, are deducted from the carrying amount of the intangible assets.

Costs associated with maintaining computer software programs are recognized as an expense when incurred.

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

c) Capital work in progress

Capital work-in-progress is stated at cost. Transfers are made to operating assets when assets are available for use intended by the management.

5.8 Revenue recognition

Premium including administrative surcharge under a policy are recognised as revenue at the time of issuance of insurance policy.

Dividend income is recognized when right to receive the same is established.

Entitlement of bonus shares is recognized when the right to receive the same is established by increasing the number of shares to which the Company is entitled without giving any monetary effect in the financial statements either in terms of cost or value thereof.

Gains and losses on sale of investments is charged to profit and loss account for the year at the time of disposal / sale.

Income on bank deposits and Defence Saving Certificates is recognized on accrual basis.

Income on held to maturity investments is recognized on time proportion basis using effective interest method.

5.9 Management expenses

Management expenses are allocated to various classes of business in proportion of the respective net premium income for the year. Expenses not allocable to the underwriting business are charged as administrative expenses.

5.10 Dividend, bonus shares and reserves appropriation

Dividend and appropriation are recognised in the period in which these are approved.

5.11 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' results are reviewed regularly by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Company presents segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Securities and Exchange Commission (Insurance) Rules, 2002. The reported segments are also consistent with the internal reporting provided to Strategy Committee and Board of Directors which are responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

The Company has four primary business segments, namely, fire, marine, motor and miscellaneous.

The perils covered under fire insurance include damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and terrorism.

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

Motor insurance provide comprehensive car coverage and indemnity against third party loss.

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

Financing, investment and income taxes are managed on an overall basis and are therefore, not allocated to any segment. The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

Notes to the Financial Statements

for the year ended December 31, 2017

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them. Those assets and liabilities, which cannot be allocated to a particular segment on a reasonable basis, are reported as unallocated corporate assets and liabilities.

5.12 Offsetting of financial assets and liabilities

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

5.13 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Any gain or loss on de-recognition of the financial assets and financial liabilities are taken to the profit and loss account.

5.14 Impairment

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

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

All impairment losses are recognized in the profit and loss account. Provision for impairment is reviewed at each balance sheet date and adjusted to reflect the current best estimates.

5.15 Receivables and payables related to insurance contracts

Receivables and payables relating to insurance contracts are recognized when due. These include premiums due but unpaid, premium received in advance, premiums due and claims payable to insurance contract holders. These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any.

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

Allowance for impairment in premium receivables is estimated on a systematic basis after analyzing the receivables as per their ageing.

5.16 Related party transactions and transfer pricing

Transactions with related parties of the Company mainly consist of entering into the insurance contracts. The Company follows the "Comparable Uncontrolled Price Method" to measure and value the transactions with the related parties. For transactions carried out other than at arm's length approval is obtained from the Board of Directors under the Listing Regulations.

5.17 Foreign currency translations

Transactions in foreign currency, if any, are converted into Rupees at the rate of exchange prevailing on the date of transaction.

5.18 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at nominal amount. For the purposes of the cash flow statement, cash and cash equivalents comprises of cash and stamps in hand, cash at bank in current and saving accounts, bank deposits and other short term highly liquid investments in the balance sheet.

5.19 Earnings per share

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

Notes to the Financial Statements

for the year ended December 31, 2017

Note **2017** 2016
Rupees

6. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

| 2017 | 2016 | | | |
|--------------------------|-------------------|---|---------------------------|--------------------|
| (Number of shares) | | | | |
| 1,156,680 | 1,156,680 | Ordinary shares of Rs.10 each issued as fully paid in cash | 11,566,800 | 11,566,800 |
| 54,984,605 | 49,880,852 | Ordinary shares of Rs.10 each issued as fully paid bonus shares | 549,846,050 | 498,808,520 |
| <u>56,141,285</u> | <u>51,037,532</u> | | <u>561,412,850</u> | <u>510,375,320</u> |

6.1 72,898 (2016: 66,271) ordinary shares of Rs.10 each are held by an associated undertaking.

6.2 During the year, 5,103,753 shares (2016: 4,639,776 shares) amounting to Rs.51,037,530 (2016: Rs.46,397,760) were issued as bonus shares.

7. RESERVES

| | | | |
|-----------------|-----|---------------------------|--------------------|
| General reserve | 7.1 | <u>250,000,000</u> | <u>220,000,000</u> |
|-----------------|-----|---------------------------|--------------------|

7.1 The movement of general reserve is as follows:

| | | |
|-------------------------------------|---------------------------|--------------------|
| Balance as at January 01 | 220,000,000 | 200,000,000 |
| Transfer from unappropriated profit | 30,000,000 | 20,000,000 |
| Balance as at December 31 | <u>250,000,000</u> | <u>220,000,000</u> |

8. WINDOW TAKAFUL OPERATIONS

Operator's fund

Assets

| | | |
|------------------------|-------------------|------------|
| Cash and bank deposits | 37,543,133 | 41,848,851 |
| Investments | 10,060,008 | 10,000,000 |
| Current assets- others | 18,146,487 | 1,492,953 |

Total assets **65,749,628** 53,341,804

Total liabilities-current **16,152,019** 4,876,703

Profit / (Loss) from Window Takaful Operations-before tax **1,132,508** (1,534,899)

8.1 Detail of total assets, total liabilities and segment disclosure of window takaful operations are stated in the annexed financial statements of window takaful operations.

Notes to the Financial Statements

for the year ended December 31, 2017

9. CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

- a) In previous year, the Commissioner of Inland Revenue (FBR) have issued show cause notices and orders under section 122(5A) of the Income Tax Ordinance, 2001 (the Ordinance) related to preceding tax years, by initiating the concept of single/one basket income to insurance industry, i.e., clubbing all other sources of income (e.g. dividend and rental income) into business income for charging the business rate of tax under Fourth Schedule of the Ordinance. In previous year, the Commissioner Inland Revenue (Appeals) has annulled all the assessments under section 122(5A) in which dividend was taxed at corporate rate. The Commissioner of Inland Revenue has filed an appeal in Appellate Tribunal, Inland Revenue against the order passed by the Commissioner Inland Revenue (Appeals) which is pending adjudication. The Company has not made provision in this regard with consultation of tax advisor as it is confident that the case will be decided in the Company's favor.
- b) An aviation claim has been reported on November 3, 2015. Investigations are underway and loss adjustors have not yet established liability. Should this loss be considered payable at any later stage, a maximum gross reserve of Rs.550 million would arise. The impact on the Company's net account would be Rs.2.500 million and the rest would be recoverable under fronting arrangements as per agreed terms.

9.2 Commitments

There are no commitments as at the balance sheet date.

10. CASH AND BANK DEPOSITS

Cash and other equivalents

Policy stamps and bond paper in hand

Current and other accounts

Current accounts

PLS saving accounts

Deposit maturing within 12 months

| Note | 2017 | 2016 |
|------|-------------|-------------|
| | Rupees | |
| | 498,290 | 403,974 |
| | 63,555,078 | 40,391,896 |
| | 96,132,168 | 79,443,183 |
| 10.1 | 159,687,246 | 119,835,079 |
| | 26,748,613 | 26,719,457 |
| 10.2 | 186,934,149 | 146,958,510 |

- 10.1 PLS saving accounts carry mark-up at rates range from 4.00% to 5.50% per annum (2016: 3.75% to 5.50% per annum).
- 10.2 The rate of return on term deposit certificates issued by various banks range from 4.15% to 5.75% per annum (2016: 4.15% to 5.75% per annum) due on maturity.
- 10.3 These deposits include an advantage account amounting to Rs.11.10 million (2016: Rs.11.10 million) which is pledged against the running finance facility. The facility carry markup at rates of 2% over from the profit rate to be paid on the advantage account and 3 months KIBOR plus 175 bps. Total sanctioned limit of the facilities amounts to Rs.10.00 million (2016: Rs.20.00 million).

| Note | 2017 | 2016 |
|------|--------|------|
| | Rupees | |

11. LOANS

(Secured - considered good)

To employees

| | | |
|------|-----------|---------|
| 11.1 | 1,336,200 | 997,775 |
|------|-----------|---------|

- 11.1 These represents interest free loans to employees in accordance with the terms of their employment secured against their retirement benefits and are recoverable in monthly installments.

Notes to the Financial Statements

for the year ended December 31, 2017

| | Note | 2017 | 2016 |
|---|--------|---------------------|-------------|
| | | Rupees | |
| 12. INVESTMENTS | | | |
| Held to maturity | | | |
| Government securities | 12.1 | 70,169,043 | 70,833,333 |
| Available for sale | | | |
| Mutual funds | 12.2 | 215,291,715 | 203,536,973 |
| Related parties | 12.3 | 6,558,148 | 6,558,148 |
| Others | 12.4 | 80,260,194 | 63,636,849 |
| Provision for impairment | 12.5 | (24,296,495) | (5,354,511) |
| | | 277,813,562 | 268,377,459 |
| Investments at fair value through profit or loss - held for trading | | | |
| Quoted shares | | 323,298,144 | 412,452,070 |
| | | 671,280,749 | 751,662,862 |
| 12.1 Government securities | | | |
| WAPDA Sukuk Bonds | 12.1.1 | - | 833,333 |
| GOP Ijara Sukuk Bonds | 12.1.2 | 70,169,043 | 70,000,000 |
| | | 70,169,043 | 70,833,333 |

12.1.1 WAPDA Sukuk Bonds

| Particular | Value per certificate Rupees | Profit rate % | Profit payment | 2017 | 2016 |
|--|---------------------------------|---------------------------------|-------------------|--------|---------|
| | | | | Rupees | |
| WAPDA Second Sukuk Certificates - 7 years | 5,000 | 6 months KIBOR minus 25bp | Semi annually | - | 833,333 |
| | | | | - | 833,333 |

The market value of WAPDA Sukuk Bonds amounted to Rs.0.846 million at December 31, 2016. The profit on WAPDA Sukuk Bonds was received on semi annual basis. These have matured during the year.

12.1.2 GOP Ijara Sukuk Bonds

| Particular | Value per Certificate Rupees | Coupon Profit rate % | Profit payment | Maturity date | 2017 | 2016 |
|--|---------------------------------|----------------------------|-------------------|------------------|-------------------|------------|
| | | | | | Rupees | |
| GOP Ijara Sukuk Bond - 3 years (GIS-16) | 100,000 | 5.447% | Semi annually | 18/12/2018 | 25,000,000 | 25,000,000 |
| GOP Ijara Sukuk Bond - 3 years (GIS-19) | 100,000 | 5.240% | Semi annually | 30/06/2020 | 45,169,043 | - |
| GOP Ijara Sukuk Bond - 3 years (GIS-15) | 100,000 | 3.891% | Semi annually | 25/06/2017 | - | 45,000,000 |
| | | | | | 70,169,043 | 70,000,000 |

The market value of GOP Ijara Sukuk amounted to Rs.70.150 million (December 31, 2016: Rs.70.718 million).

Notes to the Financial Statements

for the year ended December 31, 2017

12.1.3 Government of Pakistan Ijara Sukuk Bonds (GOPI) having face value amounted to Rs.60 million and market value amounted to Rs.60.157 million (December 31, 2016: Rs.55 million and market value amounted to Rs.55.51 million) are placed with State Bank of Pakistan under section 29 of Insurance Ordinance, 2000.

12.2 Mutual funds

| 2017 | 2016 | Face value per unit (Rupees) | Name of investee | 2017 | 2016 |
|------------------|------------------|------------------------------|--|---------------------|--------------------|
| Number of units | | | | Book Value (Rupees) | |
| 398,911 | 398,911 | 10 | Meezan Balance Fund | 6,215,041 | 6,215,041 |
| 29,763 | 69,763 | 10 | PICIC Investment Fund * | 352,188 | 825,469 |
| - | 15,939 | 100 | JS-Growth Fund | - | 2,738,981 |
| - | 726,368 | 100 | MCB Islamic Income Fund | - | 73,130,669 |
| - | 1,092,690 | 50 | Meezan Cash Fund | - | 54,776,532 |
| 42,217 | - | 50 | Meezan Islamic Fund | 3,251,529 | - |
| 684,753 | - | 50 | Meezan Islamic Income Fund | 35,181,961 | - |
| 250,776 | - | 100 | Al-Ameen Islamic Agg. Income Fund | 25,000,000 | - |
| 775,368 | - | 100 | Alhamra (MCB) Islamic Income Fund | 78,306,996 | - |
| 631,247 | 585,964 | 10 | Nafa Islamic Asset Allocation Fund | 10,763,848 | 10,000,000 |
| 75,893 | 75,893 | 100 | Askari Islamic Income Fund | 7,641,379 | 7,641,379 |
| 300,100 | 300,100 | 100 | Alhamra Islamic Active Allocation Plan 1 | 30,000,000 | 30,000,000 |
| 179,635 | 176,129 | 100 | Al Ameen Islamic Active Allocation Plan VI | 18,578,773 | 18,208,902 |
| 3,368,663 | 3,441,757 | | | 215,291,715 | 203,536,973 |

* This represents units in closed end mutual fund.

12.2.1 Market value of these units amounted to Rs.211.985 million (December 31, 2016 Rs.210.444 million).

12.3 Related parties

Investment in associated companies

| 2017 | 2016 | Face value per share (Rupees) | Name of investee | 2017 | 2016 |
|--------------------------------|----------------|-------------------------------|-------------------------------|---------------------|------------------|
| Number of share / certificates | | | | Book Value (Rupees) | |
| 521,220 | 521,220 | 10 | AI -Noor Modaraba | 5,212,200 | 5,212,200 |
| 115,724 | 115,724 | 10 | B.F. Modaraba | 512,566 | 512,566 |
| 18,329 | 18,329 | 10 | Faran Sugar Mills Limited | 369,220 | 369,220 |
| 23,551 | 23,551 | 10 | Shahmurad Sugar Mills Limited | 464,162 | 464,162 |
| 678,824 | 678,824 | | | 6,558,148 | 6,558,148 |

Market value of these shares / certificates amounted to Rs.4.389 million (December 31, 2016: Rs.8.319 million).

Notes to the Financial Statements

for the year ended December 31, 2017

12.4 Others

| 2017 | 2016 | Face value per unit / share (Rupees) | Name of investee | 2017 | 2016 |
|--------------------------|----------------|--------------------------------------|------------------------------------|---------------------|-------------------|
| Number of shares / units | | | | Book Value (Rupees) | |
| 22,500 | 22,500 | 10 | Nimir Industrial Chemicals Limited | 502,725 | 502,725 |
| 395,800 | 350,800 | 10 | Fauji Fertilizer Company Limited | 43,852,609 | 39,413,529 |
| 187,500 | 131,500 | 10 | Nishat Chunian Power Limited | 9,829,760 | 6,930,695 |
| 15,000 | 15,000 | 10 | Pakistan Oil Filed Limited | 5,149,600 | 5,149,600 |
| 50,000 | 50,000 | 10 | Pakistan Petroleum Limited | 7,686,200 | 7,686,200 |
| 20,000 | 10,000 | 10 | Fauji Cement Company Limited | 675,580 | 385,000 |
| 90,000 | 90,000 | 10 | Thatta Cement Company Limited | 3,375,000 | 3,375,000 |
| 3,000 | 3,000 | 10 | Meezan Bank Limited | 194,100 | 194,100 |
| 50,000 | - | 10 | Engro Fertilizer Limited | 3,431,000 | - |
| 29,500 | - | 10 | Nishat Power Limited | 1,825,250 | - |
| 17,000 | - | 10 | D.G. Khan Cement Limited | 3,738,370 | - |
| 880,300 | 672,800 | | | 80,260,194 | 63,636,849 |

Market value of these shares amounted to Rs.67.124 million (December 31, 2016: Rs.66.523 million).

| | | |
|------|--------|------|
| Note | 2017 | 2016 |
| | Rupees | |

12.5 Provision for impairment

| | | |
|---------------------------|-------------------|------------------|
| Opening balance | 5,354,511 | 3,403,562 |
| Provision during the year | 18,941,984 | 1,950,949 |
| | 24,296,495 | 5,354,511 |

13. DEFERRED TAXATION

Deferred tax arising due to timing differences calculated at current rate of taxation amounts to Rs.3.20 million (December 31, 2016: Rs.3.10 million). Deferred tax asset has not been recognized in these financial statements as management is not certain regarding realisability of the amount.

14. PREMIUMS DUE BUT UNPAID

| | | |
|---------------------------------|--------------------|--------------------|
| Unsecured | | |
| Considered good | 205,540,384 | 165,903,439 |
| Considered doubtful | 11,411,742 | 10,000,000 |
| | 216,952,126 | 175,903,439 |
| Provision for doubtful balances | 14.1 (11,411,742) | (10,000,000) |
| | 205,540,384 | 165,903,439 |

14.1 Provision for doubtful balances

| | | |
|--------------------------------|-------------------|-------------------|
| Opening balance | 10,000,000 | 10,000,000 |
| Provision made during the year | 1,411,742 | - |
| | 11,411,742 | 10,000,000 |

Notes to the Financial Statements

for the year ended December 31, 2017

| | |
|-------------|------|
| 2017 | 2016 |
| Rupees | |

14.2 Age analysis of premium due but unpaid

The age analysis of premiums due but unpaid considered good is as follows:

| | | |
|--------------------|--------------------|-------------|
| Upto one year | | |
| Related parties | 54,449,646 | 44,068,595 |
| Others | 120,370,248 | 102,255,546 |
| | 174,819,894 | 146,324,141 |
| More than one year | | |
| Related parties | 4,062,073 | 2,900,563 |
| Others | 26,658,417 | 16,678,735 |
| | 30,720,490 | 19,579,298 |
| | 205,540,384 | 165,903,439 |

15. FIXED ASSETS

15.1 Tangible assets

| Land and buildings | Furniture and fixtures | Motor vehicles | Office equipments | Office computers | Total |
|--------------------|------------------------|----------------|-------------------|------------------|-------|
|--------------------|------------------------|----------------|-------------------|------------------|-------|

Rupees

Net carrying value basis as at

December 31, 2017

| | | | | | | |
|------------------------------|------------------|------------------|-------------------|------------------|----------------|-------------------|
| Opening net book value (NBV) | 8,294,036 | 2,615,083 | 71,900,994 | 3,693,074 | 567,902 | 87,071,089 |
| Additions (at cost) | - | 1,063,565 | 9,724,920 | 359,397 | 44,000 | 11,191,882 |
| Disposal | | | | | | |
| Cost | - | - | (8,274,405) | - | - | (8,274,405) |
| Accumulated depreciation | - | - | 4,168,842 | - | - | 4,168,842 |
| | - | - | (4,105,563) | - | - | (4,105,563) |
| Depreciation | (829,404) | (506,624) | (11,042,197) | (582,037) | (176,650) | (13,136,912) |
| Closing net book value | <u>7,464,632</u> | <u>3,172,024</u> | <u>66,478,154</u> | <u>3,470,434</u> | <u>435,252</u> | <u>81,020,496</u> |

Gross carrying value basis as at

December 31, 2017

| | | | | | | |
|-----------------------------|------------------|------------------|-------------------|------------------|----------------|-------------------|
| Cost | 30,218,901 | 13,439,352 | 123,546,406 | 14,808,044 | 6,979,467 | 188,992,170 |
| Accumulated depreciation | (22,754,269) | (10,267,328) | (57,068,252) | (11,337,610) | (6,544,215) | (107,971,674) |
| Net book value | <u>7,464,632</u> | <u>3,172,024</u> | <u>66,478,154</u> | <u>3,470,434</u> | <u>435,252</u> | <u>81,020,496</u> |
| Depreciation rate per annum | 10% | 15% | 15% | 15% | 30% | |

Notes to the Financial Statements

for the year ended December 31, 2017

| Land and buildings | Furniture and fixtures | Motor vehicles | Office equipments | Office computers | Total |
|--------------------|------------------------|----------------|-------------------|------------------|-------|
|--------------------|------------------------|----------------|-------------------|------------------|-------|

Rupees

Net carrying value basis as at

December 31, 2016

| | | | | | | |
|------------------------------|------------------|------------------|-------------------|------------------|----------------|-------------------|
| Opening net book value (NBV) | 9,215,595 | 1,839,334 | 65,790,315 | 3,182,947 | 714,648 | 80,742,839 |
| Additions (at cost) | - | 1,071,292 | 19,356,630 | 1,076,859 | 81,117 | 21,585,898 |
| Disposal | | | | | | |
| Cost | - | - | (6,897,261) | - | - | (6,897,261) |
| Accumulated depreciation | - | - | 4,041,309 | - | - | 4,041,309 |
| | - | - | (2,855,952) | - | - | (2,855,952) |
| Depreciation | (921,559) | (295,543) | (10,389,999) | (566,732) | (227,863) | (12,401,696) |
| Closing net book value | <u>8,294,036</u> | <u>2,615,083</u> | <u>71,900,994</u> | <u>3,693,074</u> | <u>567,902</u> | <u>87,071,089</u> |

Gross carrying value basis as at

December 31, 2016

| | | | | | | |
|-----------------------------|------------------|------------------|-------------------|------------------|----------------|-------------------|
| Cost | 30,218,901 | 12,375,787 | 122,095,891 | 14,448,647 | 6,935,467 | 186,074,693 |
| Accumulated depreciation | (21,924,865) | (9,760,704) | (50,194,897) | (10,755,573) | (6,367,565) | (99,003,604) |
| Net book value | <u>8,294,036</u> | <u>2,615,083</u> | <u>71,900,994</u> | <u>3,693,074</u> | <u>567,902</u> | <u>87,071,089</u> |
| Depreciation rate per annum | 10% | 15% | 15% | 15% | 30% | |

Notes to the Financial Statements

for the year ended December 31, 2017

15.2 Disposal of assets - by negotiation

| Serial Number | Particulars | Original cost | Accumulated depreciation | Written down value | Sale proceed | Gain / (loss) | Sold to |
|---------------------|------------------------|------------------|--------------------------|--------------------|------------------|------------------|------------------------------|
| Rupees | | | | | | | |
| Motor cars | | | | | | | |
| 1 | HONDA CITY LWE-9993 | 961,270 | 815,808 | 145,462 | 750,000 | 604,538 | Musaddaq Alam Butt |
| 2 | HONDA CIVIC BAQ-742 | 2,554,080 | 1,063,982 | 1,490,098 | 1,700,000 | 209,902 | Mehboob Khan Noorzai |
| 3 | S.ALTO AUT-828 | 680,000 | 389,595 | 290,405 | 470,000 | 179,595 | Muhammad Rizwan Akhtar |
| 4 | S MEHRAN FSB-9163 | 371,000 | 324,255 | 46,745 | 190,000 | 143,255 | Mehboob Ali |
| 5 | S.CULTUS LED-1606 | 968,375 | 507,108 | 461,267 | 750,000 | 288,733 | TPL Direct Insurance Co. Ltd |
| 6 | HONDA CIVIC LEB-958 | 2,584,680 | 950,677 | 1,634,003 | 1,735,000 | 100,997 | Rana Muhammad Nadeem |
| Motor cycles | | | | | | | |
| 1 | DHOOM KGK-5178 | 52,500 | 24,691 | 27,809 | 12,500 | (15,309) | Muzammil |
| 2 | HONDA FCX-6313 | 59,000 | 53,869 | 5,131 | 5,200 | 69 | Akhtar Zareen |
| 3 | ASIA LZH-6265 | 43,500 | 38,857 | 4,643 | 10,000 | 5,357 | Muhammad Sajjad |
| Total 2017 | | 8,274,405 | 4,168,842 | 4,105,563 | 5,622,700 | 1,517,137 | |
| Total 2016 | | 6,897,261 | 4,041,309 | 2,855,952 | 3,808,000 | 952,048 | |

Notes to the Financial Statements

for the year ended December 31, 2017

15.3 Intangible assets

| 2017 | | 2016 | |
|-------------------|-------|-------------------|-------|
| Computer software | Total | Computer software | Total |
| Rupees | | Rupees | |

Net carrying value basis as at December 31

| | | | | |
|------------------------------|--------------------|--------------------|-------------|-------------|
| Opening net book value (NBV) | 1,159,275 | 1,159,275 | 1,159,275 | 1,159,275 |
| Additions (at cost) | - | - | - | - |
| Amortization | (1,159,275) | (1,159,275) | (1,159,275) | (1,159,275) |
| Closing net book value | - | - | - | - |

Gross carrying value basis as at December 31

| | | | | |
|-----------------------------|--------------------|--------------------|-------------|-------------|
| Cost | 3,477,823 | 3,477,823 | 3,477,823 | 3,477,823 |
| Accumulated amortization | (3,477,823) | (3,477,823) | (3,477,823) | (3,477,823) |
| Net book value | - | - | - | - |
| Amortization rate per annum | 33% | | 33% | |

15.3.1 The cost of software has been fully amortized as per accounting policy of the company. However, this is still in use of company.

| Note | 2017 | 2016 |
|------|--------|------|
| | Rupees | |

16. MANAGEMENT EXPENSES

| | | | |
|------------------------------------|------|--------------------|-------------|
| Salaries, wages and other benefits | 16.1 | 83,405,773 | 75,809,211 |
| Rent, taxes, electricity, gas etc. | | 8,927,659 | 8,739,128 |
| Communication | | 3,712,920 | 3,749,846 |
| Printing and stationery | | 3,664,965 | 3,440,401 |
| Travelling and entertainment | | 5,334,358 | 5,212,523 |
| Repairs and maintenance | | 3,387,257 | 5,382,254 |
| Advertisement and sales promotion | | 2,265,923 | 4,774,889 |
| Fees and subscription | | 3,680,752 | 1,355,785 |
| Gifts and donation | | 379,400 | 1,000,000 |
| Vehicle running and maintenance | | 18,033,193 | 18,879,165 |
| Others | | 4,734,840 | 3,930,448 |
| Books and periodicals | | 205,526 | 212,334 |
| | | 137,732,566 | 132,485,984 |

16.1 This includes Rs.2.955 million (2016: Rs.2.698 million) in respect of Company's contribution to employees provident fund.

17. OTHER INCOME

| | | |
|---|------------------|---------|
| Gain on sale of tangible fixed assets - net | 1,517,137 | 952,048 |
|---|------------------|---------|

Notes to the Financial Statements

for the year ended December 31, 2017

| | Note | 2017 | 2016 |
|--|------|--------------------------|-------------------|
| — Rupees — | | | |
| 18. GENERAL AND ADMINISTRATION EXPENSES | | | |
| Salaries, wages and other benefits | | 22,776,104 | 21,191,364 |
| Depreciation | 15.1 | 13,136,912 | 12,401,696 |
| Auditor's remuneration | 18.1 | 525,000 | 500,000 |
| Fees and subscription | | 3,670,786 | 3,945,129 |
| Directors' fee | | 725,000 | 575,000 |
| Bonus to staff | | 8,168,216 | 7,823,971 |
| Legal and professional expense | | 786,000 | 636,000 |
| Provision for doubtful premium due but unpaid | | 1,411,742 | - |
| Miscellaneous expenses | | 58,622 | 54,942 |
| | | <u>51,258,382</u> | <u>47,128,102</u> |

18.1 Auditor's remuneration

| | | |
|----------------|-----------------------|----------------|
| Audit fee | 425,000 | 425,000 |
| Interim review | 100,000 | 75,000 |
| | <u>525,000</u> | <u>500,000</u> |

19. PROVISION FOR TAXATION

| | | |
|---------|--------------------------|-------------------|
| Current | <u>21,198,140</u> | <u>14,850,000</u> |
|---------|--------------------------|-------------------|

Income tax assessment of the Company has been finalized up to the Tax Year 2017.

19.1 Relationship between tax expense and accounting (loss)/profit

| | | |
|---|----------------------------|--------------------|
| (Loss) / profit before taxation | <u>(25,546,713)</u> | <u>115,539,861</u> |
| Tax at the applicable rate of 30% (2016: 31%) | <u>(7,664,014)</u> | <u>35,817,357</u> |
| Tax effect of expenses that are not allowable in determining taxable income | 28,862,154 | 43,609 |
| Tax effect of capital gains exempt from tax | - | (18,078,787) |
| Tax effect of income subject to lower rates allowable in determining taxable income | - | (2,932,179) |
| | <u>21,198,140</u> | <u>14,850,000</u> |

20. EARNINGS PER SHARE - BASIC AND DILUTED

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

| | | |
|--|--|--|
| (Loss) / Profit after tax for the year | Rupess <u>(46,744,853)</u> | Rupess <u>100,689,861</u> |
| Weighted average number of shares of Rs. 10 each | Number of shares <u>56,141,285</u> | Number of shares Restated <u>56,141,285</u> |
| (Loss) / earnings per share of Rs. 10 each | Rupess <u>(0.83)</u> | Rupess Restated <u>1.79</u> |

No figures for diluted earnings per share has been presented as the Company has not issued any instrument which would have dilutive effect on earnings per share when exercised. Comparative figures have been restated on account of issuance of bonus shares.

Notes to the Financial Statements

for the year ended December 31, 2017

21. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

| | Chief Executive | | Directors | | Executives | | Total | |
|-------------------------|-------------------|-------------------|----------------|----------------|-------------------|-------------------|-------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | Rupees | | | | | | | |
| Fees | - | - | 725,000 | 575,000 | - | - | 725,000 | 575,000 |
| Managerial remuneration | 7,716,000 | 5,916,000 | - | - | 7,345,100 | 6,024,000 | 15,061,100 | 11,940,000 |
| Bonus | 1,479,000 | 1,479,000 | - | - | 1,735,200 | 1,387,650 | 3,214,200 | 2,866,650 |
| House rent allowance | 3,472,200 | 2,662,200 | - | - | 3,310,700 | 2,713,200 | 6,782,900 | 5,375,400 |
| Others | 541,800 | 421,800 | - | - | 4,109,160 | 3,393,744 | 4,650,960 | 3,815,544 |
| | 13,209,000 | 10,479,000 | 725,000 | 575,000 | 16,500,160 | 13,518,594 | 30,434,160 | 24,572,594 |
| Number of persons | 1 | 1 | 9 | 9 | 6 | 5 | 16 | 15 |

21.1 In addition, Chief Executive and some executives are provided with company maintained cars and residential telephone.

22. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise companies having common directorship, group companies, directors, key management personnel and retirement benefit funds. Investment in related parties have been disclosed in the relevant notes. Directors fees and remuneration to the key management personnel are included in note 21 to these financial statements and are determined in accordance with the terms of their appointment.

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

| Relation with the Company | Nature of transaction | Note | 2017 | 2016 |
|-------------------------------------|----------------------------------|------|------------|------------|
| | | | Rupees | |
| Transactions during the year | | | | |
| Associated companies | Premium underwritten | | 66,624,670 | 55,100,931 |
| | Premium collected | | 64,344,146 | 69,455,173 |
| | Claims paid | | 3,657,385 | 34,871,438 |
| | Dividend received | | 190,046 | 148,167 |
| | Dividend paid | | 33,136 | 102,878 |
| Key management personnel | Remuneration and other benefits | 21 | 30,434,160 | 24,572,594 |
| Staff retirement benefits | Contribution to provident fund | 16.1 | 2,954,975 | 2,698,273 |
| Balances as at the year end | | | | |
| Associated companies | Premium due but unpaid | | 58,511,719 | 46,969,158 |
| | Provision for outstanding claims | | 10,051,588 | 3,899,548 |

Notes to the Financial Statements

for the year ended December 31, 2017

23. MANAGEMENT OF FINANCIAL AND INSURANCE RISK

23.1 Financial risk management objectives and policies

The Company is exposed to a variety of financial risks including market risk (comprising currency risk, interest rate risk, and other price risk), liquidity risk and credit risk that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. There are Board Committees and Management Committees for developing risk management policies and its monitoring.

23.2 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and other equity prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. All transactions are carried in Pak Rupees therefore, the Company is not exposed to currency risk. However, the Company is exposed to interest rate risk and other price risk.

23.3 Interest rate risk

Interest rate risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the reporting date, the interest rate profile of Company's interest-bearing financial instruments was:

| | 2017 | 2016 | 2017 | 2016 |
|----------------------------------|--------------------------|--------------|-------------------|------------|
| | Effective interest rate% | | Rupees | |
| Fixed rate instruments | | | | |
| Government securities | 5.24 to 5.51 | 4.75 to 6.54 | 70,169,043 | 70,833,333 |
| Term deposits | 4.15 to 5.75 | 4.15 to 5.75 | 26,748,613 | 26,719,457 |
| Variable rate instruments | | | | |
| PLS saving accounts | 4.00 to 5.50 | 3.75 to 5.50 | 96,132,168 | 79,443,183 |

Sensitivity analysis for fixed rate instruments

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

Sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates would have decreased the profit and loss by the amounts shown below. Reduction in interest rates by 100 basis points would have a vice versa impact. This analysis assumes that all variables remain constant. The analysis is performed on the same basis for the comparative period.

| | Profit and loss before tax | | Equity | |
|-------------------------|----------------------------|-----------------|-----------------|-----------------|
| | 100 bp increase | 100 bp decrease | 100 bp increase | 100 bp decrease |
| | Rupees | | | |
| As at December 31, 2017 | | | | |
| Cash flow sensitivity | 961,322 | (961,322) | 672,925 | (672,925) |
| As at December 31, 2016 | | | | |
| Cash flow sensitivity | 794,432 | (794,432) | 548,158 | (548,158) |

Notes to the Financial Statements

for the year ended December 31, 2017

23.4 Foreign currency risk

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

23.5 Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. The Company is exposed to equity price risk since it has investments in quoted securities having carrying value of Rs.601.112 million (2016: Rs.680.829 million) as at the balance sheet date.

The Company's strategy is to hold its strategic equity investments for long term. Thus management is not concerned with short term price fluctuations with respect to its strategic investments provided that the underlying business, economic and management characteristics of the investee remain favorable. The Company strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity price volatility. The Company manages price risk by monitoring exposure in quoted equity securities and implementing strict discipline in internal risk management and investment policies.

The carrying value of investments subject to equity price risk is based on quoted market prices as of the balance sheet date and available for sale equity instruments which are stated at lower of cost or market value (market value being taken as lower if fall is other than temporary) in accordance with the requirements of SRO 938 issued by the Securities and Exchange Commission of Pakistan on December 12, 2002.

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

Sensitivity analysis

The analysis summarizes Company's price risk as at 2017 and 2016 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be best or worst case scenarios. Indeed, results could be worse in Company's equity investment portfolio because of the nature of equity markets.

Sensitivity analysis of investments as at the reporting date is as follows:

For held for trading investments, in case of 10% increase or decrease in prices at the reporting date, the net income and equity would have been higher or lower by Rs.32.330 million (2016: Rs.41.245 million).

For available for sale investments, in case of 10% decrease in prices at the reporting date, the net income and equity would have been lower by Rs.27.781 million (2016: Rs.26.838 million) if the decline is considered permanent.

23.6 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations when they fall due as a result of policy holder benefit payments, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives. To guard against the risk, the Company has diversified funding sources and assets are managed with liquidity in mind maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity is maintained.

Notes to the Financial Statements

for the year ended December 31, 2017

| 2017 | | | | |
|--|-----------------------------|-----------------|-------|--------------------|
| Within one year | Over one year to five years | Over five years | Total | |
| Rupees | | | | |
| Provision for outstanding claims | 209,590,488 | - | - | 209,590,488 |
| Amounts due to other insurers / reinsurers | 138,626,640 | - | - | 138,626,640 |
| Accrued expenses | 3,069,372 | - | - | 3,069,372 |
| Other creditors and accruals | 74,312,712 | - | - | 74,312,712 |
| Unclaimed dividend | 2,221,253 | - | - | 2,221,253 |
| | <u>427,820,465</u> | - | - | <u>427,820,465</u> |

Financial liabilities

| 2016 | | | | |
|--|-----------------------------|-----------------|-------|--------------------|
| Within one year | Over one year to five years | Over five years | Total | |
| Rupees | | | | |
| Provision for outstanding claims | 220,507,963 | - | - | 220,507,963 |
| Amounts due to other insurers / reinsurers | 71,401,782 | - | - | 71,401,782 |
| Accrued expenses | 3,779,536 | - | - | 3,779,536 |
| Other creditors and accruals | 68,787,737 | - | - | 68,787,737 |
| Unclaimed dividend | 1,665,878 | - | - | 1,665,878 |
| | <u>366,142,896</u> | - | - | <u>366,142,896</u> |

Financial liabilities

23.7 Credit risk

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

Exposure to credit risk

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

| | Note | 2017 | 2016 |
|---|------|----------------------|----------------------|
| Rupees | | | |
| Cash and bank deposits | 10 | 186,435,859 | 146,554,536 |
| Loans to employees | 11 | 1,336,200 | 997,775 |
| Investments | 12 | 671,280,749 | 751,662,862 |
| Premiums due but unpaid | 14 | 205,540,384 | 165,903,439 |
| Amounts due from other insurers / reinsurers | | 2,246,536 | 2,781,333 |
| Accrued investment income | | 1,399,061 | 1,436,343 |
| Reinsurance recoveries against outstanding claims | | 167,283,860 | 172,078,362 |
| Trade deposits | | 604,719 | 701,819 |
| Sundry receivables | | 313,000 | 367,509 |
| | | <u>1,236,440,368</u> | <u>1,242,483,978</u> |

Notes to the Financial Statements

for the year ended December 31, 2017

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

| Rating | | Rating agency |
|------------|-----------|---------------|
| Short term | Long term | |

Banks

| | | | |
|-------------------------------------|-------|------|---------|
| Habib Bank Limited | A-1 + | AAA | JCR-VIS |
| National Bank of Pakistan | A1 + | AAA | PACRA |
| MCB Bank Limited | A1 + | AAA | PACRA |
| Allied Bank Limited | A1 + | AA + | PACRA |
| United Bank Limited | A-1 + | AAA | JCR-VIS |
| Faysal Bank Limited | A1 + | AA | PACRA |
| Bank Alfalah Limited | A1 + | AA + | PACRA |
| Habib Metropolitan Bank Limited | A1 + | AA + | PACRA |
| The Bank of Punjab | A1 + | AA | PACRA |
| Bank Al-Habib Limited | A1 + | AA + | PACRA |
| The Bank of Khyber | A1 | A | PACRA |
| Soneri Bank Limited | A1 + | AA- | PACRA |
| JS Bank Limited | A1 + | AA- | PACRA |
| Dubai Islamic Bank Pakistan Limited | A-1 | AA- | JCR-VIS |

Concentration of credit risk

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. Sector-wise analysis of premium due but unpaid at the reporting date was:

During the year no assets have been impaired other than available for sale investments against which provision for impairment of Rs.24.296 million (December 31, 2016: Rs.5.354 million) has been held.

23.8 Financial instruments

| | Interest / mark-up bearing | | | Non-markup bearing | | | Total 2017 | Total 2016 |
|---|----------------------------|-------------------------|--------------------|--------------------------|-------------------------|----------------------|----------------------|----------------------|
| | Maturity within one year | Maturity after one year | Sub Total | Maturity within one year | Maturity after one year | Sub Total | | |
| Rupees | | | | | | | | |
| Financial assets | | | | | | | | |
| Held to maturity investments | 25,000,000 | 45,169,043 | 70,169,043 | - | - | - | 70,169,043 | 70,833,333 |
| Available for sale investments | - | - | - | 229,234,789 | 48,578,773 | 277,813,562 | 277,813,562 | 268,377,459 |
| Investments at fair value through profit or loss - held for trading | - | - | - | 323,298,144 | - | 323,298,144 | 323,298,144 | 412,452,070 |
| Loans | - | - | - | 1,336,200 | - | 1,336,200 | 1,336,200 | 997,775 |
| Premium due but unpaid | - | - | - | 205,540,384 | - | 205,540,384 | 205,540,384 | 165,903,439 |
| Amount due from other insurers / re-insurers | - | - | - | 2,246,536 | - | 2,246,536 | 2,246,536 | 2,781,333 |
| Accrued investments income | - | - | - | 1,399,061 | - | 1,399,061 | 1,399,061 | 1,436,343 |
| Reinsurance recoveries and outstanding claims | - | - | - | 167,283,860 | - | 167,283,860 | 167,283,860 | 172,078,362 |
| Sundry receivables | - | - | - | 313,000 | - | 313,000 | 313,000 | 367,509 |
| Trade deposits | - | - | - | 604,719 | - | 604,719 | 604,719 | 701,819 |
| Cash and bank deposits | 122,880,781 | - | 122,880,781 | 64,053,368 | - | 64,053,368 | 186,934,149 | 146,958,510 |
| | 147,880,781 | 45,169,043 | 193,049,824 | 995,310,061 | 48,578,773 | 1,043,888,834 | 1,236,938,658 | 1,242,887,952 |

Financial liabilities

Financial liabilities at amortized cost

| | | | | | | | | |
|---|--------------------|-------------------|--------------------|--------------------|---|--------------------|--------------------|--------------------|
| Provision for outstanding claims (including IBNR) | - | - | - | 209,590,488 | - | 209,590,488 | 209,590,488 | 220,507,963 |
| Amounts due to other insurers / re-insurers | - | - | - | 138,626,640 | - | 138,626,640 | 138,626,640 | 71,401,782 |
| Accrued expenses | - | - | - | 3,069,372 | - | 3,069,372 | 3,069,372 | 3,779,536 |
| Other creditors and accruals | - | - | - | 74,312,712 | - | 74,312,712 | 74,312,712 | 68,787,737 |
| Unclaimed dividend | - | - | - | 2,221,253 | - | 2,221,253 | 2,221,253 | 1,665,878 |
| | - | - | - | 427,820,465 | - | 427,820,465 | 427,820,465 | 366,142,896 |
| On balance sheet gap | 147,880,781 | 45,169,043 | 193,049,824 | 567,489,596 | - | 616,068,369 | 809,118,193 | 876,745,057 |

Notes to the Financial Statements

for the year ended December 31, 2017

23.9 Fair value of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements are appropriate to their fair values except for non-trading investments. Fair value is determined on the basis of the objective evidence at each required date.

23.9.1 Carrying amount versus fair value

The following table compares the carrying amounts and fair values of the Company's financial assets and financial liabilities as at December 31, 2017.

The Company considers that the carrying amount of the following financial assets and financial liabilities are a reasonable approximation of their fair values except for available for sale and held to maturity investments:

| | As at December 31, 2017 | | As at December 31, 2016 | |
|--|-------------------------|-------------|-------------------------|-------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial Assets | | | | |
| Cash and other equivalents | 498,290 | 498,290 | 403,974 | 403,974 |
| Current and other accounts | 159,687,246 | 159,687,246 | 119,835,080 | 119,835,080 |
| Deposit maturing within 12 months | 26,748,613 | 26,748,613 | 26,719,457 | 26,719,457 |
| Loans to employees | 1,336,200 | 1,336,200 | 997,775 | 997,775 |
| Investments | | | | |
| Available for sale | | | | |
| Ordinary shares - listed | | | | |
| Related Parties | 833,382 | 1,899,093 | 833,382 | 4,445,899 |
| Others | 80,260,194 | 67,124,278 | 63,636,849 | 66,523,321 |
| Mutual fund units | 215,291,715 | 211,984,938 | 193,536,973 | 259,282,432 |
| Modarba certificates | | | | |
| Related Parties | 5,724,766 | 2,489,452 | 5,724,766 | 3,873,324 |
| Held to maturity | | | | |
| Government of Pakistan Ijara sukuk bonds | 70,169,043 | 70,150,500 | 70,000,000 | 70,639,500 |
| Wapda sukuk bonds | - | - | 833,333 | 823,258 |
| Investments at fair value through profit or loss-held for trading-ordinary shares - listed | 323,298,144 | 323,298,144 | 412,452,070 | 412,452,070 |
| | 695,577,244 | 676,946,405 | 747,017,373 | 818,039,804 |
| Premiums due but unpaid | 205,540,384 | 205,540,384 | 165,903,439 | 165,903,439 |
| Amount due from other insurers and reinsurers | 2,246,536 | 2,246,536 | 2,781,333 | 2,781,333 |
| Accrued investment income | 1,399,061 | 1,399,061 | 1,436,343 | 1,436,343 |
| Reinsurance recoveries against outstanding claims | 167,283,860 | 167,283,860 | 172,078,362 | 172,078,362 |
| Sundry receivable | 313,000 | 313,000 | 367,509 | 367,509 |
| Trade deposits | 604,719 | 604,719 | 701,819 | 701,819 |
| | 377,387,560 | 377,387,560 | 343,268,805 | 343,268,805 |
| Total assets of Window Takaful Operations | 65,749,628 | 65,749,628 | 53,341,804 | 53,341,804 |
| Financial Liabilities | | | | |
| Provision for outstanding claims (including IBNR) | 209,590,488 | 209,590,488 | 220,507,963 | 220,507,963 |
| Amount due to other insurers | 138,626,640 | 138,626,640 | 71,401,782 | 71,401,782 |
| Other creditors and accruals | 74,312,712 | 74,312,712 | 68,787,737 | 68,787,737 |
| Accrued expenses | 3,069,372 | 3,069,372 | 3,779,536 | 3,779,536 |
| Unclaimed dividend payable | 2,221,253 | 2,221,253 | 1,665,878 | 1,665,878 |
| | 427,820,465 | 427,820,465 | 366,142,896 | 366,142,896 |
| Total Liabilities of Window Takaful operations | 16,152,019 | 16,152,019 | 4,876,703 | 4,876,703 |

Notes to the Financial Statements

for the year ended December 31, 2017

23.9.2 Fair value hierarchy

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement.

Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

The fair value hierarchy has the following levels:

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

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

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

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:

| | As at December 31, 2017 | Level 1 | Level 2 | Level 3 |
|---|----------------------------|-------------|---------|---------|
| | Rupees | | | |
| Financial assets measured at fair value | | | | |
| Investments at fair value through profit or loss - held for trading | 323,298,144 | 323,298,144 | - | - |
| | | | | |
| | As at December 31, 2016 | Level 1 | Level 2 | Level 3 |
| | Rupees | | | |
| Financial assets measured at fair value | | | | |
| Investments at fair value through profit or loss - held for trading | 412,452,070 | 412,452,070 | - | - |

23.9.3 Transfers during the year

During the year ended December 31, 2017:

- There were no transfers between Level 1 and Level 2 fair value measurements
- There were no transfers into or out of Level 3 fair value measurements

23.9.4 Valuation techniques

Fair value of investments classified as held to maturity is assessed using level 2 inputs usually closing market price as per rates prescribed by Financial Market Association of Pakistan in respect of GOPIS by using PKRV rates at reporting date per certificates multiplied by the number of certificates held.

Fair value of available for sale investments is determined using level 1 inputs i.e., quoted market prices of listed securities / NAVs of open end funds. However, these are carried at lower of cost or market value (market value is treated lower when the fall in prices is other than temporary).

Fair value of Investments at fair value through profit or loss - held for trading is determined using level 1 inputs i.e., quoted market prices of listed securities / NAVs of open end funds.

For level 2 investments at fair value through profit or loss - held for trading, the Company uses the closing market price as per rates prescribed by Financial Market Association of Pakistan in respect of GOPIS by using PKRV rates at reporting date per certificates multiplied by the number of certificates held.

Notes to the Financial Statements

for the year ended December 31, 2017

24. SEGMENT REPORTING

Class of business wise revenue and results have been disclosed in the profit and loss account prepared in accordance with the requirement of Insurance Ordinance, 2000 and repealed Securities and Exchange Commission (Insurance) Rules, 2002. The following table presents information regarding segment assets, liabilities as at December 31, 2017, unallocated capital expenditure and non-cash expenses during the year:

| Fire and property | | Marine aviation and transport | | Motor | | Miscellaneous | | Total | |
|-------------------|------|-------------------------------|------|-------|------|---------------|------|-------|------|
| 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |

Rupees

SEGMENT ASSETS

| | | | | | | | | | | |
|------------------------------|--------------------|--------------------|-------------------|-------------------|--------------------|--------------------|-------------------|-------------------|----------------------|----------------------|
| Segment assets | <u>145,399,551</u> | <u>128,159,428</u> | <u>79,698,170</u> | <u>75,504,914</u> | <u>199,034,604</u> | <u>190,685,557</u> | <u>14,057,823</u> | <u>11,126,095</u> | 438,190,148 | 405,475,994 |
| Unallocated corporate assets | | | | | | | | | 1,345,259,239 | 1,406,001,816 |
| Consolidated total assets | | | | | | | | | <u>1,783,449,387</u> | <u>1,811,477,810</u> |

SEGMENT LIABILITIES

| | | | | | | | | | | |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-------------------|-------------------|--------------------|--------------------|
| Segment liabilities | <u>323,129,415</u> | <u>297,552,779</u> | <u>177,117,624</u> | <u>175,302,727</u> | <u>442,325,542</u> | <u>442,722,150</u> | <u>31,241,473</u> | <u>25,831,893</u> | 973,814,054 | 941,409,549 |
| Unallocated corporate liabilities | | | | | | | | | 18,373,272 | 6,542,581 |
| Consolidated total liabilities | | | | | | | | | <u>992,187,326</u> | <u>947,952,130</u> |

CAPITAL EXPENDITURE

| | | | | | | | | | | |
|---|--|--|--|--|--|--|--|--|-------------------|-------------------|
| Unallocated capital expenditure | | | | | | | | | 11,191,882 | 21,585,898 |
| Consolidated capital expenditure | | | | | | | | | <u>11,191,882</u> | <u>21,585,898</u> |
| Unallocated depreciation / amortization | | | | | | | | | <u>13,136,912</u> | <u>12,401,696</u> |

25. INSURANCE RISK

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

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

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

a) Frequency and severity of claims

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

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

Notes to the Financial Statements

for the year ended December 31, 2017

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

The Company has entered into reinsurance cover / arrangements, with local and foreign reinsurers having good credit rating by reputable rating agencies, as prescribed by the Securities and Exchange Commission of Pakistan to reduce its exposure to risks and resulting claims. Keeping in view the maximum exposure in respect of key zone aggregates, a number of proportional and non-proportional facultative reinsurance arrangements are in place to protect the net account in case of a major catastrophe.

The effect of such reinsurance arrangements is that the Company recovers the share of claims from reinsurers thereby reducing its exposure to risk. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional reinsurance arrangements, any loss over and above the said limit would be recovered under non-proportional treaty which is very much in line with the risk management philosophy of the Company.

In compliance of the regulatory requirement, the reinsurance agreements are duly submitted with Securities and Exchange Commission of Pakistan on an annual basis.

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

b) Sources of uncertainty in the estimation of future claims payment

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

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

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

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

c) Process used to decide on assumptions

The risks associated with insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. This exposure is geographically concentrated in Pakistan only.

The Company uses assumptions based on a mixture of internal and market data to measure its related claims liabilities. Internal data is derived mostly from the Company's monthly claims reports, surveyor's report for particular claim and screening of the actual insurance contracts carried out to derive data for the contracts held. The Company has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop related provision for outstanding claims (both reported and non-reported).

The choice of selected results for each accident year in respect of each class of business depends upon the assessment of technique that has been most appropriate to observe historical developments. Through this analysis, the Company determines the need for an IBNR or an unexpired risk liability to be held at each reporting date.

Notes to the Financial Statements

for the year ended December 31, 2017

d) Changes in assumptions

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

e) Sensitivity analysis

The analysis of exposure described in paragraph (c) above is also used to test the sensitivity of the selected assumptions to changes in the key underlying factors. Assumptions of different levels have been used to assess the relative severity of subsidence claims given past experience. The key material factor in the Company's exposure to subsidence claims is the risk of more permanent changes in geographical location in which Company is exposed.

The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company makes various assumptions and techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios. The Company considers that the liability for insurance claims recognised in the balance sheet is adequate. However, actual experience will differ from the expected outcome.

As the Company enters into short term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on profit before tax net of reinsurance.

| | Pre tax profit | | Shareholders' equity | |
|--------------------------------|--------------------|---------------------|----------------------|--------------------|
| | 2017 | 2016 | 2017 | 2016 |
| | Rupees | | | |
| 10% increase in loss | | | | |
| Fire and property | (1,055,554) | (2,184,291) | (738,888) | (1,507,161) |
| Marine, aviation and transport | (1,492,401) | (1,409,118) | (1,044,681) | (972,292) |
| Motor | (6,156,293) | (6,495,524) | (4,309,405) | (4,481,912) |
| Miscellaneous | (111,445) | (83,096) | (78,012) | (57,336) |
| | (8,815,693) | (10,172,030) | (6,170,986) | (7,018,700) |
| 10% decrease in loss | | | | |
| Fire and property | 1,055,554 | 2,184,291 | 738,888 | 1,507,161 |
| Marine, aviation and transport | 1,492,401 | 1,409,118 | 1,044,681 | 972,292 |
| Motor | 6,156,293 | 6,495,524 | 4,309,405 | 4,481,912 |
| Miscellaneous | 111,445 | 83,096 | 78,012 | 57,336 |
| | 8,815,693 | 10,172,030 | 6,170,986 | 7,018,700 |

Notes to the Financial Statements

for the year ended December 31, 2017

Concentration of insurance risk

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

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

The concentration of risk by type of contracts is summarised below by reference to liabilities.

| | Gross sum insured | | Reinsurance | | Net Amount | |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | (Rupees in 000) | | | | | |
| Fire and property | 230,164,310 | 196,822,227 | 172,948,725 | 152,158,077 | 57,215,585 | 44,664,150 |
| Marine, aviation and transport | 407,909,270 | 398,887,351 | 368,102,160 | 347,409,661 | 39,807,110 | 51,477,690 |
| Motor | 7,740,885 | 7,675,583 | - | - | 7,740,885 | 7,675,583 |
| Miscellaneous | 4,480,773 | 4,797,402 | 2,308,457 | 2,431,596 | 2,172,316 | 2,365,806 |
| | <u>650,295,238</u> | <u>608,182,563</u> | <u>543,359,342</u> | <u>501,999,334</u> | <u>106,935,896</u> | <u>106,183,229</u> |

Claim development tables

The following table shows the development of claims over the period. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments. For each class of business the uncertainty about the amount and timings of claims payment is usually resolved within a year.

Analysis on gross basis

Accident year

| | 2013 | 2014 | 2015 | 2016 | 2017 | Total |
|---|-----------------|---------------|---------------|---------------|---------------|----------------|
| | (Rupees in 000) | | | | | |
| Estimate of ultimate claims cost: | | | | | | |
| At the end of accident year | 36,688 | 132,597 | 160,850 | 69,760 | 79,580 | 479,475 |
| One year later | 13,665 | 67,764 | 27,210 | 11,100 | - | 119,739 |
| Two years later | 9,055 | 27,624 | 19,941 | - | - | 56,620 |
| Three years later | 5,068 | 24,961 | - | - | - | 30,029 |
| Four years later | 1,405 | - | - | - | - | 1,405 |
| Current estimate of cumulative claims | 4,235 | 26,867 | 23,292 | 97,503 | 213,739 | 365,636 |
| Cumulative payment to date | (2,830) | (1,906) | (3,351) | (86,403) | (134,159) | (228,649) |
| Liability recognised in the balance sheet | <u>1,405</u> | <u>24,961</u> | <u>19,941</u> | <u>11,100</u> | <u>79,580</u> | <u>136,987</u> |
| Liability in respect of prior years | | | | | | 72,603 |
| Total liability recognised in balance sheet | | | | | | <u>209,590</u> |

Notes to the Financial Statements

for the year ended December 31, 2017

Sensitivity analysis

The insurance claims provision is sensitive to the above key assumptions. The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant showing the impact on liabilities and revenue account.

| | Change in Claims Assumption | Impact on gross liabilities | Impact on revenue account |
|-------------------|-----------------------------|-----------------------------|---------------------------|
| | | (Rupees in 000) | |
| December 31, 2017 | | | |
| Current claims | +10% | 47,948 | (47,948) |
| | -10% | (47,948) | 47,948 |
| December 31, 2016 | | | |
| Current claims | +10% | 96,304 | (96,304) |
| | -10% | (96,304) | 96,304 |

26. REINSURANCE RISK

Reinsurance ceded does not relieve the Company from its obligation towards policy holders 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.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company obtains reinsurance rating from a number of reinsurers, who are dispersed over several geographical regions.

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

| Rating | Amount due from other insurer/reinsurers | Reinsurance recoveries against outstanding claims | Prepaid reinsurance premium ceded | 2017 | 2016 |
|---|--|---|-----------------------------------|-------------|-------------|
| Rupees | | | | | |
| A or above including Pakistan Reinsurance Company Limited | 2,246,536 | 163,836,815 | 330,444,457 | 496,527,808 | 514,267,675 |
| BBB | - | 3,447,045 | 7,094,499 | 10,541,544 | 25,125,453 |
| | 2,246,536 | 167,283,860 | 337,538,956 | 507,069,352 | 539,393,128 |

Notes to the Financial Statements

for the year ended December 31, 2017

27. CAPITAL RISK MANAGEMENT

The management's policy is to maintain a strong capital base for the confidence of stakeholders and to sustain future development of the business. The management closely monitors the return on capital along with the level of distributions to ordinary shareholders. The Company meets minimum paid up capital requirements as required by Securities and Exchange Commission of Pakistan.

28. DEFINED CONTRIBUTION PLAN

The Company has contributory provident fund scheme for benefit of all its permanent employees under the title of (Company name) - Employees Contributory Provident Fund". The Fund is maintained by the Trustees and all decisions regarding investments and distribution of income etc. are made by the Trustees independent of the Company.

28.1 The Trustees have intimated that the size of the Fund at year end was Rs.49.528 million (2016: Rs. 52,739 million).

28.2 As intimated by the Trustees, the cost of the investments made at year end was Rs.49.528 (2016:52,739 million) which is equal to 100% of the total fund size. The category wise break up of investment as per section 227 of the repealed Companies Ordinance, 1984 is given below:

| | 2017 | | 2016 | |
|---------------------------|-----------------|----------------|-----------------|----------------|
| | Rupees in '000' | % | Rupees in '000' | % |
| Pakistan Investment Bonds | 42,824 | 86.46% | 45,325 | 85.94% |
| Term Finance Certificates | - | 0.00% | 867 | 1.64% |
| Investment in Shares | 968 | 1.95% | 5,461 | 10.35% |
| Units of Mutual Funds | 5,737 | 11.58% | 1,086 | 2.06% |
| | <u>49,529</u> | <u>100.00%</u> | <u>52,739</u> | <u>100.00%</u> |

28.3 According to the Trustees, investments out of provident fund have been made in accordance with the provisions of section 227 of the repealed Companies Ordinance, 1984 and the rules made thereunder.

29. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date, the Board of Directors in its meeting held on 27 March 2018 has announced bonus shares at Nil (December 31, 2016: 10%) amounting to Nil and cash dividend at Nil (December 31, 2016: 5%). The Board has also approved transfer of Nil (December 31, 2016: Rs.30 million) to general reserve from unappropriated profits.

30. NUMBER OF EMPLOYEES

| | 2017 | 2016 |
|--|------|------|
| As at December 31 | 198 | 198 |
| Average no. of employees during the year | 203 | 203 |

31. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on 27 March 2018 by the Board of Directors of the Company.

32. GENERAL

Figures have been rounded off to the nearest rupee.


Ismail H. Zakaria
Chairman


A. Aziz Ayoob
Director


Mohammad Omar Bawany
Director


Haroon A. Shakoore
Chief Accountant and
Company Secretary


A. Razak Ahmed
Chief Executive & Managing Director

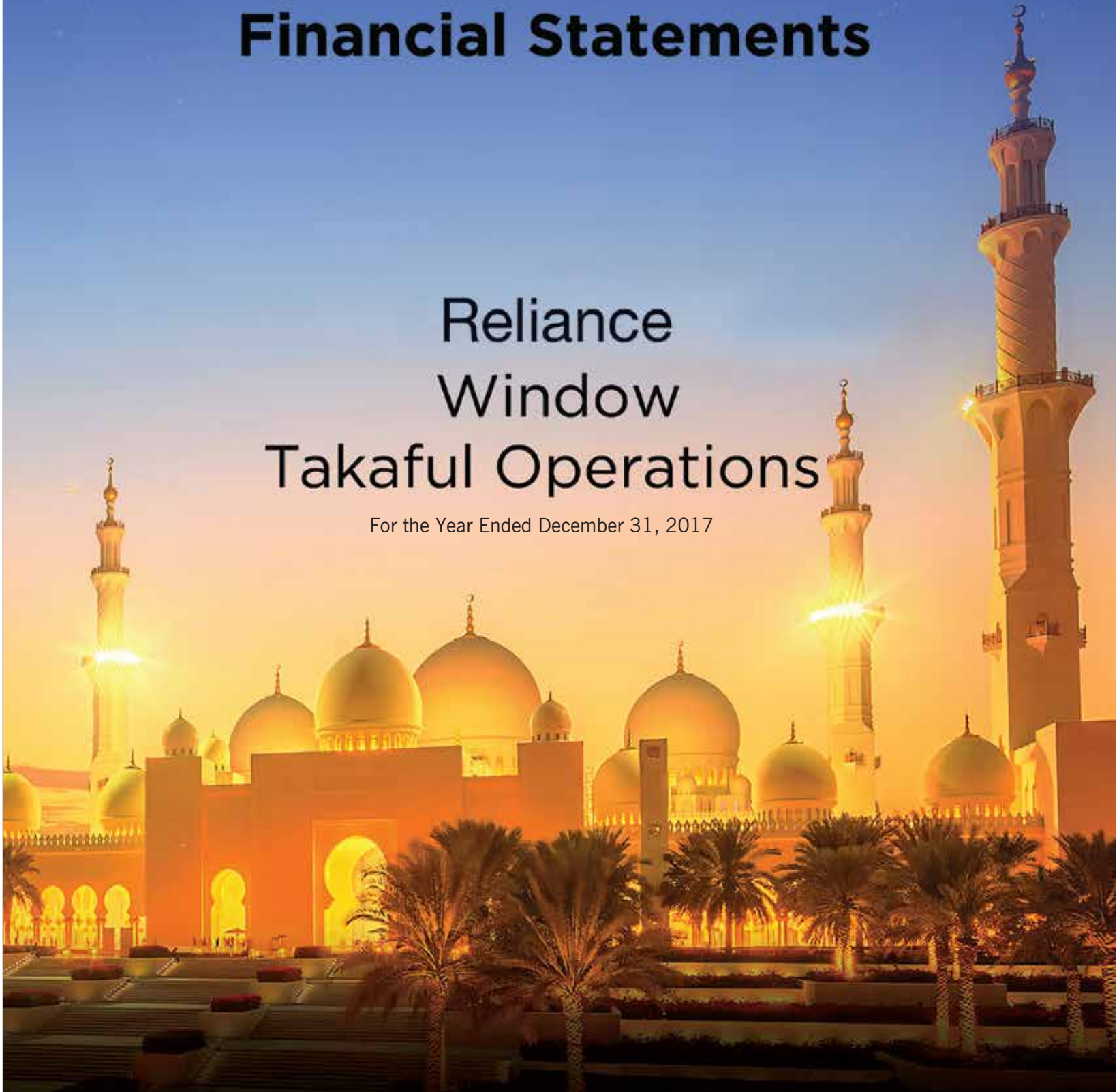
Karachi 27 March, 2018



Financial Statements

Reliance Window Takaful Operations

For the Year Ended December 31, 2017



Independent Reasonable Assurance Report to the Board of Directors on the Statement of Management's Assessment of Compliance with the Shari'ah Principles

We were engaged by the Board of Directors of **Reliance Insurance Company Limited** ("the Company") to report on the management's assessment of compliance of the Window Takaful Operations ("Takaful Operations") of the Company, as set out in the annexed statement prepared by the management for the year 31 December 2017, with the Takaful Rules, 2012, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of compliance of the Operations with the Takaful Rules, 2012, in all material respects.

Applicable Criteria

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

Responsibilities of the Management

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

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

Our Independence and Quality Control

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

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

Our responsibilities

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

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

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

The procedures performed included:

- Evaluate the systems, procedures and practices in place with respect to the Takaful operations against the Takaful Rules, 2012 and Shariah advisor's guidelines;
- Evaluating the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee / Shari'ah Advisor and the board of directors;
- Test for a sample of transactions relating to Takaful operations to ensure that these are carried out in accordance with the laid down procedures and practices including the regulations relating to Takaful operations as laid down in Takaful Rules, 2012; and
- Review the statement of management's assessment of compliance of the Takaful transactions during the year ended 31 December 2017 with the Takaful Rules, 2012.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. In our opinion, the annexed statement, for the year ended 31 December 2017, presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

Karachi: 27 March, 2018



Kreston Hyder Bhimji & Co.
CHARTERED ACCOUNTANTS
Engagement Partner: Mohammad Hanif Razzak

Shari'ah Advisor's Report to the Board of Directors

For the year ended December 31, 2017

All praise and thanks are due to Allah Almighty, by who's blessing Reliance Insurance Co.Ltd. Window Takaful Operations (RIC WTO) has successfully completed its second years of Takaful operations.

Being a Shari'ah Advisor of Reliance Insurance Co.Ltd. Window Takaful Operations it is my responsibility to ensure that the Participant membership documents, underwriting procedures, Re-Takaful Arrangements, and financial activities related to the Participants and stakeholders should be compliant as per Shari'ah rulings.

On the other hand it is the responsibility of RIC Takaful Operator's management to follow the Takaful rules, 2012 and guidelines set by the Shari'ah Advisor and to take prior approval of Shari'ah Advisor for all policies and services being offered by RIC Takaful.

In order to have an independent assessment of the Shari'ah governance and compliance environment of the operator, and the conformity of Takaful Operations with Shari'ah rules and principles, an external audit has been conducted by external auditors.

My certificate:

As a Shari'ah Advisor of the Operator I hereby certify that all Takaful Policies, and Re-Takaful Agreements, financial arrangements and transactions entered into by the WTO and the PTF, as the case may be, for the year ended December 31, 2017 are compliant with the requirements of the Takaful rules, 2012 and Shari'ah guidelines as prescribed by the Shari'ah Advisor.

Moreover, appropriate accounting policies and basis of measurement have been consistently applied in preparation of the financial statements of "Participant Takaful Fund (Waqf Fund)" and "Operator Fund".

I concluded my report with the words that Allah Almighty grant Reliance Insurance Co. Ltd. Window Takaful Operations (RIC WTO) remarkable success and help the entire team at every step and keep away from every hindrance and difficulty.



Mufti M Farhan Farooq
Shariah Advisor
Reliance Insurance Co. Ltd.
Window Takaful Operations
Date: 27-03-2018

Auditor's Report to the Members

We have audited the annexed financial statements comprising of:

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

of **Reliance Insurance Company Limited (Window Takaful Operation)** ("the Company") as at 31 December 2017 together with the notes forming part thereof, for the year then ended.

It is the responsibility of the Company's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the repealed 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 the repealed 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 repealed 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 2017 and of the profit, its cash flows and changes in funds 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 repealed Companies Ordinance, 1984; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The financial statements of the Company for the year ended 31 December 2016 were audited by another firm of chartered accountants who had expressed an unmodified opinion thereon dated 28 March 2017.



Kreston Hyder Bhimji & Co.
CHARTERED ACCOUNTANTS
Engagement Partner: Mohammad Hanif Razzak

Karachi: 27 March, 2018

Balance Sheet

As At December 31, 2017

| Note | 2017 | | | 2016 | |
|--|---|----------------------------|-------------------|---------------------------|-------------------|
| | Operator's Fund | Participants' Takaful Fund | Aggregate | Aggregate | |
| Rupees | | | | | |
| Fund And Liabilities | | | | | |
| Operator's Fund | | | | | |
| | Statutory Fund | 50,000,000 | - | 50,000,000 | 50,000,000 |
| | Accumulated Loss | (402,391) | - | (402,391) | (1,534,899) |
| | | 49,597,609 | - | 49,597,609 | 48,465,101 |
| Waqf / Participants' Takaful Fund | | | | | |
| | Ceded Money | - | 500,000 | 500,000 | 500,000 |
| | Accumulated Surplus | - | 10,212,062 | 10,212,062 | 3,971,191 |
| | | - | 10,712,062 | 10,712,062 | 4,471,191 |
| Underwriting provisions | | | | | |
| | Provision for outstanding claims (including IBNR) | - | 7,444,085 | 7,444,085 | 2,200,000 |
| | Provision for unearned contribution | - | 37,302,496 | 37,302,496 | 6,902,482 |
| | Unearned re-takaful rebate | - | 1,574,843 | 1,574,843 | 493,796 |
| | Total underwriting provisions | - | 46,321,424 | 46,321,424 | 9,596,278 |
| Creditors and accruals | | | | | |
| | Amounts due to other takaful / re-takaful operators | - | 4,420,208 | 4,420,208 | 8,055,350 |
| | Wakala and mudarib fee payable | - | 12,668,970 | 12,668,970 | 30,900 |
| | Unearned wakala fees | 14,920,998 | - | 14,920,998 | 2,235,153 |
| | Accrued expenses | - | - | - | 375,000 |
| | Other creditors and accruals | 4 | 1,231,021 | 2,499,283 | 2,271,953 |
| | | | 16,152,019 | 34,509,459 | 12,968,356 |
| | Total Liabilities | | 16,152,019 | 80,830,883 | 22,564,634 |
| | Contingencies and Commitments | 5 | - | - | - |
| | Total Fund And Liabilities | | <u>65,749,628</u> | <u>141,140,554</u> | <u>75,500,926</u> |

The annexed notes from 1 to 18 form an integral part of these financial statements.

| | Note | 2017 | | 2016 |
|--|------|-------------------|----------------------------|-------------------|
| | | Operator's Fund | Participants' Takaful Fund | Aggregate |
| Rupees | | | | |
| Assets | | | | |
| Cash and other equivalent | | | | |
| Cash and other equivalents | | - | 23,840 | 36,106 |
| Saving accounts | | 37,543,133 | 38,851,716 | 44,854,990 |
| | 6 | 37,543,133 | 38,875,556 | 44,891,096 |
| Investments | | | | |
| | 7 | 10,060,008 | - | 10,000,000 |
| Current assets-others | | | | |
| Contribution due but unpaid | | - | 5,575,893 | 9,857,736 |
| Amounts due from other takaful /re-takaful operators | | - | 2,207,777 | 1,828,061 |
| Retakaful recoveries against outstanding claims | | - | 4,844,862 | 2,045,500 |
| Deferred wakala fee | | - | 14,920,998 | 2,235,153 |
| Deferred commission expense | | 4,444,553 | - | 1,037,485 |
| Prepaid re-takaful contribution ceded | | - | 8,848,312 | 3,150,427 |
| Wakala and mudarib fees receivable | | 12,668,970 | - | 30,900 |
| Accrued investment income | | 117,364 | 117,528 | 206,654 |
| Taxation | 8 | 491,850 | - | 217,914 |
| Prepayments | | 423,750 | - | - |
| | | 18,146,487 | 36,515,370 | 20,609,830 |
| Total Assets | | <u>65,749,628</u> | <u>75,390,926</u> | <u>75,500,926</u> |



Ismail H. Zakaria
Chairman



A. Aziz Ayoob
Director



Mohammad Omar Bawany
Director



Haroon A. Shakoor
Chief Accountant and
Company Secretary



A. Razak Ahmed
Chief Executive & Managing Director

Karachi 27 March, 2018

Statement of Comprehensive Income

for the year ended December 31, 2017

| | 2017 | For the period from 25 May to 31 December 2016 |
|---|------------------|--|
| | Rupees | |
| Operator's Fund | | |
| Profit / (Loss) for the year / period | 1,132,508 | (1,534,899) |
| Other comprehensive income | - | - |
| Total comprehensive income / (loss) for the year / period | 1,132,508 | (1,534,899) |

The annexed notes from 1 to 18 form an integral part of these financial statements.



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A. Razak Ahmed
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Karachi 27 March, 2018

Statement of Changes in Fund

For the year ended December 31, 2017

| | Operator's Fund | | |
|--|-------------------|------------------------------|-------------------|
| | Statutory Fund | Accumulated loss —Rupees— | Total |
| Balance as at 25 May 2016 | - | - | - |
| Contribution made during the period | 50,000,000 | - | 50,000,000 |
| Total comprehensive loss for the period ended 31 December 2016 | - | (1,534,899) | (1,534,899) |
| Balance as at December 31, 2016 | 50,000,000 | (1,534,899) | 48,465,101 |
| Total comprehensive income for the year ended 31 December 2017 | - | 1,132,508 | 1,132,508 |
| Balance as at December 31, 2017 | 50,000,000 | (402,391) | 49,597,609 |

| | Participants' Takaful Fund | | |
|--|----------------------------|---------------------------------|-------------------|
| | Ceded money | Accumulated surplus —Rupees— | Total |
| Balance as at 25 May 2016 | - | - | - |
| Ceded money | 500,000 | - | 500,000 |
| Surplus for the period | - | 3,971,191 | 3,971,191 |
| Balance as at December 31, 2016 | 500,000 | 3,971,191 | 4,471,191 |
| Surplus for the year | - | 6,240,871 | 6,240,871 |
| Balance as at December 31, 2017 | 500,000 | 10,212,062 | 10,712,062 |

The annexed notes from 1 to 18 form an integral part of these financial statements.


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Karachi 27 March, 2018

Statement of Cash Flows

for the year ended December 31, 2017

| | 2017 | | | 2016 |
|---|--------------------|----------------------------|---------------------|---|
| | Operator's Fund | Participants' Takaful Fund | Aggregate | For the period from 25 May to 31 December Aggregate |
| Rupees | | | | |
| Operating Cash Flow | | | | |
| a) Takaful activities | | | | |
| Contribution received | - | 79,055,731 | 79,055,731 | 16,034,477 |
| Retakaful contribution paid | - | (27,776,888) | (27,776,888) | (4,100,544) |
| Claims paid | - | (8,427,525) | (8,427,525) | (282,628) |
| Retakaful and other recoveries received | - | 4,002,988 | 4,002,988 | 211,971 |
| Commission paid | (10,176,079) | - | (10,176,079) | (2,210,758) |
| Retakaful rebate received | - | 4,721,850 | 4,721,850 | 2,472,953 |
| Wakala fee received / (paid) | 17,322,316 | (17,322,316) | - | - |
| Net cash inflows from takaful activities | 7,146,237 | 34,253,840 | 41,400,077 | 12,125,471 |
| b) Other operating activities | | | | |
| Income tax paid | (273,936) | - | (273,936) | (217,914) |
| General, administration and management expenses paid | (11,465,653) | (120,800) | (11,586,453) | (6,184,602) |
| Other payments on operating assets | (1,834,279) | - | (1,834,279) | (3,654,803) |
| Other receipts in respect of operating assets | - | 1,262,859 | 1,262,859 | 144,004 |
| Net cash outflows from other operating activities | (13,573,868) | 1,142,059 | (12,431,809) | (9,913,315) |
| Total cash (outflows) / inflows from takaful activities | (6,427,631) | 35,395,899 | 28,968,268 | 2,212,156 |
| Investment activities | | | | |
| Increase in investments | (60,008) | - | (60,008) | (10,000,000) |
| Mudaraba shares received / (paid) | 285,241 | (285,241) | - | - |
| Profit received | 1,896,680 | 722,653 | 2,619,333 | 2,178,940 |
| Total cash inflows / (outflows) from investing activities | 2,121,913 | 437,412 | 2,559,325 | (7,821,060) |
| Financing activities | | | | |
| Contribution to the Operator's Fund | - | - | - | 50,000,000 |
| Ceded money | - | - | - | 500,000 |
| Net cash inflows from financing activities | - | - | - | 50,500,000 |
| Net cash inflows from all activities | (4,305,718) | 35,833,311 | 31,527,593 | 44,891,096 |
| Cash and cash equivalent at the beginning of the year | 41,848,851 | 3,042,245 | 44,891,096 | - |
| Cash and cash equivalent at the end of the year | 37,543,133 | 38,875,556 | 76,418,689 | 44,891,096 |
| Reconciliation to profit and loss Account | | | | |
| Operating cash flows | | | | |
| Increase in assets other than cash | (6,427,631) | 35,395,899 | 28,968,268 | 2,212,156 |
| Increase in liabilities other than running finance | 16,691,993 | 17,280,965 | 33,972,958 | 20,403,176 |
| Increase in liabilities other than running finance | (11,275,316) | (46,940,102) | (58,215,418) | (22,564,634) |
| Investment income | 2,143,462 | 504,109 | 2,647,571 | 2,385,594 |
| Surplus for the year / period | 1,132,508 | 6,240,871 | 7,373,379 | 2,436,292 |
| Cash for the purpose of the statement of cash flows consists of: | | | | |
| Cash and other equivalents | | | | |
| Current and bank deposits | 37,543,133 | 38,875,556 | 76,418,689 | 44,891,096 |

The annexed notes from 1 to 18 form an integral part of these financial statements.



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A. Razak Ahmed
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Karachi 27 March, 2018

Statement of Contribution

For the year ended December 31, 2017

Business underwritten inside Pakistan.

| Class | 2017 | | | | | | | | 2016 | |
|--------------------------------|-----------------------|-------------------------------|-------------------|----------------------|--------------------------------|---------------------------------------|------------------|--------------------|--------------------------|--------------------------|
| | Contributions written | Unearned Contribution Reserve | | Contributions earned | Re-takaful Contributions ceded | Prepaid re-takaful Contribution ceded | | Re-takaful expense | Net contribution revenue | Net contribution revenue |
| | | Opening | Closing | | | Opening | Closing | | | |
| Rupees | | | | | | | | | | |
| Direct and facultative | | | | | | | | | | |
| Fire and Property Damage | 11,031,135 | 2,296,689 | 5,758,646 | 7,569,178 | 8,484,259 | 1,261,765 | 4,420,435 | 5,325,589 | 2,243,589 | 556,109 |
| Marine, Aviation and Transport | 16,351,436 | 1,168,781 | 883,160 | 16,637,057 | 9,446,637 | 639,882 | 510,118 | 9,576,401 | 7,060,656 | 6,561,427 |
| Motor | 43,466,083 | 3,082,456 | 27,906,621 | 18,641,918 | 2,908,800 | 986,374 | 1,867,450 | 2,027,724 | 16,614,194 | 994,774 |
| Miscellaneous | 3,925,234 | 354,556 | 2,754,069 | 1,525,721 | 2,922,334 | 262,406 | 2,050,309 | 1,134,431 | 391,290 | 55,290 |
| Grand total | 74,773,888 | 6,902,482 | 37,302,496 | 44,373,874 | 23,762,030 | 3,150,427 | 8,848,312 | 18,064,145 | 26,309,729 | 8,167,600 |

Note: Contributions written includes administrative surcharge of Rs.0.693 million (2016: Rs.0.124 million).

The annexed notes from 1 to 18 form an integral part of these financial statements.



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Karachi 27 March, 2018

Statement of Claims

for the year ended December 31, 2017

Business underwritten inside Pakistan.

| Class | 2017 | | | | | | | | 2016 | |
|--------------------------------|------------------|----------------------------------|------------------|-------------------|--|---|------------------|---|--------------------|--------------------|
| | Claims paid | Provision for outstanding claims | | Claims expenses | Re-takaful and other recoveries received | "Retakaful and other recoveries in respect of outstanding claims" | | Re-takaful and other recoveries revenue | Net claims expense | Net claims expense |
| | | Opening | Closing | | | Opening | Closing | | | |
| Rupees | | | | | | | | | | |
| Direct and facultative | | | | | | | | | | |
| Fire and Property Damage | - | - | 955,500 | 955,500 | - | - | 750,162 | 750,162 | 205,338 | 70,657 |
| Marine, Aviation and Transport | 7,148,807 | 2,175,000 | 5,919,000 | 10,892,807 | 4,002,988 | 2,045,500 | 4,094,700 | 6,052,188 | 4,840,619 | 129,500 |
| Motor | 1,278,718 | 25,000 | 569,585 | 1,823,303 | - | - | - | - | 1,823,303 | 25,000 |
| Miscellaneous | - | - | - | - | - | - | - | - | - | - |
| Grand Total | 8,427,525 | 2,200,000 | 7,444,085 | 13,671,610 | 4,002,988 | 2,045,500 | 4,844,862 | 6,802,350 | 6,869,260 | 225,157 |

The annexed notes from 1 to 18 form an integral part of these financial statements.



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Karachi 27 March, 2018



Statement of Expenses-Participants Takaful Fund

For the year ended December 31, 2017

Business underwritten inside Pakistan.

| Class | 2017 | | | | | | | 2016 |
|--------------------------------|-------------------|---------------------|-------------------|-------------------|--|----------------------------------|---|---|
| | Gross wakala fee | Deferred wakala fee | | Net expense | Participants' Takaful Fund Direct expenses | Rebate from retakaful operators* | Net Participants' Takaful Fund expenses | Net Participants' Takaful Fund expenses |
| | | Opening | Closing | | | | | |
| Rupees | | | | | | | | |
| Direct and facultative | | | | | | | | |
| Fire and Property Damage | 4,412,454 | 803,841 | 2,303,458 | 2,912,837 | 10,301 | 1,194,328 | 1,728,810 | 335,550 |
| Marine, Aviation and Transport | 6,540,574 | 409,073 | 353,264 | 6,596,383 | 32,419 | 2,202,572 | 4,426,230 | 3,276,288 |
| Motor | 17,386,433 | 924,736 | 11,162,648 | 7,148,521 | 76,283 | - | 7,224,804 | 442,768 |
| Miscellaneous | 1,570,094 | 97,503 | 1,101,628 | 565,969 | 1,797 | 243,903 | 323,863 | 24,869 |
| Grand total | 29,909,555 | 2,235,153 | 14,920,998 | 17,223,710 | 120,800 | 3,640,803 | 13,703,707 | 4,079,475 |

* Rebate from re-takaful operators is arrived at after taking the impact of opening and closing unearned re-takaful rebate.

The annexed notes from 1 to 18 form an integral part of these financial statements.

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Karachi 27 March, 2018

Statement of Expenses-Operators's Fund

for the year ended December 31, 2017

Business underwritten inside Pakistan.

| Class | 2017 | | | | | | 2016 |
|--------------------------------|----------------------------|---------------------|------------------|------------------------|---------------------|------------------------------|------------------------------|
| | Commission paid or payable | Deferred commission | | Net commission expense | Management expenses | Net Operators' Fund expenses | Net Operators' Fund expenses |
| | | Opening | Closing | | | | |
| Rupees | | | | | | | |
| Direct and facultative | | | | | | | |
| Fire and Property Damage | 2,143,103 | 451,164 | 1,133,001 | 1,461,266 | 873,201 | 2,334,467 | 603,590 |
| Marine, Aviation and Transport | 3,227,469 | 233,756 | 176,632 | 3,284,593 | 2,747,996 | 6,032,589 | 6,933,872 |
| Motor | 4,318,452 | 308,246 | 2,790,662 | 1,836,036 | 6,466,217 | 8,302,253 | 548,718 |
| Miscellaneous | 487,055 | 44,319 | 344,258 | 187,116 | 152,290 | 339,406 | 84,824 |
| Grand total | 10,176,079 | 1,037,485 | 4,444,553 | 6,769,011 | 10,239,704 | 17,008,715 | 8,171,004 |

The annexed notes from 1 to 18 form an integral part of these financial statements.



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Company Secretary



A. Razak Ahmed
Chief Executive & Managing Director

Karachi 27 March, 2018

Statement of Investment Income

For the year ended December 31, 2017

| | 2017 | For the period from 25 May to 31 December 2016 |
|-----------------------------------|------------------|--|
| | Rupees | |
| PARTICIPANTS' TAKAFUL FUND | | |
| Profit on bank deposits | 840,181 | 154,604 |
| OPERATOR'S FUND-OPF | | |
| Profit on bank deposits | 1,727,379 | 2,230,990 |
| Dividend Income - AFS | 80,011 | - |
| | 1,807,390 | 2,230,990 |

The annexed notes from 1 to 18 form an integral part of these financial statements.



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A. Razak Ahmed
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Karachi 27 March, 2018

Notes to the Financial Statements

for the year ended December 31, 2017

1. STATUS AND NATURE OF BUSINESS

Reliance Insurance Operator Limited (the Operator) has been allowed to undertake Window Takaful Operations (WTO) on May 25, 2016 by Securities and Exchange Commission of Pakistan (SECP) under SECP Takaful Rules, 2012 to carry on General Window Takaful Operations in Pakistan. For the purpose of carrying on the Takaful business, the Operator has formed a Waqf (Participants' Takaful Fund (PTF)) on May 30, 2016 under the Waqf deed with a Ceded money of Rs. 500,000. The Waqf deed and PTF policies (Waqf Rules) which govern the relationship of Operator, Waqf and Participants for management of Takaful operations, investment of Waqf and Operator's Fund are approved by the Shariah Advisor of the Operator. The accounts of the Waqf are maintained by the Operator in a manner that the assets and liabilities of Waqf remain separately identifiable. The financial statements of the Operator are prepared such that the financial position and results from the operations of Waqf and the Operator are shown separately.

2. BASIS OF PREPARATION

These financial statements have been prepared in line with format issued by SECP through repealed SEC (Insurance) Rules, 2002, vide SRO 938 dated December 12, 2002 and circular 25 of 2015 dated July 9, 2015.

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

2.1 Statement of compliance

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

Securities and Exchange Commission of Pakistan ("SECP") vide S.R.O 88(1)/2017 and S.R.O 89(1)/2017 dated 9 February 2017 has issued the Insurance Accounting Regulations, 2017 and Insurance Rules, 2017 (the new Rules and Regulations). The application of these Regulations and Rules for the purpose of preparation and presentation of the financial statements was effective from 1 April 2017. SECP vide its letter ID/OSM/Reliance/2017/12203 dated 6th October, 2017 has granted exemption to the Operator to prepare their annual accounts for the year ended 31 December 2017 in accordance with the requirements of repealed SEC (Insurance) Rules 2002 and has allowed the application of New Regulations effective from the accounting year commencing from 1 January 2018. Hence these financial statements for the year ended 31 December 2017 are prepared in accordance with the requirements of repealed SEC (Insurance) Rules 2002.

The new Rules and Regulations require significant disclosures / requirements, which are relevant to the Company includes but not limited to: Presentation and disclosure of financial statements prescribed in Annexure II of the Insurance Rules, 2017, recognition of available-for-sale investments at fair value as per IAS 39 "Financial Instruments: Recognition and Measurement" and recognition of premium cover note subject to realisation of premium in full or installment.

The management has completed an initial assessment of changes required in respect of the above stated requirements and considered major impact in accordance with the format prescribed by SEC Insurance Rules, 2017 is on Presentation and disclosure of financial statements as per Annexure II of the Insurance Rules, 2017 and on valuation of available-for-sale investments. Had the Operator adopted International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" in respect of recognition of gain / loss on remeasurement of available-for-sale securities directly into Operator's Fund, the investments of the Operator would have been lower by Rs.760 thousands (2016: higher by Rs.39 thousand) and the net Operator's Fund would have decreased by the same amount (in 2016 increase by the same amount).

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements are prepared and presented in Pakistani Rupees, which is the functional and presentation currency of the Operator.

Notes to the Financial Statements

For the year ended December 31, 2017

2.4 Use of estimates and judgments

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

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

| | Note |
|---|-------------|
| - Classification of Takaful Contracts | 3.1 |
| - Provision for unearned contribution | 3.2.1 |
| - Provision for contribution due but unpaid and amount due from other takaful / re-takaful operators; | 3.3.1 |
| - Provision for outstanding claims including IBNR and re-takaful recoveries there against. | 3.4.1 & 3.5 |
| - Contribution deficiency reserve | 3.7 |
| - Provision for unearned wakala fee | 3.8 |
| - Allocation of management expenses | 3.12 |
| - Classification of Investments | 3.15 |
| - Taxation | 3.19 |
| - Segment reporting | 3.16 |
| - Impairment | 3.18 |

2.5 New and revised standards and interpretations

a) Standards, interpretations and amendments to published approved accounting standards that became effective during the year

The following Standards, interpretations and amendments to published approved accounting standards became effective during the year.

| | |
|----------|--|
| IAS- 7 | Statement of Cash Flows - Amendment |
| IAS- 12 | Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses (Amendments) |
| IAS- 16 | Property, Plant and Equipment and IAS 38 - Intangible Assets: Clarification of Acceptable |
| IAS- 16 | Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants |
| IAS- 27 | Separate Financial Statements: Equity Method in Separate Financial Statements (Amendment) |
| IAS- 28 | Investment in associates and Joint Ventures |
| IFRS- 1 | Presentation of Financial Statements: Disclosure Initiative (Amendment) |
| IFRS- 7 | Financial Instruments: Disclosures – Disclosure Initiative (Amendments) |
| IFRS- 10 | Consolidated Financial Statements |
| IFRS- 11 | Joint Arrangements: Accounting for Acquisition of Interest in Joint Operation (Amendment) |
| IFRS- 12 | Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements: Investment |

These Standards, interpretations and amendments do not have significant impact on these financial statements except for some additional disclosures. In addition to above, certain new cycle of improvements are applicable in current year, are either considered not to be relevant or are not expected to have significant impact to the financial statements and hence have not been specified.

b) Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following Standards, interpretations and amendments to published approved accounting standards that are either effective for accounting periods, beginning on or after January 01, 2018 or their effective date is yet not finalized.

Notes to the Financial Statements

for the year ended December 31, 2017

| | | |
|--------|----|---|
| IAS- | 40 | Investment Property: Transfers of Investment Property (Amendments) |
| IFRS- | 2 | Classification and Measurement of Share based Payments Transactions |
| IFRS- | 4 | Insurance Contracts: Applying IFRS 6 Financial Instruments with IFRS 4 Insurance contracts – (Amendments) |
| IFRS- | 10 | Consolidated Financial Statements and IAS -28 Investments in Associates and Joint Ventures: Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments) |
| IFRS- | 12 | Classification and Measurement of Share based Payment Transactions (Amendments) |
| IFRIC- | 22 | Foreign Currency Translations and Advance Consideration |
| IFRIC- | 23 | Uncertainty over Income Tax Treatments |

These standards, interpretations and the amendments are either not relevant to or are not expected to have significant impact on the Operations' financial statements other than certain additional disclosures, if applicable in certain circumstances.

In addition to above, certain new cycle of improvements will apply prospectively for period beginning on or after 01, July 2017, are either considered not to be relevant or are not expected to have significant impact to the Operations' financial statements and hence have not been specified.

c) New Standards issued by IASB and but not yet been notified by SECP

| | |
|-----------|--|
| IFRS – 1 | First Time Adoption of IFRS |
| IFRS – 9 | Financial Instruments : Classification and Measurement |
| IFRS - 14 | Regulatory Deferral Accounts |
| IFRS – 15 | Revenue from Contracts with Customers |
| IFRS – 16 | Leases |
| IFRS – 17 | Insurance Contracts |

The adoption these standards will not have any material impact and therefore will not affect the Operations' financial statements in the period of initial application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Takaful Contracts

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

Contracts under which the Participant Takaful Fund (PTF) accepts significant takaful risk from another party (the participant) by agreeing to compensate the participant if a specified uncertain future event (the takaful event) adversely affects the participant are classified as takaful contracts. Takaful risk is a significant if a takaful event could cause the PTF to pay significant benefits due to the happening of the takaful event compared to its non happening. Once contract has been classified as a takaful contract, it remains a takaful contract for the remainder of its lifetime, even if the takaful risk reduces significantly during the period, unless all rights and obligations are extinguished or expired.

The operations underwrite non-life takaful contracts that can be categorized into following main categories.

a) Fire and property

Fire and property takaful contracts mainly compensate the participants for damage suffered to their properties or for the value of property lost. Participants who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the covered properties in their business activities. These contracts are generally one year contracts except some contracts that are of three months period.

b) Marine, aviation and transport

Marine takaful covers the loss or damage of vessels, cargo, terminals, and any transport or property by which cargo is transferred, acquired, or held between the points of origin and final destination. These contracts are generally for three months period.

c) Motor

Motor takaful provides protection against losses incurred as a result of theft, traffic accidents and against third party liability that could be incurred in an accident. These contracts are generally one year contracts.

Notes to the Financial Statements

For the year ended December 31, 2017

d) Miscellaneous

All other various types of takaful contracts are classified in miscellaneous category which includes mainly engineering, terrorism, personal accident, workmen compensation, travel and products of financial institutions etc. These contracts are normally one year takaful contracts except some engineering takaful contracts that are of more than one year period, whereas, normally travel takaful contracts expire within one month time.

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

3.2 Contribution

For all the takaful contracts, contributions including administrative Surcharge received / receivable under a policy are recognized as written at the time of insurance of policy. Where contributions for a policy are payable in installments, full contribution for the duration of the policy is recognized as written at the inception of the policy and related assets set up for contributions receivable at a later date. Contributions are stated on gross basis and exclusive of taxes and duties levied on contributions.

3.2.1 Provision for unearned contributions

The portion of contribution written relating to the unexpired period of coverage is recognized as unearned contribution by the Company. The unearned portion of contribution income is recognized as a liability. The liability is calculated by applying 1/24 method as specified in the Securities and Exchange Commission (Insurance) Rules, 2002.

3.3 Re-takaful contracts

Re-takaful expense is recognised evenly in the period of indemnity. The portion of retakaful contribution not recognised as an expense is shown as a prepayment which is calculated in the same manner as of unearned contribution.

Rebate from retakaful operators is recognised at the time of issuance of the underlying takaful policy by the Operator. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the retakaful contribution to which it relates. Receivable against claims from the retakaful operators are recognised as an asset at the same time as the claims which gives rise to the right of recovery are recognised as a liability and are measured at the amount expected to be recovered after considering an impairment in relation thereto.

3.3.1 Provision for contribution due but unpaid and amount due from other takaful / re-takaful operators;

Amount due from other takaful / re-takaful operators are carried at cost less provision for impairment, if any. Cost represents the fair value of consideration to be received in the future.

Amount due to takaful / re-takaful companies represent the balance due to re-takaful companies.

Re-takaful assets or liabilities are derecognised when the contractual rights are extinguished or expired.

3.4 Claims expense

Takaful claims include all claims incurred during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, and any adjustments to claims outstanding from previous years.

The PTF recognised liability in respect of all claims incurred upto the balance sheet date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in a takaful contract.

Notes to the Financial Statements

for the year ended December 31, 2017

3.4.1 Claims incurred but not reported

The provision for claims incurred but not reported (IBNR) is made at the balance sheet date. In accordance with SECP Circular no. 9 of 2016, the Company has changed its method of estimation of IBNR. The Company now takes actuarial advice for the determination of IBNR claims. IBNR claim have been estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level. In previous year the provision for IBNR was accounted for on the basis whereby all claims incurred before the year end but reported subsequently were aggregated and the ratio of such claims to outstanding claims was applied to outstanding claims at the reporting date (except exceptional losses) to arrive at liability for IBNR. The analysis was carried out separately for each class of business.

3.5 Retakaful recoveries against outstanding claims

Claims recoveries against outstanding claims from the retakaful operator and salvage are recognised as an asset at the same time as the claims which give rise to the right of recovery are recognised as a liability and are measured at the amount expected to be received.

3.6 Commission

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

Commission income from retakaful is recognised at the time of issuance of the underlying takaful policy. These are deferred and recognised as liability and recognised in the profit and loss account as revenue in accordance with the pattern of recognition of the retakaful contributions.

3.7 Contribution deficiency reserve

The PTF is required as per SEC (Insurance) Rules, 2002 and IFRS-4, to maintain a provision in respect of contribution deficiency for the class of business where the unearned contribution reserve is not adequate to meet the expected future liability, after retakaful, from claims and other expenses, including retakaful expense, commissions and other underwriting expenses, expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the balance sheet date. The movement in the contribution deficiency reserve is recorded as an expense in the profit and loss account and the same shall be recognised as a liability.

For this purpose, loss ratios for each class are estimated based on historical claim development. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. If these ratios are adverse, contribution deficiency is determined.

3.8 Provision for unearned Wakala fees

The Takaful operator manages the general takaful operations for the Participants and charge 40% of gross contribution written all classes of business including administrative surcharge as Wakala Fee against the services given to Participant's Takaful Fund. Wakala fee under a policy is recognised on the same basis on which related revenue is recognized. Unexpired portion of Wakala fee is recognized as a liability of OPF and an asset of PTF.

3.8.1 Mudarib Fee

The Takaful operator also manages the participants' investment as Mudarib and charges 40% of the investment / deposit income earned by the Participants' Takaful Fund as Mudarib's share.

3.9 Qard-e-Hasna

Qard-e-Hasna is provided by Operator's Fund to PTF in case of deficit or to fulfill cash flow requirements.

3.10 Rebate from Re-Takaful Operators

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

Notes to the Financial Statements

For the year ended December 31, 2017

3.11 Profit on bank accounts and deposits

Profit on bank accounts and deposits is recognised on accrual basis.

3.12 Management expenses

Expenses allocated to PTF represent directly attributable expenses and these are allocated to various revenue accounts on equitable basis. Expenses not directly allocable to PTF are charged to OPF.

3.13 Takaful surplus

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

3.14 Creditors, accruals and provisions

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

Provisions are recognised when the Operator / PTF has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

3.15 Investments

3.15.1 Classification and recognition

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

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

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

3.15.2 Measurement

3.15.2.1 Investment at fair value through profit or loss

Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading.

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

3.15.2.2 Held to maturity

Investments with fixed determinable payments and fixed maturity, where Operations has both the intent and the ability to hold to maturity, are classified as held to maturity. Subsequently, these are measured at amortised cost less provision for impairment, if any.

3.15.2.3 Available-for-sale

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

Notes to the Financial Statements

for the year ended December 31, 2017

Quoted

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

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

Fair / market value measurements

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

Date of recognition

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

3.16 Segment reporting

An operating segment is a component of the Operator that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Operator's other components. All operating segments' results are reviewed regularly by the Operator's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Operator presents segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Securities and Exchange Commission (Insurance) Rules, 2002. The reported segments are also consistent with the internal reporting provided to Strategy Committee and Board of Directors which are responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

The Operator has four primary business segments, namely, fire, marine, motor and miscellaneous.

The perils covered under fire insurance include damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and terrorism.

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

Motor insurance provide comprehensive car coverage and indemnity against third party loss.

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

Financing, investment and income taxes are managed on an overall basis and are therefore, not allocated to any segment. The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them. Those assets and liabilities, which cannot be allocated to a particular segment on a reasonable basis, are reported as unallocated corporate assets and liabilities.

3.17 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash at bank in current and saving accounts, cash and stamps in hand and bank deposits.



Notes to the Financial Statements

For the year ended December 31, 2017

3.18 Impairment

The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

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

3.19 Taxation

Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalised during the current year for such years.

Deferred

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is utilized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the Profit and loss account except in the case of items credited or charged to equity in which case it is included in equity.

Notes to the Financial Statements

for the year ended December 31, 2017

| Note | 2017 | | | 2016 |
|------|-----------------|----------------------------|-----------|-----------|
| | Operator's Fund | Participants' Takaful Fund | Aggregate | Aggregate |

Rupees

4. OTHER CREDITORS AND ACCRUALS

| | | | | |
|-----------------------------------|------------------|------------------|-------------------------|------------------|
| Federal excise duty and sales tax | - | 1,086,749 | 1,086,749 | - |
| Federal insurance fee | - | 151,910 | 151,910 | - |
| Commission payable | 1,063,221 | - | 1,063,221 | 2,138,027 |
| Income tax deducted at source | 67,800 | 9,075 | 76,875 | 28,523 |
| Audit fees payable | 100,000 | - | 100,000 | 100,000 |
| Others | - | 20,528 | 20,528 | 5,403 |
| | <u>1,231,021</u> | <u>1,268,262</u> | <u>2,499,283</u> | <u>2,271,953</u> |

5. CONTINGENCIES AND COMMITMENTS

There is no contingency and commitment as at balance sheet date.

6. CASH AND OTHER EQUIVALENTS

| | | | | | |
|-----------------|-----|-------------------|-------------------|--------------------------|-------------------|
| Saving accounts | 6.1 | 37,543,133 | 38,851,716 | 76,394,849 | 44,854,990 |
| Stamps in hand | | - | 23,840 | 23,840 | 36,106 |
| | | <u>37,543,133</u> | <u>38,875,556</u> | <u>76,418,689</u> | <u>44,891,096</u> |

6.1 Savings accounts carry profits at the rates ranging from 3.75% to 5.50% (2016: 5.50%) per annum.

7. INVESTMENTS

| | | | | | |
|---------------------------------|-----|-------------------|---|--------------------------|-------------------|
| Available for sale Mutual Funds | 7.1 | <u>10,060,008</u> | - | <u>10,060,008</u> | <u>10,000,000</u> |
|---------------------------------|-----|-------------------|---|--------------------------|-------------------|

7.1 The Operator has made investment in Alhamra Islamic Active Allocation Plan I. The market value of these units as at balance sheet amounted to Rs 9.24 million (2016: Rs. 10.017 million). The short fall in market value is temporary and has recovered subsequent to the year end.

8. ADVANCE INCOME TAX

| | | | | | |
|---|--|----------------|---|-----------------------|----------------|
| Income tax deducted at source on bank profit / dividend | | <u>491,850</u> | - | <u>491,850</u> | <u>217,914</u> |
|---|--|----------------|---|-----------------------|----------------|

Notes to the Financial Statements

For the year ended December 31, 2017

| 2017 | | | | 2016 | |
|------------------|--------------------------------|--------------------------------|----------------|----------------|--|
| Gross wakala fee | Unearned wakala fee Opening | Unearned wakala fee Closing | Net wakala fee | Net wakala fee | |
| Rupees | | | | | |

9. WAKALA FEE INCOME

Direct and facultative

| | | | | | |
|--------------------------------|-------------------|------------------|-------------------|--------------------------|------------------|
| Fire and Property Damage | 4,412,454 | 803,841 | 2,303,458 | 2,912,837 | 450,362 |
| Marine, Aviation and Transport | 6,540,574 | 409,073 | 353,264 | 6,596,383 | 5,078,698 |
| Motor | 17,386,433 | 924,736 | 11,162,648 | 7,148,521 | 438,843 |
| Miscellaneous | 1,570,094 | 97,503 | 1,101,628 | 565,969 | 58,502 |
| | <u>29,909,555</u> | <u>2,235,153</u> | <u>14,920,998</u> | <u>17,223,710</u> | <u>6,026,405</u> |

| 2017 | 2016 |
|--------|------|
| Rupees | |

10. MANAGEMENT EXPENSES - OPF

| | | |
|-------------------------------|--------------------------|------------------|
| Salaries and other benefits | 2,685,512 | 1,726,186 |
| Printing and stationary | 59,750 | 80,390 |
| Ceded money expenses | - | 500,000 |
| Fee and subscription | - | 150,000 |
| Computer software maintenance | 1,743,750 | 339,000 |
| Others | 5,750,692 | 2,064,128 |
| | <u>10,239,704</u> | <u>4,859,704</u> |

11. GENERAL AND ADMINISTRATIVE EXPENSES

| | | |
|-----------------------------|-------------------------|------------------|
| Salaries and other benefits | 975,204 | - |
| Fee and subscription | 150,000 | - |
| Advertisement expenses | - | 1,567,640 |
| Auditors' remuneration | 100,000 | 100,000 |
| Others | 745 | 31 |
| | <u>1,225,949</u> | <u>1,667,671</u> |

Notes to the Financial Statements

for the year ended December 31, 2017

12 SEGMENT REPORTING

Class of business wise revenue and results have been disclosed in the profit and loss account prepared in accordance with the requirement of Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The following table presents information regarding segment assets, liabilities as at December 31, 2017, unallocated capital expenditure and non-cash expenses during the year:

| | Fire and Property | Marine Aviation & Transport | Motor | Miscellaneous | Total 2017 |
|---|----------------------|--------------------------------|-------------------|------------------|--------------------|
| | Rupees | | | | |
| SEGMENT ASSETS | | | | | |
| Segment assets | <u>5,369,649</u> | <u>7,959,423</u> | <u>21,158,076</u> | <u>1,910,694</u> | <u>36,397,842</u> |
| Unallocated assets | | | | | |
| Participant's Takaful Fund | | | | | <u>38,993,084</u> |
| Operator's Fund | | | | | <u>65,749,628</u> |
| Consolidated total assets | | | | | <u>141,140,554</u> |
| SEGMENT LIABILITIES | | | | | |
| Segment liabilities | | | | | |
| Participant's Takaful Fund | <u>9,541,850</u> | <u>14,143,872</u> | <u>37,597,843</u> | <u>3,395,299</u> | <u>64,678,864</u> |
| Unallocated liabilities-Operator's Fund | | | | | <u>16,152,019</u> |
| Consolidated total assets | | | | | <u>80,830,883</u> |
| | | | | | |
| | | | | | |
| | Fire and Property | Marine Aviation & Transport | Motor | Miscellaneous | Total 2016 |
| | Rupees | | | | |
| SEGMENT ASSETS | | | | | |
| Segment assets | <u>2,160,500</u> | <u>25,043,091</u> | <u>3,165,260</u> | <u>240,979</u> | <u>30,609,830</u> |
| Unallocated assets | | | | | |
| Participant's Takaful Fund | | | | | <u>3,042,245</u> |
| Operator's Fund | | | | | <u>41,848,851</u> |
| Consolidated total assets | | | | | <u>75,500,926</u> |
| SEGMENT LIABILITIES | | | | | |
| Segment liabilities | | | | | |
| Participant's Takaful Fund | <u>1,204,322</u> | <u>14,209,568</u> | <u>2,154,303</u> | <u>119,738</u> | <u>17,687,931</u> |
| Unallocated liabilities-Operator's Fund | | | | | <u>4,876,703</u> |
| Consolidated total liabilities | | | | | <u>22,564,634</u> |

Notes to the Financial Statements

For the year ended December 31, 2017

13 FINANCIAL INSTRUMENTS

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

- Market risk
- Liquidity risk
- Credit risk

13.1 Market risk

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

13.1.1 Profit rate risk

Profit rate risk is the risk that the value of a financial instrument will fluctuate due to change in the market profit rate. The profit based assets as on the balance sheet date aggregate to Rs. 76.395 million (2016: Rs. 44.855 million) as disclosed in note 6 above. There are no fixed rate financial instruments as on the balance sheet date. An increase or decrease in profit rates by 100 basis points has the effect of Rs. 0.764 million (2016: Rs. 0.449 million) on profit.

13.1.2 Foreign Currency risk

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

13.1.3 Other price risk

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

13.2 Liquidity risk

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

| | 2017 | | | Total |
|------------------------------|------------------|-----------------------------|-----------------|------------------|
| | Within one year | Over one year to five years | Over five years | |
| | Rupees | | | |
| Financial liabilities | | | | |
| Other creditors and accruals | 2,499,283 | - | - | 2,499,283 |
| Outstanding claims | 7,444,085 | - | - | 7,444,085 |
| | <u>9,943,368</u> | <u>-</u> | <u>-</u> | <u>9,943,368</u> |
| | 2016 | | | |
| | Within one year | Over one year to five years | Over five years | Total |
| | Rupees | | | |
| Financial liabilities | | | | |
| Accrued expenses | 375,000 | - | - | 375,000 |
| Other creditors and accruals | 2,266,550 | - | - | 2,266,550 |
| Outstanding claims | 2,200,000 | - | - | 2,200,000 |
| | <u>4,841,550</u> | <u>-</u> | <u>-</u> | <u>4,841,550</u> |

Notes to the Financial Statements

for the year ended December 31, 2017

13.3 Credit risk

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

13.3.1 Concentration of credit risk

The bank balances and investment in mutual fund represents low credit risk as they are placed with reputed financial institutions with strong credit ratings.

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

14. TAKAFUL RISK

The risk under any takaful contract is the possibility that the covered event occurs and the uncertainty in the amount of compensation to the participant. Generally, most takaful contracts carry the takaful risk for a period of one year (refer note 3.1).

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

Frequency and severity of claims

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

The Operator class wise major risk exposure is as follows:

- Fire and property
- Marine, aviation and transport
- Motor
- Miscellaneous

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

Uncertainty in the estimation of future claims payment

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

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

There are several variable factors which affect the amount and timing of recognized claim liabilities. The operations takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be significantly different from initial recognized amount.

Claim development

The development of claims against takaful contracts written is not disclosed as uncertainty about the amount and timing of claim settlement is usually resolved within one year. Statement of age-wise breakup of unclaimed takaful benefits is not presented as there are no claims that are past due for more than one year.



Notes to the Financial Statements

For the year ended December 31, 2017

15. RE-TAKAFUL RISK

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

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

Level 1: Fair 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: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

17. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on 27, March 2018 by the Board of Directors of the Operator.

18. GENERAL

Figures have been rounded off to the nearest rupee.

Ismail H. Zakaria
Chairman

A. Aziz Ayoob
Director

Mohammad Omar Bawany
Director

Haroon A. Shakoor
Chief Accountant and
Company Secretary

A. Razak Ahmed
Chief Executive & Managing Director

Karachi 27 March, 2018

Offices

Head Office

“Reliance Insurance House”
181-A, Sindhi Muslim Co-operative
Housing Society,
Karachi.

PABX : 34539415-17
Fax : 34539412
E-mail : reli-ins@cyber.net.pk.
ric-re@cyber.net.pk.
www.relianceins.com

Mr. A. Razak Ahmed
Chief Executive & Managing Director

Direct : 34539413, 34539414
Extension : 204

Mr. Haroon A. Shakoor
Chief Accountant &
Company Secretary

Direct : 34539409
Extension : 203

Mr. Syed Rizwan Akhtar
Executive Vice President (Operations)

Direct : 34304067
Extension : 210

Mr. Muhammad Ishaque Azim
Vice President (Underwriting)

Direct : 34304068
Extension : 212

Mr. Sadruddin Hussain
Vice President (Claims)

Direct : 34550403
Extension : 208

Mr. Ghulam Haider
Vice President (Compliance)

Extension : 209

Mr. Najamullah Khan
Head of Takaful

Direct : 34557079
Extension : 201

Mr. Muhammad Kashif Wadiwala
Sharia Compliance Officer

Extension : 216

Mr. Ghulam Mujaddid
Chief Manager (Accounts)

Extension : 205

Mr. Abdul Rahim Patni
Deputy Chief Manager (Reinsurance)

Direct : 34539411
Extension : 215

Mr. Muhammad Saleem Memon
Deputy Chief Manager (Investment/shares)

Extension : 214

Mr. Muhammad Masood Ali
Deputy Chief Manager (I.T. Deptt.)

Extension : 202

Mr. Muhammad Masood Alam
Manager (Administration)

Direct : 34539411
Extension : 206

Mr. Mahmood Shuja Baig
Manager (Internal Audit)

Extension : 208

South Zone Offices & Branches

Business Plaza Branch

407, 4th floor, Business Plaza,
Off. I.I.Chundrigar Road, Karachi.

Mr. Muhammad Iqbal Dhedhi
Executive Vice President

Ph (021) 32419581, 32419582
Fax (021) 32421314, 32421317

Tariq Road Branch

Room No. A-2 & A-3,
1st Floor, Rahat Jo Daro,
Plot No.172/L, Block-2, PECHS,
Main Tariq Road, Karachi.

Mr. Zafar A. Pasha
Executive Vice President

Ph (021) 34527806, 34532427
34525376, 34322642
Fax (021) 34522829

Namco Centre Branch

1-A, 5th Floor, Campbell Street,
Karachi.

Mr. Iqbal Umer Bawany
Vice President

Ph (021) 32624504, 32624427
Fax (021) 32624783

Land Mark Plaza Branch

405, 4th Floor, Land Mark Plaza,
Off. I. I. Chundrigar Road,
Karachi.

Mr. Muhammad Reza Rajani
Assistant Vice President

Ph (021) 32628777, 32628778
Fax (021) 32628779

M. A. Jinnah Road Branch

101, Japan Plaza,
M. A. Jinnah Road, Karachi.

Mr. Rizwan Ahmed Khan
Branch Manager

Ph (021) 32727076, 32729961
Fax (021) 32722601

Hyderabad Branch

1st Floor, Al-Falah Chamber,
Tilak Road, Hyderabad.

Mr. Abdullah Ahmed
Regional Manager

Ph (022) 2615774
Fax (022) 2623029

Offices

North Zone Offices & Branches

Zonal Office, Lahore (North Zone)

4th Floor, Gardee Trust Building. No.2,
Napier Road, Lahore.

Mr. Hassan Sabih
Chief Manager

PABX (042) 37239063, 37353292
37234255, 37351353
Direct (042) 37354689
Fax (042) 37312526

Regional Office, Lahore

90-A/3, 1st Floor, Canal Park,
Gulberg-II, Lahore.

Mr. Waseem John
Branch Manager

Ph (042) 35761077, 35761078
35763446, 35763447
Fax (042) 35761235

Gulberg Branch

House No.17-A, Block-E/1,
Gulberg-III, Lahore.

Mr. Muhammad Javeed Ahmed
Manager

Ph (042) 35752245, 35752989
35751971, 35756557
Fax (042) 35756217

Al-Rehman Branch

2nd Floor, Al-Rehman Building,
Regal Cinema Lane, 65, The Mall,
Lahore.

Mr. Nisar Ahmed Chughtai
Senior Vice President

Ph (042) 37323113, 37322473
37354848
Fax (042) 37247925

Garden Town Branch

Suit No.17, 1st Floor, Shan Arcade,
New Garden Town, Lahore.

Mr. Basit Anwar Butt
Executive Vice President

Ph (042) 35889258, 35889259
Fax (042) 35889260

Eden Centre Branch

321, Eden Centre,
43 Ghausal Azam Road, (Jail Road)
Lahore.

Mr. Ch. H.S. Asghar
Vice President

Ph (042) 37423613, 37423614
Fax (042) 37425649

Empress Tower Branch

Room No.18,1st Floor,
Empress Tower,
46 Empress Road, Lahore.

Mr. S.Azhar Ali Shah
Senior Vice President

Ph (042) 36297253, 36297254
Fax (042) 36297255

Khan Plaza Branch

4th Floor, Khan Plaza,
G. T. Road, Gujranwala.

Mr. Sohailuddin Zafar
Assistant Vice President

Ph (055) 4215422, 4216422
Fax (055) 4448139

Gujrat Branch

Marhaba Tower (Top Floor) Opp.
Ram Piary Mahal Near Fawara Chawk,
Gujrat.

Mr. Abdul Sattar Malik
Branch Manager

Ph (053) 3522127

Faisal Complex Branch

3rd Floor, Faisal Complex,
Bilal Road, Civil Lines, Faisalabad.

Mr. A. Majeed Abid
Senior Vice President

Ph (041) 2611938, 2611939
2626480
Fax (041) 2621033

Taj Plaza Branch

Room No.16, 2nd Floor, Taj Plaza,
Kotwali Road, Faisalabad.

Mr. Muhammad Akhlaq
Vice President

Ph (041) 2617277, 2622182
2615922
Fax (041) 2412010

United Plaza Branch

3,3rd Floor, United Plaza,
Shamsabad, Murree Rd. Rawalpindi.

Mr. Abdul Karim Siddiqi
Vice President

Ph (051) 4854200
Fax (051) 4935278

Peshawar Branch

T-3 & 4, Bilour Shopping Plaza,
3rd Floor, Saddar Road, .
Peshawar Cantt.

Mr. Shah Mast Khan
Assistant Vice President

Ph (091) 5274617, 5277328
Fax (091) 5284683

Regional Office Multan

1st Floor, 5-Commercial Plaza,
Opp. Civil Hospital, Abdali Road,
Multan.

Mr. Syed Mohsin Bukhari
Assistant Vice President

Ph (061) 4517349
Fax (061) 4510049

Hasilpur Branch

27-B, 1st Floor, Main Bazar,
Hasilpur.

Mr. Muhammad Shafi Anjum
Senior Vice President

Ph (062) 2442473
Fax (062) 2448073

Sialkot Branch

Room No.4 & 5, 1st Floor,
Mughal Plaza, Kutchery Road,
Sialkot.

Mr. Ghulam Rasool Farrukh Zahidi
Branch Manager

Ph (052) 4296075, 4296076
Fax (052) 4296077

Gojra Branch

P-132, Post Office Road,
Gojra.

Mrs. Shahnaz Akhtar
Branch Manager

Ph (046) 3511917
Fax (046) 3513111

Sukkur

Minara Road, Sukkur.

Mr. Anees Memon
Resident Representative

Ph (071) 5622619
Cell 0300-3138090

مختار نامہ (پراکسی فارم)

میں / ہم _____ برائے _____ (نام) _____ (پتہ)

تحقیق شراکت دار ریلائنس انشورنس کمپنی لمیٹڈ موجودہ حصص

آرڈری حصص بطور ضمیر و تقرری کرتا / کرتی ہوں / کرتے ہیں _____ برائے _____ (نام) _____ (پتہ)

میری / ہماری پراکسی کے طور پر میری / ہماری جانب سے کمپنی کے سالانہ اجلاس میں شرکت کرنے، بولنے اور ووٹ دینے کی، جو بروز ہفتہ، مورخہ 28 اپریل 2018 کو منعقد ہوگی۔ اس میں کوئی تبدیلی لائی جائے۔

میرے / ہمارے طرف سے گواہان برطانیہ _____ مورخہ _____ 2018

(ریونیٹنگ چسپاں کر کے
اس پر دستخط کریں)

| | |
|-------------------------------|--|
| _____ گواہ کے دستخط _____ | _____ گواہ کا نام _____ |
| _____ گواہ کے دستخط - ۲ _____ | _____ گواہ کا نام _____ |
| _____ شناختی کارڈ نمبر _____ | _____ شناختی کارڈ نمبر _____ |
| _____ پتہ _____ | _____ پتہ _____ |
| _____ شراکت دار کا نام _____ | _____ جلی حروف میں نام _____ _____ فون لیونمبر: _____ |

اہم نکات:

- ۱- شراکت داروں سے التماس ہے کہ:
 - (ا) اوپر بتائی جگہ پر ریونیٹنگ چسپاں کریں
 - (ب) کمپنی میں رجسٹرڈ کرائے ہوئے دستخط استعمال کریں
 - (ج) اپنا فون لیونمبر درج کریں
- ۲- میٹنگ سے ۴۸ گھنٹے قبل پراکسی کا یہ فارم جو ہر لحاظ سے مکمل اور دستخط شدہ ہو کمپنی کے ہیڈ آفس بمقام 181/A ریلائنس انشورنس ہاؤس سندھی مسلم کو اوپر بیٹا سنگ سوسائٹی کراچی میں جمع کر دیا جائے۔
- ۳- کوائف میں کسی بھی قسم کی ترمیم کی صورت میں شراکت دار کے دستخط لازمی ہیں۔
- ۴- یہ فارم ممبر یا اس کے انارنی کی جانب سے جسے تحریری طور پر اقتدار انزڈ کیا گیا ہو، کی جانب سے دستخط کیا جائے، اگر ممبر کوئی کارپوریشن ہے تو اس کی عام ممبر موجود ہونی چاہیے۔
- ۵- ایسا ممبر جو میٹنگ میں شمولیت اور ووٹ دینے کا اہل ہے وہ کسی دوسرے ممبر کو اپنے اپنی پراکسی کے طور پر میٹنگ میں شمولیت اور ووٹ دینے کیلئے نامزد کر سکتا ہے۔ علاوہ ازیں کارپوریشن ایسے شخص کو نامزد کر سکتی ہے جو ممبر نہ ہو۔

برائے CDC اکاؤنٹ ہولڈرز / کارپوریٹ ادارے:

مزید براں درج ذیل شرائط کو پورا کیا جائے:

- (i) پراکسی کیلئے وہ لوگوں نے گواہی دی ہو جن کے نام، پتہ اور شناختی کارڈ یا پاسپورٹ نمبر فارم پر درج ہوں۔
- (ii) پراکسی فارم کے ہمراہ مالکان کے شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقل بھی دی جائیں۔
- (iii) پراکسی کو اپنا اصل شناختی کارڈ یا پاسپورٹ میٹنگ کے وقت دکھانا ہوگا۔

کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اٹارنی مع دستخط کے نمونے پراکسی فارم کے ہمراہ (اگر پہلے جمع نہ کرایا ہو) کمپنی میں جمع کرانی ہوگی۔

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