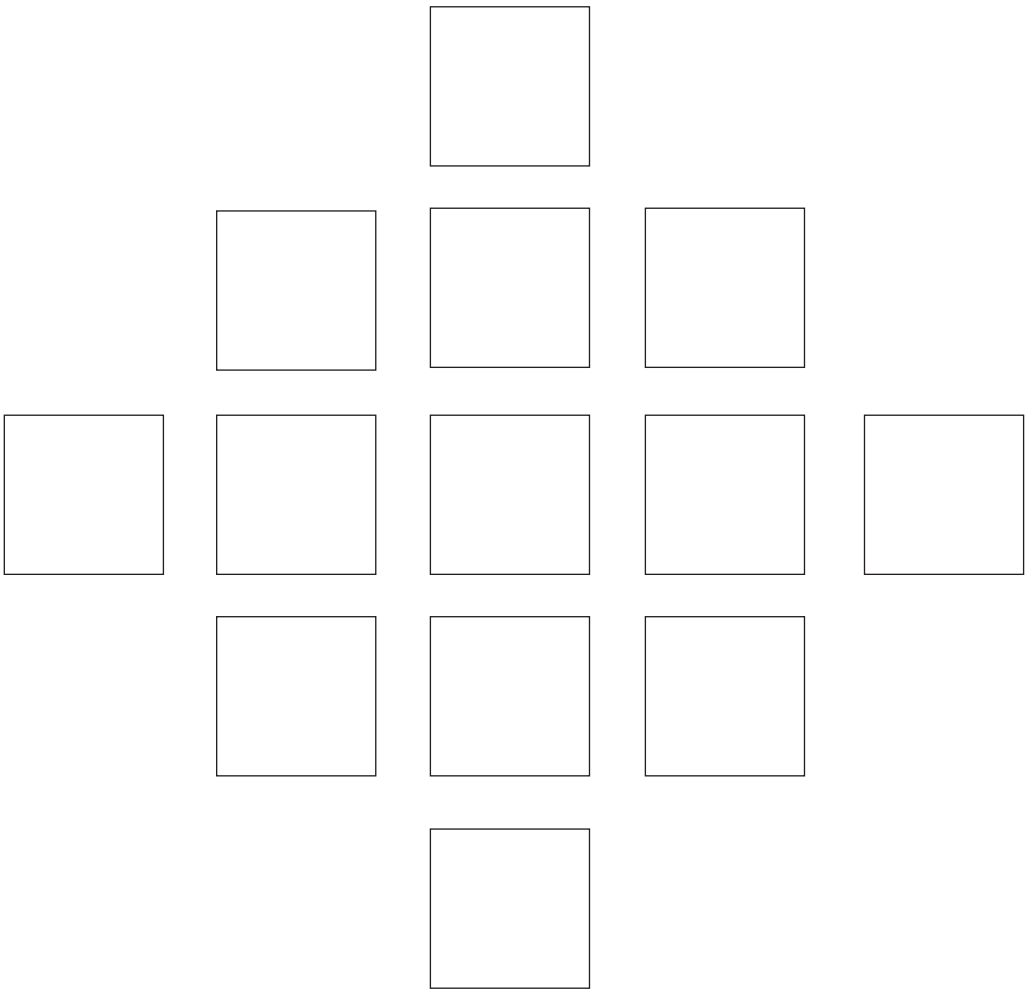
TPL Direct Insurance
A TPL Holdings Company

ANNUAL REPORT '15



INNOVATING VALUE










INNOVATION is change
that unlocks NEW VALUE

For over a decade, TPL Direct Insurance Ltd. (TDI) has been constantly innovating to create value in every aspect of its business.

Capitalising on cutting edge technology, we constantly find new methods to improve our products, provide unparalleled standards of service to our customers and create sustainable value for our partners and stakeholders. In doing so, we are changing the dimensions of Pakistan's insurance industry and setting new trends of customer ease.

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01

CORPORATE
PROFILE



ENVISIONING

At TDI, we understand, anticipate, and envision solutions for customer needs. Pioneering the direct insurance concept in Pakistan and constantly innovating to successfully create value in every aspect of our business, TDI introduced the most convenient insurance solutions. We see a future in which insurance will be completely hassle free & considered the real loss protection and distributor of happiness in times of distress. TDI is marching towards that future, one step at a time.

VISION

To evolve as a dominant insurance player in Pakistan by exploiting profitable niches through deployment of cutting-edge technology and proficient human capital.



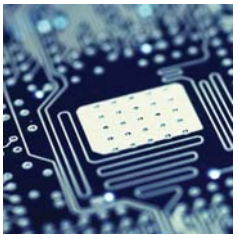






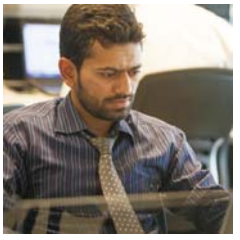






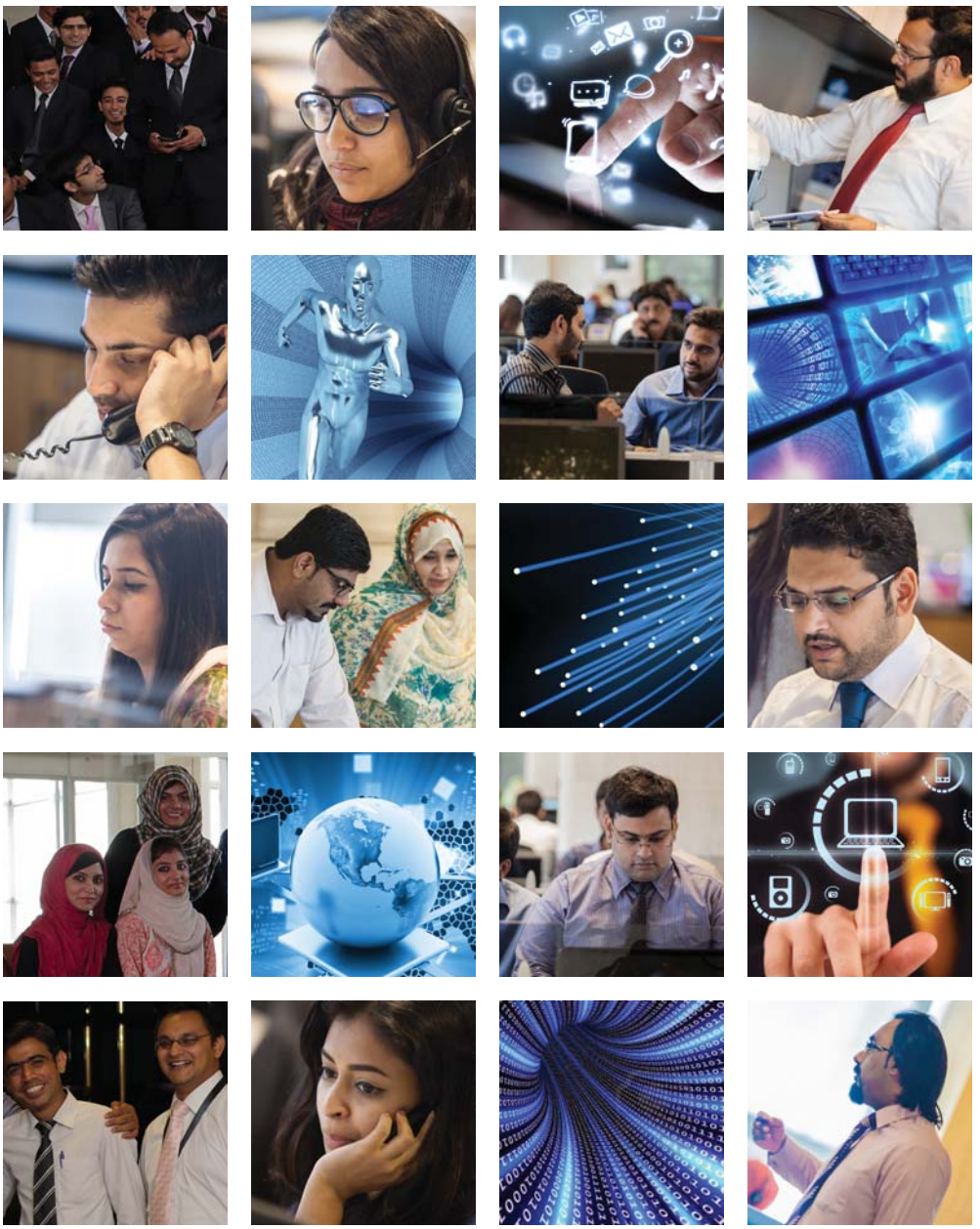


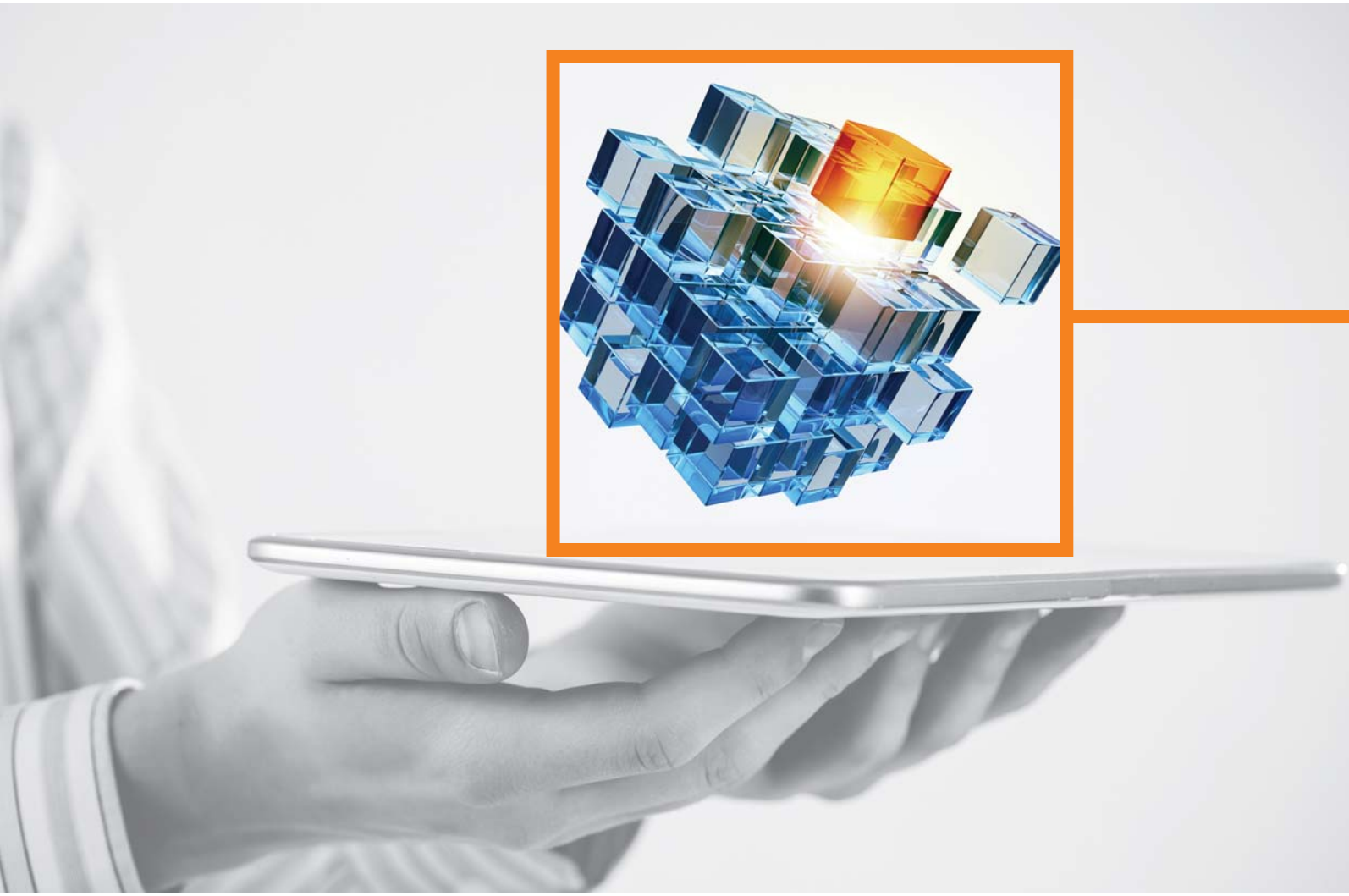





MISSION

To combine aggressive strategic marketing with efficient operational execution; providing incomparable service and product innovations to create sustainable value for our stakeholders.





SIMPLIFYING

The only insurer in Pakistan that gives customers the ability to lodge, and monitor progress of claims through a free to use mobile app, we ensure ease and convenience backed by innovation and technology like no other. Claims lodging in 60 seconds, processing in 45 minutes and settling claims in 7 days, coupled with a 24/7 helpline, TDI's innovative processes ensure we keep things simple and always available.



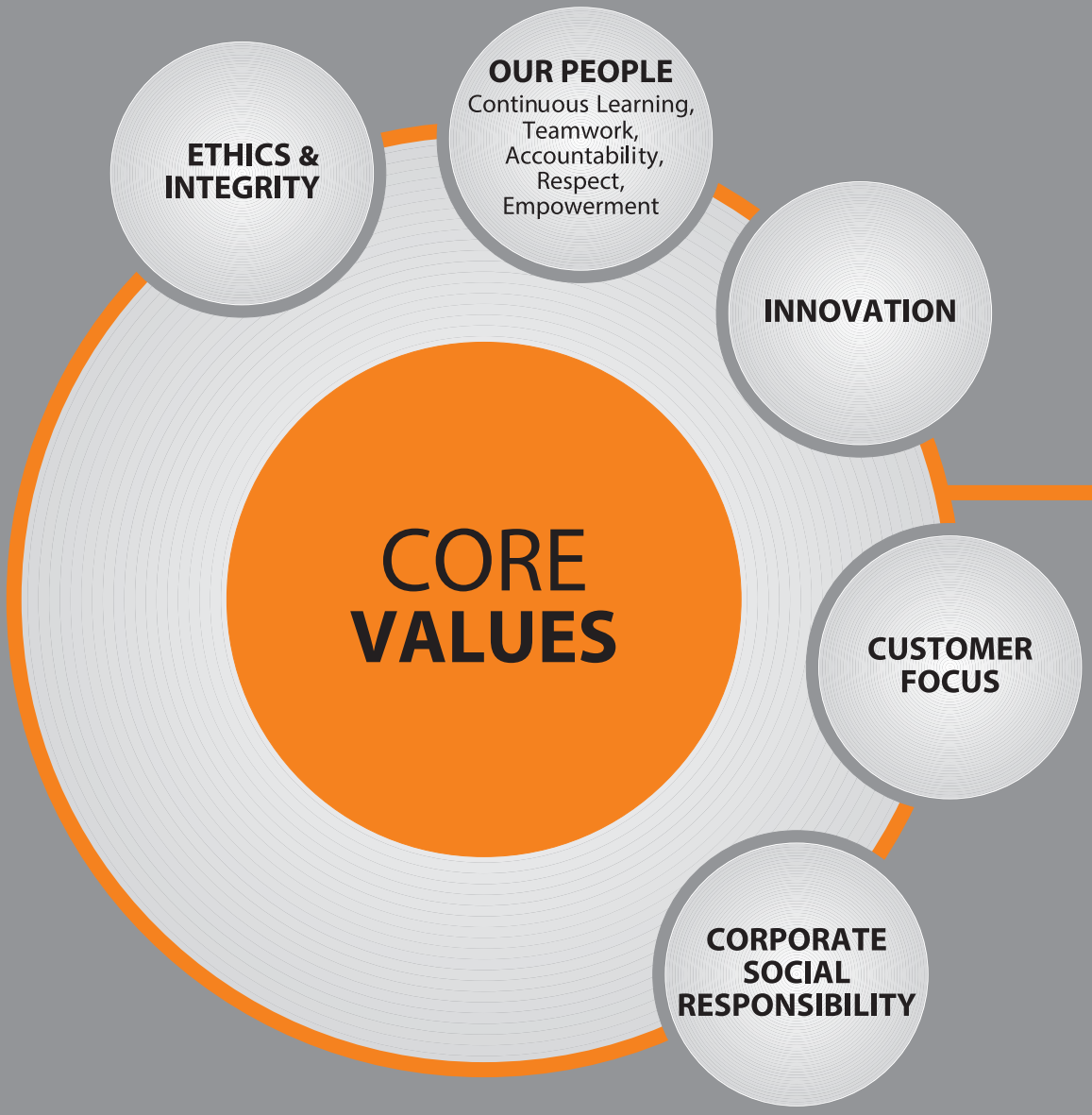
STRATEGIC **OBJECTIVE**

To ensure a hassle-free claim settlement expertise which exhibits speed, transparency, convenience and reliability to ensure high standards of customer relations whilst following a set of pragmatic core values which reflect in our attitudes, decisions and behaviours.



INTEGRATING

A powerful combination of the latest technology and the finest human capital enables us to create maximum value for our stakeholders. We are focused on investing in the development of our people and integrating technology to create innovative solutions that are quick, convenient and reliable.


OUR PEOPLE
Continuous Learning, Teamwork, Accountability, Respect, Empowerment
ETHICS & INTEGRITY
INNOVATION
CUSTOMER FOCUS
CORPORATE SOCIAL RESPONSIBILITY
CORE VALUES

CORE VALUES

Ethics & Integrity:
We conduct our business fairly with ethics & integrity being a cornerstone of everything what we do. We match our behaviours to our words and take responsibility for our actions.

Our People:
We are committed to the professional development and the personal growth of the employees. We strive to provide the highest quality services and continually challenge ourselves to be the best. We assume responsibility for our actions and conduct ourselves with the highest level of professionalism and personal integrity and treat others with respect. We foster productive relationships and work as a team to meet the organisation's goal.

Innovation:
We continue to seek ways to improve the way we do business for the betterment of our employees, customers and the organisation.

Customer Focus:
We are dedicated to meeting and exceeding our customer needs and honouring the commitment made to them.

Corporate Social Responsibility:
We are committed to behave ethically and to contribute economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.



DIVERSIFYING

TDI offers a wide range of personal lines and commercial lines products including coverage for Fire, Marine, Health, Auto, Home and Travel Insurance. Moreover, all these products are available through TPL Direct Insurance's Window Takaful Operations as well. We diversify products and services to maximise convenience for our customers.

GEOGRAPHICAL PRESENCE



ISLAMABAD

Branch Office Islamabad
Plot # 211, Street -07,
Sector I-9 /2, Industrial Area,
Islamabad.
UAN: 051.111.000.301
Fax: 051.4443793-5

LAHORE

Branch Office Lahore
51-M, Denim Road,
Quaid-e-Azam Industrial Estate,
Kot Lakhpat, Lahore.
UAN: 042.111.000.301
Fax: 042.35157233

FAISALABAD

Branch Office Faisalabad
P-6161, West Canal Road,
Faisalabad.
Tel: 041.8501471-3
Fax: 041.8501470

MULTAN

Branch Office Multan
H. No. 5, Suraj Miani Road,
Chungi No. 1 Multan.
UAN: 061.111.000.301
Fax: 061.4519391

HYDERABAD

Branch Office Hyderabad
A-8, District Council Complex,
Hyderabad.
Tel: 022.2728676
Fax: 022.2783154

KARACHI OFFICE

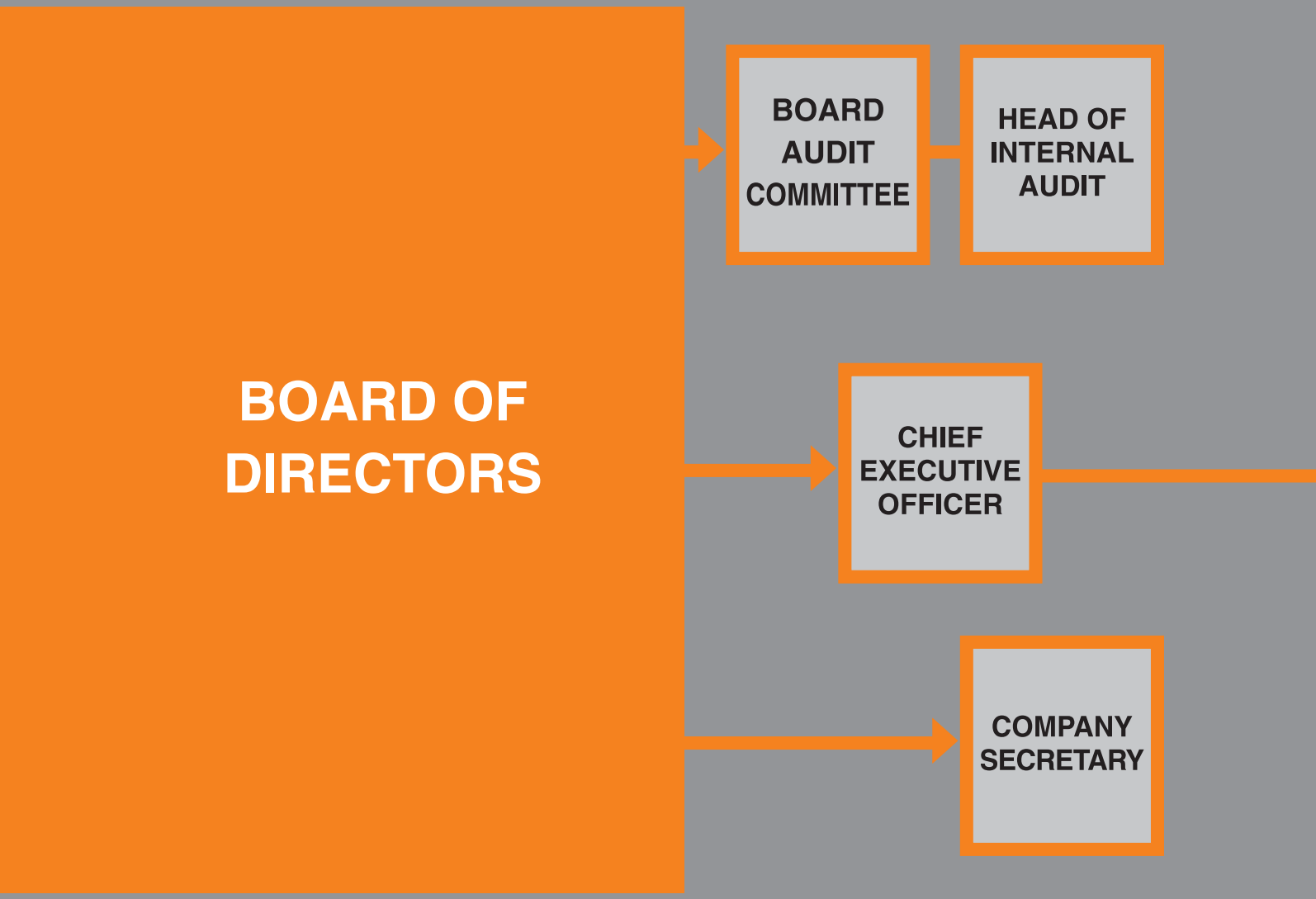
TPL Direct Insurace Ltd.
11 & 12 Floor, Centrepoint,
Off Shaheed-e-Millat Expressway,
Adjacent K.P.T. Interchange, Karachi-74900.
Tel: 021.37130223
Fax: 021.35316031-2
UAN: 021.111.000.301

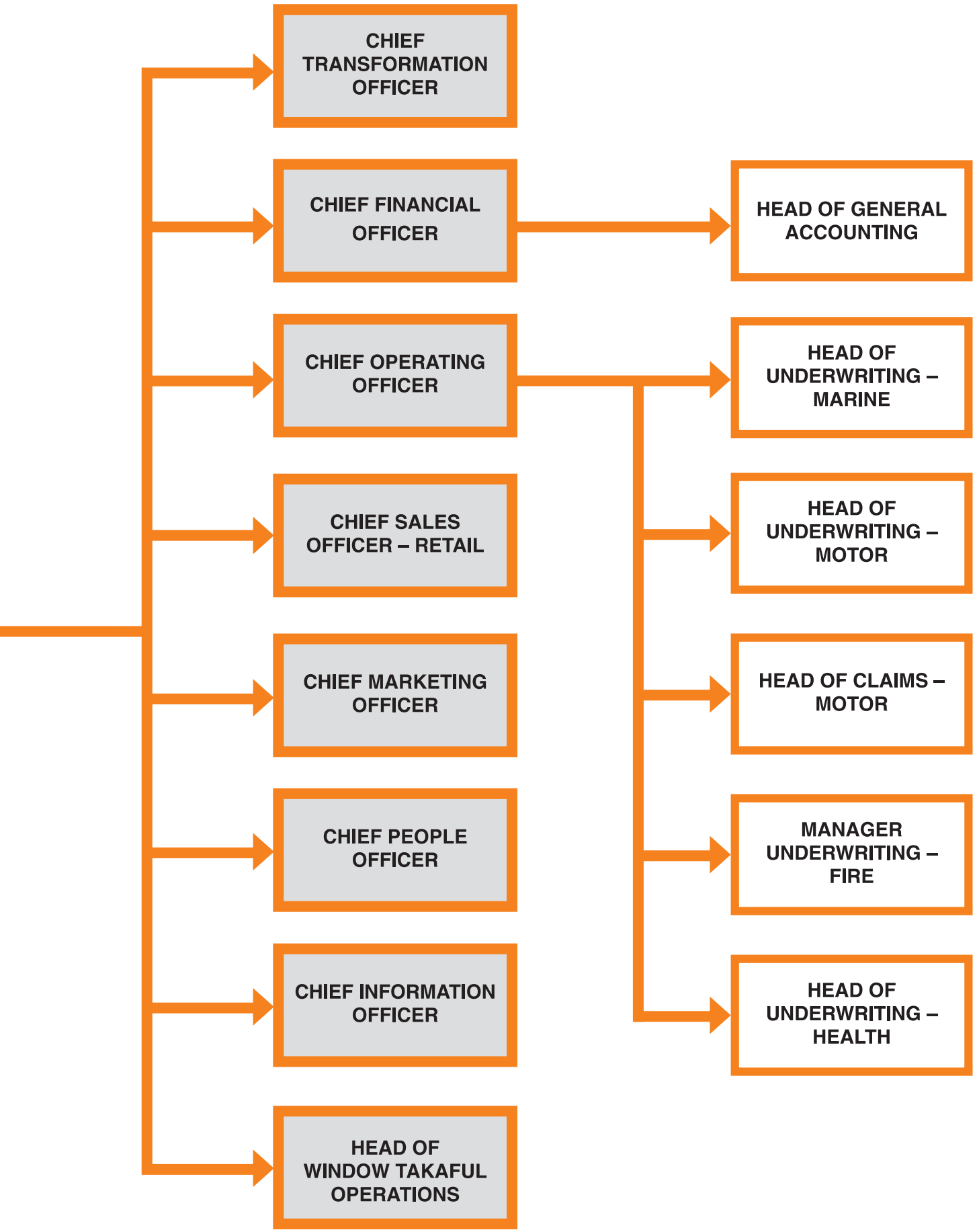


FACILITATING

TDI provides friendly and affordable policies for their customers' comfort and peace of mind. The facilitation starts from the first contact and becomes a long term relationship. At TDI, we value our customers the most and make sure that no stone is left unturned in providing each client the best experience and service. 'No Compromise' is our slogan when it comes to facilitating all our stakeholders.

ORGANISATIONAL STRUCTURE




CHIEF TRANSFORMATION OFFICER
CHIEF FINANCIAL OFFICER
HEAD OF GENERAL ACCOUNTING
CHIEF OPERATING OFFICER
HEAD OF UNDERWRITING – MARINE
CHIEF SALES OFFICER – RETAIL
HEAD OF UNDERWRITING – MOTOR
CHIEF MARKETING OFFICER
HEAD OF CLAIMS – MOTOR
CHIEF PEOPLE OFFICER
MANAGER UNDERWRITING – FIRE
CHIEF INFORMATION OFFICER
HEAD OF UNDERWRITING – HEALTH
HEAD OF WINDOW TAKAFUL OPERATIONS

COMPANY INFORMATION

BOARD OF DIRECTORS

Jameel Yusuf	Chairman
Ali Jameel	Director
Saad Nissar	Director / CEO
Andrew Borda	Director
Bilal Bin Zafar	Director
Waqar Ahmed Malik	Director
Syed Nadir Shah	Director

BOARD COMMITTEES

Audit Committee

Syed Nadir Shah	Chairman
Ali Jameel	Member
Andrew Borda	Member
Hashim Sadiq Ali	Secretary

Human Resources, Remuneration & Appointment Committee

Waqar Ahmed Malik	Chairman
Ali Jameel	Member
Andrew Borda	Member
Syed Nadir Shah	Member
Nader Nawaz	Secretary

Finance & Investment Committee

Ali Jameel	Chairman
Andrew Borda	Member
Jameel Yusuf	Member
Syed Kazim Hasan	Secretary

OPERATIONS COMMITTEES

Underwriting Committee

Saad Nissar	Chairman
Andrew Borda	Member
Syed Kazim Hasan	Member
Kamran M. Hanif	Member & Secretary

Claims Committee

Saad Nissar	Chairman
Syed Kazim Hasan	Member
Naveed Ahsan	Member & Secretary

Coinsurance & Reinsurance Committee

Saad Nissar	Chairman
Andrew Borda	Member
Naveed Ahsan	Member
Syed Kazim Hasan	Member
Kamran M. Hanif	Member & Secretary

COMPANY INFORMATION

BANKERS

Bank Al Habib Ltd.
Burj Bank Ltd.
Dubai Islamic Bank Ltd.
Faysal Bank Ltd.
Habib Bank Ltd.
Habib Metropolitan Bank Ltd.
JS Bank Ltd.
MCB Bank Ltd.
Meezan Bank Ltd.
National Bank of Pakistan
NIB Bank Ltd.
Tameer Micro Finance Bank Ltd.
United Bank Ltd.

AUDITORS

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road,
P.O. Box: 15541,
Karachi.

LEGAL ADVISOR

Lari & Co.
Maritime & Insurance Advocates

SHARE REGISTRAR

THK Associates (Pvt) Limited
2nd Floor, State Life Building-3
Dr. Ziauddin Ahmed Road,
Karachi-75530, Pakistan.
Tel: 021.35689021, 35686658
UAN: 021.111.000.322
Fax: 021.35655595

REGISTERED OFFICE

11th & 12th Floor, Centrepoint,
Off Shaheed-e-Millat Expressway,
Adjacent KPT Interchange Flyover,
Karachi, Postal Code: 74900
Fax: 021.35316031-2
UAN: 021.111.000.301
Office Tel: 021.37130227

WEB PRESENCE

www.tplinsurance.com

02

CEO'S **MESSAGE**



CEO'S MESSAGE

It gives me great pleasure to announce that TPL Direct Insurance Ltd. (TDI) has completed another year of substantial growth in CY15. Not only did TDI cross the 1.5 Billion Gross Written Premium mark in motor insurance but also continued churning a 35% growth rate.

There were two main drivers for our growth; further geographic expansion into Central and Northern region as well as consciously soliciting FIG business. Due to reduction in KIBOR, more and more customers are buying vehicles through Bank Finance (Conventional & Islamic) which presented a growing opportunity within the FIG business. Cash (retail) sales are dwindling with financing becoming the most preferred option so TDI got enlisted in 5 more banks increasing our total FIG base to 9 Banks from previous 4. Further, we ventured into Tier 2 Cities of Central & North regions further increasing our penetration, both for sales and better customer service. Our strategy is continually driven with an aggressive approach to sales, premium risk based pricing to ensure underwriting profits and most importantly, transparent and swift claim services that is the hallmark of TDI success. With law & order substantially improving in the country, I am most confident that we will see much better underwriting results going forward.

Other than motor insurance, our Micro Health Insurance segment increased significantly with TDI crossing the 10,000 policies per month mark in November and December 2015. This segment continues to show promise and with penetration into other distribution channels, we are poised to take this to the next level with innovation and delivery on promise. As for Commercial Line, TDI is completely ready with these products for CY16 and I look forward to a humble yet steady start for this line of products as well.

We are extremely optimistic about the future of Pakistan and TDI will ensure to strive forward with the same zeal and fervor as we have in the past. I look forward to developing our non-motor products even further to be ready for the next phase of our journey with the help of our extremely dedicated, supportive and hardworking teams. Our primacy is to create maximum value for our stakeholders, who have aided TDI tremendously with their support and loyalty.

SAAD NISSAR
CHIEF EXECUTIVE OFFICER

03

STAKEHOLDERS' **INFORMATION**

HORIZONTAL ANALYSIS

Balance Sheet	2015	2014	2013	2012	2011	2010
			Rupees in million			
Cash and bank deposits	640.6	8.9	108.3	17.8	22.1	4.7
Investments	101.4	49.9	153.2	149.3	163.1	33.8
Deferred tax	1.3	0.0	0.0	0.0	24.2	33.4
Premiums due but unpaid - unsecured	144.9	81.6	88.2	47.2	33.1	13.6
Amounts due from other insurers / reinsurers - unsecured	3.2	5.9	0.0	1.5	3.2	2.8
Accrued investment income	7.6	2.1	2.1	2.1	2.1	0.8
Reinsurance recoveries against outstanding claims	24.3	23.6	5.1	11.2	2.8	4.4
Deferred commission expense	59.6	80.3	57.4	32.6	24.2	21.4
Prepayments	290.8	351.7	356.6	279.9	216.5	128.2
Taxation - payments less provision	0.0	0.0	0.0	4.8	0.0	0.0
Sundry receivables and others	19.9	144.0	16.3	28.8	30.4	47.9
Loan to associated company	0.0	126.7	100.0	100.0	0.0	0.0
Fixed assets	384.7	308.7	169.1	120.2	106.3	112.1
Capital work in progress	0.0	4.8	19.1	47.9	147.9	161.0
Total Assets of general takaful operations	190.7	81.4	0.0	0.0	0.0	0.0
Total Assets	**1869.0**	**1269.7**	**1075.5**	**843.1**	**775.9**	**564.1**
Issued, subscribed and paid up share capital	893.8	452.3	452.3	452.3	452.3	310.0
Accumulated profits / (losses)	45.7	12.4	(13.5)	(65.0)	(84.7)	(114.5)
Total Shareholders' Equity	**939.6**	**464.8**	**438.8**	**387.3**	**367.6**	**195.5**
Provision for outstanding claims [including IBNR]	121.2	152.8	126.1	76.7	52.3	51.9
Provision for unearned premium	572.6	543.0	441.9	328.2	247.7	199.4
Commission income unearned	0.0	0.0	0.0	0.0	0.0	0.0
Premiums received in advance	1.8	2.2	2.5	2.3	2.3	2.9
Amounts due to other insurers / reinsurers	18.5	12.5	15.4	10.6	12.5	10.2
Deferred tax liability	0.0	15.1	7.3	3.4	0.0	0.0
Accrued expenses	6.0	2.0	3.8	2.6	2.3	2.1
Sundry creditors and others	95.4	46.9	30.1	32.0	89.7	57.6
Taxation - provision less payments	8.2	2.7	9.7	0.0	0.0	0.0
Short term finance	0.0	0.0	0.0	0.0	0.0	37.3
Obligation under finance lease	0.0	0.0	0.0	0.0	1.6	7.2
Total Liabilities of general takaful operations	105.7	27.5	0.0	0.0	0.0	0.0
Total Shareholders' Equity and Liabilities	**1869.0**	**1269.7**	**1075.5**	**843.1**	**775.9**	**564.1**

Profit and Loss Account	2015	2014	2013	2012	2011	2010
			Rupees in million			
Net premium revenue	1,129.3	1,042.9	733.5	619.9	453.6	331.3
Net claims	(531.8)	(527.0)	(314.2)	(253.9)	(171.3)	(141.9)
Expenses	(400.8)	(292.7)	(227.4)	(213.5)	(163.0)	(136.0)
Net commission	(141.8)	(145.4)	(78.3)	(65.0)	(46.4)	(35.7)
Underwriting results	**54.9**	**77.8**	**113.6**	**87.5**	**73.0**	**17.8**
Investment income	9.8	13.8	7.0	6.2	8.5	4.0
Profit on term deposits	30.3	-	-	-	-	-
Other income	100.3	79.4	67.3	76.4	33.2	15.5
Financial charges	(0.5)	(0.6)	(0.8)	(1.2)	(5.2)	(7.9)
General and administration expenses	(159.6)	(134.6)	(108.8)	(106.7)	(66.6)	(41.7)
Profit / (Loss) before tax	**35.2**	**35.7**	**78.4**	**62.2**	**42.8**	**(12.4)**
Profit before tax from Window Takaful Operations	10.4	3.2	-	-	-	-
Profit / (Loss) before tax for the year	**45.6**	**39.0**	**78.4**	**62.2**	**42.8**	**(12.4)**
Taxation	(12.3)	(13.0)	(26.8)	(19.5)	(13.0)	(5.6)
Profit / (Loss) after tax	**33.3**	**25.9**	**51.5**	**42.7**	**29.8**	**(18.0)**

VERTICAL ANALYSIS

Balance Sheet	2015	2014	2013	2012	2011	2010
Cash and bank deposits	34.3%	0.7%	10.1%	2.1%	2.8%	0.8%
Investments	5.4%	3.9%	14.2%	17.7%	21.0%	6.0%
Deferred tax	0.1%	0.0%	0.0%	0.0%	3.1%	5.9%
Premiums due but unpaid - unsecured	7.8%	6.4%	8.2%	5.6%	4.3%	2.4%
Amounts due from other insurers / reinsurers - unsecured	0.2%	0.5%	0.0%	0.2%	0.4%	0.5%
Accrued investment income	0.4%	0.2%	0.2%	0.3%	0.3%	0.1%
Reinsurance recoveries against outstanding claims	1.3%	1.9%	0.5%	1.3%	0.4%	0.8%
Deferred commission expense	3.2%	6.3%	5.3%	3.9%	3.1%	3.8%
Prepayments	15.6%	27.7%	33.2%	33.2%	27.9%	22.7%
Taxation - payments less provision	0.0%	0.0%	0.0%	0.6%	0.0%	0.0%
Sundry receivables and others	1.1%	11.3%	1.5%	3.4%	3.9%	8.5%
Loan to associated company	0.0%	10.0%	9.3%	11.9%	0.0%	0.0%
Fixed assets	20.6%	24.3%	15.7%	14.3%	13.7%	19.9%
Capital work in progress	0.0%	0.4%	1.8%	5.7%	19.1%	28.5%
Total Assets of general takaful operations	10.2%	6.4%	0.0%	0.0%	0.0%	0.0%
Total Assets	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Issued, subscribed and paid up share capital	47.8%	35.6%	42.1%	53.7%	58.3%	55.0%
Accumulated profits / (losses)	2.4%	1.0%	-1.3%	-7.7%	-10.9%	-20.3%
Total Shareholders' Equity	50.3%	36.6%	40.8%	45.9%	**47.4%**	**34.7%**
Provision for outstanding claims [including IBNR]	6.5%	12.0%	11.7%	9.1%	6.7%	9.2%
Provision for unearned premium	30.6%	42.8%	41.1%	38.9%	31.9%	35.4%
Commission income unearned	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Premiums received in advance	0.1%	0.2%	0.2%	0.3%	0.3%	0.5%
Amounts due to other insurers / reinsurers	1.0%	1.0%	1.4%	1.3%	1.6%	1.8%
Deferred tax liability	0.0%	1.2%	0.7%	0.4%	0.0%	0.0%
Accrued expenses	0.3%	0.2%	0.3%	0.3%	0.3%	0.4%
Sundry creditors and others	5.1%	3.7%	2.8%	3.8%	11.6%	10.2%
Taxation - provision less payments	0.4%	0.2%	0.9%	0.0%	0.0%	0.0%
Short term finance	0.0%	0.0%	0.0%	0.0%	0.0%	6.6%
Obligation under finance lease	0.0%	0.0%	0.0%	0.0%	0.2%	1.3%
Total Liabilities of general takaful operations	5.7%	2.2%	0.0%	0.0%	0.0%	0.0%
Total Shareholders' Equity and Liabilities	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Profit and Loss Account	2015	2014	2013	2012	2011	2010
Net premium revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net claims	-47.1%	-50.5%	-42.8%	-41.0%	-37.8%	-42.8%
Expenses	-35.5%	-28.1%	-31.0%	-34.5%	-35.9%	-41.0%
Net commission	-12.6%	-13.9%	-10.7%	-10.5%	-10.2%	-10.8%
Underwriting results	4.9%	7.5%	15.5%	14.1%	**16.1%**	**5.4%**
Investment income	0.9%	1.3%	1.0%	1.0%	1.9%	1.2%
Profit on term deposits	2.7%	0.0%	0.0%	0.0%	0.0%	0.0%
Other income	8.9%	7.6%	9.2%	12.3%	7.3%	4.7%
Financial charges	0.0%	-0.1%	-0.1%	-0.2%	-1.1%	-2.4%
General and administration expenses	-14.1%	-12.9%	-14.8%	-17.2%	-14.7%	-12.6%
Profit / (Loss) before tax	3.1%	3.4%	10.7%	10.0%	9.5%	-3.7%
Profit before tax from Window Takaful Operations	0.9%	0.3%	0.0%	0.0%	0.0%	0.0%
Profit / (Loss) before tax for the year	4.0%	3.7%	10.7%	10.0%	9.5%	-3.7%
Taxation	-1.1%	-1.2%	-3.7%	-3.1%	-2.9%	-1.7%
Profit / (Loss) after tax	**2.9%**	**2.5%**	**7.0%**	**6.9%**	**6.6%**	**-5.4%**

CASH FLOW ANALYSIS

	2015	2014	2013	2012	2011	2010
Operating activities						
(a) Underwriting activities						
Premiums received	1,109.5	1,162.3	829.0	692.4	484.2	417.0
Reinsurance premiums paid	(3.7)	(17.3)	(16.5)	(6.1)	(0.4)	(16.6)
Claims paid	(717.9)	(676.1)	(410.3)	(327.9)	(246.3)	(181.3)
Reinsurance and other recoveries received	153.8	157.2	151.6	90.0	77.0	54.6
Commission paid	(122.4)	(168.8)	(101.9)	(72.3)	(44.0)	(42.0)
Commission received	-	-	-	-	0.1	0.1
Net cash inflow from underwriting activities	419.4	457.3	452.0	376.0	270.6	231.7
(b) Other operating activities						
Income tax paid	(20.7)	(12.2)	(8.5)	(3.5)	(1.2)	(0.3)
General management expenses paid	(240.7)	(270.4)	(294.4)	(258.6)	(211.9)	(216.6)
Other operating receipts / (payments)	21.1	(11.1)	6.5	(58.5)	15.6	29.1
Loans advanced	(1.1)	(0.9)	(0.5)	(2.0)	(0.6)	(0.7)
Loans repayments received	0.9	0.6	1.1	1.5	0.5	0.3
Net cash outflow from other operating activities	(240.4)	(294.0)	(295.7)	(321.1)	(197.6)	(188.2)
Total cash inflow from all operating activities	178.9	163.4	156.3	54.8	73.0	43.6
Investment activities						
Payments for purchase of investments	(51.1)	-	(3.0)	(1.0)	(138.3)	(60.2)
Proceeds from disposal of investments	107.9	3.3	-	10.8	14.2	66.7
Loan advanced to associated company	-	(67.9)	-	-	-	-
Loans repayment received from associated company	126.7	41.2	-	-	-	-
Fixed capital expenditure	(177.2)	(182.8)	(31.8)	(55.9)	(42.5)	(52.7)
Advance given against CWIP	-	(18.1)	(40.4)	(1.6)	(61.9)	-
Advance against construction of office space refunded	-	-	-	-	75.0	-
Other receipts from investing activities	5.5	12.1	10.2	13.1	3.9	5.0
Total cash outflow from investing activities	11.8	(212.2)	(65.0)	(34.7)	(149.6)	(41.1)
Financing activities						
Issue of new shares	295.2	-	-	-	142.3	-
Financial charges paid	(0.5)	(0.6)	(0.8)	(1.0)	(4.5)	(6.3)
Payment to Operator Fund	-	(50.0)	-	-	-	-
Share premium	147.6	-	-	-	-	-
Share issue cost	(1.2)	-	-	-	-	-
Payments on finance leases	-	-	-	(0.5)	(6.1)	(6.1)
Dividend	-	-	-	(23.0)	-	-
Total cash inflow / (outflow) from financing activities	441.0	(50.6)	(0.8)	(24.5)	131.7	(12.4)
Net cash inflow / (outflow) from all activities	631.7	(99.4)	90.6	(4.3)	55.1	(10.0)
Cash and cash equivalent at beginning of the year	8.9	108.3	17.8	22.1	(33.0)	(23.1)
Cash and cash equivalent at end of the year	640.6	8.9	108.3	17.8	22.1	(33.0)

RATIO ANALYSIS

	2015	2014	2013	2012	2011	2010
Profitability Ratios						
Return on Assets	1.8%	2.0%	4.8%	5.1%	3.8%	-3.2%
Return on Equity	3.5%	5.6%	11.7%	11.0%	8.1%	-9.2%
Underwriting Margin	4.9%	7.5%	15.5%	14.1%	16.1%	5.4%
Net profit Margin	2.9%	2.5%	7.0%	6.9%	6.6%	-5.4%
EBITDA Margin	13.6%	10.9%	17.6%	18.0%	21.1%	13.3%
Return on Capital Employed	3.0%	3.9%	8.9%	8.8%	7.8%	-1.1%
Liquidity Ratios						
Current ratio	4.89	3.68	3.66	4.04	1.98	1.22
Cash to Current Liabilities	280.5%	31.8%	58.6%	14.6%	14.1%	2.9%
Cashflow from Operations Margin	15.8%	15.7%	21.3%	8.8%	16.1%	13.2%
Activity / Turnover Ratios						
Asset Turnover Ratio	60.4%	82.1%	68.2%	73.5%	58.5%	58.7%
No. Of days in Premium Receivable	47	29	44	28	27	15
Fixed Asset Turnover	34%	30%	23%	19%	23%	34%
No. Of days in Claim Settlement	64	79	100	79	77	95
Investment Valuation Ratios						
Break-up value per share	12.4	10.1	9.5	8.4	8.0	6.3
Earning per share	0.5	0.5	1.1	0.9	0.8	-0.6
Capital Structure Ratio						
Debt Equity Ratio	0.0%	0.0%	0.0%	0.0%	0.4%	22.8%

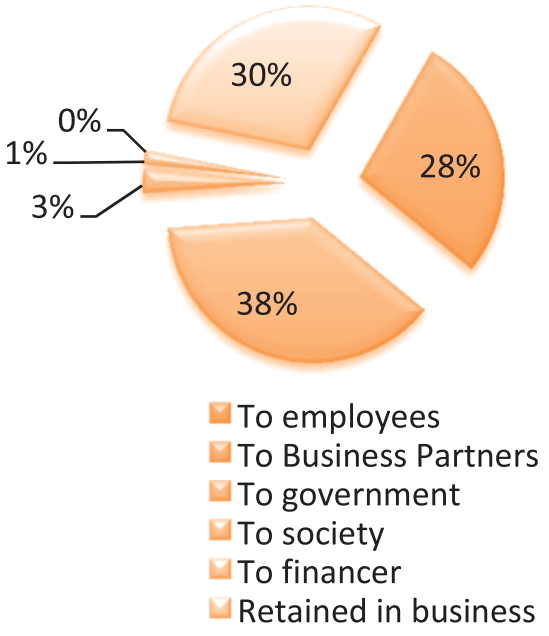
STATEMENT OF VALUE ADDITION

STATEMENT OF VALUE ADDITION AND ITS DISTRIBUTION

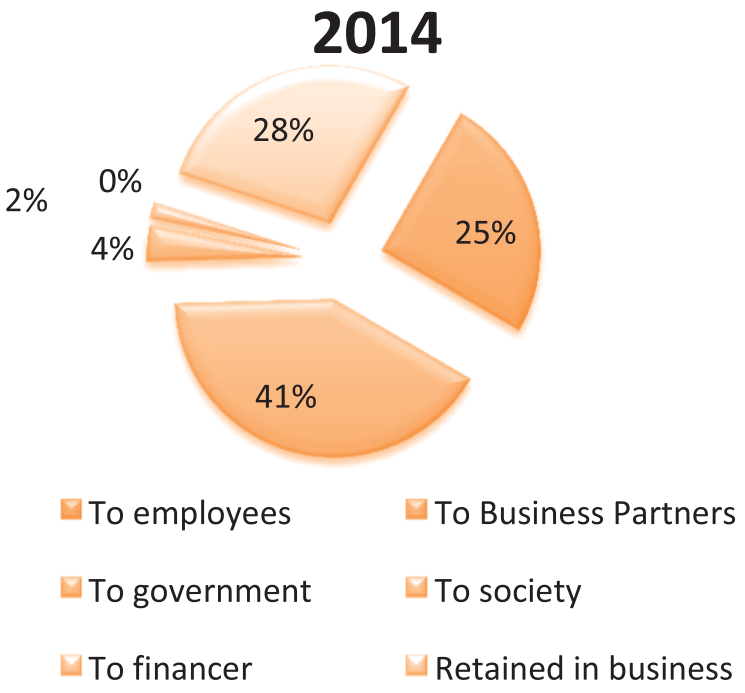
	2015		2014	
WEALTH GENERATED	Rupees	%	Rupees	%
Net premium earned	1,131,292,652		1,048,240,643	
Wakala fee earned	129,711,178		5,259,667	
Investment and other income	147,587,127		94,980,709	
	1,408,590,957		1,148,481,019	
Management and other expenses	(942,405,134)		(793,433,779)	
	466,185,823	100.0%	355,047,240	100.0%
WEALTH DISTRIBUTED				
To employees	128,617,087	27.6%	88,989,531	25.1%
To Business Partners	176,976,326	38.0%	146,183,943	41.2%
To government	12,343,013	2.6%	13,021,263	3.7%
To society	7,398,992	1.6%	5,991,817	1.7%
To financer	566,185	0.1%	566,783	0.2%
To shareholders				
Cash dividend	-	0.0%	-	0.0%
Retained in business				
Depreciation and amortization	107,006,627	23.0%	74,363,377	20.9%
Retained profit / loss	33,277,593	7.1%	25,930,526	7.3%
	140,284,220	30.1%	100,293,903	28.2%
	466,185,823	100.0%	355,047,240	100.0%

STATEMENT OF VALUE ADDITION

2015



2014



04

CORPORATE GOVERNANCE

PROFILE OF DIRECTORS



JAMEEL YUSUF
Chairman

Mr. Jameel Yusuf Ahmed is a businessman and is the Chairman of TPL Holdings. He was the founder chairman of Citizen-Police Liaison Committee (CPLC), and remained its chairman from September 1989 to March 2003. He is also the Director of Asia Crime Prevention Foundation (ACPF) and is the founding trustee of "PANAH" a shelter home established for women in distress. Mr. Yusuf is also a member of Advisory Council Fellowship Fund for Pakistan (FFFP), Woodrow Wilson International Centre for Scholars (WWC) since 2004. He was awarded Presidential Award "Sitar-e-Shujaat" for gallantry services in August 1992 and was also nominated for the First United Nations Vienna Civil Society Award in 1999.

ALI JAMEEL
Director



Mr. Ali Jameel is the CEO of TPL Trakker Ltd. - Pakistan's first vehicle tracking Company. He is also the director of TRG Pakistan Ltd. Formerly Mr. Jameel was the Chief Executive of Jahangir Siddiqui Investment Bank. He has also held several advisory posts in Board of Investment, Economic Advisory Council, the Pakistan's information technology and telecommunication sectors, including appointments on the task Force on Telecom Deregulation, the Fiscal Incentive Group on the IT Commission and the Task Force on Venture Capital. Mr. Jameel received his B.Sc. degree in Economics from the London School of Economics. He is also an Associate Member of the Institute of Chartered Accountants in England & Wales and qualified in 1994 at KPMG Peat Marwick in London.



SAAD NISSAR
Director

Mr. Nissar is an experienced marketing professional. He joined TPL Trakker Limited in the year 2000 at its inception as "National Sales Manager".
Mr. Nissar has been instrumental in setting up and executing the retail network nationwide, successful packaging and promotion of fleet management and portfolio management services in the corporate sector and Financial Institution Group (FIG) of Pakistan respectively.
Mr. Nissar was appointed as Director of TDI effective July 2005 and consequently he assumed the role of Chief Executive Officer. TDI has won “Brand of the Year Award” for six consecutive years under his leadership.
Mr. Nissar holds an MBA degree from the Institute of Business Administration.



ANDREW BORDA
Director

Mr. Andrew Borda is a Nominee Director of Greenoaks Global Holdings Ltd. and has received a Bachelor's of Arts (B.A.) degree from Washington and Lee University, Virginia, United States and a Master's of Science (M.S) degree from Graduate Institute of International and Development Studies, Geneva, Switzerland. Currently, Mr. Borda holds a Managing Partner position at Greenoaks Global Operations Ltd. (London) since September 2013. Prior to this, Mr. Borda was the Vice President at Swiss Re (Zurich Switzerland, London U.K. and New York U.S.A) from 2011 to 2013 and a Senior Associate at McKinsey & Company for 3 years from 2008 to 2011 in Geneva and Zurich, Switzerland.



SYED NADIR SHAH
Director

Syed Nadir Shah is an experienced professional who has served at ANZ Banking Group, Grindlays Bank Ltd., Jardine Fleming Pakistan, World Tel (MECA), Infinity Global Telecom and Energy Saving Solution Ltd. Mr. Shah holds a BA Degree in Economics and a BBA Degree in the Finance major. Mr. Shah is serving as the Chairman of the Audit Committee and as a member in the Human Resources & Remuneration Committee of TPL Direct Insurance Limited. His valuable inputs have made it possible to achieve the highest standards in the audit and HR functions. At present, he is also holding positions of directorship in Fauji Akbar Portia Terminals (Pvt.) Limited, Meskay & Famtee Trading Co. (Pvt.) Limited and Princely Jets Private Limited.

BILAL BIN ZAFAR
Director



Mr. Bilal Bin Zafar is an experienced insurance and reinsurance professional, with several years of experience in the industry. He is a Director at GGH Ltd., UK. Prior to that, Mr. Zafar served as Vice President at Swiss Re, one of the largest reinsurance companies in the world, working in underwriting, actuarial and business development roles. He is a co founder of SBZtech, a technology firm based in Switzerland. During his career he has worked in Switzerland, Malaysia, US and the UK.

Mr. Zafar holds degrees in Economics from the University of Geneva, Switzerland, and in Business IT from Curtin University of Technology, Australia. He is a qualified Associate of the Chartered Insurance Institute (ACII) and Chartered Insurer.



WAQAR AHMED MALIK
Director

Mr. Malik joined the Board of TPL Direct Insurance Limited on 20th April 2015 as a non-executive independent director and is also the chairman of the Board's sub-committee on Human Resource, Remuneration and Appointments Committee.

A fellow of The Institute of Chartered Accountants in England and Wales, an Alumnus of the Harvard Business School and INSEAD, he is a specialist in Strategy, Corporate/Business leadership and Board Governance.

Mr. Malik's professional career spanned over 27 years with Fortune 500 companies, with opportunity to work in Europe and the Americas. He was also the Country Head of ICI PLC's operations in Pakistan, the largest foreign investment at that time. His other current engagements are as the Board Member & Chairman of Pakistan Petroleum Limited; Board Member, ENGRO Corporation Limited; Advisory Board, Institute of Business Administration; Board Member, British Business Centre; and Trustee, i-Care Foundation; Member, Board of Investment, Pakistan.

PRINCIPAL BOARD COMMITTEES

Audit Committee

Syed Nadir Shah	Chairman	Quarterly
Ali Jameel	Member	
Andrew Borda	Member	
Hashim Sadiq Ali	Secretary	

Human Resources & Remuneration Committee

Waqar Ahmed Malik	Chairman	Bi-Annually
Ali Jameel	Member	
Andrew Borda	Member	
Syed Nadir Shah	Member	
Nader Nawaz	Secretary	

Finance & Investment Committee

Ali Jameel	Chairman	Frequently on need basis
Jameel Yusuf	Member	
Andrew Borda	Member	
Syed Kazim Hasan	Secretary	

DIRECTORS' REPORT

On behalf of the Board of Directors of TPL Direct Insurance Limited, I am pleased to present the annual report of the Company for the year ended 31 December 2015.

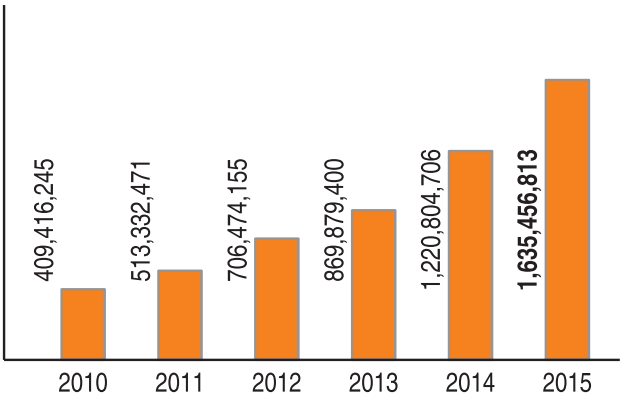
ECONOMIC OUTLOOK

The national economy concluded its calendar year 2015 with notable signs of improvement. The economy registered a growth of 4.2% and average headline inflation at 2.5% mainly due to declining international crude oil prices resultantly decreasing the fiscal deficit. The policy rate has been reduced to historic low of 6% from 10% during the calendar year 2015. Car sales grew by 31% during last fiscal year with automobile manufacturers launching new models and using policy rate cuts to their advantage. With persistent decline in international commodity prices, progress on structural reforms, stable political and security situation, and tangible development on CPEC related projects, the economy is expected to remain stable.

BUSINESS REVIEW

Gross Written Premium

Our growth in recent years has been strong, with gross written premium increasing by 34% in 2015 to Rs. 1,635.5 million. The premium includes contributions written by window takaful operations of the company which amounts to Rs. 464.2 million.



YEAR	GROSS WRITTEN PREMIUM	GROWTH %
2010	409,416,245	41%
2011	513,332,471	25%
2012	706,474,155	38%
2013	869,879,400	23%
2014	1,220,804,706*	40%
2015	1,635,456,813*	34%

* includes window takaful contributions amounting to Rs. 464.2 million (2014: Rs. 64.8 million)

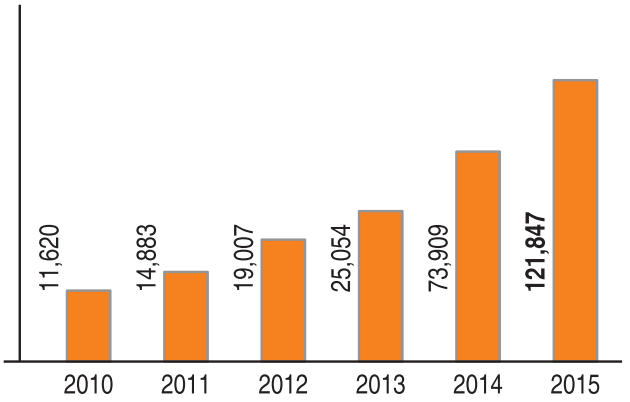
We have cemented our position in the insurance industry and are now amongst the top players with third position in motor insurance as of 30 September 2015.

The healthy growth of TDI is built around the customer's confidence in the company as it upholds its motto of providing equitable premium rates, recording claims in 60 seconds, claims processing in 45 minutes and settlement of total loss and theft claims in 7 days. This translated in 2015 to a strong renewal rate as well as 29% increase in new business, mostly driven by the expansion strategy in the Northern region and consolidating relationships with banks.

Our portfolio largely remained focused on motor insurance business (about 96% of gross written premium), while other lines of business (health, home and travel) remains at early stages, although promising significant growth. Subsequent to year end, the company has launched Fire and Marine segment and it is expected that the same will eventually develop in to main stream business for the Company.

YEAR	NUMBER OF POLICIES	GROWTH %
2010	11,620	32%
2011	14,883	28%
2012	19,007	28%
2013	25,054	32%
2014	73,909*	195%
2015	121,847*	65%

* including 85,152 (2014: 44,945) health policies



Window Takaful Operations

The Company launched its Window Takaful Operations (WTO) in September 2014 and has completed its first full year of operation. The Company managed to underwrite contributions amounting to Rs. 464.2 million against Rs. 64.8 million during last year. The consolidated assets of operator fund and participant takaful fund amounts to Rs. 458.1 million.

WTO, with the assistance of its Shariah Advisor and Shariah Compliance Officer, launched health takaful during the year which is expected to penetrate in retail and micro segments. Launching additional line of business in WTO will allow us to expand into new solutions, addressing explicit requests from a number of clients and business partners and further developing the market.

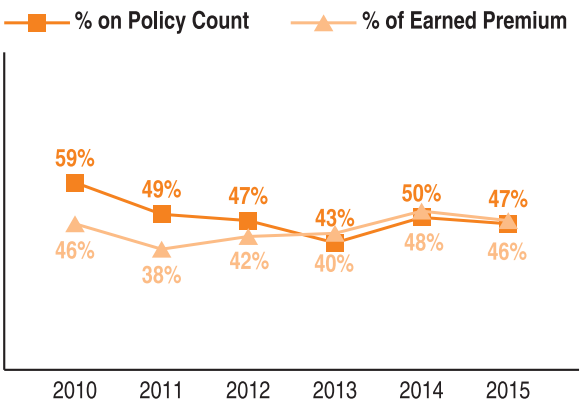
The participant takaful fund registered a loss of Rs. 53.2 million; due to competitive pricing, higher claims ratio and mandatory tracking on business underwritten through banks. WTO is focusing on penetration in the retail segment, improvement in pricing of bank business along with launch of profitable corporate lines of business. It is projected that participant takaful fund will break even in the next couple of years.

Claims Analysis

In 2015, the Company managed to improve its motor claims severity by putting effective controls under partial damage claims and improved theft claims resulted in overall reduction of motor claims to 47% from 50% last year.

We aim to further enhance the efficiency in the settlement of claims which is a fundamental driver of success, both for the policyholders as well as for its shareholders.

YEARLY CLAIMS INCURRED		
YEAR	% ON POLICY COUNT	% OF EARNED PREMIUM
2010	59%	46%
2011	49%	38%
2012	47%	42%
2013	40%	43%
2014	48%	50%
2015	46%	47%



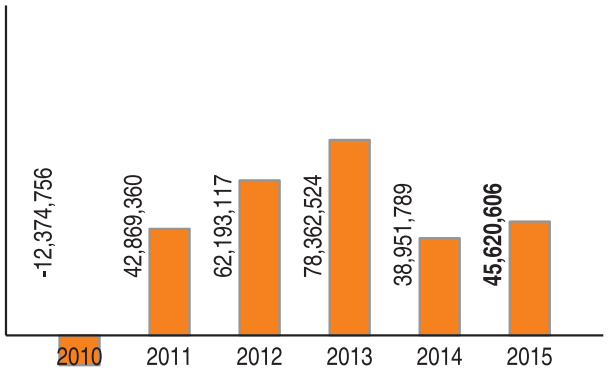
Reinsurance

For 2015/2016, our Fire and Marine underwriting is backed by leading international reinsurers i.e. Swiss Re. The general accident treaty including Motor account is under the lead of "A" rated Hannover Re followed by Trust Re and Pakistan Reinsurance Company Limited. Likewise our lead re-takaful operator is Hannover Re followed by GIC Re.

FINANCIAL REVIEW

Profitability And Growth

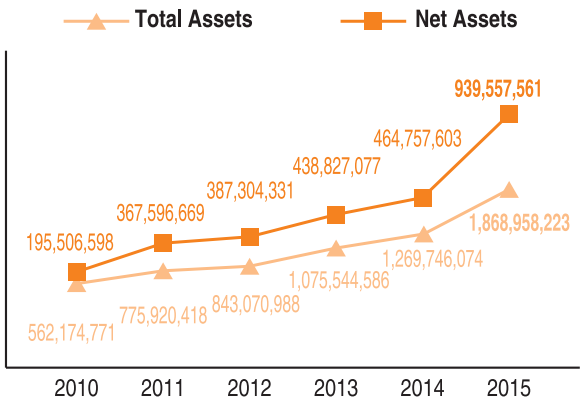
The Company has recorded a pre-tax profit of Rs. 45.62 million (2014: Rs. 38.95 million), including profit from operator fund of Rs. 10.4 million (2014: 3.2 million). The loss from participant takaful fund of Rs. 53.2 million (2014: 3.9 million) is not included in the profit of the Company as per SECP's circular 25 of 2015. The pre-tax and post-tax basic earnings per share are Rs. 0.65 and Rs. 0.47 respectively (2014: Rs. 0.74 and Rs. 0.50).



YEAR	PROFIT / (LOSS) BEFORE TAX
2010	(12,374,756)
2011	42,869,360
2012	62,193,117
2013	78,362,524
2014	38,951,789
2015	45,620,606

We have plans to continue growing the company's premium base as well as significantly increasing profitability to achieve higher returns for our shareholders. Premium growth initiatives include further expansions on the existing products and segments (motor, micro-health, window takaful operations) as well as the expansion into corporate lines of business of fire and marine segment.

The Company has improved its assets base over the years and has cemented a strong platform to launch new and value added insurance products in the market.



YEAR	TOTAL ASSETS	NET ASSETS
2010	562,174,771	195,506,598
2011	775,920,418	367,596,669
2012	843,070,988	387,304,331
2013	1,075,544,586	438,827,077
2014	1,269,746,074	464,757,603
2015	1,868,958,223*	939,557,561

* assets amounting to Rs. 300.96 million pertaining to participant takaful fund are not included in total assets of the company.

Investments

As at 31 December 2015, investments made by the Company stands at Rs. 100.93 million (2014: Rs. 49.94 million) which mainly comprise of investments in government securities amounting to Rs. 99.55 million (2014: Rs. 48.47 million). The aggregate market value of these investments is Rs. 111.92 million (2014: Rs. 56.78 million).

Cash & Bank Deposits

The cash and bank deposits stand at Rs.640.6m compared to Rs.8.9m of 2014. The increased liquidity is mainly ascribed to capital injection by way of Rights Shares to the tune of Rs.442m and repayment of loans by associated company by Rs.127m. The amount of Rs.624m is placed under short term bank deposits.

Dividend

We, the Board of Directors, recommend to hold the profit for the year as retained earnings and to invest in structural improvements and new innovative products to enhance future profitability of the Company.

Right Issue

During the year, the shareholders of the Company, in Extra Ordinary General Meeting held on 27 February 2015, approved the issuance of shares without rights to Greenoaks Global Holdings Ltd (GGH) under section 86(1) of the Companies Ordinance, 1984. The said issuance represented 29,515,899 ordinary shares of the Company at a share price of Rs. 15 per share. The issuance raised the shareholding of GGH to 69% in the Company and the equity of the Company rose over Rs. 900 million.

CREDIT RATING

The Pakistan Credit Rating Agency Ltd (PACRA) has maintained the credit rating of the Company to "A" with a stable outlook.

KEY FINANCIALDATA FOR THE LAST SIX YEARS

(Rs. in millions)

Balance Sheet	2015	2014	2013	2012	2011	2010
Paid up share capital	893.84	452.31	452.31	452.31	452.31	310
Accumulated losses / Unappropriated profits	45.72	12.44	(13.49)	(65)	(84.66)	(114.49)
Total Equity	**939.56**	**464.76**	**438.83**	**387.31**	**367.65**	**195.51**
Investments	101.35	49.94	153.24	149.27	163.11	33.85
Fixed assets	384.71	308.70	169.09	120.16	106.35	112.07
Capital work in progress	0.00	4.84	19.05	47.89	147.93	161
Cash and bank deposits	640.65	8.95	108.35	17.77	22.06	4.66
Other assets	551.57	815.91	625.82	507.98	336.52	252.51
Total assets of General Takaful Operations - OF	190.68	81.40	-	-	-	-
Total Assets	**1,868.96**	**1,269.75**	**1,075.54**	**843.07**	**775.98**	**564.08**
Underwriting liabilities	693.85	695.88	568	418.84	314.78	264.37
Short term finance	-	-	-	-	-	37.27
Other liabilities	129.86	81.57	68.72	36.9	93.54	66.93
Total liabilities of General Takaful Operations - OF	105.69	27.54	-	-	-	-
Total Liabilities	**929.40**	**804.99**	**636.72**	**455.74**	**408.32**	**368.58**
Profit and Loss	2015	2014	2013	2012	2011	2010
Gross premium written	1,171.26	1,155.95	869.88	706.48	513.33	409.42
Net premium revenue	1,129.28	1,042.93	733.46	619.85	453.63	331.29
Underwriting expenses	(1,074.40)	(965.12)	(619.88)	(532.39)	(380.68)	(313.48)
Underwriting results	54.88	77.80	113.58	87.46	72.96	17.82
Investment income and other income	140.49	93.13	74.34	82.63	41.74	19.48
Administrative and other expenses	(160.14)	(135.19)	(109.56)	(107.89)	(71.82)	(49.67)
Profit / (Loss) before tax from General Insurance Operations	35.23	35.74	78.36	62.19	42.87	(12.37)
Profit before tax from Window Takaful Operations	10.39	3.21	-	-	-	-
Profit / (Loss) before tax for the year	45.62	38.95	-	-	-	-
Profit / (Loss) after tax	**33.28**	**25.93**	**51.52**	**42.71**	**29.83**	**(18.01)**

Auditors

M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants retire and offer themselves for reappointment. The Board of Directors has recommended their appointment as auditors for the year ending 31 December 2016, at a fee to be mutually agreed.

Related Party Transactions

The related party transactions were placed before the Board of Audit Committee and approved by the Board. These transactions were in line with the International Financial Reports Standards and the Companies Ordinance, 1984.

Corporate Social Responsibility

We believe that company must contribute to the welfare of the society at large. In this direction we have strong ethical framework to address issues of the community by actively engaging in programmes predominently under education and health. Our spending on social projects is about Rs.7.3m that includes participation in various programs of Patients Aid Foundation, Karwan e Hayat, Institute of Business Administration, The Layton Rehmatullah Benevolent Trust, Koohi Goth Hospital, The Aga Khan Univeristy, APWA, Society for Preventiion & Cure of Blindness, Hussaini Haemotology & Oncology Trust, The Pakpur Foundation, Sada Foundation and Poor Patients Aid Society.

Statement on Corporate and Financial Reporting Framework

The Board is fully aware of its corporate responsibilities as envisaged under the Code of Corporate Governance, prescribed by the Securities and Exchange Commission of Pakistan and is pleased to certify that:

- The financial statements prepared by the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- The Company has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, International Financial Reporting Standard and other regulations (including but not limited to the Shariah guidelines /principles) as applicable in Pakistan, have been followed in the preparation of the financial statements and any departure there from have been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- The fundamentals of the Company are strong and there are no doubts about Company's ability to continue as a going concern.

- The Company has followed the best practices of the Corporate Governance and there has been no material departure there from.
- Key operating and financial data for the last six years in summarized form, is included in this annual report.
- No significant deviations from last year's operating results have been noted apart from deficit in participant takaful fund which is explained in this report.
- Statutory payments on account of taxes, duties, levies and charges outstanding are in the normal course of business
- The board has ensured trainings for its directors; five directors of the Company have attended the directors' training program whereas one director is exempt from the aforesaid training in compliance with the Code of Corporate Governance.
- The value of investments including accrued income of provident fund on the basis of unaudited accounts of the provident fund as on 30 June 2015 is Rs. 20.68 million.

Insurance Ordinance 2000

As required under the Insurance Ordinance 2000 and rules framed there under, the Directors confirm that:

• In their opinion and to the best of their belief, the annual statutory accounts of the Company set out in the forms attached with this statement have been drawn up in accordance with Insurance Ordinance 2000 and rules made there under.

• The Company has at all times in the year complied with the provisions of the Ordinance and the rules made there under relating to the paid up capital, solvency and reinsurance arrangements; and as at the date of the statement, it continues to be in compliance with the provisions of the Ordinance and rules framed there under as mentioned above.

Code of Conduct

The Company ensures that all its activities are carried out in a transparent manner strictly following the code of business ethics with zero tolerance.

Pattern of Share - Holding

A statement of pattern of share-holding of the Company as at 31 December 2015 is as follows:

Shareholder's Category	Number of Shares Held	Percentage of Shareholding
Holding company – Greenoaks Global Holdings Ltd - UK	52,196,397	69.12%
Associated companies	18,966,114	25.12%
Directors, their spouses and minor children	222,502	0.29%
Banks, DFIs and NBFIs	1,157,378	1.53%
Modarabas and mutual funds	897,652	1.19%
Others	2,075,856	2.75%
Total	**75,515,899**	**100%**

Trading in Company's Shares

No trading in Company's share was done by the directors during the year other than for qualification shares to become director of the Company. The returns under section 222 of the Companies Ordinance 1984 were submitted in this regard within stipulated time. A statement showing the pattern of shareholding is attached with this report.

Board Meetings

The Board of Directors held six meetings in 2015. Attendance of Directors is indicated below:

Name of Director	Meetings Attended
Mr. Jameel Yusuf	6
Mr. Ali Jameel	6
Mr. Andrew Borda	5
Mr. Bilal Bin Zafar***	1
Mr. Waqar Malik	2
Syed Nadir Shah	6
Mr. Saad Nissar	6
Mr. Adil Matcheswala*	3
Syed Kazim Hasan**	1
Mr. Romain Dequesne**	3

* completed the term of directorship
** resigned during the year
*** filled casual vacancy during the year

Future Outlook

Given the sound economic progress in the country coupled with the US$45b CPEC project, the outlook is promising for the insurance industry. By leveraging our strength on service and claims settlement, the compelling distribution channels, and robust product development, we believe we can deliver significant growth and seize business opportunities across all classes of non-life business. By prudent underwriting, equitable and economic claims settlement and effective treasury management will carve higher profitability of the company.

Acknowledgement

We would like to thank the shareholders of the Company for the confidence they have reflected in us. We also appreciate the valued support and guidance provided by the Pakistan Stock Exchange, Federal Board of Revenue, Provincial Revenue Authorities, Central Depository Company and Securities and Exchange Commission of Pakistan over time. We would also express our sincere thanks to the employees, strategic partners, vendors, bankers and customers for their support in pursuit of our corporate objectives.

CATEGORY OF SHAREHOLDING

As on 31 December 2015

Shareholder's Category	No. of Shareholders	Number of Shares Held	Percentage of Shareholding
HOLDING COMPANY/ ASSOCIATED COMPANIES/UNDERTAKINGS AND RELATED PARTIES			
Greenoaks Global Holdings	1	52,196,397	69.1197%
TPL Trakker Limited	1	18,419,000	24.3909%
TPL Holdings (Pvt.) Limited	1	547,114	0.7245%
DIRECTORS, THEIR SPOUSES AND MINOR CHILDREN			
Mr. Saad Nissar	1	220,000	0.2913%
Mr. Jameel Yusuf	1	500	0.0007%
Mr. Ali Jameel	1	500	0.0007%
Mr. Andrew Borda	1	1	0.0000%
Mr. Syed Nadir Shah	1	500	0.0007%
Mr. Bilal Bin Zafar	1	500	0.0007%
Mr. Waqar Ahmed Malik	1	500	0.0007%
BANKS, DFIS AND NBFIS, MODARABA ETC			
National Bank of Pakistan	1	1,157,378	1.5326%
MUTUAL FUNDS			
Golden Arrow Selected Stocks Fund Limited	1	301,686	0.3995%
CDC - Trustee PICIC Investment Fund	1	153,708	0.2035%
CDC - Trustee PICIC Growth Fund	1	321,388	0.4256%
CDC - Trustee AKD Opportunity Fund	1	64,976	0.0860%
CDC - Trustee PICIC Stock Fund	1	55,894	0.0740%
MORE THAN 5% VOTING RIGHTS			
Greenoaks Global Holdings	1	52,196,397	69.1197%
TPL Trakker Limited	1	18,419,000	24.3909%

PATTERN OF SHAREHOLDING

As on 31 December 2015

NO. OF SHAREHOLDERS	FROM	TO	SHARES HELD	PERCENTAGE %
184	1	100	1,443	0.0019
115	101	500	53,408	0.0707
68	501	1,000	66,932	0.0886
59	1,001	5,000	158,692	0.2101
15	5,001	10,000	136,432	0.1807
1	10,001	15,000	11,339	0.0150
5	15,001	20,000	90,887	0.1204
5	20,001	25,000	117,284	0.1553
2	25,001	30,000	57,004	0.0755
1	30,001	35,000	30,742	0.0407
1	35,001	40,000	40,000	0.0530
2	45,001	50,000	96,644	0.1280
2	55,001	60,000	112,486	0.1490
1	60,001	65,000	64,976	0.0860
1	75,001	80,000	77,500	0.1026
1	80,001	85,000	81,000	0.1073
1	95,001	100,000	100,000	0.1324
1	125,001	130,000	129,813	0.1719
1	130,001	135,000	133,184	0.1764
1	150,001	155,000	153,708	0.2035
1	215,001	220,000	220,000	0.2913
1	285,001	290,000	289,847	0.3838
1	300,001	305,000	301,686	0.3995
1	320,001	325,000	321,388	0.4256
1	345,001	350,000	349,615	0.4630
1	545,001	550,000	547,114	0.7245
1	1,155,001	1,160,000	1,157,378	1.5326
3	18,415,001	18,420,000	18,419,000	24.3909
1	52,195,001	52,200,000	52,196,397	69.1197
478	**Company Total**		**75,515,899**	**100**

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COMPLIANCE WITH **CODE OF CORPORATE GOVERNANCE**

REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES FO THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of TPL Direct Insurance Limited (the Company) for the year ended 31 December 2015 to comply with the requirements of Listing Regulations of the Stock Exchange, 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 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 part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of 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 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 2015.



Date: 18th March, 2016
Karachi.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Audit Engagement Partner:
Arslan Khalid

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended 31 December 2015

This statement is being presented to comply with the Code of Corporate Governance ("the Code") contained in listing regulations of Pakistan Stock Exchange Limited and SRO 68(I)/2003 of Securities and Exchange Commission of Pakistan for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code of Corporate Governance 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:

Category	Names
Independent Directors	Syed Nadir Shah, Mr. Waqar Ahmed Malik
Executive Directors	Mr. Saad Nissar
Non-Executive Directors	Mr. Jameel Yusuf, Mr. Ali Jameel, Mr. Andrew Borda, Mr. Bilal Bin Zafar

The independent directors meet the criteria of independence under the Code.

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 taxpayers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. A casual vacancy occurred on the board due to resignation of Mr. Romain Dequesne on 25th August 2015. The Casual vacancy was filled up on 10th September 2015 and Mr. Bilal Bin Zafar was appointed as director of the Company pursuant to Section 180 (2) of the Companies Ordinance, 1984.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with 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 Chief Executive Officer (CEO) and non-executive directors, have been taken by the board.

8. The meetings of the board were presided over by the Chairman and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended 31 December 2015

9. The board arranged training program for its directors to apprise them of their duties and responsibilities. One director having 15 years of experience on the board of listed Company and 14 years of education is exempted from directors' training program. At present, five directors of the Company have attended the training programmes from Pakistan Institute of Corporate Governance (PICG).

10. There was no new appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit during the year.

11. The directors' report for the year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The board has formed Underwriting / Claim settlement / Reinsurance & Co-insurance Committee (s).

16. The board has formed an Audit Committee. It comprises of four members, of whom two are non-executive directors and the chairman of the committee is an independent director.

17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code of Corporate Governance. The terms of reference of the audit committee have been formed and advised to the audit committee for compliance.

18. The board has formed a Human Resource and Remuneration Committee. It comprises of five members, of whom two are non-executive and one is independent director, and the chairman of the committee is also an independent director.

19. The board has set up an effective internal audit function that is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.

20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), 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 International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan (ICAP).

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended 31 December 2015

21. 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.

22. 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 Stock Exchange.

23. Material/price sensitive information has been disseminated among all market participants at once through Stock Exchange.

24. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with.



Saad Nissar
Chief Executive Officer

Dated: 18th March, 2016.

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MANAGEMENT'S CORNER

PRINCIPAL MANAGEMENT COMMITTEES

Underwriting Committee

Saad Nissar	Chairman	Quarterly
Andrew Borda	Member	
Syed Kazim Hasan	Member	
Kamran M. Hanif	Member & Secretary	

Claims Committee

Saad Nissar	Chairman	Quarterly
Syed Kazim Hasan	Member	
Naveed Ahsan	Member & Secretary	

Coinsurance & Reinsurance Committee

Saad Nissar	Chairman	Quarterly
Andrew Borda	Member	
Syed Kazim Hasan	Member	
Naveed Ahsan	Member	
Kamran M. Hanif	Member & Secretary	

CRITICAL SERVICE INDICATORS

TDI has pioneered the concept of direct insurance in Pakistan with a pledge to provide utmost convenience, swift claims settlement, round the clock availability, value additions with insurance products and to top it all, personalized services to its customers. The critical performance indicators for TDI revolve around the satisfaction that its customers drive from its services.

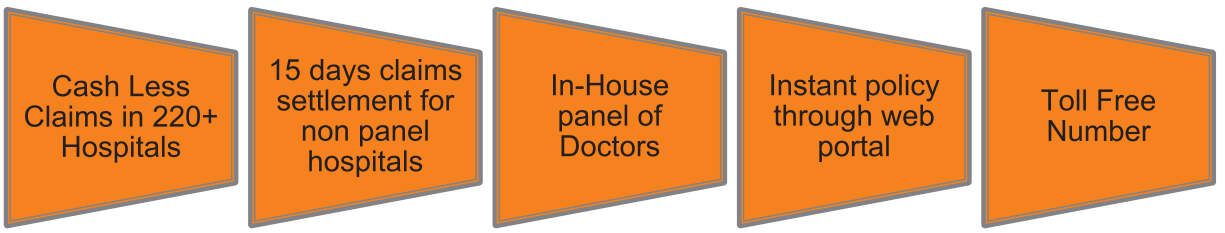
To ensure ultimate peace of mind for customers, TDI has recognized service benchmarks for the Company. TDI has introduced the fastest claim lodging and processing time with claim lodging in 60 seconds, processing in 45 minutes and settlement in 7 days for auto insurance customers.



TDI offers various value added services for its customers such as; free use of tracker facility, 24/7 call centre to assist in claims settlement and round the clock EVAC services in Karachi. To honor its valuable customers, TDI has introduced "no claim bonus" for its auto and health insurance to reward safe drivers and healthy customers. No claim bonus allows TDI customers to take benefits of maintaining healthy life styles and safe driving patterns. Further, TDI has authorized pre approved limits of Rs. 25,000/- to various 3S dealers to facilitate swift settlement of claims to auto insurance customers without hassle of claim surveys.



TDI is underwriting health insurance and is offering cash less health claims facility at 220+ network hospitals across Pakistan and reimbursement of non network hospital claims in 15 days. TDI, keeping in track with its innovativeness, has for the first time launched scratch card micro health insurance with SMS and Call Centre based activation. TDI employs a team of doctors to facilitate its health insurance claims round the clock.



RISK AND RISK MANAGEMENT TOOLS

Managing risk is central to the sustainability of TDI's business and delivery of value to shareholders. TDI's risk management framework is a core part of the governance structure and includes internal policies, key management processes and culture

Oversight structure

The key underlying principles that influence TDI's approach to managing risk are documented in the Risk Management Strategy (RMS) which is as follows:

- managing risk is an integral part of achieving TDI's strategic objectives;
- accepting risk management is not avoidance of all risks. Rather, risks need to be identified and evaluated against the levels of risk TDI is willing to take and those risks are appropriately managed and monitored;
- to consider the reasonable expectations of all external stakeholders including customers, shareholders, the community and regulators in considering factors which bear upon TDI's continued financial strength;
- to comply with legal, regulatory and statutory obligations; and
- a proactive risk management culture at all staff levels within TDI, providing the basis for appropriate and sustainable risk management.

The risk categories identified by the RMS process are as follows.

Risk categories	Definition of risk
Strategic risk	Strategic risk may arise from the following sub-categories: 1. Strategic Objectives: Flawed strategy or the failure to meet strategic initiatives due to capital constraints, divisional strategic misalignment, technology and other resource inhibitors. 2. Business Environment Changes: Changes in the business environment or lack of responsiveness to changes in the business environment.
Insurance risk	Insurance risk may arise from the following sub-categories: 1. Product Pricing: Inadequate or inappropriate product pricing. 2. Product Design: Product defects due to inadequate product design, variation, delivery or maintenance. 3. Reserving: Inadequate or inappropriate reserving including unforeseen, unknown or unintended liabilities that may eventuate.

RISK AND RISK MANAGEMENT TOOLS

Risk categories	Definition of risk
	4. Claims Management: Inadequate or inappropriate claims management including overpayment, failure to collect recoveries, fraudulent misrepresentation or staff operating outside of their authority. 5. Underwriting: Inadequate or inappropriate underwriting. For example, failure to comply with the underwriting process, including staff operating outside of their authority. 6. Insurance Concentration Risk: Adverse concentration exposure. For example, location catastrophe exposure, underwriting segment factor, industry or distribution channel
Reinsurance risk	Reinsurance risk may arise from the following sub-categories: 1. Coverage: Insufficient or inappropriate reinsurance coverage arising as a result of: o incorrect use of models used to calculate amount of cover required; o the cover provided by the reinsurance program(s) does not align with original underwriting exposures; and o emerging exposures 2. Underwriting / Pricing: Inadequate underwriting and/or pricing of reinsurance exposures retained by reinsurance captives. 3. Claims Management: Inadequate or inappropriate reinsurance recovery management. 4. Contract Terms: Reinsurance arrangements not legally binding or poor management of reinsurance recoveries. 5. Reinsurance Concentration Risk: Over-exposure to insurance risks based on factors such as geographical location, types of cover, industry types, etc or a high reliance on a number or reinsurers.
Financial risk	Financial risk may arise from the following sub-categories: 1. Liquidity Management: Insufficient cash resources to meet financial obligations as and when they fall due. 2. Market Risk - Asset Concentration: Risk of over-exposure to a particular asset class or the limits in the individual Investment Agreements

RISK AND RISK MANAGEMENT TOOLS

Risk categories	Definition of risk
	3. Market Risk - Asset Prices: The risk that an asset's value will negatively change due to a change in the absolute level of its market price. 4. Market Risk - Interest Rates: The risk that an investment's value will negatively change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship. 5. Credit Risk: The risk arising from counterparty's failure to meet its obligations in accordance with the agreed terms. These counterparties include investments, reinsurers and premium debtors. 6. Capital Management: Failure to maintain adequate regulatory capital to meet the capital requirements.
Operational risk	Operational risk may arise from the following sub-categories: 1. Fraud: Any act or omission, by any person, made with dishonest or potentially illegal intent, to obtain a benefit or advantage, for one's self or any other person. 2. Supply & Distribution Chain: A service provider, outsourcer, internal distribution channels disruption, non-performance or non-adherence to service level agreements that causes an impact on business operations or its ability to manage risk effectively. 3. Project & Change Management: Failure to deliver the expected benefit of an initiative, or inadequate implementation of a project initiative. 4. Process Management: Human or system failure to deliver intended objectives. 5. Business Continuity Management: Any event that disrupts business operations and/or performance. 6. Compliance: Failure to identify, interpret or comply with regulatory or legislative requirements. 7. System Integrity / Security & Information Management: Inadequate system design or capabilities to maintain business functionality, information security or information management.

RISK AND RISK MANAGEMENT TOOLS

Implementation and reporting

The Audit Committee fulfils an advisory role to the Board of Directors and provides the operational oversight of risks, risk management and internal control system. All company executives are responsible for:

- overseeing implementation of Board approved policies;
- overseeing the ongoing implementation of, and compliance with, RMS, reinsurance requirements, business insurance licenses, internal control system and monitoring risks;
- authorizing capital allocation to major projects within financial delegation limits approved by the Board;
- conducting periodic financial performance reviews of the business divisions;
- reviewing the performance in the areas of health, safety, environment and community;
- reviewing the effectiveness of governance practices established at the business division level;
- reviewing human resource performance and reward strategies; and
- promoting and reinforcing risk management culture.
- reviewing corporate strategies and the performance of TDI and its business divisions compared to budgets and corporate plans;
- formulating recommendations to the Board concerning issues related to capital management and risk management, including reinsurance, credit risk and asset allocation;
- conducting periodic financial performance reviews of TDI's businesses; and
- reviewing the effectiveness of governance practices established at TDI.

TDI's internal audit functions provide regular reports to the Audit Committee on the operation of TDI's risk management framework, the status of key risks, details of significant audit findings, risk and compliance incidents, and risk framework changes.

Risk reporting

Reporting on risk management initiatives and issues is provided to:

- the Board of Directors;
- the Group executives; and
- regulators and industry groups, where relevant and appropriate

In addition, executives are required to attend and report to the board and operations committees on the effectiveness of the risk management embedded in their respective business divisions.

SYSTEM OF INTERNAL CONTROLS

DEFINITION:

TDI has established the following definition for internal controls:

Internal Control is a continuous set of processes carried out by an entity's board of directors, management and all personnel, designed to provide reasonable assurance of:

- Effectiveness and efficiency of operations.
- Reliability of financial and non-financial information.
- An adequate control of risks.
- A prudent approach to business.
- Compliance with laws and regulations, and internal policies and procedures.

Internal control should strengthen the internal operating environment of the company, thereby increasing its capability to deal with external and internal events and uncover possible flaws and deficiencies in processes and structures¨.

COMPONENTS OF SYSTEM OF INTERNAL CONTROLS:

Components of system of internal controls have been devised from the generally accepted and agreed principles as under:

i) Control Environment
ii) Risk Assessment
iii) Control Activities
iv) Information and Communication
v) Monitoring

i) CONTROL ENVIRONMENT

Control environment encompasses the attitude and style of the board of directors and the management of the Company. The Board of directors of TDI is responsible for promoting a high level of integrity and for establishing a culture within the company that emphasizes and demonstrates to all levels of personnel the importance of internal controls. Management is responsible for the implementation of the internal control culture and principles devised by the Board. Board of directors complies with all the requirements of the Companies Ordinance 1984, and Code of Corporate Governance as applicable to them and regularly meets to discuss the affairs of the Company. To demonstrate its commitment to internal control, the Board of directors has formed 3 committees as under:

SYSTEM OF INTERNAL CONTROLS

a) Audit Committee:

Audit committee comprises of 3 non executive directors of TDI and is responsible for the overall determination of appropriate measures to safeguard Company's assets; review of periodical financial statements of the Company; review and follow up of management letter issued by external auditors to improve the control environment; review of the internal audit function; ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective; instituting special projects, other investigations on any matter specified by the Board of Directors; monitoring compliance with the laws and regulations applicable to the Company and best practices of corporate governance etc. Audit committee meets atleast every quarter to review the financial statements of the Company and to review and conduct the matters as detailed above.

b) Human Resource and Remuneration Committee:

Human resource and remuneration committee comprise of 4 non executive directors of TDI. The committee is responsible to develop and implement policies and procedures for induction, training and performance of the human capital. The committee is responsible to maintain performance review and management policies and procedures to ensure that compensation is based on performance. Further, the committee has established and regularly reviews the code of corporate and business ethics that is circulated to all employees of TDI.

c) Finance and Investment Committee

Finance and Investment Committee comprise of 3 members and is responsible for setting investment policies and guidelines for TDI; overseeing investment and reinvestment of the funds, monitoring the liquidity and solvency requirements of TDI; evaluating investment performance of the funds based on a comparison of actual returns with benchmarks as the Board or Committee may mark from time to time.

ii) RISK ASSESSMENT

Risk assessment is a continuous process and to establish and maintain an effective system of internal control, TDI regularly assesses both the internal and external risks that it faces. Assessments include the identification and analysis using quantitative risk measurement using stress testing etc and qualitative risk analysis like risk mapping etc for all significant risks.

SYSTEM OF INTERNAL CONTROLS

a) Risk Management Committee

Management has formed a risk management committee responsible for; identification of risks to the operations and business of TDI, analysis and categorization of these risks, and developing policies and taking decisions to mitigate these risks.

Potentially significant risks for the insurance sector include underwriting risk, credit risk including reinsurance risk, market risk including interest rate risk, investment risk and solvency risk, and operational risk. Risk management committee continually evaluates the risks arising from insurance operations and separate committees for major functions have also been formed for risk management purposes namely underwriting committee, claims committee, and co-insurance and re-insurance committee.

Risk management committee decides the level of tolerance for the identified and analyzed risks and the extent to which it wants to assume them or not. The level of risk tolerance is established and reviewed by the Board of directors on a periodical basis. TDI cedes its underwriting risk through co-insurance and reinsurance. Further, a periodical segmental analysis has been conducted before penetrating and pricing of a segment to determine the underwriting related risks of the said segment.

iii) CONTROL ACTIVITIES

An adequate Internal Control System requires the implementation of effective and efficient control activities at all levels of the entity. The management of TDI has implemented its system of internal controls in line with the goals and strategies set up by the Board of directors. As an integrated part of daily business, these control activities are reviewed on an on-going basis.

Control activities are carried out through all levels of TDI enhancing transparency of business activities and involving the board of directors, the management and all other personnel of the company in those activities.

The Board of directors has overall responsibility for ensuring that an adequate and effective system of internal control is established and maintained. The Board of directors provides direction, guidance and suitable prudential oversight, ensuring that TDI is appropriately and effectively managed and controlled and complying with laws and regulations applicable to TDI.

Management is responsible for carrying out the directives of the Board of directors, including the implementation of strategies and policies and the establishment of an effective internal control system. Management is responsible for the effectiveness of the organizational and procedural controls and for keeping the Board of directors updated as to the effectiveness and appropriateness of the internal control system. TDI has 3 management committees to manage the risk and internal control system of the Company.

a) Underwriting Committee

Underwriting committee ensures that underwriting activities are in line with strategic goals and risk policies devised by the Board of directors. The committee periodically reviews the policies and procedures governing the insurance and reinsurance underwriting business; policies regarding agents, brokers, insured, ceding company and reinsurer. The committee continually evaluates the professional and development plans for key insurance and reinsurance underwriting and actuarial functions and ensures that controls over underwriting business are adequate and effective.

b) Claims Committee

Claims committee is responsible for establishing, implementing and maintaining claims processing time; monitoring and ensuring transparency and fairness; reviewing the salvages made from claim recoveries. The committee continually reviews the policies and procedures for claim settlement and claim recovery from coinsurers and reinsurers.

c) Co-insurance and Re-insurance Committee

Co-insurance and re-insurance committee monitors the process of co-insurance and re-insurance. The committee continually evaluates the counter party risk and the level of risk assumed by TDI, the commissions charged and paid on outward and inward cessions and such other responsibilities as the Board of directors may from time to time assign to ensure that the objectives and goals of the Company are achieved.

iv) INFORMATION AND COMMUNICATION

TDI ensures reliable information at all levels of the entity to ensure effective decision making and reporting process. Internal control systems ensure the effectiveness of communication and maintain the accuracy, completeness, timeliness, reliability, consistency and transparency of the data.

a) Information Technology Steering Committee

Management has established an Information Technology Steering Committee responsible for devising long term and short term plans for information technology. The committee is responsible for identification of information needs of TDI and reviewing and approving major IT related projects. The committee caters for the training needs of the users and adequacy of resources and its allocation. Security of information assets is reviewed by the committee on a regular basis and managerial, operational and technical controls are evaluated periodically.

The committee is also responsible for ensuring that all employees are familiar with their roles, responsibilities and duties in relation to Internal Control over information assets of TDI.

v) MONITORING

TDI continually monitors its systems of internal controls for its efficiency and effectiveness. As an integral part of an internal control system, in keeping with the diversity and complexity of the insurance industry, and in accordance with the requirements of code of corporate governance, an effective and comprehensive internal audit department has been established which employees appropriately trained, qualified and competent staff.

a) Internal Audit

The internal audit function conducts thorough audits of all functions of TDI to provide reasonable assurance that Internal Control objectives are met. The internal audit function reports directly to management and have direct access to the Board of directors through Audit Committee. The deficiencies and recommendations identified by the internal audit are reported, in a timely manner, to the appropriate management level ensuring that the evaluation is not biased in any way and that issues arising thereof are promptly addressed. The internal audit department ensures that all laws and regulations applicable to TDI are complied with the policies and procedures devised by the Board of directors and management of TDI.

b) External Audits

Further, external audits are regularly conducted over the financial statements of TDI. External auditor's report, letters to the Board of directors and letter to management are actively discussed and followed up in the committees of the Board of directors and management committees.

CORPORATE SOCIAL **RESPONSIBILITY**

TPL Direct Insurance Limited ensures that Corporate Social Responsibility functions as a self-regulatory mechanism and must adhere to spirit of the law, ethical values and standards and international / national cultural norms. We focus on action which goes beyond the interests of the firm by contributing to social good of the society at large and by improving the quality of life of underprivileged members of our society without compromising on their pride and dignity.

We believe in an approach of "giving something back". Our policy is to contribute to health, educational institutes and various individuals / communities in order to improve the quality of life of every human facing social challenge. We also encourage contributions to Disaster Relief programs. Our commitment to CSR is deeply concentered within the very core of our business. We believe in "Creating Shared Value" i.e. emphasizing the concept that corporate success and social welfare are interdependent. Hence we thrive to achieve optimum balance between company's earnings and community's welfare.

The Company remains committed in its operational and financial disciplines in order to fulfill customer's desires with quality products. We encourage the policy of sharing our business gains with our stake-holders, along with a great sense of responsibility towards communities in need. We partner with public, private and non profits to make positive change in our local communities; we take measures to good governance and ethics. Moreover, we also give our teams the opportunities to focus on local needs and also encourage employees to use their passions, business skills and expertise to make a meaningful contribution to their communities.

We take great care in advancing our mission of promoting financial and social mobility for underdeveloped population segments. TDI invests in systems and solutions that address social challenges such as poor education outcomes, low health and living standards and improving the economic wellbeing of the people wherever they are, regardless of race, color, religion or ethnicity. We strive in order to attain a meaningful impact on society with a strong connection with our core competencies and that's the very reason and spirit through which we want to uplift the marginalised segments of the society.

Here at TDI, we also welcome the concept of social accounting i.e., communicating the social and environmental effects of organisations' economic actions to particular interest groups within society and to society at large. Moreover, we ensure that CSR is being implemented on the Board's agenda of corporate governance issues. We appreciate the ideas of integrity, accountability, transparency and disclosure in every business action and have also taken steps in enhancing the knowledge and understanding of compliance and ethical obligations through all levels of our employees and management. TDI clearly understands the philosophy of economic viability, social responsibility and environmental responsibility and take meaningful actions for their subsequent achievement.

SHARIAH ADVISOR'S REPORT

بِسْمِ اللّٰہِ الرَّحْمٰنِ الرَّحِیْمِ

اَلْحَمْدُ لِلّٰہِ رَبِّ الْعَالَمِیْنَ وَالصَّلَاۃُ وَالسَّلَامُ عَلٰی رَسُوْلِہِ الْکَرِیْمِ

INTRODUCTION:

By the Grace of Allah swt, TPL Direct Insurance Limited - Window Takaful Operations ("TDI - WTO") has completed its first financial year following the grant of Window Takaful License.

The Company arranged various internal trainings for its employees on Takaful conducted by renowned scholars and is planning to disseminate further remaining trainings throughout the year 2016. TDI - WTO maintains all of its deposits only in Riba free Banks as per investment guideline approved by its Shariah Advisor.

The Company has introduced a Shariah Compliant Mechanism to monitor the functions of TDI-WTO. An effective Shariah compliance function is fundamental in achieving the objectives of Window Takaful Operations to operate as per Shariah principles and hence an experienced Islamic scholar is appointed as Shariah Compliance Officer. Shariah Compliance Officer ensures and supervise on daily basis that the functions of TDI-WTO including policy issuance, re-takaful arrangements, claim settlements and financial transactions are undertaken as per the applicable regulatory guidelines and instructions issued by the Shariah Advisor.

SCOPE & OBJECTIVE OF SHARIAH REVIEW:

The scope of the Shariah Review is to evaluate the overall functions of TDI - WTO in accordance with the Islamic Shariah Principles and guidelines laid by SECP. The objective of the Shariah Review is to determine that appropriate procedures and control mechanism is effectively in place for all major functions such as Policy issuance, Claims Settlements, Re-Takaful Arrangements, Financial transactions of the TDI - WTO.

SHARIAH ADVISOR'S REPORT

CONCLUSION:

In my opinion, the structure and operations of TDI - WTO are in accordance with Shariah Principles and Takaful Rules issued by SECP.

The primary responsibility for ensuring Shariah compliance lies with the management of TDI-WTO. The services provided were reviewed and operations undertaken by TDI - WTO during the year ended 31 December 2015, in my opinion, were found overall in conformity with the principles and guidelines of Islamic Shariah.

At this stage, it may be helpful that we refresh our motive and intention for spreading Takaful by its right way. So as a shariah Advisor, I am hopeful that the management will put its efforts to complete the remaining training sessions, segregation and other related issues on its priority.

I pray that Allah Ta'ala show us all the righteous path. Allah Ta'ala knows better.



Muhammad Yahya Asim
Shariah Advisor

Karachi: 10 March 2016

SHARIAH AUDITOR'S REPORT ON COMPLIANCE

Independent Assurance report to the Board of Directors and Shariah Advisor of TPL Direct Insurance Limited - Window Takaful Operation in respect of Company's compliance with the Shariah rules and principles

We have performed an independent assurance engagement (Shariah Compliance Audit) of TPL Direct Insurance Limited - Window Takaful Operation (the Company) to ensure that the Company has complied with the Shariah rules and principles as prescribed by the Shariah Advisor / Shariah Board (prior to promulgation of Takaful Rules 2012) of the Company and the Takaful Rules 2012, during the year ended 31 December 2015.

2. Management's responsibility for Shariah compliance

It is the responsibility of the Company to ensure that the financial arrangements, contracts, products and transactions entered into by the Company and TPL Direct Insurance Limited - Window Takaful Operation Waqf Fund (the Waqf) with participants, other financial institutions and stakeholders are, in substance and in their legal form, in compliance with the requirements of Shariah rules and principles as determined by the Shariah Advisor / Shariah Board and the Takaful Rules, 2012.

3. Our responsibility

3.1. Our responsibility in connection with this engagement is to express an opinion, based on the procedures performed on a sample basis, whether these financial arrangements, contracts, products and transactions are in compliance with the requirements of the Shariah rules and principles as prescribed by the Company's Shariah Advisor / Shariah Board and the Takaful Rules, 2012.

3.2. The procedures selected by us for the engagement depended on our judgment, including the assessment of the risks of material non-compliance with the said Shariah rules and principles. In making those risk assessments, we considered such internal control procedures as were relevant to the Company's compliance with Shariah rules and principles. Our engagement was, however, not intended for expressing opinion on the effectiveness of the Company's internal controls for purposes of compliance with the Shariah rules and principles.

3.3. We believe that the evidence we have obtained through performing our procedures on a sample basis were sufficient and appropriate to provide a basis for our opinion.

3.4. In addition, interpretation and conclusion of the Shariah Advisor / Shariah Board of the company is considered final for the purpose of interpretation of the Shariah matters mentioned in the Takaful Rules, 2012.

SHARIAH AUDITOR'S REPORT ON COMPLIANCE

4. Framework for the Engagement

We have conducted our engagement in accordance with International Standard for Assurance Engagements 3000 (ISAE 3000) issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. This Standard requires that we comply with ethical requirements and plan and perform the engagement to obtain reasonable assurance regarding the subject-matter i.e. the Company's compliance with the Shariah rules and principles as determined by the Shariah Advisor / Shariah Board and the Takaful Rules, 2012.

5. Our Opinion

In our opinion, based on the sample selected, the financial arrangements, contracts, products and transactions entered into by the Company and the Waqf, as the case may be, for the year ended 31 December 2015, are in compliance with the requirements of the Shariah rules and principles as prescribed by the Shariah Advisor / Shariah Board and the Takaful Rules, 2012 in all material respects.

Date: 18th March, 2016
Karachi.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

07

FINANCIAL
STATEMENTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising of:

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

of TPL Direct Insurance Limited (the Company) as at 31 December 2015 together with the notes forming part thereof, for the year then ended.

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

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

In our opinion:

(a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;

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

AUDITORS' REPORT TO THE MEMBERS

(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 2015 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and

(d) in our opinion, 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 2014 were audited by another firm of Chartered Accountants whose report dated 17 March 2015 expressed an unmodified opinion thereon.

Date: 18th March, 2016
Karachi.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Audit Engagement Partner:
Arslan Khalid

BALANCE SHEET

As at 31st December 2015

	Note	2015	2014
		(Rupees)	
SHARE CAPITAL AND RESERVES			
Authorised share capital	5.1	1,500,000,000	1,500,000,000
Issued, subscribed and paid-up share capital	5.2	755,158,990	460,000,000
Share premium - net of share issuance cost		138,676,334	(7,687,041)
Unappropriated profits		45,722,237	12,444,644
Total equity		939,557,561	464,757,603
LIABILITIES			
Underwriting provisions			
Provision for outstanding claims (including IBNR)		121,203,926	152,840,064
Provision for unearned premium		565,318,441	537,724,054
Premium deficiency reserve		7,330,383	5,313,723
		693,852,750	695,877,841
Deferred liability			
Deferred tax liability	12	-	15,144,795
Creditors and accruals			
Premium received in advance		1,792,425	2,232,123
Amounts due to other insurers / reinsurers	6	18,480,195	12,545,118
Accrued expenses		5,962,335	2,019,932
Taxation - provision less payments		8,207,513	2,688,674
Other creditors and accruals	7	95,413,990	46,940,317
		129,856,458	66,426,164
Total Liabilities		823,709,208	777,448,800
Total liabilities of General Takaful Operations - Operator's Fund		105,691,454	27,539,671
Total equity and liabilities		1,868,958,223	1,269,746,074
Contingencies and commitments	8		

The annexed notes from 1 to 29 form an integral part of these financial statements.

BALANCE SHEET

As at 31st December 2015

	Note	2015	2014
		(Rupees)	
ASSETS			
Cash and bank deposits	9		
Cash and other equivalent		556,953	292,862
Current and other accounts		16,089,646	8,656,001
Deposits maturing within twelve months		624,000,000	-
		640,646,599	8,948,863
Loans to employees - secured, considered good	10	785,328	628,235
Loan to associated company		-	126,679,551
Investments	11	101,350,712	49,941,368
Deferred tax asset	12	1,306,069	-
Current assets - others			
Premiums due but unpaid - unsecured		144,900,287	81,588,902
Amounts due from other insurers / reinsurers - unsecured	13	3,162,731	5,883,911
Reinsurance recoveries against outstanding claims		119,400	863,000
Salvage recoveries accrued		24,199,000	22,777,000
Accrued investment income		7,575,848	2,132,643
Deferred commission expense		59,557,949	80,290,482
Advance, deposits and prepayments	14	290,847,475	351,702,960
Sundry receivables	15	19,112,685	143,363,691
		549,475,375	688,602,589
Fixed assets			
Tangible assets	16.1		
Leasehold Improvements		23,591,076	26,236,805
Furniture and fixtures		12,262,960	13,639,062
Office equipment		13,413,158	16,229,375
Motor vehicles		12,307,401	4,011,721
Tracking devices		314,398,587	244,491,304
Computer equipments		3,894,573	4,092,271
Intangible assets			
Capital work-in-progress	16.3	-	4,842,480
Intangible	16.4	4,842,480	-
		384,710,235	313,543,018
Total assets of General Takaful Operations - Operator's Fund		190,683,905	81,402,450
Total assets		1,868,958,223	1,269,746,074

Chief Executive | Director | Director | Chairman

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2015

	Note	Motor	Miscellaneous	Aggregate 2015	Aggregate 2014
		(Rupees)			
Revenue account					
Net premium revenue		1,055,051,419	76,241,233	1,131,292,652	1,048,240,643
Premium defeciency reserve		-	(2,016,660)	(2,016,660)	(5,313,723)
Net claims		(477,383,262)	(54,388,037)	(531,771,299)	(527,030,385)
Management expenses	17	(393,245,782)	(7,533,653)	(400,779,435)	(292,728,281)
Net commission		(116,828,165)	(25,018,291)	(141,846,456)	(145,363,378)
Underwriting result		67,594,210	(12,715,408)	54,878,802	77,804,876
Investment income				9,840,053	13,772,625
Profit on term deposits				30,326,446	-
Other income	18			100,324,698	79,357,836
General and administrative expenses	19			(159,617,437)	(134,623,964)
Financial charges	20			(526,756)	(566,783)
				(19,652,996)	(42,060,286)
Profit before tax from General Insurance Operations				35,225,806	35,744,590
Profit before tax from Window Takaful Operations				10,394,800	3,207,199
Profit before tax for the year				45,620,606	38,951,789
Provision for taxation - net	21			(12,343,013)	(13,021,263)
Profit after tax for the year				33,277,593	25,930,526
Other comprehensive income				-	-
Total comprehensive income for the year				33,277,593	25,930,526
Profit and loss appropriation account					
Balance at the commencement of the year				12,444,644	(13,485,882)
Profit after tax for the year				33,277,593	25,930,526
Balance of Unappropriated profits at the end of the year				45,722,237	12,444,644
Earning per share - basic and diluted	22			0.47	0.50

The annexed notes from 1 to 29 form an integral part of these financial statements.

Chief Executive | Director | Director | Chairman

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital	Capital reserve			Revenue reserve	Total
		Share Premium	Share issuance cost	Net share premium	Unappropriated profit	
	(Rupees)					
Balance as at 1 January 2014	460,000,000	-	(7,687,041)	(7,687,041)	(13,485,882)	438,827,077
Transaction with owners recorded directly in equity						
Total comprehensive income						
Profit for the year ended 31 December 2014	-	-	-	-	25,930,526	25,930,526
Balance as at 1 January 2015	460,000,000	-	(7,687,041)	(7,687,041)	12,444,644	464,757,603
Total comprehensive income						
Profit for the year ended 31 December 2015	-	-	-	-	33,277,593	33,277,593
Transactions with owners, recorded directly in equity						
Issuance of ordinary shares	295,158,990	147,579,495	(1,216,120)	146,363,375	-	441,522,365
Balance as at 31 December 2015	**755,158,990**	**147,579,495**	**(8,903,161)**	**138,676,334**	**45,722,237**	**939,557,561**

The annexed notes from 1 to 29 form an integral part of these financial statements.

Chief Executive | Director | Director | Chairman

STATEMENT OF CASH FLOW

For the year ended 31 December 2015

	2015	2014
	(Rupees)	
Operating activities		
(a) Underwriting activities		
Premiums received	1,109,521,897	1,162,311,535
Reinsurance premiums paid	(3,713,024)	(17,278,341)
Claims paid	(717,881,878)	(676,077,818)
Reinsurance and other recoveries	153,796,041	157,185,216
Commission paid	(122,350,572)	(168,794,363)
Net cash inflow from underwriting activities	419,372,464	457,346,229
(b) Other operating activities		
Income tax paid	(20,662,900)	(12,161,135)
General management expenses paid	(240,746,478)	(270,390,882)
Other operating receipts / (payments)	21,124,534	(11,145,701)
Loans advanced	(1,057,953)	(883,062)
Loans repayments received	900,860	626,781
Net cash outflow from other operating activities	(240,441,937)	(293,953,999)
Total cash generated from all operating activities	178,930,527	163,392,230
Investment activities		
Profit / return received on Pakistan investment bond	3,816,754	6,064,578
Payments for purchase of investments	(51,080,500)	-
Proceeds from disposal of investments	107,891,549	3,251,969
Loan advanced to associated company	-	(67,850,000)
Loans repayment received from associated company	126,679,551	41,170,449
Dividend received	147,920	65,000
Fixed capital expenditure	(177,181,002)	(182,834,840)
Advance given for capital work-in-progress	-	(18,098,629)
Proceeds from disposal of fixed assets	1,497,328	6,007,182
Total cash generated from / (used in) investing activities	11,771,600	(212,224,291)
Financing activities		
Financial charges paid	(526,756)	(566,783)
Issuance of shares	295,158,990	-
Payment to Operator Fund	-	(50,000,000)
Share premium	147,579,495	-
Share issue cost	(1,216,120)	-
Total cash generated from / (used in) financing activities	440,995,609	(50,566,783)
Net cash generated from / (used in) all activities	631,697,736	(99,398,844)
Cash and cash equivalent at beginning of the year	8,948,863	108,347,707
Cash and cash equivalent at end of the year	640,646,599	8,948,863

STATEMENT OF CASH FLOW

For the year ended 31 December 2015

	2015	2014
	----------(Rupees)----------	
Reconciliation to profit and loss account		
Operating cash flows	178,930,527	163,392,230
Depreciation / amortisation expense	(103,019,340)	(71,883,801)
Gain on disposal of fixed assets	1,375,107	2,800,395
Profit on disposal of investments	49,702	10,383,024
Reversal of provision for impairment	402,987	-
Provision for taxation	(12,343,013)	(13,021,263)
Income tax paid	20,662,900	12,161,135
Financial charges	(526,756)	(566,783)
Return on Government Securities	9,259,958	6,064,578
Dividends received	147,920	65,000
Share of loss of associated company	-	(2,724,977)
Profit from Window Takaful Operations - Operator's Fund	10,394,800	3,207,199
Increase in assets other than cash	(16,170,835)	(1,107,765)
Increase in liabilities	(55,886,364)	(82,838,446)
Profit after taxation for the year	33,277,593	25,930,526
Cash for the purposes of the statement of cash flows consists of :		
Cash in hand	556,953	292,862
Current and other accounts	16,089,646	8,656,001
Deposits maturing within twelve months	624,000,000	-
	640,646,599	8,948,863

The annexed notes from 1 to 29 form an integral part of these financial statements.

Chief Executive | Director | Director | Chairman

STATEMENT OF PREMIUM

For the year ended 31 December 2015

Business underwritten inside Pakistan

	Premiums				Reinsurance					
	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		2015	2014
	(Rupees)									
Class										
Direct and Facultative										
Motor business	1,096,365,217	495,576,433	525,641,810	1,066,299,840	11,248,421	-	-	11,248,421	1,055,051,419	1,014,552,179
Miscellaneous	74,891,103	42,147,621	39,676,631	77,362,093	1,120,860	-	-	1,120,860	76,241,233	33,688,464
Total	1,171,256,320	537,724,054	565,318,441	1,143,661,933	12,369,281	-	-	12,369,281	1,131,292,652	1,048,240,643

The annexed notes from 1 to 29 form an integral part of these financial statements.

Chief Executive | Director | Director | Chairman

STATEMENT OF CLAIMS

For the year ended 31 December 2015

	Claims				Reinsurance					
	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	Net claims expense	
		Opening	Closing			Opening	Closing		2015	2014
	(Rupees)									
Class										
Direct and Facultative										
Motor business	664,110,124	146,887,727	114,635,306	631,857,703	153,796,041	23,520,600	24,199,000	154,474,441	477,383,262	507,723,325
Miscellaneous	53,771,754	5,952,337	6,568,620	54,388,037	-	119,400	119,400	-	54,388,037	19,307,060
Total	717,881,878	152,840,064	121,203,926	686,245,740	153,796,041	23,640,000	24,318,400	154,474,441	531,771,299	527,030,385

The annexed notes from 1 to 29 form an integral part of these financial statements.

Chief Executive | Director | Director | Chairman

STATEMENT OF EXPENSES

For the year ended 31 December 2015

Class	Commissions: Commissions paid or payable	Commissions: Deferred commission: Opening	Commissions: Deferred commission: Closing	Commissions: Net commission expense	Other management expenses	Underwriting expense	Commissions from reinsurers	Net underwriting expense: 2015	Net underwriting expense: 2014
	(Rupees)								
Direct and Facultative									
Motor business	88,105,902	69,862,088	41,139,825	116,828,165	393,245,782	510,073,947	-	510,073,947	419,423,877
Miscellaneous	33,008,021	10,428,394	18,418,124	25,018,291	7,533,653	32,551,944	-	32,551,944	18,667,782
Total	121,113,923	80,290,482	59,557,949	141,846,456	400,779,435	542,625,891	-	542,625,891	438,091,659

The annexed notes from 1 to 29 form an integral part of these financial statements.

Chief Executive | Director | Director | Chairman

STATEMENT OF INVESTMENT INCOME

For the year ended 31 December 2015

	2015	2014
	(Rupees)	
Income from non-trading investments		
Held-to-maturity		
Return on Government Securities	9,259,958	6,064,578
Available-for-sale		
Dividend income	147,920	65,000
Gain on sale of non-trading available-for-sale investments	49,702	251,969
Reversal of provision for impairment	402,987	-
	600,609	316,969
Investment in associates		
Gain on sale of shares of associated company	-	10,131,055
Share of loss of an associated company	-	(2,724,977)
	-	7,406,078
Investment related expenses	(20,514)	(15,000)
Net investment income	9,840,053	13,772,625

The annexed notes from 1 to 29 form an integral part of these financial statements.

Chief Executive | Director | Director | Chairman

1. STATUS AND NATURE OF BUSINESS

1.1 TPL Direct Insurance Limited (the Company) was incorporated in Pakistan in 1992 as a public limited company under the Companies Ordinance, 1984 to carry on general insurance business. The Company was allowed to work as Window Takaful Operator on 04 September 2014 by SECP under SECP Takaful Rules, 2012 to carry on General Window Takaful Operations in Pakistan. The Company is listed at Pakistan Stock Exchange Limited. The principal office of the Company is located at 12th Floor, Centrepoint, Off Shaheed-e-Millat Expressway, Near KPT Interchange Flyover, Karachi, Pakistan.

1.2 During the year, the Company issued 29,515,899 additional ordinary shares of Rs.10 each at a price of Rs.15 per shares to Greenoaks Global Holdings Ltd (GGHL), a company incorporated in UK. The issuance of shares was made without a right issue under the provision of first proviso of section 86(1) of the Companies Ordinance, 1984 with the approval of the Securities and Exchange Commission of Pakistan (SECP) and pursuant to a special resolution passed by the shareholder of the Company in the Extra Ordinary General Meeting held on 27 February 2015.

As a result of the above issuance of share and the purchase of additional share from the existing shareholders of the Company, the GGHL has acquired a controlling interest of 69.1197% in the Company and hence, become the holding company of the Company.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the format prescribed under Securities and Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 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 Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002 shall prevail.

During year 2014, the Company was granted permission by Securities and Exchange Commission of Pakistan to transact Window Takaful Operations. In terms of the requirements of the Takaful Rules 2012, read with SECP Circular 25 of 2015 dated 09 July 2015, the assets, liabilities and profit and loss of the Operator's Fund of the 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.

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

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

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except for certain investment which are carried at lower of fair value and cost basis and obligation under certain employee retirement benefits which are measured at present value.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

- Classification of Insurance Contracts (note 4.2)
- Provision for unearned premium (note 4.3)
- Provision for outstanding claims including IBNR (note 4.5)
- Premium deficiency reserve (note 4.8)
- Classification of investments and impairment (note 4.11)
- Useful lives and residual value of assets and methods of depreciation (note 4.16)
- Provision for current and deferred tax (note 4.10)
- Provision for impairment (note 4.18)

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

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (annual periods beginning)
IFRS 10 – Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)	01 January 2016
IFRS 10 – Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 11 – Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	01 January 2016
IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)	01 January 2016
IAS 16 – Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	01 January 2016
IAS 16 – Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	01 January 2016
IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	01 January 2016

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in September 2014. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 15 – Revenue from Contracts with Customers	01 January 2018
IFRS 16 – Leases	01 January 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year. The company has adopted new and amended accounting standard as describe in note 4.1 below:

4.1 New, revised and amended standards and interpretations

IFRS 10 – Consolidated Financial Statements
IFRS 11 – Joint Arrangements
IFRS 12 – Disclosure of Interests in Other Entities
IFRS 13 – Fair Value Measurement
IAS 19 – Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions

Improvements to Accounting Standards Issued by the IASB in December 2013
IFRS 2 – Share-based Payment - Definitions of vesting conditions
IFRS 3 – Business Combinations – Accounting for contingent consideration in a business combination
IFRS 3 – Business Combinations - Scope exceptions for joint ventures
IFRS 8 – Operating Segments – Aggregation of operating segments
IFRS 8 – Operating Segments - Reconciliation of total reportable segments' assets to the entity's assets
IFRS 13 – Fair Value Measurement - Scope of paragraph 52 (portfolio exception)
IAS 16 – Property, Plant and Equipment and IAS 38 Intangible Assets – Revaluation method
– proportionate restatement of accumulated depreciation / amortisation
IAS 24 – Related Party Disclosures - Key management personnel
IAS 40 – Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

The adoption of the above did not have any effect on the financial statements for the current year except that certain disclosures are given in notes 26.4 to the financial statements which have been included as a result of adoption of IFRS 13.

4.2 Insurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policy holders) 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 period, even if the insurance risk reduces significantly during this period, unless all rights and liabilities are extinguished or expired.

The company neither issues investments contracts nor does it issue insurance contracts with discretionary participation features (DPF).

These contracts are made with group companies, corporate clients and individuals residing or located in Pakistan

4.3 Premium

Premium income under a policy is recognized, evenly over the period of insurance from the date of issuance of the policy till the date of its expiry.

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

Revenue from premiums is determined after taking into account the unearned portion of premium by applying 1/24th method as prescribed by the SEC (Insurance) Rules, 2002. The unearned portion of premium income is recognised as liability.

Premium due but unpaid under insurance contracts are recognised when due, at the fair value of the consideration receivable less provision for doubtful debts, if any. If there is objective evidence that the receivable is impaired, the Company reduces the carrying amount of the receivable accordingly and recognizes it as impairment loss.

4.4 Reinsurance contracts

Insurance contracts entered into by the Company with reinsurers for compensation of losses suffered on insurance contracts issued are reinsurance contracts. These reinsurance contracts include both facultative and treaty arrangement contracts and are classified in same categories of insurance contracts for the purpose of these financial statements. The Company recognises the entitled benefits under the contract as various reinsurance assets. 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 contract are not offset against expenses or income from related insurance assets.

The deferred portion of reinsurance premium ceded is recognised as a prepayment which is calculated by using 1/24th method as prescribed by the SEC (Insurance) Rules, 2002.

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

4.5 Claims expense

Insurance 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 Company recognises 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 an insurance contract.

The liability for claims include 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 expected future patterns of reporting of claims and the claims actually reported subsequent to the balance sheet date. Initial estimate includes expected claim settlement cost.

4.6 Reinsurance recoveries against outstanding claims

Claims recoveries against outstanding claims from the reinsurer 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.

4.7 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 premium revenue.

Commission income from reinsurers is recognised at the time of issuance of the underlying insurance 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 reinsurance premiums.

4.8 Premium deficiency reserve

The Company is required as per SEC (Insurance) Rules, 2002 and IFRS-4, to maintain a provision in respect of premium deficiency for the class of business where the unearned premium reserve is not adequate to meet the expected future liability, after reinsurance, from claims and other expenses, including reinsurance 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 charge for premium deficiency reserve is recorded as an expense in the profit and loss account.

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

4.9 Staff retirement benefits

The Company operates an funded contributory provident fund (defined contribution plan) for all permanent employees. Equal contributions are made by the Company and the employees at the rate 8.33% of basic salary, to the fund.

4.10 Taxation

4.10.1 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.

4.10.2 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 reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is 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.

4.11 Investments

4.11.1 Recognition

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

- Investment at fair value through profit and loss (held for trading)
- Available for sale
- Held to maturity
- Investment in Subsidiary Company
- Investment in Associates

4.11.2 Measurement

4.11.2.1 Investment at fair value through profit or loss (held for trading)

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

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

4.11.2.2 Available for sale

Available for Sale investments are those non-derivative instruments /contracts that are designated as available for sale or are not classified in any other category.

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

4.11.2.3 Quoted

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

In case of fixed income securities redeemable at a given date where the cost is different from the redemption value, such difference is amortised uniformly over the period between the acquisition date and the date of maturity in determining cost at which these investments are stated as per the requirements of the SEC (Insurance) Rules, 2002.

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

4.11.2.4 Held-to-maturity

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

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

The difference between the redemption value and the purchase price of the held-to-maturity investments is amortised and taken to the profit and loss account over the term of the investment.

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

4.11.2.5 Investment in Subsidiary Company

Subsidiary is an entity in which the Company directly or indirectly controls, beneficially owns or holds more than fifty percent of its voting securities or otherwise has power to elect and appoint more than fifty percent of its directors.

Investment in subsidiary is carried in the balance sheet at cost less provision for impairment loss, if any.

4.11.2.6 Investment in Associates

Associate is an entity over which the Company has significant influence but not control, generally represented by a shareholding of between 20% and 50% of the voting right.

Investments in associates are initially recognised at cost and the carrying amounts are increased or decreased to recognise the Company's share of the profit or loss of the associates after the date of acquisition, less impairment losses, if any.

Distributions received from associates reduce the carrying amount of the investment. Adjustments to the carrying amounts are also made for changes in the Company's proportionate interest in the associates arising from changes in the associates' equity that have not been recognised in the associates' profit or loss. The Company's share of those changes is recognised directly in equity of the Company.

Gain / (loss) on sale of above investments, if any, are recognised in the period of sale. The carrying amount of the investment is tested for impairment, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount and loss, if any is recognised in the profit and loss account.

4.12 Management expenses

Underwriting expenses have been allocated to various classes of business on a basis deemed equitable by the management. Expenses not attributable to the underwriting business are charged as administrative expenses.

4.13 Creditors, accruals and provisions

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

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

Provisions are reviewed at each balance sheet date and adjusted to reflect the current estimate.

4.14 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand, stamps in hand and deposits with banks (except for the deposit placed with statutory requirement) net off short term running finance.

4.15 Sundry receivable

These are recognised at cost, which is the fair value of the consideration given. However, an assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognised for the difference between the recoverable amount and the carrying amount.

4.16 Fixed assets

4.16.1 Tangible assets - owned

These are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged to income over the useful life of the asset on a systematic basis applying the straight line method at the rates specified in note 16.1 to the financial statements. Depreciation is charged on additions from the month of acquisition and no depreciation is charged in the month of disposal. An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gain and loss on disposal of fixed assets is included in income currently.

The assets residual values, useful lives and methods are reviewed and adjusted, if appropriate at each financial year end.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and assets so replaced, if any, are retired. Gain or loss on disposal of fixed asset is included in income currently.

4.16.2 Tangible assets - leased

Assets subject to finance lease are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligation under the lease less financial charges allocated to future period are shown as a liability.

These financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

Leased assets are depreciated on a straight line basis at the same rate as Company's owned assets as disclosed in note 16.1 to the financial statements. Depreciation is charged on additions from the month of acquisition, and no depreciation is charged in the month of disposal.

4.16.3 Intangible assets - owned

These are stated at cost less accumulated amortisation and impairment, if any. Amortisation is charged to income over the useful life of the asset on a systematic basis applying the straight line method at the rates specified in note 16.4 to the financial statements. Amortisation is calculated from the month the assets are available for use. While on disposal, no amortisation is charged in the month in which the assets are disposed off. Software development costs are only capitalised to the extent that future economic benefits are expected to be derived by the Company.

4.16.4 Capital work-in-progress

Capital work-in-progress is stated at cost less any impairment in value.

4.17 Operating lease

Operating lease payments are recognised as an expense in the profit and loss account over the lease term.

4.18 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.

4.19 Financial instruments

Financial assets and financial liabilities within the scope of IAS - 39 are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expire or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liabilities is recognised in the profit and loss account of the current year.

Financial instruments carried on the balance sheet include bank deposits, investments, premium due but unpaid, premium received in advance, amount due from other insurers / reinsurers, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, advances deposits and prepayments provision for outstanding claims, amount due to other insurers / reinsurers, accrued expenses, other creditors and accruals, short term running finance and obligation under finance lease. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.20 Off setting of financial assets and financial liabilities

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

4.21 Foreign currency translations

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on translation are recognized in the profit and loss account. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

4.22 Revenue recognition

4.22.1 Dividend income and bonus shares

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

4.22.2 Gain / loss on sale / redemption of investments

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

4.22.3 Income on held to maturity investment

Income from held to maturity investments is recognised on a time proportionate basis taking account the effective yield on the investment.

4.22.4 Profit on bank accounts and deposits

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

4.23 Dividend declaration and reserve appropriation

Dividend declaration and reserve appropriations are recognized when approved.

5. SHARE CAPITAL

5.1 Authorised share capital

2015 (Number of shares)	2014 (Number of shares)		2015 (Rupees)	2014 (Rupees)
150,000,000	150,000,000	Ordinary shares of Rs.10 each	1,500,000,000	1,500,000,000

5.2 Issued, subscribed and paid-up share capital:

2015 (Number of shares)	2014 (Number of shares)		2015 (Rupees)	2014 (Rupees)
75,515,899	46,000,000	Fully paid Ordinary Share of Rs.10 each	755,158,990	460,000,000
46,000,000	46,000,000	Ordinary shares of Rs. 10 each at the beginning of the year	460,000,000	460,000,000
29,515,899	-	Issue of ordinary shares of Rs. 10 each	295,158,990	-
75,515,899	46,000,000		755,158,990	460,000,000

5.3

5.4 As at 31 December 2015 shares held by related parties are as follows:

	Note	2015		2014	
		Number of shares	holding	Number of shares	holding
Greenoaks Global Holdings Limited (Holding Company)	1.2	52,196,397	69.12%	-	-
TPL Trakker Limited (Associated Company)		18,419,000	24.39%	15,819,000	34.39%
TPL Holdings (Private) Limited		547,114	0.72%	3,147,114	6.84%
Directors		222,501	0.29%	221,000	0.48%
		71,385,012	94.53%	19,187,114	41.71%

	Note	2015	2014
		(Rupees)	
6. AMOUNT DUE TO OTHER INSURERS / REINSURERS			
Foreign reinsurers		415,295	1,937,584
Local reinsurers		6,786,384	6,686,793
Co-insurers		11,278,516	3,920,741
		18,480,195	12,545,118
7. OTHER CREDITORS AND ACCRUALS			
Creditors	7.1 & 7.2	18,465,704	10,841,843
Federal Insurance Fee		1,000,346	843,615
Federal Excise Duty (FED) - net		12,683,516	-
Commission payable		10,545,419	11,782,068
Security deposit from customers against equipments		1,319,772	1,319,772
Workers' Welfare Fund		3,647,506	2,526,220
Unearned Rentals from Window Takaful Operations	7.3	37,430,246	11,064,166
Unearned service income		4,961,828	-
Withholding tax payable		4,283,394	3,274,032
Others		1,076,259	5,288,601
		95,413,990	46,940,317

7.1 This includes outstanding claims in respect of which cheques aggregating to Rs. 3.338 million (2014: 4.535 million) have been issued by the Company for claim settlement but the same have not been encashed by the claimant. The following is the ageing as required by SECP circular 11 of 2014 dated 19 May 2014:

	Note	2015	2014
		(Rupees)	
- More than 6 months		3,338,199	4,534,795
- 1 to 6 months		34,986,674	16,327,550

Claims not encashed	AGE-WISE BREAKUP					
	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months	Total
2015	**34,986,674**	**1,072,708**	**1,540,961**	**541,076**	**183,454**	**38,324,873**
2014	16,327,550	778,805	926,136	2,180,694	649,160	20,862,345

7.2 This includes Rs. 1.806 million (2014: Rs. 1.655 million) payable to Centrepoint Management Services (Private) Limited (related party).

7.3 Represents rentals received from Window Takaful Operations (WTO) - Participant Fund for Tracking devices installed in vehicles insured by the WTO.

8. CONTINGENCIES

8.1 Minimum Tax

In respect of matter of carry forward of Minimum Tax paid in the year of loss, Sindh High Court (SHC) through an order dated May 07, 2013 (now reported as 2013 PTD 420) has held that Minimum Tax paid in the year of loss is not eligible for adjustment in future years. In the opinion of SHC, only the 'excess' of Minimum Tax over Normal Tax (which must not be zero) can only be carried forward in future years. Therefore, where there is no tax payable, interalia, due to brought forward tax losses, minimum tax could not be carried forward for adjustment with future tax liability. The matter is currently pending before the Supreme Court for final decision.

The Company adjusted minimum tax amounting to Rs. 10.73 million against its income tax liability in prior years. The Company, based on its tax advisor's opinion, is confident that the ultimate outcome in this regard would be favourable. Hence, no provision in this respect has been made in these financial statements.

	Note	2015	2014
		----------(Rupees)----------	
9. CASH AND BANK DEPOSITS			
Cash and other equivalents			
Cash in hand		556,953	292,862
Current and other accounts			
Current Accounts		14,320,770	5,454,764
Profit and loss sharing (PLS) accounts	9.1	1,768,876	3,201,237
		16,089,646	8,656,001
Deposits maturing within twelve months			
Term Deposit Receipts	9.2	624,000,000	-
		640,646,599	8,948,863

9.1 These accounts carry mark-up at a rate between 4% to 6% (2014: 6% to 8%) per annum.

9.2 These carry profit rate ranging from 4.00% to 7.9% per annum and have maturities upto 28 June 2016.

10. LOANS TO EMPLOYEES - Secured, considered good

10.1 These loan are given to employees for domestic purposes and are secured against provident fund balances of employees.These loans carry mark-up rate ranging from 0% to 5% (2014: 0% to 5%) per annum, and are maturing at various dates until December 2017.

	Note	2015	2014
		----------(Rupees)----------	
11. INVESTMENTS			
- Available-for-sale	11.1	1,799,223	1,470,379
- Held-to-maturity	11.2	99,551,489	48,470,989
		101,350,712	49,941,368

11.1 Available-for-sale

11.1.1 Ordinary Shares of quoted companies

2015	2014	Name of Investee Company	2015	2014
(Number of shares)			----------(Rupees)----------	
129,000	129,000	Business Industrial Insurance Company Limited	251,260	251,260
7,731	7,731	Bank of Punjab Limited	357,727	357,727
10,000	10,000	The Hub Power Company Limited	357,000	357,000
15,195	15,195	Bank of Khyber	162,975	162,975
16,000	16,000	Summit Bank Limited	514,675	514,675
88,500	100,000	Next Capital Limited	885,000	1,000,000
			2,528,637	2,643,637

11.1.2 Mutual fund units

2015	2014	Name of Investee Company		2015	2014
(Number of shares)				----------(Rupees)----------	
9,245	9,245	First Habib Stock Fund		500,000	500,000
				3,028,637	3,143,637
		Provision for impairment in value of available-for-sale investments	11.1.2.3	(1,229,414)	(1,673,258)
				1,799,223	1,470,379

11.1.2.1 The aggregate market value of the available for sale investment is Rs. 2.88 million (2014: Rs. 2.697 million).

11.1.2.2 As per the Company's accounting policy, available for sale investments are stated at lower of cost or market value. However, IAS 39 - Financial Instruments: Recognition and Measurement, requires that these instruments should be measured at their fair value. Had the Company adopted International Accounting Standard (IAS) - 39 "Financial Instruments: Recognition and Measurement" in respect of recognition of gain or loss for remeasurement of available-for-sale investments directly into other comprehensive income, the investments of the Company would have been higher by Rs.1.081 million (2014: 1.227 million) and the net equity would have been higher by the same amount.

	Note	2015	2014
		----------(Rupees)----------	
11.1.2.3 Provision for impairment			
Balance as on January 1		1,673,258	1,673,258
Reversal during the year		(402,987)	-
Realized upon disposal of investments		(40,857)	-
Balance as on December 31		1,229,414	1,673,258

11.2 Held-to-maturity - Pakistan Investment Bonds (PIBs)

This represents ten years Pakistan Investment Bonds having face value of Rs. 100 million (market value of Rs. 109.06 million) [31 December 2014: Rs. 50 million (market value of Rs. 54.08 million)]. These carry mark-up ranging from 8.75% to 12% (31 December 2014: 12%) per annum and will mature between 3 September 2019 to 18 August 2021. These have been deposited with the State Bank of Pakistan (SBP) as statutory deposit in accordance with the requirements of Section 29 of the Insurance Ordinance 2000 and circular No. 15 of 2008 dated 7 July 2008 issued by the Securities and Exchange Commission of Pakistan.

	Note	2015	2014
		----------(Rupees)----------	
12. DEFERRED TAX ASSET			
Deferred tax comprises of the following:			
Deductible temporary differences			
- Provision for doubtful debts / deposits		3,601,406	964,038
- Provision for IBNR		1,036,686	-
Taxable temporary differences			
- Accelerated depreciation		(3,332,023)	(16,108,833)
	12.1	1,306,069	(15,144,795)
12.1 Reconciliation of deferred tax			
Opening provision		(15,144,795)	(7,283,892)
(Reversal) / charge for the year	21	16,450,864	(7,860,903)
Closing balance		1,306,069	(15,144,795)
13. AMOUNTS DUE FROM OTHER INSURERS / REINSURERS - unsecured			
Considered good			
- Local reinsurers		2,208	2,208
- Co-insurers		3,160,523	5,881,703
Considered doubtful		2,754,393	2,754,393
		5,917,124	8,638,304
Provision against amount due from other insurers / reinsurers - net	13.1	(2,754,393)	(2,754,393)
		3,162,731	5,883,911
13.1 Provision against premium due from insurers/ reinsurers - net			
Balance as on January 1, 2015		2,754,393	2,754,393
Charge for the period		-	-
Balance as on December 31, 2015		2,754,393	2,754,393

		Note	2015	2014
			(Rupees)	
14.	**ADVANCE, DEPOSITS AND PREPAYMENTS**			
	Advance to TPL Trakker Limited	14.1	209,877,167	287,679,109
	Deposits			
	- for medical and travel assistance	14.2	1,942,392	1,942,392
	- for hospital enlistment		5,290,000	4,940,000
	Prepaid			
	- annual monitoring and other charges	14.3	59,022,909	50,840,063
	- rent	14.4	7,828,378	4,066,090
	- maintenance charges	14.5	1,252,560	615,330
	- reinsurance premium ceded		-	-
	Others		5,634,069	1,619,976
			290,847,475	351,702,960

14.1 This represents advance against purchase of Trakking units and annual monitoring fees. A Special Resolution of the shareholders authorizing the Company to extend advances upto Rs. 300 million was passed in Annual General Meeting of the Company held on 30 April 2015. The above balance carries interest at the rate of 10% per annum (2014: 14% per annum) and is secured against personal guarantees of two Directors of TPL Trakker Limited (associated company).

14.2 This represents a refundable deposit of US$ 20,000 paid by the Company to International SOS (Pte) Limited against the foreign travel and medical assistance services for policy holders of the Company under a term of a service agreement signed between the Company and International SOS (Pte) Limited.

14.3 This represents the prepaid annual monitoring charges paid to TPL Trakker Limited (associated company) against the tracking services provided to the insurance policy holders of the Company.

14.4 This includes Rs. 7.65 million (31 December 2014: Rs. 3.886 millions) paid by the Company in respect of rent charge to TPL Properties (Private) Limited for the principal office space of the Company.

14.5 This represents maintenance charges paid to Centrepoint Management Services (Private) Limited for the principal office space of the Company.

		Note	2015	2014
			(Rupees)	
15.	**SUNDRY RECEIVABLES**			
	Considered good			
	Receivable from TPL Trakker Limited (associated company) in respect of sale of shares		-	107,767,704
	Federal Excise Duty - net		-	8,284,287
	Accrued mark-up on loan to TPL Properties		11,280,823	10,281,269
	Others	15.1	7,831,862	8,530,431
			19,112,685	134,863,691
	Considered doubtful			
	Margin deposit placed against purchase of shares - unsecured		8,500,000	8,500,000
	Provision against doubtful deposit		(8,500,000)	-
			-	8,500,000
			19,112,685	143,363,691

15.1 Include an amount of Rs. 5.032 million (2014: Rs. 4.63 million) receivable from TPL Direct Insurance Limited - Window Takaful Operations - Participant Takaful Fund in respect of tracker rental charges.

16.	**FIXED ASSETS**			
	Tangible assets	16.1	379,867,755	308,700,538
	Capital work-in-progress	16.3	-	4,842,480
	Intangible assets	16.4	4,842,480	-
			384,710,235	313,543,018

16.1 Tangible assets

	NOTE	Cost					Accumulated depreciation					Written down value as at 31 December 2015
		As at 1 January 2015	Additions	Disposals	As at 31 December 2015	Depreciation rate %	As at 1 January 2015	charge for the year	Transfers	Disposals	As at 31 December 2015	
		(Rupees)					(Rupees)					
Owned												
Leasehold Improvements		26,457,282	-	-	**26,457,282**	10	220,477	2,645,729	-	-	2,866,206	23,591,076
Furniture and fixtures		14,126,889	37,950	-	**14,164,839**	10	487,827	1,414,052	-	-	1,901,879	12,262,960
Office equipments		21,192,915	1,231,125	(83,000)	**22,341,040**	20	4,963,540	3,976,692	-	(12,350)	8,927,882	13,413,158
Motor vehicles		10,660,178	11,796,383	(1,520,338)	**20,936,223**	20	6,648,457	3,449,131	-	(1,468,766)	8,628,822	12,307,401
Tracking devices	16.1.1	557,467,101	161,875,040	(1,599,400)	**717,742,741**	20	312,975,797	91,967,757	-	(1,599,400)	403,344,154	314,398,587
Computer equipments		12,758,085	2,240,504	-	**14,998,589**	33.33	8,665,814	2,438,202	-	-	11,104,016	3,894,573
2015		642,662,450	177,181,002	(3,202,738)	816,640,714		333,961,912	105,891,563	-	(3,080,516)	436,772,959	379,867,755

		Cost					Accumulated depreciation					Written down value as at 31 December 2014
		As at 1 January 2014	Additions / transfers *	Disposals / written off	As at 31 December 2014	Depreciation rate %	As at 1 January 2014	charge for the year	Transfers	Disposals / written off	As at 31 December 2014	
		(Rupees)					(Rupees)					
Owned												
Leasehold Improvements		-	26,457,282	-	26,457,282	10	-	220,477	-	-	220,477	26,236,805
Furniture and fixtures		3,011,292	12,833,804	(1,718,207)	14,126,889	10	1,225,410	388,833	-	(1,126,416)	487,827	13,639,062
Office equipments		7,429,087	14,297,614	(53,000) (480,786)	21,192,915	20	3,681,386	1,576,444	-	(2,617) (291,673)	4,963,540	16,229,375
Motor vehicles		14,512,254	641,592	(4,493,668)	10,660,178	20	6,530,417	2,107,859	-	(1,989,819)	6,648,457	4,011,721
Tracking devices	16.1.1	403,181,768	157,180,233	(2,894,900)	557,467,101	20	250,227,426	65,643,271	-	(2,894,900)	312,975,797	244,491,304
Computer equipments		9,089,651	3,730,934	(62,500)	12,758,085	33.33	6,471,491	2,196,059	-	(1,736)	8,665,814	4,092,271
2014		437,224,052	215,141,459	(9,222,275) (480,786)	642,662,450		268,136,130	72,132,943	-	(6,015,488) (291,673)	333,961,912	308,700,538

16.1.1 These tracking units are installed in the vehicles which are insured by the Company.

16.1.2 Depreciation has been allocated as follows:

		2015	2014
		(Rupees)	
Management expenses	17	81,063,154	65,546,790
General and administrative expenses	19	21,956,186	6,337,011
Window takaful operations - Operator's Fund		2,872,223	249,142
		105,891,563	72,132,943

16.2 Disposal of tangible assets

	Cost	Accumulated depreciation	Book value	Sale proceeds	Net gain (note 19)	Mode of disposal	Sold to
Motor vehicles	(Rupees)						
Suzuki cultus	911,000	895,817	15,183	-	(15,183)	Term of employment	Kamran Hanif (Employee)
Suzuki Mehran	360,000	360,000	-	180,000	180,000	Negotiation	Ahmed Qamar
Motorcycle	40,365	40,365	-	13,650	13,650	Theft	Insurance claim
Motorcycle	43,524	30,467	13,057	18,100	5,043	Theft	Insurance claim
Motorcycle	45,596	25,078	20,518	30,000	9,482	Theft	Insurance claim
Motorcycle	37,240	37,240	-	7,500	7,500	Negotiation	Abdul Samad
Motorcycle	40,415	40,415	-	-	-	Term of employment	Muhammad Waseem (Employee)
Motorcycle	42,198	39,385	2,813	-	(2,813)	Term of employment	Zulfiqar Ali (Employee)
Mobile devices							
Huawei Ascend G610	19,000	2,217	16,783	9,000	(7,783)	Theft	Insurance claim
Huawei Ascend G610	16,000	1,333	14,667	8,000	(6,667)	Theft	Insurance claim
Huawei Ascend G610	16,000	3,200	12,800	7,500	(5,300)	Theft	Insurance claim
Huawei Ascend G610	16,000	2,933	13,067	7,500	(5,567)	Theft	Insurance claim
Huawei Ascend G610	16,000	2,667	13,333	7,500	(5,833)	Theft	Insurance claim
Tracking devices							
Tracking Units	1,599,400	1,599,400	-	1,208,578	1,208,578	Negotiation	Various customers
	2,291,738	3,080,517	122,221	1,497,328	1,375,107		

		2015	2014
		(Rupees)	
16.3	**Capital Work-in-Progress**		
	Opening	4,842,480	19,050,470
	Additions during the year	-	18,098,629
	Transferred to TPL Trakker Limited (associated company)	-	(32,306,619)
	Transferred to intangible assets	(4,842,480)	-
	Closing	-	4,842,480

16.4 **Intangible assets**

	COST				ACCUMULATED AMORTISATION			Written down value
	As at 1 January 2015	Additions / (written off)	As at 31 December 2015	Amortization rate	As at 1 January 2015	Charge for the year / (written off)	As at 31 December 2015	as at 31 December 2015
Owned	(Rupees)			%	(Rupees)			
Insurance System Software	4,868,558	4,842,480	9,711,038	20	4,868,558	-	4,868,558	4,842,480
P.O.S. software	1,449,831	(1,449,831)	-	20	1,449,831	(1,449,831)	-	-
2015	6,318,389	3,392,649	9,711,038		6,318,389	(1,449,831)	4,868,558	4,842,480

	COST				ACCUMULATED AMORTISATION			Written down value
	As at 1 January 2014	Additions / (disposals)	As at 31 December 2014	Amortization rate	As at 1 January 2014	Charge for the year	As at 31 December 2014	as at 31 December 2014
Owned	(Rupees)			%	(Rupees)			
Insurance System Software	4,868,558	-	4,868,558	20	4,868,358	200	4,868,558	-
P.O.S. software	1,449,831	-	1,449,831	20	1,449,731	100	1,449,831	-
2014	6,318,389	-	6,318,389		6,318,089	300	6,318,389	-

17 MANAGEMENT EXPENSES

		2015	2014
		(Rupees)	
Salaries and Wages	17.1	81,578,646	77,318,978
Annual Monitoring fee and other charges	17.2	88,145,774	57,649,414
Travelling incentives		91,735,377	41,292,838
Outsourcing Expenses		6,489,446	6,630,072
Communication		4,722,080	5,187,066
Rent, rates and taxes		25,515,344	20,122,804
Utilities		3,899,626	3,403,138
Fuel		6,781,522	7,612,299
Depreciation - Trakker units		71,435,424	64,874,604
Depreciation - Other		9,627,730	672,186
Printing and Stationary		7,890,576	5,124,102
Insurance		1,824,847	1,503,047
Others		1,133,043	1,337,733
		400,779,435	292,728,281

17.1 This includes Rs. 4.541 million (2014: Rs. 3.1 million) being contribution to employees' provident fund.

17.2 This includes annual monitoring fee of Rs. 74.179 million (2014: 44.580 million) in respect of trackers installed in vehicles insured by the Company and tracker removing charges of Rs. 13.966 million (2014: Rs. 13.096 million).

18 OTHER INCOME

		2015	2014
		(Rupees)	
Profit on profit and loss saving accounts		1,609,115	413,610
Interest charged on			
- advance to TPL Trakker Limited		34,289,513	48,621,697
- loan to TPL Properties (Private) Limited		999,554	21,306,342
Tracker rental from Window Takaful Operations		56,463,920	2,113,834
Income from other services	18.1	4,796,030	3,276,400
Net gain on disposal of tangible assets	16.2	1,375,107	2,800,395
Others		791,459	825,558
		100,324,698	79,357,836

18.1 This represents income earned against road side assistance and value added tracking services.

		2015	2014
		----------(Rupees)----------	
19 GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries and Wages	19.1	20,509,168	11,393,719
Advertisement and marketing		26,864,661	59,995,265
Annual monitoring fee		23,098,876	864,750
Travelling and conveyance		2,641,868	6,215,465
Registration, subscription and association		3,989,109	6,183,765
Communication		1,029,219	2,392,890
Repair & Maintenance		14,658,773	8,573,435
IT Related Cost		12,797,545	9,561,986
Donations	19.2	5,872,835	5,977,183
Auditors' remuneration	19.3	925,000	840,000
Legal and professional charges		4,876,133	4,567,256
Rent, rates and taxes		3,578,371	2,975,908
Utilities		546,899	503,281
Fuel		951,067	1,121,705
Depreciation - Tracker		20,532,334	768,667
Depreciation - Other		1,423,852	5,568,344
Amortization expense	19.4	885,065	2,225,324
Workers Welfare Fund		1,127,151	1,055,787
Provision for doubtful deposit		8,500,000	-
Others		4,809,511	3,839,234
		159,617,437	134,623,964

19.1 This includes Rs. 0.545 million (2014: Rs. 0.424 million) being contribution to employees' provident fund.

19.2 Donations do not include any donee in which any Director or his spouse have any interest.

19.3 Auditors' remuneration

Audit fee	400,000	400,000
Review and other certifications	425,000	340,000
Out-of-pocket expenses	100,000	100,000
	925,000	840,000

19.4 This represents Rs.0.88 million (2014: Rs. 2.22 million) charged by TPL Trakker Limited (associated company) in respect of shared softwares.

20. FINANCIAL CHARGES

Short term running finance	-	115,695
Others	526,756	451,088
	526,756	566,783

		2015	2014
		----------(Rupees)----------	
21.	**PROVISION FOR TAXATION**		
	Current	28,793,877	5,160,360
	Deferred Tax		
	Current	(14,546,962)	7,860,903
	Prior	(1,903,902)	-
		(16,450,864)	7,860,903
		12,343,013	13,021,263

21.1 The relationship between tax expense and the accounting profit is as follows:

Profit before taxation	45,620,606	38,951,789
Tax at enacted rate of 32% (2014: 33%)	14,598,594	12,854,090
Effect of items taxed at reduced rate	(28,844)	(77,048)
Effect of additional items allowed for tax purposes	(289,159)	(330,251)
Tax effect of share of profit from associates	-	905,182
Prior year deferred tax adjustment	(1,903,902)	-
Others	(49,676)	(330,710)
	12,327,013	13,021,263

22 EARNINGS PER SHARE – BASIC AND DILUTED

Profit after tax for the year	33,277,593	25,930,526
	(Number of shares)	
Weighted average number of ordinary shares of Rs.10 each	70,237,962	52,305,698
	(Rupees)	
Earnings per share - basic and diluted	0.47	0.50

22.1 The weighted average number of ordinary shares and earnings per share for the 31 December 2014 has been adjusted for the effects of bonus element included in shares issued during the year.

23 REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

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

	NOTE	Chief executive Officer		Directors		Executives		Total	
		2015	2014	2015	2014	2015	2014	2015	2014
		(Rupees)							
Managerial remuneration		8,463,000	6,906,900	-	3,946,800	23,884,163	9,586,741	32,347,163	20,440,441
Bonus		1,000,000	1,000,000	-	726,000	2,010,000	1,138,500	3,010,000	2,864,500
House rent allowance		3,699,300	3,028,410	-	1,730,520	10,332,574	4,096,068	14,031,874	8,854,998
Utilities		846,300	690,690	-	394,680	2,388,416	958,675	3,234,716	2,044,045
Retirement benefits		704,964	575,340	-	328,764	1,989,539	755,416	2,694,503	1,659,520
Others		1,271,400	-	-	-	6,359,713	107,350	7,631,113	107,350
Director Fee		-	-	800,000	-	-	-	800,000	-
	24.1	15,984,964	12,201,340	800,000	7,126,764	46,964,405	16,642,750	63,749,369	35,970,854
Number of persons		1	1	2	1	13	10	16	12

23.1 In addition, the Chief Executive Officer, Executive Directors and other Executives are provided with free use of Company maintained cars in accordance with their entitlement.

24 TRANSACTIONS WITH RELATED PARTIES

24.1 The related parties comprise Holding Company, associated undertakings, common directorships, employees provident fund, directors and key management personnel. The balances with / due from and transactions with related parties, other than those which have been specifically disclosed elsewhere in the financial statements are as follows:

		2015	2014
		----------(Rupees)----------	
24.2	**Balances and transactions with related parties**		
	Greenoaks Global Holdings Limited - (Holding Company)		
	Shares issued during the period	442,738,485	-
	TPL Trakker Limited - (associated company)		
	Opening balance - receivable	395,446,813	298,381,002
	Tracking units purchased during the year	(188,855,776)	(183,924,928)
	Services in respect of tracking devices provided to the Company	(121,302,060)	(75,742,796)
	Interest charged during the year	34,289,513	48,621,697
	Equipment removal / transfer charges	(13,965,953)	(13,096,441)
	Net expenses charged to the Company / by the Company	(30,889,108)	26,446,523
	Furniture capitalized during the year	-	(50,000,000)
	Payments of fixed assets on behalf of associated company	-	41,014,852
	Net payment made by the Company	135,153,738	303,746,904
	Closing balance - receivable	209,877,167	395,446,813
	TPL Properties (Private) Limited- common directorship		
	Opening balance - receivable	140,846,910	120,765,798
	Advance rent paid during the year	37,201,032	-
	Rent and maintenance expenses during the year	(33,438,744)	(16,613,910)
	Loan repayment during the year	(126,679,551)	(41,170,449)
	Loan given during the year	-	67,850,000
	Mark-up charged during the year	999,554	21,306,342
	Mark-up received during the year	-	(11,290,871)
	Closing balance - receivable	18,929,201	140,846,910
	Virtual World (Private) Limited - common directorship		
	Opening accrued outsourcing expenses	588,000	924,000
	Services received during the year	7,392,000	6,650,000
	Payments made during the year	(6,636,000)	(6,986,000)
	Closing accrued outsourcing expenses	1,344,000	588,000
	Centrepoint Management Services (Private) Limited - common directorship		
	Opening balance - payable	1,655,025	-
	Prepaid maintenance charges during the year	5,010,240	-
	Services received during the year	3,843,613	4,488,099
	Payments made during the year	(8,702,924)	(2,833,074)
	Closing balance - payable	1,805,954	1,655,025
	TPL Security Services (Private) Limited - common directorship		
	Opening balance	-	-
	Services received during the year	523,200	220,500
	Payments made during the year	(391,200)	(220,500)
	Closing balance - payable	132,000	-
	TPL Direct Insurance Limited Employees Provident Fund		
	Opening balance - payable	741,654	471,534
	Charge for the year	10,171,721	7,049,932
	Contribution made during the year	(9,996,273)	(6,779,812)
	Closing balance - payable	917,102	741,654
	Window Takaful Operations - Participant Takaful Fund		
	Opening balance - receivable	4,742,000	-
	Tracking rental charged during the year / period	82,830,000	13,178,000
	Payments (received) / made by the Company on behalf of PTF - net	(7,189,058)	111,000
	Payments received during the year / period	(75,350,778)	(8,547,000)
	Closing balance - receivable	5,032,164	4,742,000

24.2.1 Remuneration to the key management personnel are in accordance with the terms of their employment. Contribution to the provident fund is in accordance with the Company's staff services rules and other transactions with the related parties are in accordance with the agreed terms.

25 MANAGEMENT OF INSURANCE AND FINANCIAL RISK

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

25.1 Insurance risk management

25.1.1 Insurance risk

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

The Company's major insurance contracts are in respect of motor vehicles through issuance of general insurance contracts relating to motor insurance. For these contracts the most significant risks arise from theft, accidents and terrorist activities.

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

25.1.2 Frequency and severity of claims

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

The reinsurance arrangements against major risk exposure include excess of loss, quota share, surplus arrangements and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on Company's net retentions.

25.1.3 Uncertainty in the estimation of future claim payments

Claims on motor insurance contracts are payable on a claim occurrence basis. The Company is liable for all insured events that occur during the term of the insurance contracts respectively, including the event reported after the expiry of the insurance contract term.

An estimated amount of the claim is recorded immediately on the intimation to the Company. The estimation of the amount is based on management judgment or preliminary assessment by the independence surveyor appointed for the purpose. The initial estimates include expected settlement cost of the claims. Provision for IBNR is based on the management's best estimate which takes into account expected future patterns of reporting of claims and the claim actually reported subsequent to the balance sheet date. There are several variable factors which affect the amount and timing of recognised claim liabilities. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from initial recognised amount. Outstanding claims are reviewed on a periodic basis.

25.1.4 Key assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected income. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate case to case basis with due regard to the claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Core estimates are reviewed regularly and are updated as and when new information is available.

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

25.1.5 Sensitivity analysis

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 claims recognised in the balance sheet is adequate. However, actual experience may differ from the expected outcome.

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

Average claim cost	Underwriting results / profit		Shareholder's equity	
	2015	2014	2015	2014
	----------(Rupees)----------			
Motor	47,738,326	51,239,805	32,462,062	34,330,669
Misc	5,438,804	1,930,706	3,698,387	1,293,573
	53,177,130	53,170,511	36,160,449	35,624,242

25.1.6 Concentration of risk

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

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the insured property.

The adequate event limit is a multiple of the treaty capacity or the primary recovery from excess of loss treaty, which is very much in line with the risk management philosophy of the Company.

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.

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

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

	Gross sum insured		Reinsurance		Net	
	2015	2014	2015	2014	2015	2014
	(Rupees)					
Motor	8,000,000	8,000,000	-	-	8,000,000	8,000,000
Others	25,940,000	25,940,000	-	-	25,940,000	25,940,000
	33,940,000	33,940,000	-	-	33,940,000	33,940,000

As the reinsurance arrangements are on excess of loss basis, therefore the reinsurance coverage against Company's risk exposures is not quantified.

25.1.7 Claims development tables

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

Analysis on gross basis

Accident year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
	(Rupees)											
Estimate of ultimate claims cost:												
At end of accident year	2,773,342	5,294,196	9,952,578	11,577,588	32,625,169	47,340,288	48,351,225	363,140,143	469,482,097	703,987,518	**681,432,916**	2,375,957,060
One year later	2,769,694	4,688,378	11,729,996	9,282,400	27,008,646	30,393,508	37,511,141	352,896,739	468,385,716	701,532,973	-	1,646,199,191
Two years later	2,769,694	4,623,878	11,732,891	8,924,574	25,210,318	30,389,581	37,423,966	352,717,003	-	-	-	473,791,905
Three years later	2,769,694	4,623,878	11,732,891	8,955,940	25,210,318	30,389,581	37,428,166	-	-	-	-	121,110,468
Four years later	2,769,694	4,623,878	11,732,891	8,955,940	26,075,318	30,389,581	-	-	-	-	-	84,547,302
Five years later	2,769,694	4,623,878	11,732,891	8,657,940	26,075,318	-	-	-	-	-	-	53,859,721
Six years later	2,540,949	4,623,878	11,732,891	8,657,940	-	-	-	-	-	-	-	27,555,658
Seven years later	2,540,949	4,623,878	11,732,891	-	-	-	-	-	-	-	-	18,897,718
Eight years later	2,540,949	4,623,878	-	-	-	-	-	-	-	-	-	7,164,827
Nine years later	2,540,949	-	-	-	-	-	-	-	-	-	-	2,540,949
Ten years later	6,757,711	-	-	-	-	-	-	-	-	-	-	6,757,711
Estimate of cumulative claims	6,757,711	4,623,878	11,732,891	8,657,940	26,075,318	30,389,581	37,428,166	352,717,003	468,385,716	701,532,973	681,432,916	2,329,734,093
Cumulative payments to date	(5,563,711)	(4,623,878)	(11,732,891)	(8,657,940)	(26,075,318)	(30,389,581)	(37,428,166)	(352,717,003)	(468,370,866)	(685,675,272)	(578,355,352)	(2,209,589,978)
Liability for outstanding claims	1,194,000	-	-	-	-	-	-	-	14,850	15,857,701	103,077,564	120,144,115

26 FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

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

26.1 Credit risk

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

26.1.1 Management of credit risk

The Company's policy is to enter into financial contracts in accordance with the guidelines set by the Board of Directors. Credit risk is managed and controlled by the management of the Company in the following manner:

- Credit rating and / or credit worthiness of the counter party is taken into account along with the financial background so as to minimize the risk of default. Collaterals are obtained wherever appropriate / relevant.

- The risk of counterparty exposure due to failed agreements causing a loss to the Company is mitigated by a periodic review of the credit ratings, financial statements, credit worthiness, etc. on a regular basis and makes provision against those balances considered doubtful of recovery.

- Loans given to employees are deductible from the salary of the employees.

- Cash is held with reputable banks only.

To reduce the credit risk the management continuously reviews and monitors the credit exposure towards the policyholders and other insurers/reinsurers and makes provision against those balances considered doubtful of recovery.

26.1.2 Exposure to credit risk

In summary, compared to the amount included in statement of assets and liabilities, the maximum exposure to credit risk as at 31 December is as follows:

	2015		2014	
	Balance as per the financial statement	Maximum exposure	Balance as per the financial statement	Maximum exposure
	(Rupees)			
Bank deposits	640,646,599	640,089,646	8,948,863	8,656,001
Loan to employees	785,328	785,328	628,235	628,235
Investments	101,350,712	-	49,941,368	-
Premiums due but unpaid	144,900,287	144,900,287	81,588,902	81,588,902
Amount due from other insurers / reinsurers	3,162,731	3,162,731	5,883,911	5,883,911
Accrued investment income	7,575,848	4,779,027	2,132,643	-
Reinsurance recoveries against outstanding claims and salvage recoveries	24,318,400	24,318,400	23,640,000	23,640,000
Sundry receivables	19,112,685	19,112,685	143,363,691	135,079,404
Advance, deposits and prepayments	290,847,475	222,399,559	294,561,501	294,561,501
Loan to associated company	-	-	126,679,551	126,679,551
	1,232,700,065	1,059,547,663	737,368,665	676,717,505

26.1.3 Past due / impaired assets

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

	2015	2014
	(Rupees)	
0-90 days	113,639,426	74,243,947
Over 90 days	31,260,861	7,344,955
Total	144,900,287	81,588,902

The above balance is considered good and is not impaired.

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

	2015		2014	
	Gross	Impairment	Gross	Impairment
	(Rupees)			
Upto 1 year	3,139,248	-	5,859,570	-
1-2 years	-	-	19,925	-
Over 2 years	2,777,876	2,754,393	2,758,809	2,754,393
Total	5,917,124	2,754,393	8,638,304	2,754,393

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

	2015		2014	
	Gross	Impairment	Gross	Impairment
	(Rupees)			
Up to 1 year	24,199,000	-	20,577,000	-
1-2 years	-	-	2,200,000	-
Over 2 years	119,400	-	863,000	-
Total	24,318,400	-	23,640,000	-

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

26.1.4 Credit Rating and Collateral

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

	Rating		Rating	Amount (in Rupees)	
	Short term	Long term	Agency	2015	2014
Habib Bank Limited	A-1+	AAA	JCR-VIS	**1,102,676**	-
MCB Bank Ltd.	A1+	AAA	PACRA	**105,532,820**	-
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	**138,885,933**	1,748,573
Dubai Islamic Bank	A-1	A+	JCR-VIS	**11,768,876**	981,309
Bank Al-Habib Limited	A1+	AA+	PACRA	**166,102,857**	1,088,956
United Bank Limited	A-1+	AA+	JCR-VIS	**153,354,764**	1,321,583
Tameer Micro Finance Bank Limited	A-1	A+	PACRA	**455,505**	40,407
NIB Bank Limited	A1+	AA-	PACRA	**1,720,895**	1,295,949
National Bank of Pakistan	A1+	AAA	PACRA	**1,844**	1,844
Faysal Bank Limited	A1+	AA	PACRA	**50,947,532**	1,859,825
JS Bank Limited	A1+	A+	PACRA	**10,141,447**	-
Burj Bank Limited	A-2	A-	JCR-VIS	**74,497**	74,497
Standard Chartered Bank Limited				-	187,632
Sindh Bank Limited				-	55,426
				640,089,646	8,656,001

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

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Prepaid reinsurance premium ceded	2015	2014
			(Rupees)		
A or above (including PRCL)	3,162,731	24,318,400	-	27,481,131	29,523,911

26.1.5 Concentration of credit risk

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

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

	2015		2014	
	(Rupees)	%	(Rupees)	%
Individuals	67,934,088	47%	70,223,164	86%
Corporate	76,966,199	53%	11,365,738	14%
	144,900,287	100%	81,588,902	100%

26.1.6 Settlement risk

The company's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed on sale.

This risk is addressed more or less in accordance with the parameters set out in the credit risk management above.

26.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or may face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

26.2.1 Management of liquidity risk

The Company's 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 Company's reputation. The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to fulfil its obligation; monitoring balance sheet liquidity ratios against internal and external requirements and maintaining debt financing plans.

26.2.2 Maturity analysis for financial liabilities

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to maturity date and represents the undiscounted cash flows. The amounts in the table are the gross nominal undiscounted cash flows (including interest payments).

	2015			
	Carrying amount	Contractual cash flows	Upto one year	More than one year
	(Rupees)			
Financial liabilities				
Provision for outstanding claims	121,203,926	121,203,926	121,203,926	-
Amount due to other insurers / reinsurers	18,480,195	18,480,195	18,480,195	-
Accrued expenses	5,962,335	5,962,335	5,962,335	-
Other creditors and accruals	95,413,990	95,413,990	95,413,990	-
	241,060,446	241,060,446	241,060,446	-

	2014			
	Carrying amount	Contractual cash flows	Upto one year	More than one year
	(Rupees)			
Financial liabilities				
Provision for outstanding claims	152,840,064	152,840,064	152,840,064	-
Amount due to other insurers / reinsurers	12,545,118	12,545,118	12,545,118	-
Accrued expenses	2,019,932	2,019,932	2,019,932	-
Other creditors and accruals	46,940,317	46,940,317	46,940,317	-
	214,345,431	214,345,431	214,345,431	-

26.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will effect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Company is exposed to interest rate risk, currency risk and other price risk.

26.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate exposure arises from balances held in profit and loss sharing accounts with reputable banks and government securities. The Company limits interest rate risk by monitoring changes in interest rates. Other risk management procedures are the same as those mentioned in the credit risk management.

26.3.1.1 Sensitivity analysis

At the balance sheet date the interest rate profile of the Company's interest-bearing financial instrument are as follows:

	2015	2014	2015	2014
Financial assets	Effective interest rate (in %)		(Rupees)	
Assets subject ot fixed rate				
- Government securities	8.75% - 12%	12%	99,551,489	48,470,989
- Advance	10%	14%	209,877,167	287,679,109
- Bank deposits	4% to 8%	-	624,000,000	-
- Loan to employees	0% to 5%	0% to 5%	785,328	628,235
Assets subject ot variable rate				
- Bank balances	4% to 6%	6% to 8%	1,768,876	3,201,237

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A hypothetical change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below.

It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	Profit and loss 100 bps		Profit and loss 100 bps	
	Increase	Decrease	Increase	Decrease
	----------(Rupees)----------		----------(Rupees)----------	
Cash flow sensitivity - Variable rate financial assets	**176,888**	**(176,888)**	320,124	(320,124)

26.3.1.2 Exposure to interest rate risk

A summary of the Company's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date, is as follows:

	2015				
	Mark-up / return (%)	less than 1 year	1 year to 5 years	More than 5 years	Total
Assets		---------- (Rupees) ----------			
Bank deposits	4 - 8	625,768,876	-	-	625,768,876
Loans to employees	0 - 5	474,920	310,408	-	785,328
Investments	8.75 - 12	-	51,088,700	48,462,789	99,551,489
Advance	10	209,877,167	-	-	209,877,167
Total assets		836,120,963	51,399,108	48,462,789	935,982,860
Liabilities	-	-	-	-	-
Total interest sensitivity gap		836,120,963	51,399,108	48,462,789	935,982,860

	2014				
	Mark-up / return (%)	less than 1 year	1 year to 5 year	More than 5 year	Total
Assets		---------- (Rupees) ----------			
Bank deposits	6 - 8	3,201,237	-	-	3,201,237
Loans to employees	0 - 5	583,235	45,000	-	628,235
Investments	12	-	-	48,470,989	48,470,989
Advance	14	287,679,109	-	-	287,679,109
Total assets		291,463,581	45,000	48,470,989	339,979,570
Liabilities	-	-	-	-	-
Total interest sensitivity gap		291,463,581	45,000	48,470,989	339,979,570

26.3.2 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/mark up 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. Company is exposed to equity price risk since it has investments in quoted equity securities at the balance sheet date.

The Company's strategy is to hold its strategic equity investments for long period of time. Thus, Company's 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 favourable. Company strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity price volatility. Company manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

The carrying value of available for sale equity instruments is 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 the S.R.O. 938 issued by the Securities and Exchange Commission of Pakistan (SECP), in December 2002.

Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold. The Company has no significant concentration of price risk.

26.3.2.1 Sensitivity analysis

The table below summarizes Company's equity price risk as of 31 December 2015 and 2014 and shows the effects of a hypothetical 10% increase / decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse in Company's equity investment portfolio because of the nature of equity markets.

Had all equity investments, other than associates, been measured at fair values as required by IAS 39 "Financial Instruments: Recognition and Measurement", the impact of hypothetical change would be as follows:

	Fair value	Hypothetical price change	Estimated fair value after change in prices	Increase / (decrease) in shareholders' equity	Increase (decrease) in profit before tax
			---------- (Rupees) ----------		
2015	**2,881,115**	10% increase	**3,169,227**	**288,112**	288,112
		10% decrease	**2,593,004**	**(288,111)**	(288,111)
2014	2,697,268	10% increase	2,966,995	269,727	269,727
		10% decrease	2,427,541	(269,727)	(269,727)

26.3. 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 Company, at present is not materially exposed to currency risk as majority of the transactions are carried out in Pak Rupees.

26.4 Fair value of financial assets and liabilities

IFRS 13 defines fair value as an exit price. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Following are the asssets which are either measured at fair value or for which fair value is only disclolsed and is different from their carrying value:

	2015		
	Fair value measurement using		
	Level 1	Level 2	Level 3
	----------(Rupees)----------		
Available-sale-investments (fair value only disclosed)	2,101,867	-	-
Available-sale-investments (measured at fair value)	779,248	-	-
Held-to-maturity (fair value only disclosed)	-	109,064,666	-
	2,881,115	109,064,666	-

	2014		
	Fair value measurement using		
	Level 1	Level 2	Level 3
	----------(Rupees)----------		
Available-sale-investments (fair value only disclosed)	1,816,743	-	-
Available-sale-investments (measured at fair value)	880,525	-	-
Held-to-maturity (fair value only disclosed)	-	54,080,985	-
	2,697,268	54,080,985	-

26.5 Capital management

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

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

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

27 PROVIDENT FUND

The following is based on un-audited financial statements for the year ended 30 June 2015 and 30 June 2014:

	2015	2014
	----------(Rupees)----------	
Size of the fund - Net Assets	21,221,651	17,526,034
Cost of investments	15,693,380	14,242,530
Percentage of investments made	73.95%	81.26%
Fair value of investments	20,686,755	17,061,138

27.1 The breakup-value of fair value of investments is as follows:

	2015	2014	2015	2014
	(Percentage)		(Rupees)	
Bank balances	24%	16%	4,993,374	2,736,152
Pakistan investment bonds	19%	24%	4,027,000	4,027,000
Special saving certificates	51%	32%	10,477,918	5,477,918
Mutual Funds	4%	7%	808,451	1,240,056
Shares of listed company	2%	21%	380,012	3,580,012
	100%	100%	20,686,755	17,061,138

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

28 NUMBER OF EMPLOYEES

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

	2015	2014
At the year end	188	165
Average during the year	177	157

29 GENERAL

29.1 During the year, SECP has issued Circular 25 of 2015 dated 09 July 2015, which requires insurers to prepare complete set of financial statement of Window Takaful Operations separately from conventional insurance business. Circular 25 has also prescribed the presentation of assets, liabilities, income and expenses of Window Takaful Operations in the financial statements of the Company. Comparative figures in these financial statements have been rearranged / reclassified to conform to current year's presentation as a result of said Circular.

29.2 Figures have been rounded off to the nearest Rupee.

29.3 Date of authorisation for issue

These financial statements have been authorised for issue on 18 March 2016 by the Board of Directors of the Company.

Chief Executive	Director	Director	Chairman

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ANNEXURE A - WINDOW TAKAFUL OPERATIONS

WINDOW TAKAFUL OPERATIONS AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising of:

(i) balance sheet;
(ii) profit and loss account;
(iii) statement of changes in fund;
(iv) statement of cash flows;
(v) statement of contributions;
(vi) statement of claims;
(vii) statement of expenses of operator's fund; and
(viii) statement of expenses of participants' takaful fund

of TPL Direct Insurance Limited - Window Takaful Operations (the Operator) as at 31 December 2015 together with the notes forming part thereof, for the period then ended.

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

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

In our opinion:

(a) proper books of account have been kept by the Operator as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;

(b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Operator and are further in accordance with accounting policies consistently applied;

WINDOW TAKAFUL OPERATIONS AUDITORS' REPORT TO THE MEMBERS

(c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Operator's affairs as at 31 December 2015 and of the profit, its comprehensive income, its cash flows and changes in fund for the period then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and

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

Date: 18th March, 2016
Karachi.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Audit Engagement Partner:
Arslan Khalid

WINDOW TAKAFUL OPERATIONS
BALANCE SHEET

As at 31 December 2015

	Note	2015			2014		
		Operator's Fund	Participants' Takaful Fund	Aggregate	Operator's Fund	Participants' Takaful Fund	Aggregate
		----------(Rupees)----------			----------(Rupees)----------		
OPERATORS' FUND (OF)							
Statutory Fund		50,000,000	-	50,000,000	50,000,000	-	50,000,000
Unappropriated profit		10,263,569	-	10,263,569	3,207,199	-	3,207,199
		60,263,569	-	60,263,569	53,207,199	-	53,207,199
WAQF / PARTICIPANT'S TAKAFUL FUND (PTF)							
Ceded money		-	2,000,000	2,000,000	-	2,000,000	2,000,000
Accumulated deficit		-	(57,107,080)	(57,107,080)	-	(3,879,949)	(3,879,949)
Balance of WAQF / PTF		-	(55,107,080)	(55,107,080)	-	(1,879,949)	(1,879,949)
LIABILITIES							
PTF Underwriting provisions							
Provision for outstanding claims (including IBNR)		-	54,157,459	54,157,459	-	4,563,535	4,563,535
Provision for unearned contribution		-	221,979,679	221,979,679	-	55,629,056	55,629,056
		-	276,137,138	276,137,138	-	60,192,591	60,192,591
Qard-e-Hasna	5	-	30,000,000	30,000,000	-	-	-
Creditors and accruals							
Amounts due to other takaful / retakaful operators	6	-	6,062,000	6,062,000	-	4,234,000	4,234,000
Unearned Wakala Fee		88,791,871	-	88,791,871	22,251,622	-	22,251,622
Accrued Expenses		175,000	-	175,000	-	-	-
Taxation - payments less provision		2,254,841	-	2,254,841	-	-	-
Other creditors and accruals	7	14,469,742	43,876,174	58,345,916	5,288,049	21,770,850	27,058,899
Payable to TPL Direct Insurance Limited	8	24,728,882	-	24,728,882	655,580	-	655,580
		130,420,336	49,938,174	180,358,510	28,195,251	26,004,850	54,200,101
Total Liabilities		130,420,336	356,075,312	486,495,648	28,195,251	86,197,441	114,392,692
Total fund and liabilities		190,683,905	300,968,232	491,652,137	81,402,450	84,317,492	165,719,942

The annexed notes from 1 to 19 form an integral part of these financial statements.

WINDOW TAKAFUL OPERATIONS
BALANCE SHEET

As at 31 December 2015

	Note	2015			2014		
		Operator's Fund	Participants' Takaful Fund	Aggregate	Operator's Fund	Participants' Takaful Fund	Aggregate
		----------(Rupees)----------			----------(Rupees)----------		
ASSETS							
Bank deposits	9						
Current and other accounts		10,865,444	2,890,010	13,755,454	61,718,313	19,170,459	80,888,772
Deposits maturing within twelve months		95,000,000	110,000,000	205,000,000	-	-	-
		105,865,444	112,890,010	218,755,454	61,718,313	19,170,459	80,888,772
Current assets - others							
Contribution due but unpaid - PTF		-	50,447,547	50,447,547	-	28,655,745	28,655,745
Salvage recoveries accrued		-	6,700,000	6,700,000	-	-	-
Taxation - payments less provision		-	-	-	185,168	-	185,168
Accrued Investment Income		136,644	162,058	298,702	-	-	-
Deferred Wakala expense		-	88,791,871	88,791,871	-	22,251,622	22,251,622
Deferred commission expense		21,121,730	-	21,121,730	6,951,106	-	6,951,106
Prepayments	10	-	41,976,746	41,976,746	-	14,239,666	14,239,666
Sundry receivables	11	63,560,087	-	63,560,087	12,547,863	-	12,547,863
		84,818,461	188,078,222	272,896,683	19,684,137	65,147,033	84,831,170
Total assets		190,683,905	300,968,232	491,652,137	81,402,450	84,317,492	165,719,942

Chief Executive | Director | Director | Chairman

WINDOW TAKAFUL OPERATIONS
PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2015

	Note	Motor	Miscellaneous	2015	For the period from 20 August 2014 to 31 December 2014
		(Rupees)		(Rupees)	
Revenue Account					
Participants' Takaful Fund					
Gross contribution		289,313,824	669,548	289,983,372	8,166,841
Wakala expensed during the year / period		(129,442,158)	(269,020)	(129,711,178)	(5,259,667)
Net claims		(158,995,484)	(350,538)	(159,346,022)	(4,674,723)
Direct expenses	12	(56,463,920)	-	(56,463,920)	(2,113,834)
Underwriting result		(55,587,738)	49,990	(55,537,748)	(3,881,383)
Other income				2,310,617	1,434
Deficit for the year / period				(53,227,131)	(3,879,949)
Other comprehensive income				-	-
Total comprehensive income for the year / period				(53,227,131)	(3,879,949)
Accumulated deficit					
Balance at the beginning of the year / period				(3,879,949)	-
Deficit for the year / period				(53,227,131)	(3,879,949)
Balance at the end of the year / period				(57,107,080)	(3,879,949)
Revenue Account					
Operator's Fund					
Wakala fee				129,711,178	5,259,667
Cede money donated to Participant Takaful Fund				-	(2,000,000)
Management expenses	13			(42,954,166)	(579,982)
Net commission				(35,129,870)	(820,565)
				51,627,142	1,859,120
Profit on bank deposits - net of mudarib's fee				7,095,930	1,850,248
				58,723,072	3,709,368
General and administrative expenses	14			(48,288,843)	(502,169)
Financial charges				(39,429)	-
Profit before taxation				10,394,800	3,207,199
Taxation - net				(3,338,430)	-
Profit after tax for the year / period				7,056,370	3,207,199
Other comprehensive income				-	-
Total comprehensive income for the year / period				7,056,370	3,207,199
Profit and loss appropriation account					
Balance at the beginning for the period				3,207,199	-
Profit for the year / period				7,056,370	3,207,199
Balance at the end of the year / period				10,263,569	3,207,199

The annexed notes from 1 to 19 form an integral part of these financial statements.

Chief Executive	Director	Director	Chairman

WINDOW TAKAFUL OPERATIONS
STATEMENT OF CHANGES IN FUND

For the year ended 31 December 2015

	Operators' Fund		
	Statutory Fund	Accumulated profit	Total
	(Rupees)		
Balance as at 20 August 2014	-	-	-
Operators' funds placed during the period	50,000,000	-	50,000,000
Net profit for the period	-	3,207,199	3,207,199
Balance as at 1 January 2015	**50,000,000**	**3,207,199**	**53,207,199**
Net profit for the year	-	7,056,370	7,056,370
Balance as at 31 December 2015	**50,000,000**	**10,263,569**	**60,263,569**

	Participants' Takaful Fund		
	Ceded Money	Accumulated deficit	Total
	(Rupees)		
Balance as at 20 August 2014	-	-	-
Cede money	2,000,000	-	2,000,000
Deficit for the period	-	(3,879,949)	(3,879,949)
Balance as at 1 January 2015	**2,000,000**	**(3,879,949)**	**(1,879,949)**
Deficit for the year	-	(53,227,131)	(53,227,131)
Balance as at 31 December 2015	**2,000,000**	**(57,107,080)**	**(55,107,080)**

The annexed notes from 1 to 19 form an integral part of these financial statements.

Chief Executive | Director | Director | Chairman

WINDOW TAKAFUL OPERATIONS
STATEMENT OF CASH FLOW

For the year ended 31 December 2015

	Operator's Fund	Participants' Takaful Fund	2015 Aggregate	2014 Aggregate
	----------(Rupees)----------			
Operating activities				
(a) Takaful activities				
Contributions received	-	442,408,691	**442,408,691**	36,198,652
Retakaful contribution paid	-	(7,409,498)	**(7,409,498)**	-
Claims paid	-	(141,127,540)	**(141,127,540)**	(111,188)
Retakaful and other recoveries received	-	17,975,442	**17,975,442**	-
Commission paid	(47,970,160)	-	**(47,970,160)**	(2,679,005)
Wakala fees received	176,230,082	-	**176,230,082**	14,963,426
Wakala fees paid	-	(176,230,082)	**(176,230,082)**	(14,963,426)
Net cash inflow from takaful activities	128,259,922	135,617,013	**263,876,935**	33,408,459
(b) Other operating activities				
Income tax paid	-	(898,421)	**(898,421)**	(185,168)
Direct expenses	-	(73,147,603)	**(73,147,603)**	(8,250,832)
General management expenses paid	(61,821,634)	-	**(61,821,634)**	(416,356)
Other operating (payments) / receipts	7,748,272	2,148,562	**9,896,834**	6,332,669
Net cash outflow from other operating activities	(54,073,362)	(71,897,462)	**(125,970,824)**	(2,519,687)
Total cash generated from all operating activities	74,186,560	63,719,551	**137,906,111**	30,888,772
Financing activities				
Financial charges paid	(39,429)	-	**(39,429)**	-
Fund received from TPL Direct Insurance Limited	-	-	**-**	50,000,000
Qard-e-Hasna	(30,000,000)	30,000,000	**-**	-
Total cash used in financing activities	(30,039,429)	30,000,000	**(39,429)**	50,000,000
Net cash generated from all activities	44,147,131	93,719,551	**137,866,682**	80,888,772
Cash and cash equivalent at beginning of the period	61,718,313	19,170,459	**80,888,772**	-
Cash and cash equivalent at end of the period	105,865,444	112,890,010	**218,755,454**	80,888,772
Reconciliation to profit and loss account				
Operating cash flows	74,186,560	63,719,551	**137,906,111**	30,888,772
Depreciation / amortization expense	(2,871,943)	-	**(2,871,943)**	(249,142)
Increase in assets other than cash	35,319,492	122,931,186	**158,250,678**	84,646,002
Increase in liabilities	(96,239,309)	(239,877,868)	**(336,117,177)**	(115,958,382)
(Loss) / surplus for the year / period	10,394,800	(53,227,131)	**(42,832,331)**	(672,750)
Cash for the purposes of the statement of cash flows consists of :				
Cash and other equivalents				
Current and other accounts	10,865,444	2,890,010	**13,755,454**	80,888,772
Deposits maturing within twelve months	95,000,000	110,000,000	**205,000,000**	-
	105,865,444	112,890,010	**218,755,454**	80,888,772

The annexed notes from 1 to 19 form an integral part of these financial statements.

Chief Executive | Director | Director | Chairman

WINDOW TAKAFUL OPERATIONS
STATEMENT OF CONTRIBUTIONS

For the year ended 31 December 2015

Business underwritten inside Pakistan

	Contribution					Re-takaful					
	Gross contribution*	Wakala fee*	Unearned contribution reserve Opening	Unearned contribution reserve Closing	Contribution earned	Re-takaful ceded	Prepaid re-takaful contribution Opening	Prepaid re-takaful contribution Closing	Re-takaful expense	Net contribution written 2015	Net contribution written 2014
	(Rupees)										
Class											
Direct and Facultative											
Motor	462,418,364	195,537,375	55,629,056	220,867,098	297,180,322	9,237,498	3,175,500	4,546,500	7,866,498	289,313,824	8,166,841
Miscellaneous	1,782,129	714,052	-	1,112,581	669,548	-	-	-	-	669,548	-
Total	**464,200,493**	**196,251,427**	**55,629,056**	**221,979,679**	**297,849,870**	**9,237,498**	**3,175,500**	**4,546,500**	**7,866,498**	**289,983,372**	8,166,841

* These include administrative surcharge of Rs. 17.62 million in aggregate.

The annexed notes from 1 to 19 form an integral part of these financial statements.

Chief Executive | Director | Director | Chairman

WINDOW TAKAFUL OPERATIONS
STATEMENT OF CLAIMS

For the year ended 31 December 2015

Business underwritten inside Pakistan

Class	Claims				Re-takaful				Net claims expense	
	Claims paid	Outstanding claims		Claims expense	Re-takaful and other recoveries received	Re-takaful and other recoveries in respect of outstanding claims		Re-takaful and other recoveries revenue	2015	2014
		Opening	Closing			Opening	Closing			
	(Rupees)									
Direct and Facultative										
Motor business	140,777,002	4,563,535	54,157,459	190,370,926	24,675,442	-	6,700,000	31,375,442	158,995,484	4,674,723
Miscellaneous	350,538	-	-	350,538	-	-	-	-	350,538	-
Total	**141,127,540**	**4,563,535**	**54,157,459**	**190,721,464**	**24,675,442**	**-**	**6,700,000**	**31,375,442**	**159,346,022**	4,674,723

The annexed notes from 1 to 19 form an integral part of these financial statements.

Chief Executive | Director | Director | Chairman

WINDOW TAKAFUL OPERATIONS
STATEMENT OF EXPENSES - OPERATORS' FUND

For the year ended 31 December 2015

Business underwritten inside Pakistan

Class	Commissions paid or payable	Deferred commission Opening	Deferred commission Closing	Net commission expense	Other management expenses	Underwriting expense	Rebate from re-takaful operators*	Net underwriting expense 2015	Net underwriting expense 2014
	----------	----------	----------	----------	(Rupees)	----------	----------	----------	----------
Direct and Facultative									
Motor business	49,300,494	6,951,106	21,121,730	35,129,870	42,857,608	77,987,478	-	77,987,478	1,400,547
Miscellaneous	-	-	-	-	96,558	96,558	-	96,558	-
Total	49,300,494	6,951,106	21,121,730	35,129,870	42,954,166	78,084,036	-	78,084,036	1,400,547

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

The annexed notes from 1 to 19 form an integral part of these financial statements.

Chief Executive | Director | Director | Chairman

WINDOW TAKAFUL OPERATIONS
STATEMENT OF EXPENSES - PARTICIPANTS' FUNDS

For the year ended 31 December 2015

Business underwritten inside Pakistan

Class	Gross Wakala fee	Deferred wakala fee Opening	Deferred wakala fee Closing	Net expense	Direct expenses	PTF expense	Rebate from re-takaful operators*	Net PTF expense 2015	Net PTF expense 2014
	(Rupees)								
Direct and Facultative									
Motor business	195,537,375	22,251,622	88,346,839	129,442,158	56,463,920	185,906,078	-	185,906,078	7,373,501
Miscellaneous	714,052	-	445,032	269,020	-	269,020	-	269,020	-
Total	**196,251,427**	**22,251,622**	**88,791,871**	**129,711,178**	**56,463,920**	**186,175,098**	**-**	186,175,098	7,373,501

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

The annexed notes from 1 to 19 form an integral part of these financial statements.

Chief Executive | Director | Director | Chairman

WINDOW TAKAFUL OPERATIONS
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. STATUS AND NATURE OF BUSINESS

1.1 TPL Direct Insurance Limited (the Operator) was allowed to work as Window Takaful Operator on 04 September 2014 by Securities and Exchange Commission of Pakistan (SECP) under SECP Takaful Rules, 2012 to carry on General Window Takaful Operations in Pakistan.

1.2 For the purpose of carrying on the takaful business, the Operator has formed a Waqf / Participant Takaful Fund (PTF) on 20 August 2014 under the Waqf deed. The Waqf deed governs the relationship of Operator and Participants for management of takaful operations.

2. BASIS OF PREPARATION

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

These financial statements reflect the financial position and results of operations of both the Operator's Fund (OPF) and Participants' Takaful Fund (PTF) in a manner that the assets, liabilities, income and expenses of the Operator and PTF remain separately identifiable. These are the first set of separate annual financial statements of the Operator.

2.1 Statement of compliance

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

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

- Classification of Takaful Contracts (note 4.2)
- Provision for unearned contribution (note 4.3)
- Provision for outstanding claims including IBNR (note 4.5)
- Contribution deficiency reserve (note 4.8)
- Provision for current and deferred tax (note 4.18)
- Provisions (note 4.2, 4.12 and 4.17)

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

The following standards and amendments to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (annual periods beginning)
IFRS 10 – Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)	01 January 2016
IFRS 10 – Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 11 – Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	01 January 2016
IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)	01 January 2016
IAS 16 – Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	01 January 2016
IAS 16 – Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	01 January 2016
IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	01 January 2016

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in September 2014. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016. The Operator expects that such improvements to the standards will not have any material impact on the Operator's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 15 – Revenue from Contracts with Customers	01 January 2018
IFRS 16 – Leases	01 January 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year. The Operator has adopted new standards, amendments and improvements to accounting standard which became effective for the current year as describe in note 4.1 below:

4.1 New, revised and amended standards and interpretations

IFRS 10 – Consolidated Financial Statements

IFRS 11 – Joint Arrangements

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 13 – Fair Value Measurement

IAS 19 – Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions

Improvements to Accounting Standards Issued by the IASB in December 2013

IFRS 2 – Share-based Payment - Definitions of vesting conditions

IFRS 3 – Business Combinations – Accounting for contingent consideration in a business combination

IFRS 3 – Business Combinations - Scope exceptions for joint ventures

IFRS 8 – Operating Segments – Aggregation of operating segments

IFRS 8 – Operating Segments - Reconciliation of total reportable segments' assets to the entity's assets

IFRS 13 – Fair Value Measurement - Scope of paragraph 52 (portfolio exception)

IAS 16 – Property, Plant and Equipment and IAS 38 Intangible Assets – Revaluation method – proportionate restatement of accumulated depreciation / amortisation

IAS 24 – Related Party Disclosures - Key management personnel

IAS 40 – Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

The adoption of the above did not have any effect on the financial statements for the current year.

4.2 Takaful contracts

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

A separate Participants Takaful Fund (PTF) is created in which all contribution received under general takaful contribution net off any government levies and administrative surcharge are credited. The role of takaful operator is of the management of the PTF. At the initial stage of the setup of the PTF, the takaful operator makes an initial donation to the PTF. The terms of the takaful contracts are in accordance with the generally accepted principles and norms of insurance business suitably modified with guidance by the Shariah Advisor of the Takaful operator.

4.3 Contribution

Contribution income net off administrative surcharge under a policy is recognised over the period of takaful from the date of inception of the policy to which it relates to its expiry as follows:

Administrative surcharge is recognised as income at the time policies are written in PTF.

Contribution income net off administrative surcharge under a policy is recognised after taking into account the unearned portion of contribution by applying 1/24th method as prescribed by the SEC (Insurance) Rules, 2002. The unearned portion of contribution is recognised as liability.

Contribution due but unpaid under takaful contracts are recognised when due, at the fair value of the consideration receivable less provision for doubtful debts, if any. If there is objective evidence that the receivable is impaired, the Operator reduces the carrying amount of the receivable accordingly and recognizes it as impairment loss.

4.4 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.

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.

4.5 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 recognises 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.

The liability for claims include 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 expected future patterns of reporting of claims and the claims actually reported subsequent to the balance sheet date. Initial estimate includes expected claim settlement cost.

4.6 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.

4.7 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.

4.8 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. Further actuarial valuation has been carried out to determine the amount of contribution deficiency reserve in respect of Health insurance as required by SRO 16 (I) / 2012 issued by Securities and Exchange Commission of Pakistan on 9 January 2012.

4.9 Wakala and Mudarib fees

The Takaful operator manages the general takaful operations for the Participants and charge 40% of gross contribution as Wakala Fee against the services given to Participant's Takaful Fund. Wakala fee under a policy is recognised, evenly over the period of takaful from the date of issuance of the policy till the date of its expiry.

The Takaful operator also manages the participants' investment as Mudarib and charges 30% of the investment \ deposit income earned by the Participants' Takaful Fund as Mudarib's share .

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

4.10 Profit on bank accounts and deposits

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

4.11 Management expenses

Underwriting expenses have been allocated to various classes of business on a basis deemed equitable by the management. Expenses not attributable to the underwriting business are charged as administrative expenses.

4.12 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.

4.13 Qard-e-Hasna

Qard-e-hasna is provided by Operators' Fund to Participants Takaful Fund in case of deficit in PTF. Qard-e-Hasna is recognised at the amount provided to Participant Takaful Fund less impairment, if any.

4.14 Creditors, accruals and provisions

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

Provisions are reviewed at each balance sheet date and adjusted to reflect the current estimate.

4.15 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand, stamps in hand and deposits with banks (except for the deposit placed with statutory requirement) net off short term running finance.

4.16 Sundry receivable

These are recognised at cost, which is the fair value of the consideration given. However, an assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognised for the difference between the recoverable amount and the carrying amount.

4.17 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.

4.18 Taxation

4.18.1 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.

4.18.2 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 reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is 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.

4.19 Staff retirement benefits

The Operator operates a funded contributory provident fund (defined contribution plan) for all permanent employees. Equal contributions are made by the Operator and the employees at the rate 8.33% of basic salary, to the fund.

4.20 Financial instruments

Financial assets and financial liabilities within the scope of IAS - 39 are recognised at the time when the Operator becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expire or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liabilities is recognised in the profit and loss account of the current year.

Financial instruments carried on the balance sheet include bank deposits, investments, contribution due but unpaid, contribution received in advance, amount due from other takaful / retakaful operator, accrued investment income, retakaful recoveries against outstanding claims, sundry receivables, advances and deposits, provision for outstanding claims, amount due to other takaful / retakaful, accrued expenses, other creditors and accruals, short term running finance and obligation under finance lease. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.21 Off setting of financial assets and financial liabilities

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

4.22 Foreign currency translations

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on translation are recognized in the profit and loss account. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

5. QARD-E-HASNA

In accordance with the Takaful Rules, 2012, if at any point in time, assets in participant takaful fund are not sufficient to cover its liabilities, the deficit shall be funded by way of an interest free loan (Qard-e-Hasna) from Operator Fund. In the event of future surplus in the Participant Takaful Fund to which a Qard-e-Hasna has been made, the Qard-e-Hasna shall be repaid prior to distribution of surplus to participants.

The Operator has prepared financial projections of Participant Fund and based on such financial projections management believes that the Participant Takaful Fund would be able to repay Qard-e-Hasna to Operator's Fund.

	2015	2014
	PTF	PTF
	(Rupees)	

6. AMOUNT DUE TO OTHER TAKAFUL OPERATORS

Foreign retakaful operator	6,062,000	4,234,000

7. OTHER CREDITORS AND ACCRUALS

	2015		
	OF	PTF	Total
	(Rupees)		
Creditors	6,675,638	13,950	6,689,588
Wakala fee payable	-	32,569,208	32,569,208
Payable to TPL Direct Insurance Limited	-	5,032,164	5,032,164
Modarib fee payable	-	990,879	990,879
Federal Insurance Fee	-	424,619	424,619
Federal Excise Duty (FED) - net	-	4,845,354	4,845,354
Commission payable	6,423,000	-	6,423,000
Withholding tax payable	1,371,104	-	1,371,104
	14,469,742	43,876,174	58,345,916

	2014		
	OF	PTF	Total
	(Rupees)		
Wakala fee payable	-	12,547,863	12,547,863
Payable to TPL Direct Insurance Limited	-	4,742,000	4,742,000
Federal Insurance Fee	-	274,889	274,889
Federal Excise Duty (FED) - net	-	4,206,098	4,206,098
Commission payable	5,092,666	-	5,092,666
Withholding tax payable	156,162	-	156,162
Others	39,221	-	39,221
	5,288,049	21,770,850	27,058,899

7.1 PTF Creditors represents outstanding claims in respect of which cheques have been issued by the Company for claim settlement but the same have not been encashed by the claimant. The following is the ageing as required by SECP circular 11 of 2014 dated 19 May 2014:

	2015	2014
	(Rupees)	
- More than 6 months	13,950	-
- 1 to 6 months	20,365,080	111,188

	Age-wise breakup					
	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months	Total
Claims not encashed	**20,365,080**	**13,950**	**-**	**-**	**-**	**20,379,030**

8. PAYABLE TO TPL DIRECT INSURANCE LIMITED

This represents payable in respect of expenses incurred by TPL Direct Insurance Limited on behalf of Operator.

9. BANK DEPOSITS

	Note	2015		
		OF	PTF	Total
		(Rupees)		
Current and other accounts				
Current Accounts		-	1,196,415	1,196,415
Profit and loss sharing (PLS) accounts	9.1	10,865,444	1,693,595	12,559,039
Deposits maturing within twelve months				
Term Deposit Receipts	9.2	95,000,000	110,000,000	205,000,000
		105,865,444	112,890,010	218,755,454

	2014		
	OF	PTF	Total
	(Rupees)		
Current and other accounts			
Current Accounts	-	4,818,075	4,818,075
Profit and loss sharing (PLS) accounts	61,718,313	14,352,384	76,070,697
	61,718,313	19,170,459	80,888,772

9.1 These accounts carry mark-up at a rate between 4% to 6% (2014: 6% to 8%) per annum.

9.2 These carry profit rate ranging from 5.50% to 6.5% per annum and have maturates upto 16 June 2016.

10. PREPAYMENTS

	2015	2014
	PTF	PTF
	(Rupees)	
Prepaid		
- annual monitoring and other charges	37,430,246	11,064,166
- retakaful contribution ceded	4,546,500	3,175,500
	41,976,746	14,239,666

11. SUNDRY RECEIVABLES

	Note	2015		
		OF	PTF	Total
		(Rupees)		
Wakala fee		32,569,208	-	32,569,208
Qarz e Hasna	5	30,000,000	-	30,000,000
Mudarib fee		990,879	-	990,879
		63,560,087	-	63,560,087

	2014		
	OF	PTF	Total
	(Rupees)		
Wakala fee	12,547,863	-	12,547,863
	12,547,863	-	12,547,863

12. DIRECT EXPENSES

		2015	For the period from 20 August 2014 to 31 December 2014
		PTF	PTF
		----------(Rupees)----------	
Tracker rental expense and monitoring fee	12.1	56,463,920	2,113,834

12.1 This represents rental expense of trackers installed including tracker monitoring charges.

13. MANAGEMENT EXPENSES

	2015	For the period from 20 August 2014 to 31 December 2014
	----------(Rupees)----------	
Salaries and Wages	23,266,314	205,644
Travelling incentives	4,008,241	-
Outsourcing Expenses	1,507,804	19,928
Communication	1,227,114	16,906
Rent, rates and taxes	6,630,600	48,755
Utilities	1,013,385	11,899
Fuel	1,762,295	19,995
Depreciation	2,502,211	243,888
Printing and Stationary	312,140	9,131
Insurance	474,218	3,836
Others	249,844	-
	42,954,166	579,982

14. GENERAL AND ADMINISTRATIVE EXPENSES

Salaries and Wages	3,262,959	71,190
Advertisement and marketing	29,662,932	85,878
Travelling and conveyance	686,535	223,304
Registration, subscription and association	1,036,639	22,329
Communication	267,460	215
Repair & Maintenance	3,809,334	15,872
IT Related Cost	3,325,662	28,193
Donation	1,526,157	14,634
Auditors' remuneration	275,000	-
Legal and professional charges	1,267,147	5,285
Depreciation	370,012	5,254
Amortization Expenses	229,999	4,810
Rent, rates and taxes	929,901	7,210
Utilities	142,121	1,760
Fuel	247,151	7,014
Others	1,249,834	9,221
	48,288,843	502,169

15. TRANSACTIONS WITH RELATED PARTIES - PTF

	2015	For the period from 20 August 2014 to 31 December 2014
	----------(Rupees)----------	
TPL Direct Insurance Limited		
Opening balance - payable	4,742,000	-
Services received during the year / period	82,830,000	13,178,000
Payments received by the Company on behalf of PTF - net	(7,189,058)	111,000
Payments made during the year / period	(75,350,778)	(8,547,000)
Closing balance - payable	5,032,164	4,742,000
Operator's Fund		
Opening balance - payable	12,547,863	-
Wakala fee during the year / period	196,251,427	27,511,589
Qard-e-Hasna	30,000,000	-
Modarib Fee	990,879	-
Payments made during the year / period	(176,230,082)	(14,963,726)
Closing balance - payable	63,560,087	12,547,863

16. MANAGEMENT OF TAKAFUL AND FINANCIAL RISK

The Operator issue contracts that transfer takaful risk or financial risk or both. This section summarises the takaful risks and the way the Company manages them.

16.1 Takaful risk management

16.1.1 Takaful risk

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

The Operator's major takaful contracts are in respect of motor vehicles through issuance of general takaful contracts relating to motor takaful. For these contracts the most significant risks arise from theft, accidents and terrorist activities.

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

16.1.2 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 covered events. This has been managed by having in place underwriting strategy, retakaful arrangements and proactive claim handling procedures.

The retakaful arrangements against major risk exposure include excess of loss, quota share, surplus arrangements and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on PTF's net retentions.

16.1.3 Uncertainty in the estimation of future claim payments

Claims on motor 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 contracts respectively, 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 Operator. The estimation of the amount is based on management judgment or preliminary assessment by the independent surveyor appointed for the purpose. The initial estimates include expected settlement cost of the claims. Provision for IBNR is based on the management's best estimate which takes into account expected future patterns of reporting of claims and the claim actually reported subsequent to the balance sheet date. There are several variable factors which affect the amount and timing of recognised claim liabilities. The Operator takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from initial recognised amount. Outstanding claims are reviewed on a periodic basis.

16.1.4 Key assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected income. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate case to case basis with due regard to the claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Core estimates are reviewed regularly and are updated as and when new information is available.

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

The Operator is maintaining provision for IBNR based on the management's best estimate which takes into account expected future patterns of reporting of claims and the claims actually reported subsequent to the balance sheet date. During the year, the Operator has not changed its assumptions for the takaful contracts.

16.1.5 Sensitivity analysis

The risks associated with the takaful contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Operator 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 Operator considers that the liability for claims recognised in the balance sheet is adequate. However, actual experience may differ from the expected outcome.

The claim liabilities are sensitive to the incidence of covered events and severity / size of claims. As the Operator enters into short term takaful 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 retakaful. The impact of 10 % increase / decrease in incidence of covered events on underwriting results and fund balance is as follows:

Average claim cost	PTF			
	Underwriting results		Fund balance	
	2015	2014	2015	2014
	(Rupees)			
Motor	15,899,548	467,472	10,811,693	317,881
Misc	35,054	-	23,837	-
	15,934,602	467,472	10,835,530	317,881

16.1.6 Concentration of risk

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

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the insured property.

The adequate event limit is a multiple of the treaty capacity or the primary recovery from excess of loss treaty, which is very much in line with the risk management philosophy of the Operator.

Retakaful ceded does not relieve the Operator from its obligation towards participants and, as a result the Operator remains liable for the portion of outstanding claims retakaful to the extent that retakaful operator fails to meet the obligation under the retakaful agreements.

The Operator minimises its exposure to significant losses by obtaining retakaful from a number of retakaful operators, who are dispersed over several geographical regions.

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

	PTF					
	Gross sum covered		Retakaful		Net	
	2015	2014	2015	2014	2015	2014
	(Rupees)					
Motor	7,920,000	8,000,000	-	-	7,920,000	8,000,000
Others	300,000	-	-	-	300,000	-
	8,220,000	8,000,000	-	-	8,220,000	8,000,000

As the retakaful arrangements are on excess of loss basis, therefore the retakaful coverage against Operator's risk exposures is not quantified.

16.1.7 Claims development tables

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

Analysis on gross basis

Accident year	2014	2015	Total
	(Rupees)		
Estimate of ultimate claims cost:			
At end of accident year	4,674,723	190,721,464	195,396,187
One year later	4,674,723	-	4,674,723
Estimate of cumulative claims	4,674,723	190,721,464	195,396,187
Cumulative payments to date	(4,577,920)	(136,660,808)	(141,238,728)
Liability for outstanding claims	96,803	54,060,656	54,157,459

17. FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

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

17.1 Credit risk

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

17.1.1 Management of credit risk

The Operator's policy is to enter into financial contracts in accordance with the guidelines set by the Board of Directors. Credit risk is managed and controlled by the management of the Operator in the following manner:

- Credit rating and / or credit worthiness of the counter party is taken into account along with the financial background so as to minimize the risk of default. Collaterals are obtained wherever appropriate / relevant.

- The risk of counterparty exposure due to failed agreements causing a loss to the Operator is mitigated by a periodic review of the credit ratings, financial statements, credit worthiness, etc. on a regular basis and makes provision against those balances considered doubtful of recovery.

- Loans given to employees are deductible from the salary of the employees.

- Cash is held with reputable banks only.

To reduce the credit risk the management continuously reviews and monitors the credit exposure towards the policyholders and other insurers/reinsurers and makes provision against those balances considered doubtful of recovery.

17.1.2 Exposure to credit risk

In summary, compared to the amount included in statement of assets and liabilities, the maximum exposure to credit risk as at 31 December is as follows:

	OF		PTF	
	Balance as per the financial statement	Maximum exposure	Balance as per the financial statement	Maximum exposure
2015	(Rupees)			
Bank deposits	105,865,444	105,865,444	112,890,010	112,890,010
Contribution due but unpaid	-	-	50,447,547	50,447,547
Accrued investment income	136,644	136,644	162,058	162,058
Salvage recoveries accrued	-	-	6,700,000	6,700,000
Sundry receivables	63,560,087	63,560,087	-	-
	169,562,175	169,562,175	170,199,615	170,199,615
2014	(Rupees)			
Bank deposits	61,718,313	61,718,313	19,170,459	19,170,459
Contribution due but unpaid	-	-	28,655,745	28,655,745
Sundry receivables	12,547,863	12,547,863	-	-
	74,266,176	74,266,176	47,826,204	47,826,204

17.1.3 Past due / impaired assets

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

	PTF	
	2015	2014
	(Rupees)	
0-90 days	50,447,547	28,655,745
Over 90 days	-	-
Total	50,447,547	28,655,745

The above balance is considered good and is not impaired.

17.1.4 Credit Rating and Collateral

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

	Rating		Rating	OF Amount (in Rupees)	
	Short term	Long term	Agency	2015	2014
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	27,530,364	5,000,000
Burj Bank Limited	A-2	A-	JCR-VIS	833,705	56,718,313
Meezan Bank Ltd.	A-1+	AA	JCR-VIS	77,501,375	-
				105,865,444	61,718,313

	Rating		Rating	PTF Amount (in Rupees)	
	Short term	Long term	Agency	2015	2014
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	31,196,415	4,818,075
Dubai Islamic Bank	A-1	A+	JCR-VIS	81,693,595	14,352,384
				112,890,010	19,170,459

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

	Rating	PTF 2015	PTF 2014
		----------(Rupees)----------	
Prepaid re-takaful ceded	A or above (including PRCL)	4,546,500	3,175,500

17.1.5 Concentration of credit risk

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

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

	PTF 2015		PTF 2014	
	(Rupees)	%	(Rupees)	%
Individuals	2,141,465	4%	658,824	2%
Corporate	48,306,082	96%	27,996,921	98%
	50,447,547	100%	28,655,745	100%

17.1.6 Settlement risk

The Operator's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed on sale.

This risk is addressed more or less in accordance with the parameters set out in the credit risk management above.

17.2 Liquidity risk

Liquidity risk is the risk that the Operator will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Operator could be required to pay its liabilities earlier than expected or may face difficulty in raising funds to meet commitments associated with financial liabilities as they fall.

17.2.1 Management of liquidity risk

The Operator's 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 Operator's reputation. Due to nature of the business, the Operator maintains flexibility in funding by maintaining committed credit lines available. The Operator's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to fulfil its obligation; monitoring balance sheet liquidity ratios against internal and external requirements and maintaining debt financing plans.

17.2.2 Maturity analysis for financial liabilities

The table below analyses the Operator's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to maturity date and represents the undiscounted cash flows. The amounts in the table are the gross nominal undiscounted cash flows (including interest payments).

	OF 2015			
	Carrying amount	Contractual cash flows	Upto one year	More than one year
	(Rupees)			
Financial liabilities				
Accrued expenses	175,000	175,000	175,000	-
Other creditors and accruals	14,469,742	14,469,742	14,469,742	-
Payable to TPL Direct Insurance Limited	24,728,882	24,728,882	24,728,882	-
	39,373,624	39,373,624	39,373,624	-

	OF 2014			
	Carrying amount	Contractual cash flows	Upto one year	More than one year
	(Rupees)			
Financial liabilities				
Other creditors and accruals	5,288,049	5,288,049	5,288,049	-
Payable to TPL Direct Insurance Limited	655,580	655,580	655,580	-
	5,943,629	5,943,629	5,943,629	-

	PTF 2015			
	Carrying amount	Contractual cash flows	Upto one year	More than one year
	(Rupees)			
Financial liabilities				
Qard-e-Hasna	30,000,000	30,000,000	-	30,000,000
Provision for outstanding claims	54,157,459	54,157,459	54,157,459	-
Amount due to other takaful/re-takaful operators	6,062,000	6,062,000	6,062,000	-
Other creditors and accruals	43,876,174	43,876,174	43,876,174	-
	134,095,633	134,095,633	104,095,633	30,000,000

	PTF 2014			
	Carrying amount	Contractual cash flows	Upto one year	More than one year
	(Rupees)			
Financial liabilities				
Provision for outstanding claims	4,563,535	4,563,535	4,563,535	-
Amount due to other takaful/re-takaful operators	4,234,000	4,234,000	4,234,000	-
Other creditors and accruals	21,770,850	21,770,850	21,770,850	-
	30,568,385	30,568,385	30,568,385	-

17.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will effect the Operator's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Operator is exposed to interest rate risk, currency risk and other price risk.

17.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate exposure arises from balances held in profit and loss sharing accounts with reputable banks and government securities. The Operator limits interest rate risk by monitoring changes in interest rates. Other risk management procedures are the same as those mentioned in the credit risk management.

17.3.1.1 Sensitivity analysis

At the balance sheet date the interest rate profile of the Operator's interest-bearing financial instrument are as follows:

	OF			
	2015	2014	2015	2014
Financial assets	**Effective interest rate (in %)**		**(Rupees)**	
Assets subject to fixed rate				
- Bank deposits	5.5% to 6%	-	95,000,000	-
Assets subject to variable rate				
- Bank balances	4% to 6%	6% to 8%	10,865,444	61,718,313

	PTF			
	2015	2014	2015	2014
Financial assets	**Effective interest rate (in %)**		**(Rupees)**	
Assets subject to fixed rate				
- Bank deposits	5.5% to 6%	-	110,000,000	-
Assets subject to variable rate				
- Bank balances	4% to 6%	6% to 8%	1,693,595	14,352,384

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

The Operator is exposed to cash flow interest rate risk in respect of its balances with profit and loss sharing account with banks. A hypothetical change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below.

It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	2015		2014	
	Profit and loss 100 bps		Profit and loss 100 bps	
	Increase	Decrease	Increase	Decrease
	----------(Rupees)----------		----------(Rupees)----------	
	OF			
Cash flow sensitivity	1,086,544	(1,086,544)	6,171,831	(6,171,831)
	PTF			
Cash flow sensitivity	169,360	(169,360)	1,435,238	(1,435,238)

17.3.1.2 Exposure to interest rate risk

A summary of the Operator's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date, is as follows:

	OF 2015				
	Mark-up / return (%)	less than 1 year	1 year to 5 years	More than 5 years	Total
Assets		---------- (Rupees) ----------			
Bank deposits	4 - 6%	105,865,444	-	-	105,865,444
Total assets		105,865,444	-	-	105,865,444
Liabilities	-	-	-	-	-
Total interest sensitivity gap		105,865,444	-	-	105,865,444

	OF 2014				
	Mark-up / return (%)	less than 1 year	1 year to 5 year	More than 5 year	Total
Assets		---------- (Rupees) ----------			
Bank deposits	6 . 8 %	61,718,313	-	-	61,718,313
Total assets		61,718,313	-	-	61,718,313
Liabilities	-	-	-	-	-
Total interest sensitivity gap		61,718,313	-	-	61,718,313

	PTF 2015				
	Mark-up / return (%)	less than 1 year	1 year to 5 years	More than 5 years	Total
Assets		---------- (Rupees) ----------			
Bank deposits	4 - 6%	111,693,595	-	-	111,693,595
Total assets		111,693,595	-	-	111,693,595
Liabilities	-	-	-	-	-
Total interest sensitivity gap		111,693,595	-	-	111,693,595

	PTF				
	2014				
	Mark-up / return (%)	less than 1 year	1 year to 5 year	More than 5 year	Total
Assets		---------- (Rupees) ----------			
Bank deposits	6 . 8 %	14,352,384	-	-	14,352,384
Total assets		14,352,384	-	-	14,352,384
Liabilities	-	-	-	-	-
Total interest sensitivity gap		14,352,384	-	-	14,352,384

17.3.2 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/mark up 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 Operator is not exposed to any price risk at the balance sheet date as it has no financial instrument that is linked to market price.

17.3.3 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 Operator, at present is not materially exposed to currency risk as majority of the transactions are carried out in Pak Rupees.

17.4 Fund management

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

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

WINDOW TAKAFUL OPERATIONS
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

18. GENERAL

18.1 Comparative figures in these financial statements are for the period from 20 August 2014 to 31 December 2014 and hence, are not comparable with the current year figures.

18.3 Statement of Investment Income is not included in these financial statements as there were no investments and related income earned by the Operator.

19. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorised for issue on 18 March 2016 by the Board of Directors of the Operator.

Chief Executive	Director	Director	Chairman

09

ANNUAL GENERAL **MEETING**

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of TPL Direct Insurance Limited (the "Company") will be held at the Auditorium of the Institute of Chartered Accountants of Pakistan at Chartered Accountants Avenue, Clifton, Karachi, on Friday, 29 April 2016 at 11:00 am, to transact the following business:

ORDINARY BUSINESS

1. To approve the minutes of the Annual General Meeting held on 30 April 2015.

2. To receive, consider and adopt annual audited Financial Statements of the Company for the year ended 31 December 2015, together with the Directors and Auditors reports thereon.

3. To appoint Auditors for the year ending 31 December 2016 and fix their remuneration.

SPECIAL BUSINESS

4. To consider and, if thought fit, pass special resolution pursuant to Section 208 of the Companies Ordinance, 1984 to authorize renewal of advance to the Associated Undertaking, TPL Trakker Limited not exceeding Rs. 200 Million.

(A Statement of Material Facts under Section 160 of the Companies Ordinance 1984 relating to the aforesaid Special Business to be transacted at the said Annual General Meeting has been annexed separately to this notice).

ANY OTHER BUSINESS

5. To consider any other business with the permission of Chairman.

By Order of the Board

Syed Ali Hassan Zaidi,
Company Secretary

Dated: 31 March 2016

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1) The Share Transfer Books of the Company will be closed from 23 April 2016 to 29 April 2016 (both days inclusive).

2) A Member entitled to attend and vote at the Annual General Meeting is entitled to appoint another person as proxy to attend and vote instead of him. The Proxy Forms, in order to be effective, must be received by the company at its registered office, not less than 48 hours before the Meeting.

3) For identification, CDC account holders should present the participant's National Identity Card, and CDC Account Number and in case of proxy must enclose an attested copy of his/her CNIC. The representatives of corporate bodies should bring attested copy of Board of Directors Resolution/ Power of Attorney and/or all such documents as are required under Circular No. 1 dated 26 January 2000 issued by Securities & Exchange Commission of Pakistan for this purpose.

4) Members are requested to immediately notify the change, if any, in their registered address/contact numbers to the Share Registrar on the following address:

THK Associates (Pvt) Limited,
Second Floor, State Life Building No.3,
Dr. Ziauddin Ahmed Road, Karachi. 75530

STATEMENT OF MATERIAL FACTS UNDER SECTIONS 160(1)(B) OF THE COMPANIES ORDINANCE, 1984 REGARDING SPECIAL BUSINESS

Item No. 6 of the Notice

Advance to TPL Trakker Limited

TPL Direct Insurance Limited is desirous of renewing its advance to TPL Trakker Limited for the purchase of Tracking units and payments of its monitoring fee with a reduced limit of Rs. 200 million. Mark-up will be charged equivalent to market rate of interest or borrowing cost of the Company on the outstanding balance. For this purpose, it is proposed to consider and, if thought fit, to pass following resolution as a special resolution, with or without modification, for authorizing advance to TPL Trakker Limited pursuant to section 208 of the Companies Ordinance, 1984.

"Resolved that approval of shareholders be and is hereby accorded under section 208 of the Companies Ordinance, 1984 to advance a maximum amount of Rs. 200 million to TPL Trakker Limited for the purchase of Tracking units and payment of it monitoring fee. TPL Trakker Limited to be charged at a markup rate equivalent to the market rate of interest or borrowing cost of the Company."

The information required to be annexed to the Notice by Notification No. SRO 27(I)/2012 dated 16 January 2012 is set out below:

Requirement	Information required
Name of the associated company	TPL Trakker Limited
Relationship with associated company	Associated Company of TPL Direct Insurance Limited – 24.39% shareholding.
Proposed limit of loan or advance	Rs. 200 million
Purpose of advance to associated company.	To renew the advance with a reduced limit of Rs. 200 million to TPL Trakker Limited for uninterrupted supply of Tracking units and its monitoring services to the Company.
Benefits to the Company	Uninterrupted supply of Tracking units and its monitoring services to the Company along with markup equivalent to market rate of interest or borrowing cost of the Company.
The complete details of loans already provided	The Shareholder's of the Company in its Annual General Meeting held on 30 April 2015 resolved to make advance to TPL Trakker Limited for purchase of Tracking units and payment of its monitoring fee subject to maximum limit of Rs. 300 million.
Financial position of the associated company	The extracts of balance sheet and profit and loss of TPL Trakker Limited as at and for the year ended 30 June 2015 is as follows:

STATEMENT OF MATERIAL FACTS UNDER SECTIONS 160(1)(B) OF THE COMPANIES ORDINANCE, 1984 REGARDING SPECIAL BUSINESS

<table>
<tr><td></td><td>
<table>
<tr><th>Balance Sheet:</th><th>Rupees</th></tr>
<tr><td>Non-current assets</td><td>2,135,180,033</td></tr>
<tr><td>Investments</td><td>1,083,047,046</td></tr>
<tr><td>Other assets</td><td>1,410,890,073</td></tr>
<tr><td>Total Assets</td><td>4,629,117,152</td></tr>
<tr><td></td><td></td></tr>
<tr><td>Total Liabilities</td><td>(1,883,638,961)</td></tr>
</table>
</td></tr>
<tr><td></td><td>
<table>
<tr><td>Represented by:</td><td></td></tr>
<tr><td>Paid up capital</td><td>2,172,489,630</td></tr>
<tr><td>Accumulated profit</td><td>572,988,561</td></tr>
<tr><td>Equity</td><td>2,745,478,191</td></tr>
</table>
<table>
<tr><th>Profit and Loss</th><th>Rupees</th></tr>
<tr><td></td><td></td></tr>
<tr><td>Profit before interest and taxation</td><td>362,155,453</td></tr>
<tr><td>Financial charges</td><td>(143,619,659)</td></tr>
<tr><td>Profit before taxation</td><td>218,535,794</td></tr>
<tr><td>Taxation</td><td>(16,311,997)</td></tr>
<tr><td>Profit after taxation</td><td>202,223,797</td></tr>
</table>
</td></tr>
<tr><td>Average borrowing cost of the Company</td><td>No borrowings made during the year.</td></tr>
<tr><td>Rate of mark-up to be charged to associated Company</td><td>Markup to be charged equivalent to market rate of interest or borrowing cost of the Company.</td></tr>
<tr><td>Sources of funds for advance</td><td>Own sources</td></tr>
<tr><td>Particulars of collateral security against advance</td><td>Personal guarantees of at least two directors of TPL Trakker Limited.</td></tr>
<tr><td>Repayment schedule and terms of advance</td><td>Advance to be adjusted against purchase of tracking units and monitoring fee of tracking units.</td></tr>
<tr><td>Salient feature of all agreements</td><td>The Company has entered into cost sharing agreement with TPL Trakker Limited to obtain synergies.</td></tr>
<tr><td>Interest of directors, majority shareholders and their relatives</td><td>Mr. Jameel Yusuf, Mr. Ali Jameel and Mr. Saad Nissar, directors of the Company are also the directors of TPL Trakker Limited.</td></tr>
</table>

PROXY FORM

I/We _____
of _____ being a member of TPL Direct Insurance Limited
and holder of _____ Ordinary Shares as per Share Register
Folio No. _____ hereby appoint _____
of _____ or failing him _____
of _____ as my proxy to vote for me and on my behalf at the Annual General Meeting of the Company to be held on the 29th day of April 2016 and at any adjournment thereof.

Signed this _____ day of _____ 2016.

1. **Signature** _____
   Name _____
   Address _____
   CNIC or _____
   Passport No. _____

2. **Signature** _____
   Name _____
   Address _____
   CNIC or _____
   Passport No. _____

Signature

Revenue Stamp

(Signature should agree with the specimen signature registered with the Company)

Notes:

i) Proxies in order to be effective must be recieved by the Company at its registered office not less than 48 hours before the Meeting. A Proxy need not be a member of the Company.

ii) CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this Proxy Form before submission to the Company.

iii) The proxy shall produce his original CNIC or original passport at the time of the meeting.

iv) In case of corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

TPL Direct Insurance Ltd.
11th & 12th Floor, Centrepoint, off Shaheed-e-Millat Expressway,
Adjacent K.P.T. Interchange, Karachi - 74900
Tel: 021.37130223 Fax: 021.35316031, 35316032 UAN: 021.111.000.301

E-mail: info@tplinsurance.com Web: www.tplinsurance.com

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