ANNUAL REPORT 2019

UBL INSURERS LIMITED

HERE FOR YOU

CONTENTS

VISION

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

MISSION

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

VALUES

Service

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

Integrity

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

Collaboration

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

Respect

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

Protection

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

CORPORATE INFORMATION

Board of Directors:

Aameer Karachiwalla	Chairman
Zameer Mohammed Choudrey	Director
Rizwan Pervez	Director
Sharjeel Shahid	Director
Syed Farrukh Zaeem	Director
Sajid Hussain	Director
Saira Shah	Director
Zeeshan Muhammad Raza	Chief Executive Officer

Board Audit Committee:

Zameer Mohammed Choudrey	Chairman
Rizwan Pervez	Member
Sharjeel Shahid	Member

Board Investment Committee:

Syed Furrukh Zaeem	Chairman
Zameer Mohammed Choudrey	Member
Rizwan Pervez	Member
Zeeshan Muhammad Raza	Member

Ethics, Nomination, Human Resource & Remuneration Committee:

Sharjeel Shahid	Chairman
Zameer Mohammed Choudrey	Member
Rizwan Pervez	Member
Zeeshan Muhammad Raza	Member

Chief Financial Officer
Nadeem Raza

Company Secretary
Abdul Sattar Vaid

Company Registration No. & NTN No:
Current Registration # 00000012978/20060607
New CUIN Registration # 0057197
NTN # 2798420-6

Rating Agency:
JCR-VIS "AA" (Double A)

Status of Company:
MSC (Medium Sized Company)

Auditors:
A. F. Ferguson & Co.

Legal Advisors:
Warsi & Iqbal Associates

Shariah Advisor:
Mufti Muhammad Hanif

Website & Contact:
www.ublinsurers.com
Email: info@ublinsurers.com
UAN 111-845-111
Fax Number +92-21-35314504

Registered Head Office:
126-C, Jami Commercial,
Street no. 14, Phase – VII,
DHA, Karachi.
Postal Code 75500

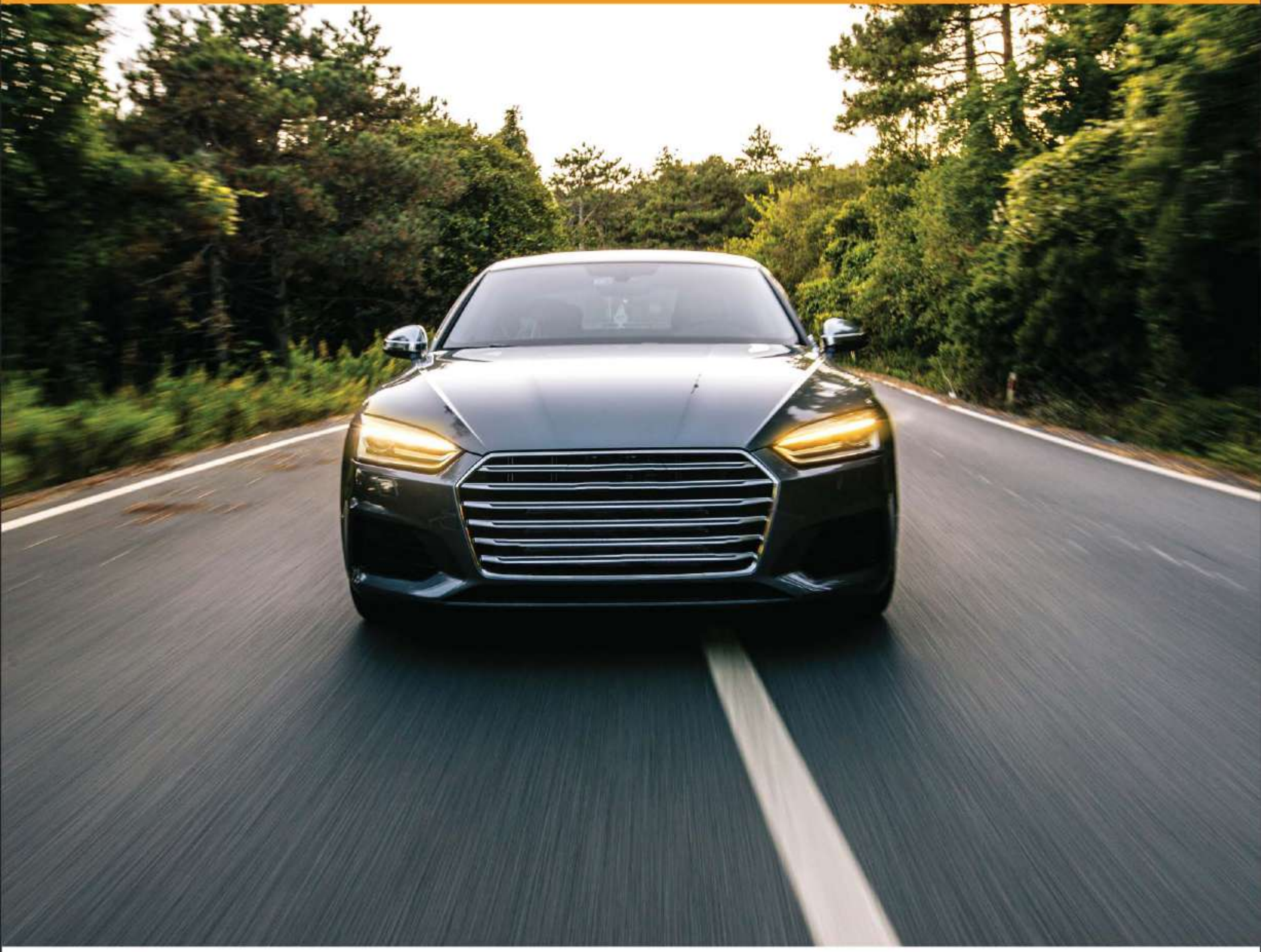
Regulator:
Securities and Exchange Commission of Pakistan

Fire & Allied Perils

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

Engineering

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



Private Car

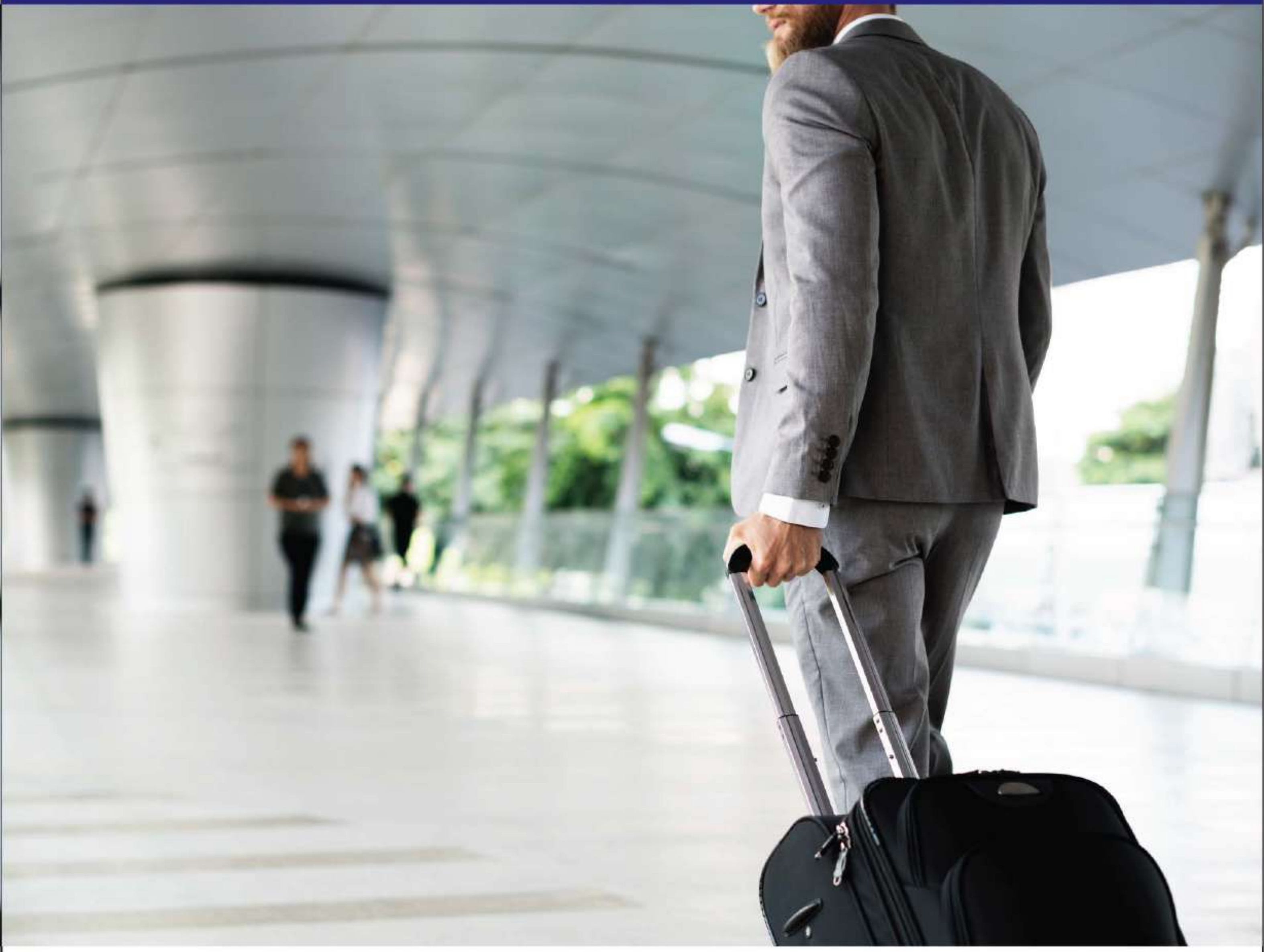
Covering all the popular brands of Local and Imported vehicles that will be indemnified against loss or damage to the Motor Car and/or its accessories whilst thereon by Accidental external means, Fire external explosion, Burglary, Theft, Malicious act, Riot, Strike, Flood, Hail, Wind, Hurricane, Cyclone,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

Marine Cargo

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

Health

At a time where the health and wellness services are inflating exponentially, health insurance has become a basic necessity for the well-being of every individual. The consistently growing healthcare sector calls for new innovations in the insurance industry to best fulfill the needs of customers. UBL Insurers Ltd. offers innovative and reliable health insurance plans. A health insurance policy not only covers your hospitalization expenses but also covers your pre and post-hospitalization expenses which include OPD visits, medications and tests.



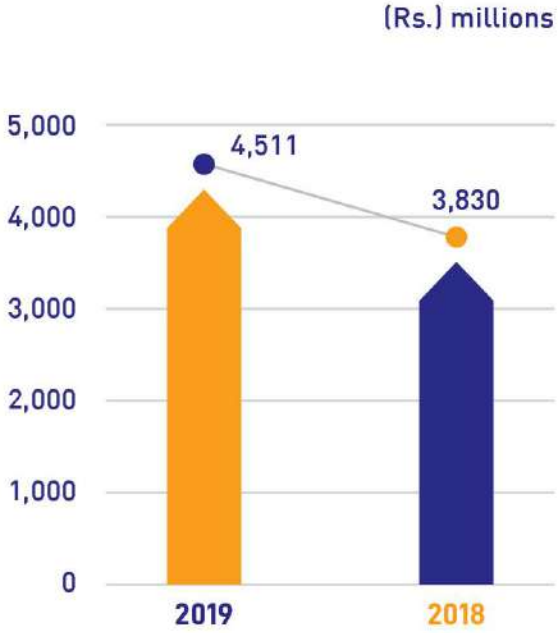
Travel

Travelling is an integral part of many people's lives. You need to plan well for a trip you will be taking so that everything goes smoothly for you.UBL Insurers "Traveller" makes it a lot easier for you to confront the uncertainties that may be met at one point or the other in the course of travelling e.g. complexities like illnesses, injury or losses. Having UBL Insurers Traveller means that you have a fall-back plan when you are confronted by such challenges that may make your travel experience not worth remembering. Traveller covers major areas of unanticipated occurrences that could lead you to sustain losses.

FINANCIAL HIGHLIGHTS

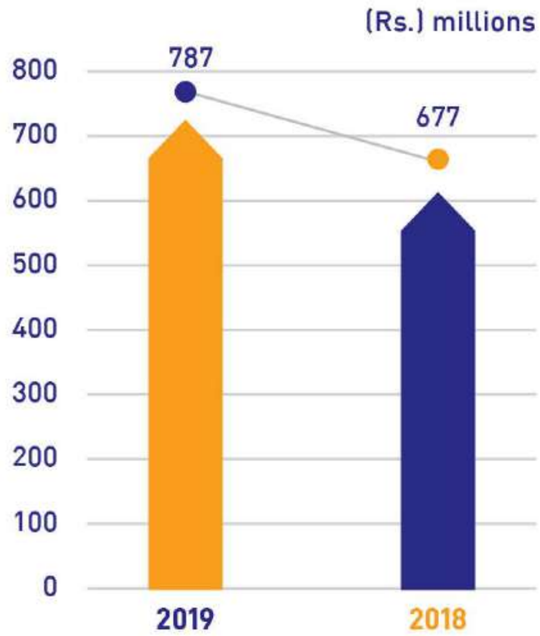
CONVENTIONAL & TAKAFUL

Gross Premium Written

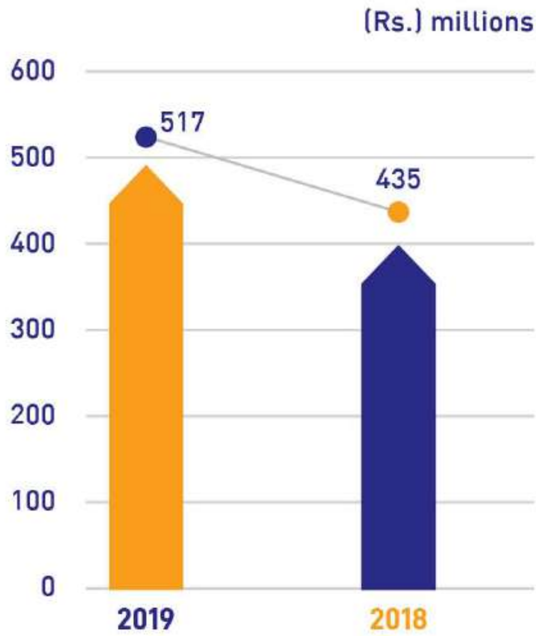


Net Premium Revenue

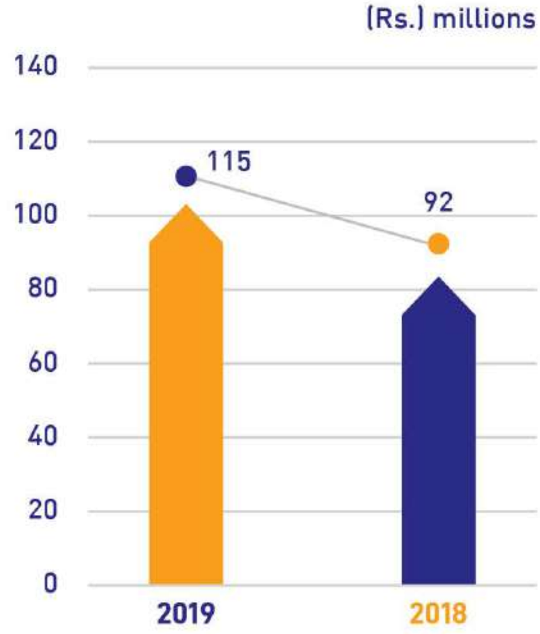
Net Claims



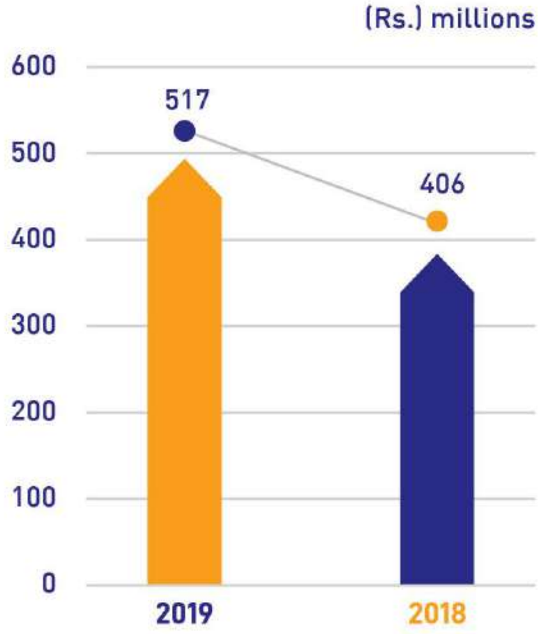
Underwriting Result



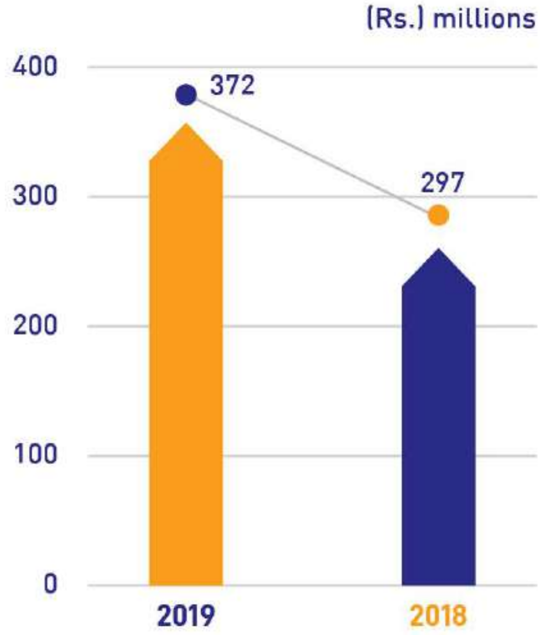
Investment & Other Income



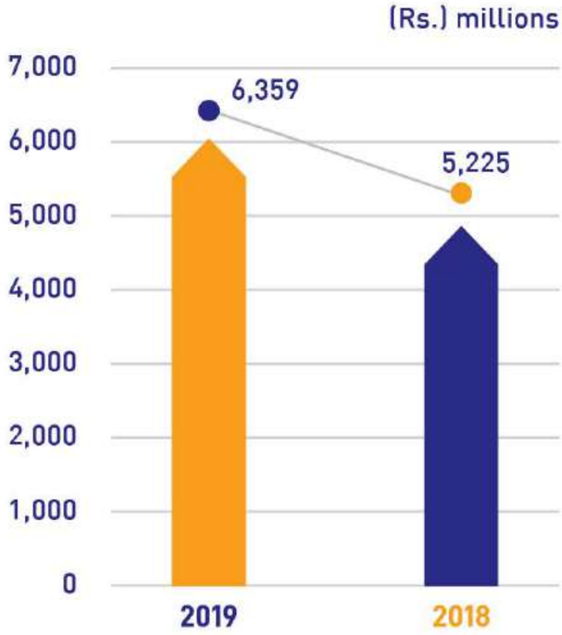
Profit Before Tax



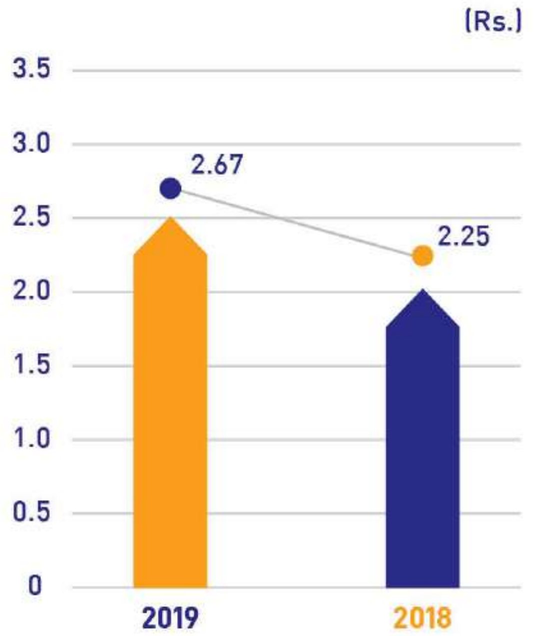
Profit After Tax



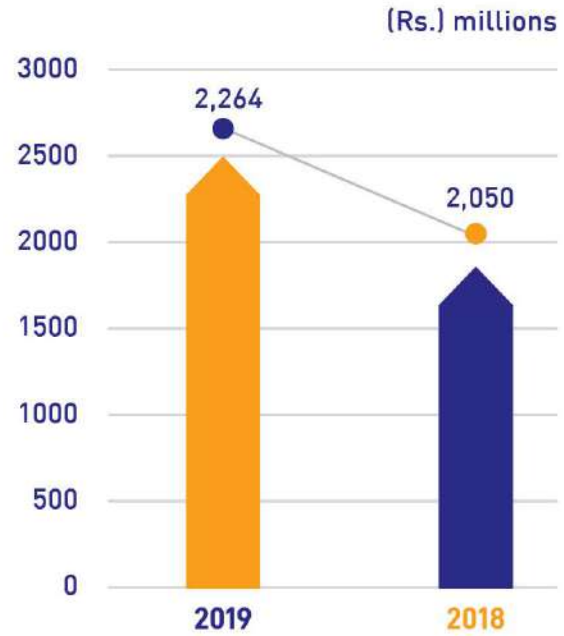
Total Assets



Earnings Per Share



Claims Paid



Notice of 14th Annual General Meeting

Notice is hereby given that the 14th Annual General Meeting (AGM) of UBL Insurers Limited will be held on Thursday, 26th March, 2020 at 3:00 p.m. at UBL Insurers Limited Board Room Karachi to transact the following business:

Ordinary Business

1. To confirm minutes of the 13th Annual General Meeting held on April 26th, 2019.

2. To receive, consider and adopt the audited Financial Statements and Window Takaful Operations Financial Statements of the Company for the year ended December 31, 2019 and the Chairman's review, Directors' and Auditors' report thereon.

3. To consider and approve a final cash dividend at PKR 0.534 i.e. 5.34% per share for the year ended December 31, 2019 as recommended by the Board of Directors,

4. To consider and, if thought fit, appoint external auditors to hold office from this AGM till the conclusion of the next AGM and to fix their remuneration for the year ending December 31, 2020.The Board Audit Committee and the Board of Directors have recommended the name of M/s. A.F. Ferguson & Co. Chartered Accountants.

5. To transact any other item with the permission of chair.

By Order of the Board

Abdul Sattar Vaid
Company Secretary

March 05, 2020

Notes

1. The share transfer books of the Company shall remain closed from Tuesday March 17, 2020 to Thursday March 26, 2020 (both days inclusive). The transfer received in order at the office of Company Secretary UBL insurers Ltd. by the close of business (5.00 p.m.) on Monday March 16, 2020 will be treated to have been in time for the purpose of payment of final dividend to the transferees and to attend and vote at the meeting.

2. All the members shall be entitled to attend the annual general meeting.

Director's Report

For the year ended December 31,2019

On behalf of the Board of Directors, I present the fourteenth (14th) annual report of UBL Insurers Limited for the year ended 31 December, 2019.

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

'Rupees 000'

	31-Dec-19	31-Dec-18	%
Gross premium written	**3,988,703**	3,391,311	18%
Net premium revenue	**1,769,967**	1,412,471	25%
Net claim expense	**(646,815)**	(568,260)	14%
Net commission	**(158,510)**	13,188	-1302%
Premium deficiency	**18**	(11)	-264%
Management expenses	**(516,562)**	(478,684)	8%
Underwriting profit	**448,098**	378,703	18%
Investment & other income	**115,843**	74,485	56%
General & administrative expenses	**(124,743)**	(99,276)	26%
Profit before tax from Windows Takaful Operations	**14,329**	11,079	29%
Profit before tax	**448,557**	364,991	23%

Economic Overview

The present Government is committed to sustain the progress on fiscal adjustment and to place debt on a downward path. The planned reforms include strengthening tax revenue mobilization, including the elimination of tax exemptions and loopholes, and prudent expenditure policies. Faster progress is needed to improve the AML/CFT framework, supported by technical assistance from the IMF and other capacity development providers. Swift adoption of all the necessary measures is needed to exit the FATF's list of jurisdictions with AML/CFT deficiencies. However, Pakistan's economic reform program is on track. Decisive policy implementation by the Pakistani authorities is helping to preserve economic stability aiming to put the economy on the path of sustainable growth.

Company Performance Review

In the year 2019 company has posted a growth of 18% in gross premium written to close at Rs. 3,989 million while net premium revenue increased by 25% to Rs. 1,770 million.

Net claim expense is increased by 14% during the year ended December 2019 as compared to last year December 2018. The net claim ratio over net premium revenue is 37% compared to 40% last year.

The underwriting results reported a profit of Rs. 448 million during the year ended 31 December 2019 as compared to a profit of Rs. 379 million for the year ended 31 December 2018 due to an improvement in net Claim expense.

Investments and other income is greater at Rs.116 million during the year ended December 2019 as compared to Rs.74 million during the same period in 2018 and an amount of Rs. 8 million has been recorded as impairment on listed equity securities.

Improved underwriting results has resulted in achieving a pre-tax profit of Rs. 449 million for the current year as compared with last year profit of Rs. 365 million.

Portfolio Analysis

Fire & Property

Fire and property class of business constitutes 36% of the total portfolio. During the year, the Company has underwritten a gross premium of Rs. 1.6 billion (2018: Rs. 1.2 billion). The ratio of net claims to net premium is 20% this year as compared to 26% last year. The Company incurred an underwriting profit of Rs. 33 million as compared to Rs. 69 million in 2018.

Marine and Transport

This class of business constitutes 8% of the total portfolio. The Company has underwritten a gross premium of Rs. 368 million in current year (2018: Rs.323 million). The net claims ratio is 9% as against 24% last year, which resulted in an underwriting profit of Rs. 82 million against Rs. 44 million last year.

Motor

During the year, the Company has underwritten gross premium of Rs. 1.3 billion (2018: Rs. 1.2 billion) which constitutes 29% of the total portfolio. The ratio of net claims to net premium for the current year is 36% as compared to 44% in 2018. The Company incurred an underwriting profit of Rs. 327 million as compared to Rs. 213 million in 2018.

Bankers & Blanket

This class of business constitutes 3% of the total portfolio. The Company has underwritten a gross premium of Rs. 153 million in current year (2018: Rs.165 million). The net claims ratio is 45% as against 8% last year, which resulted in an underwriting profit of Rs. 11 million against Rs. 29 million last year.

Health

This class of business constitutes 12% of the total portfolio. The Company has underwritten a gross premium of Rs. 531 million in current year (2018: Rs. 552 million). The net claims ratio is 60% as compared to last year 57%. This resulted in an underwriting profit of Rs. 68 million against Rs. 40 million last year.

Other Classes

The other classes of business constitute 11% of the total portfolio. The gross premium written was Rs. 501 million (2018: Rs. 399 million). The ratio of net claims to net premium is 64% as against 35% last year. The portfolio showed an underwriting loss of Rs. 5 million in current year against an underwriting profit of Rs. 40 million in last year.

The earning per share in current year is 2.67 against a profit of Rs. 2.25 in the year 2018.

Window Takaful Operations

The year under review was the fourth year for Takaful business and the company was able to successfully grow gross written contribution to Rs. 522 million. The participant's Takaful fund reported a surplus before investment income of Rs. 46 million as compared to 34 million in the year 2018. Investment and other income stands at Rs. 22 million in 2019 against Rs. 7 million for the year 2018. The improved underwriting resulted in achieving a surplus for the year of Rs. 68 million which stood at 41 million in the year 2018.

The Operator's Fund reported the profit before tax of Rs. 14 million in the year 2019 against profit of 11 million in the year 2018.

Related Parties Transactions

The Board of Directors approve Company's transactions with associated companies / related parties at each board meeting. All the transactions executed with related parties are on arm's length basis.

Insurer Financial Strength (IFS) Rating

The company's Financial Strength (IFS) rating stands at AA (Double A) with stable outlook by JCR-VIS for the year 2019.

Compliance with Code of Corporate Governance

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

During the year five (5) meetings of the Board of Directors were held, attendance details of which are as follows:

Name of Directors	Meetings Attended
Mr. Aameer Karachiwalla	05
Mr. Zameer Muhammad Choudrey	04
Mr. Rizwan Pervez	05
Mr. Sharjeel Shahid	05
Mr. Zia Ijaz (Resigned April 26th,2019)	02
Mr. Syed Furrukh Zaeem	05
Mr. Abdul Sattar Vaid (Resigned April 26th,2019)	02
Mr. Zeeshan Muhammad Raza – Chief Executive Officer	05
Mr. Sajid Hussain (Appointed – April 26th, 2019)	03
Ms. Saira Shah (Appointed – April 26th, 2019)	03

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

Board Committees

Audit Committee

The committee consists of three members. During the year 2019, four (4) meetings of the committee were held and attended by the members as under:

Name of Member	Meetings Attended
Mr. Zameer Muhammad Choudrey	03
Mr. Rizwan Pervez	04
Mr. Sharjeel Shahid	04

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

Ethics, Nominations, Human Resource & Remuneration Committee

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

Name of Member	Meetings Attended
Mr. Sharjeel Shahid	01
Mr. Zameer Muhammad Choudrey	01
Mr. Rizwan Pervez	01
Mr. Zeeshan Muhammad Raza	01

Investment Committee

The committee consists of four members. During the year 2019, four (4) meetings of the committee were held and attended by the members as under:

Name of Member	Meetings Attended
Mr. Syed Furrukh Zaeem	04
Mr. Zameer Muhammad Choudrey	03
Mr. Rizwan Pervez	04
Mr. Zeeshan Muhammad Raza	04

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

Management Committee in Compliance with Code of Corporate Governance

The Underwriting committee consists of three members. During the year 2019, four meetings of the committee were held and attended by the members as under:

Name of Member	Meetings Attended
Mr. Aameer Karachiwalla	04
Mr. Zeeshan Raza	04
Mr. Rashid Jameel	04

The Claim committee consists of three members. During the year 2019, four meetings of the committee were held and attended by the members as under:

Name of Member	Meetings Attended
Mr. Zia Ijaz	02
Ms. Saira Shah	02
Mr. Zeeshan Raza	04
Mr. Abdul Rauf Patel	04

The Re-Insurance & Co-Insurance committee consists of three members. During the year 2019, four meetings of the committee were held and attended by the members as under:

Name of Member	Meetings Attended
Mr. Aameer Karachiwalla	04
Mr. Zeeshan Raza	04
Mr. Rashid Jameel	04

The Risk Management & Compliance committee consists of three members. During the year 2019, four meetings of the committee were held and attended by the members as under:

Name of Member	Meetings Attended
Mr. Zia Ijaz	02
Mr. Sajid Hussain	02
Mr. Zeeshan Raza	04
Mr. Rashid Jameel Khan	04

Statement of Ethics and Business Practice

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

Future Outlook

Our strategy for 2020 is to further create a unique and personalized customer experiences and to move a way forward by delivering a great deal of innovation quickly to consumers through digitalization. Our Company has been and will continue to invest in the training of its employees to ensure the implementation of the relevant policies and directions of our competent regulators and other law authorities.

Corporate and Financial Reporting Framework

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

j) During the fourth year of Takaful the Operator's Fund reported a profit of Rs. 14 million which is expected to be further improved in the upcoming years.
k) The amount of outstanding on account of FED, FIF, EOBI Advance taxes, Withholding taxes, Sales taxes, employee contribution, worker welfare fund and SECP fees are 47 million. Which are subsequently paid as per the requirement of concerned regulators or bodies.
l) The key operating and financial data for the last six years is annexed.
m) The Board of Directors is pleased to recommend a final cash dividend of Rs. 0.534 per share at the rate 5.34% for the year ended December 31,2019.
n) The value of investments of provident and gratuity funds based on their unaudited accounts, as on December 31, 2019 were the following.
o) Provident Fund Rs. 98 million
   Gratuity Fund Rs. 48 million
p) The statement of pattern of shareholding in the Company as at 31 December, 2019 is annexed with the report.

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

The present external auditors PWC A.F. Ferguson & Co. had retired and have offered themselves for re-appointment. The Board of Audit Committee recommends that they be appointed as the statutory auditors for the year 2020, and the Board endorses this recommendation.

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

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

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

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

Zeeshan Muhammad Raza
Chief Executive Officer

Aameer Karachiwalla
Chairman - Board of Directors

Date: February 14th, 2020

Key operating and financial data for the last six years

'Rupees 000'

	2019	2018	2017	2016	2015	2014
Gross premium Written	**3,988,703**	3,391,311	2,760,842	2,334,187	1,600,476	1,114,520
Net premium revenue	**1,769,967**	1,412,471	1,012,177	872,903	534,555	385,189
Net claims	**(646,815)**	(568,260)	(419,969)	(452,947)	(203,788)	(176,738)
Premium deficiency (expense) / reversal	**18**	(11)	10,880	(10,907)	-	-
Management Expenses	**(516,562)**	(478,684)	(345,490)	(240,114)	(191,989)	(128,137)
Net commission	**(158,510)**	13,188	63,369	67,760	9,550	24,399
Underwriting result	**448,098**	378,703	320,967	236,694	148,329	104,713
Investment income	**79,661**	60,557	44,115	73,992	88,198	74,611
Exchange gain / (Loss)	**2,929**	1,020	65	-	276	(114)
Other Income	**36,182**	13,928	6,173	3,256	7,060	3,749
General and administrative	**(124,743)**	(99,276)	(125,047)	(109,887)	(96,784)	(81,180)
Profit before tax from Windows Takaful Operations	**14,329**	11,079	1,163	(7,771)	-	-
Profit before tax	**448,557**	364,991	247,371	196,283	147,078	101,779
Taxation						
- Prior	**(11,811)**	1,622	-	-	226	-
- Current	**(136,230)**	(107,862)	84,913	63,815	(29,929)	(790)
- Deferred	**7,359**	826	(4,538)	(4,128)	(17,869)	(41,164)
Profit after tax	**307,875**	259,576	166,996	136,596	99,507	59,826

Pattern of Shareholding

As at December 31, 2019

Number of Shareholders	Shareholdings		Total Shares Held	Percentage %
	From	To		
7	1	100	7	0.000
1	2,495,001	2,500,000	2,500,000	2.170
1	14,000,001	14,500,000	14,088,199	12.227
1	30,000,001	35,000,000	34,565,213	30.000
1	60,000,001	65,000,000	64,063,972	55.603
11			**115,217,391**	**100.000**

Category of Shareholders

As at December 31, 2019

Categories of shareholders	Number of Shareholders	Shares held	Percentage
Directors, CEO & Children	7	7	0
NIT	0	-	0
Associated Companies, undertaking & related parties	3	112,717,384	97.83
Banks, DFI & NBFI	0	-	0
Insurance Companies	0	-	0
Modarabas & Mutual Funds	0	-	0
Government of Pakistan	0	-	0
Govt. Owned Entities / Banks	0	-	0
Foreign Companies	0	-	0
Joint Stock Companies	0	-	0
Charitable Trusts	0	-	0
General Public (Local)	1	2,500,000	2.17
General Public (Foreign)	0	-	-
Others	0	-	0
Company Total	**11**	**115,217,391**	**100**

The aggregate shares held by the following are:

Categories of Shareholders	Shares held	Percentage
Directors		
1) Zameer Mohammed Choudrey	1	-
2) Rizwan Pervez	1	-
3) Aameer Karachiwalla	1	-
4) Sharjeel Shahid	1	-
5) Sajid Hussain	1	-
6) Syed Furrukh Zaeem	1	-
7) Saira Shah	1	-
Chief Executive Officer	-	-
Directors/CEO's Spouse	-	-
Executive / Executive's Spouse	-	-
Associated Companies, undertaking and related parties		
Bestway (Holdings) Limited	64,063,972	55.603
United Bank Limited	34,565,213	30.000
Bestway Cement Limited	14,088,199	12.227
NIT and ICP	-	-
Banks, DFIs and NBFIs	-	-
Public sector companies and corporations	-	-
Insurance Companies	-	-
Modaraba	-	-
Mutual Funds	-	-
General Public- Individuals		
Local	2,500,000	2.170
	115,217,391	**100.000**
Shareholders holding 5% or more voting interest		
Bestway (Holdings) Limited	64,063,972	55.603
United Bank Limited	34,565,213	30.000
Bestway Cement Limited	14,088,199	12.227

مندرجہ ذیل کے پاس رکھے ہوئے مجموعی حصص یہ ہیں

حصص یافتگان کی قسم	حصص	فیصد
ڈائریکٹر		
۱) ضمیر محمد چودھری	1	-
۲) رضوان پرویز	1	-
۳) عامر کراچی والا	1	-
۴) شرجیل شاہد	1	-
۵) ساجد حسین	1	-
۶) سید فرخ زعیم	1	-
۷) سائرہ شاہ	1	-
چیف ایگزیکٹو آفیسر	-	-
ڈائریکٹرز/سی ای او کے شریک حیات	-	-
ایگزیکٹوز/شریک حیات کے ایگزیکٹوز	-	-
وابستہ کمپنیاں، وابستہ متعلقہ جمعتیں		
بیسٹ وے لمیٹڈ	64,063,972	55.603
یونائیٹڈ بینک لمیٹڈ	34,565,213	30.000
بیسٹ وے سیمنٹ لمیٹڈ	14,088,199	12.227
این آئی ٹی اور آئی سی پی	-	-
بینک، DFIs اور NBFIs	-	-
پبلک سیکٹر کی کمپنیاں اور تعاون	-	-
بیمہ کمپنیاں	-	-
موڈر با	-	-
باہمی چندہ	-	-
جنرل پبلک انفرادی		
لوکل	2,500,000	2.170
	115,217,391	**100.00**
5 فیصد یا اس سے زیادہ ووٹنگ میں دلچسپی رکھنے والے حصص دار		
بیسٹ وے لمیٹڈ	64,063,972	55.603
یونائیٹڈ بینک لمیٹڈ	34,565,213	30.000
بیسٹ وے سیمنٹ لمیٹڈ	14,088,199	12.227

شیئر ہولڈنگ کا نمونہ

جیسا کہ 31 دسمبر، 2019

حصے دار کی تعداد	کل حصے داری		کل حصے	فیصد
	تک	سے		
7	100	1	7	0.000
1	2,500,000	2,495,001	2,500,000	2.170
1	14,500,000	14,000,001	14,088,199	12.227
1	35,000,000	30,000,001	34,565,213	30.000
1	65,000,000	65,000,001	64,063,972	55.603
11			115,217,391	100.000

حصص یافتگان کی قسم

جیسا کہ 31 دسمبر، 2019

فیصد	حصص	شیئر ہولڈرز کی تعداد	حصص یافتگان کی قسم
0	7	7	ڈائریکٹرز، سی ای او، اور چلڈرن
0	-	0	این آئی ٹی
97.83	112,717,384	3	ایسوسی ایٹ کمپنیاں، وابستہ اور متعلقہ جماعتیں
0	-	0	بینک، ڈی ایف آئی اور این بی ایف آئی
0	-	0	بیمہ کمپنیاں
0	-	0	مودارابا س اور باہمی فنڈز
0	-	0	حکومت پاکستان
0	-	0	گورنمنٹ ملکیت یافتہ اداروں یا بینک
0	-	0	غیر ملکی کمپنیاں
0	-	0	مشترکہ اسٹاک کمپنیاں
0	-	0	چیریٹیبل ٹرسٹ
2.17	2,500,000	1	عام عوام (مقامی)
-	-	0	عام عوام (غیر ملکی)
0	-	0	دوسرے
100	115,217,391	11	کمپنی کی کل

پچھلے چھ سالوں سے اہم آپریٹنگ اور مالی اعداد وشمار

2014	2015	2016	2017	2018	2019	
1,114,520	1,600,476	2,334,187	2,760,842	3,391,311	3,988,703	مجموعی صلہ تحریر کیا ہوا
385,189	534,555	872,903	1,012,177	1,412,471	1,769,967	خالص پریمیم کی آمدنی
(176,738)	(203,788)	(452,947)	(419,969)	(586,560)	(646,815)	نیٹ دعوے
-	-	(10,907)	10,880	(11)	18	پریمیم کی کمی کا خرچ
(128,137)	(191,989)	(240,114)	(354,490)	(478,684)	(516,562)	انتظامی اخراجات
24,399	9,550	67,760	63,369	13,188	(158,510)	نیٹ کمیشن
104,713	148,329	236,694	320,967	378,703	448,098	تحریری نتیجہ
74,611	88,198	73,992	44,115	60,557	79,661	سرمایہ کاری کی آمدنی
(114)	276	-	65	1,020	2,929	تبادلہ فائدہ/(نقصان)
3,749	7,060	3,256	6,173	13,928	36,182	دوسری آمدنی
(81,180)	(96,784)	(109,887)	(125,047)	(99,276)	(124,743)	عمومی اور انتظامی
-	-	(7,771)	1,163	11,079	14,329	ونڈوز سے ٹیکس سے پہلے منافع تکافل آپریشنز
101,779	147,078	196,283	247,371	364,991	448,557	منافع قبل از محصول
						ٹیکس لگانا
-	226	-	-	1,622	(11,811)	-پہلے
(790)	(29,929)	63,815	84,913	(107,862)	(136,230)	-موجودہ
(41,164)	(17,869)	(4,128)	(4,538)	826	7,359	-منتخب
59,826	99,507	136,596	166,996	259,576	307,875	ٹیکس کے بعد منافع

ہم اپنے قیمتی موکلوں کی ان کی مسلسل سرپرستی اور ہماری کمپنی کو فراہم کردہ مدد کے لئے بھی ان کا شکریہ ادا کرتے ہیں۔

ڈائریکٹرز کمپنی کے اہداف کے حصول میں یو بی ایل انشورنس ٹیم کی سخت محنت اور سرشار کوششوں کو بھی تسلیم کرنا چاہتے ہیں۔

ذیشان محمد رضا

چیف ایگزیکٹو آفیسر

عامر کراچی والا

چیئرمین بورڈ آف ڈائریکٹر

تاریخ 14 فروری، 2020

ح) کلیم انکر ڈبٹ نوٹ رپوٹڈ ایس ای سی پی کی ہدایت کے مطابق ایکچوری سے کرائی گئی ہے۔

خ) تکافل کے چوتھے سال کے دوران آپریٹر کے فنڈ میں 14 ملین روپے کا منافع ہوا۔ آئندہ سالوں میں کی مزید بہتری متوقع ہے۔

د) ایف ای ڈی، ایف آئی ایف، ای ڈی بی آئی ایڈوانس ٹیکس، ودہولڈنگ ٹیکس، سیلز ٹیکس، ایمپلیئی شراکت، ورکر ویلفیئر فنڈ اور ایس ای سی پی کی فیسوں کے حساب سے قابل ادا رقم 47 ملین ہے، جو بعد میں متعلقہ ریگولیٹرز یا اداروں کی ضرورت کے مطابق ادا کی جاتی ہیں۔

ڈ) پچھلے چھ سالوں سے چلنے والے اہم آپریٹنگ اور مالی اعداد و شمار کو الحاق کیا گیا ہے۔

ذ) UBL انشورر ز لمیٹڈ کے بوڈ آف ڈائریکٹرز نے سال 2019 کے اختتام پر 14 فروری 2020 کو ہونے والی میٹنگ میں

ڈیویڈنڈ (0.534 روپے فی شیئر) کا اعلان کیا

ر) پروویڈنٹ اور گریجائٹی فنڈز unaudited سرمایہ کاری کی مالیت، 31 دسمبر 2019 کو درج ذیل تھے۔

ڑ) پروویڈنٹ فنڈ 98 ملین روپے
گریچویٹی فنڈ 48 ملین روپے

ز) دسمبر 31،2019 کو کمپنی میں شیئر ہولڈنگ کی تفصیل کو رپورٹ کے ساتھ منسلک کیا گیا ہے۔

مالی سال کے اختتام کے درمیان ہماری کمپنی کی مالی حیثیت کو متاثر کرنے والے کوئی مادی تبدیلیاں جو اس بیلنس شیٹ سے متعلق ہے اور عمل میں نہیں آئی

موجودہ بیرونی آڈیٹرز پی ڈبلیو سی اے ایف فرگوسن اینڈ کمپنی ریٹائر ہو چکے ہیں اور انہوں نے خود کو دوبارہ تقرری کے لئے پیش کیا ہے۔ بورڈ آف آڈٹ کمیٹی تجویز کرتا ہے کہ انہیں سال 2020 کے لئے قانونی آڈیٹر مقرر کیا جائے، اور بورڈ اس سفارش کی توثیق کرتا ہے۔

یہ کمپنی لندن (یوکے) میں شامل بیسٹ وے (ہولڈنگ) لمیٹڈ کا ماتحت ادارہ ہے۔ بیسٹ وے (ہولڈنگ) لمیٹڈ یو بی ایل انشورنس لمیٹڈ کے جاری کردہ حصص کیپیٹل کا 55.6 فیصد ہے۔

کمپنی کے ڈائریکٹرز سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، انشورنس ایسوسی ایشن آف پاکستان اور انشورنس کمپنیوں کے پینل کی ان کی مسلسل رہنمائی، تعاون اور معاونت کے لئے اظہار تشکر کرنا چاہتے ہیں۔

اخلاقیات اور کاروباری عمل کا بیان

بورڈ نے اخلاقیات اور کاروباری طریقوں کے بیان کو اپنایا ہے۔ تمام ملازمین کو اس کی اطلاع دی جاتی ہے کہ بیان اور کاروباری اور ضوابط کے سلسلے میں طرز عمل کے ان اصولوں پر عمل کرنے کی ضرورت ہے

مستقبل کا نظریہ

ہماری 2020 کے لئے حکمت عملی یہ ہے کہ صارفین کے لئے ایک انوکھا اور ذاتی نوعیت کا تجربہ بنایا جائے اور ڈیجیٹلائزیشن کے ذریعہ صارفین کو تیزی سے جدت کی بہت بڑی فراہمی کے ذریعہ آگے بڑھیں۔ ہماری کمپنی ہے متعلقہ افراد کے نفاذ کو یقینی بنانے کے اپنے ملازمین کی تربیت میں سرمایہ کاری کرتا رہے گا۔ ریگولیٹرز اور قانون کے دوسرے حکام کی ہدایات اور پالیسیاں کے عملدر آمد کو یقینی بنائے گے۔

کارپوریٹ اور مالی رپورٹنگ کا فریم ورک

ا) کمپنی کی طرف سے تیار کردہ مالی معاملات اس کی صورتحال کو منصفانہ طور پر پیش کرتے ہیں، اس کی کارروائیوں، نقد بہاؤ اور ایکویٹی میں بدلاؤ کا نتیجہ۔

ب) کمپنی کی طرف سے اکاؤنٹس کی مناسب کتابیں برقرار رکھی گئی ہیں۔

پ) مالی بیانات کی تیاری میں مناسب اکاؤنٹنگ اور مستقل طور پر لاگو کی گئیں اور حساب کتاب کا تخمینہ معقول اور محتاط فیصلوں پر مبنی ہوتا ہے۔

ت) بین الاقوامی اکاؤنٹنگ کے معیارات بین الاقوامی مالیاتی رپورٹنگ کے معیارات یا کوئی اور ضابطہ یا قانون جن میں شامل ہے لیکن اس میں شرعی رہنما خطوط یا اصولوں تک ہی محدود نہیں ہے جو پاکستان میں قابل اطلاق واضح ہے، مالی بیانات کی تیاری میں عمل کیا گیا ہے اور وہاں سے کسی بھی طرح کی انحراف کا مناسب طور پر انکشاف کیا گیا ہے۔

ٹ) اندرونی کنٹرول کا نظام کا ڈیزائن واضح ہے اور مؤثر طریقے سے عملدرآمد اور نگرانی کر رہا ہے.

ث) کمپنی کی جاری رہنے کی صلاحیت پر کوئی اہم شکوک وشبہات نہیں ہیں۔

ج) کارپوریٹ گورننس کے بہترین طریق کار سے مکھی کی کوئی انحرف نہیں ہے، جیسا کہ انشورنس کمپنیوں کے کارپوریٹ گورننس کے ضابطہ اخلاق، 2016 میں تفصیل سے ہے۔

چ) عملی قیمت کے مطابق پریمیم کی کمی ریزرو ذاتی حادثے پروڈکٹ کی وجہ سے ریکارڈ کیا گیا ہے۔

کوڈ کارپوریٹ گورننس کی تعمیل میں انتظامی کمیٹی

انڈر رائٹنگ کمیٹی تین ممبروں پر مشتمل ہے۔ سال 2019 کے دوران کمیٹی کے چار اجلاس ہوئے درج ذیل ممبرز نے شرکت کی

ممبران کے نام	اجلاس میں شرکت کی
مسٹر عامر کراچی والا	04
مسٹر راشد جمیل	04
مسٹر ذیشان محمد رزا	04

کلیم کمیٹی تین ممبروں پر مشتمل ہے۔ سال 2019 کے دوران کمیٹی کے چار اجلاس ہوئے درج ذیل ممبرز نے شرکت کی

ممبران کے نام	اجلاس میں شرکت کی
مسٹر ضیا اعجاز	02
محترمہ سائرہ شاہ	02
مسٹر ذیشان محمد رزا	04
مسٹر عبدالرؤوف پٹیل	04

ری انشورنس اینڈ کوانشورنس کمیٹی تین ممبروں پر مشتمل ہے۔ سال 2019 کے دوران، چار اجلاس ہوئے اور درج ذیل ممبران نے شرکت کی

ممبران کے نام	اجلاس میں شرکت کی
مسٹر عامر کراچی والا	04
مسٹر راشد جمیل	04
مسٹر ذیشان محمد رزا	04

رسک مینجمنٹ اینڈ کمپلائنس کمیٹی تین ممبروں پر مشتمل ہے۔ سال 2019 کے دوران کے چار اجلاس ہوئے اور درج ذیل ممبران نے شرکت کی

ممبران کے نام	اجلاس میں شرکت کی
مسٹر ضیا اعجاز	02
مسٹر راشد جمال	04
مسٹر ذیشان محمد رزا	04
مسٹر ساجد حسین	02

بورڈ کمیٹیاں

حساب کتاب کا گروہ یا لوگ

کمیٹی تین ممبروں پر مشتمل ہے۔ سال 2019 کے دوران، کمیٹی کے چار اجلاس ہوئے اور بطور درج ذیل ممبر زنے شرکت کی۔

ممبران کے نام	اجلاس میں شرکت کی
مسٹر ضمیر محمد چودھری	03
مسٹر رضوان پرویز	04
مسٹر شرجیل شاہد	04

بورڈ کے آڈٹ کمیٹی کے اجلاسوں میں شرکت نہ کرنے والے ممبروں کو غیر حاضری کی منظوری دے دی گئی۔

مقالہ جات، نامزدگیاں، انسانی وسائل اور معاوضہ کمیٹی

کمیٹی چار ممبروں پر مشتمل ہے۔ سال کے دوران کمیٹی کا ایک اجلاس ہوا اور اس میں درج ذیل بطور ممبر زنے شرکت کی

ممبران کے نام	اجلاس میں شرکت کی
مسٹر ضمیر محمد چودھری	01
مسٹر رضوان پرویز	01
مسٹر ذیشان محمد رزا	01
مسٹر شرجیل شاہد	01

سرمایہ کاری کمیٹی

کمیٹی چار ممبروں پر مشتمل ہے۔ سال کے دوران کمیٹی کے چار اجلاس ہوئے اور اس میں بطور درج ذیل ممبر زنے شرکت کی

ممبران کے نام	اجلاس میں شرکت کی
مسٹر ضمیر محمد چودھری	03
مسٹر رضوان پرویز	04
مسٹر ذیشان محمد رزا	04
مسٹر سید فرخ زعیم	04

بورڈ کے سرمایہ کمیٹی کے اجلاسوں میں شرکت نہ کرنے والے ممبروں کو غیر حاضری کی منظوری دے دی گئی

بینکرز اور بلینکٹ کاروبار

بینکرز اور بلینکٹ کاروبار کی یہ کلاس کل پورٹ فولیو کا 3 فیصد بنتی ہے۔ موجودہ سال میں مجموعی پریمیم 153 ملین (2018: 165 ملین روپے) رہا. پچھلے سال 8 فیصد کے مقابلے میں خالص دعووں کا تناسب 45 فیصد ہے، جس کے نتیجے میں گزشتہ سال اس 29 ملین روپے کے مقابلے میں 11 ملین روپے کا انڈر رائٹنگ منافع ہوا تھا۔

صحت

صحت کاروبار کی اس کلاس میں کل پورٹفولو کا 12 فیصد حصہ بنتا ہے۔ اس سال میں 531 ملین کمپنی نے روپے کی مجموعی پریمیم کو لکھا ہے پچھلے سال 57 فیصد کے مقابلے میں خالص دعووں کا تناسب 60 فیصد ہے۔ اس کے نتیجے میں 68 ملین روپے کا ایک غیر معمولی منافع ہوا. 40 ملین روپے کے مقابلے میں۔

ضابطہ کارپوریٹ گورننس

ضابطہ کارپوریٹ گورننس کی ضوابط کو ریگولیٹری حکام نے ترتیب دیا ہے اس بیان کے ساتھ اس رپورٹ کے ساتھ وابستہ ہے اجلاسوں میں شرکت کی گئی جس کی تفصیلات مندرجہ ذیل ہیں۔

اس سال کے دوران، بورڈ آف ڈائریکٹرز کے پانچ اجلاس ہوئے، جن میں حاضری کی تفصیلات مندرجہ ذیل ہیں۔

ڈائریکٹرز کے نام		اجلاس میں شرکت کی
مسٹر عامر کراچی والا		05
مسٹر ضمیر محمد چودھری		04
مسٹر رضوان پرویز		05
مسٹر شرجیل شاہد	26 اپریل 2019 کو استعفی دے دیا	05
مسٹر ضیا اعجاز		02
مسٹر سید فرخ زعیم		05
مسٹر عبدالستار وید	26 اپریل 2019 کو استعفی دے دیا	02
مسٹر ذیشان محمد رزا	چیف ایگزیکٹو آفیس	05
مسٹر ساجد حسین	26 اپریل 2019 کو مقرر	03
محترمہ سائرہ شاہ	26 اپریل 2019 کو مقرر	03

(غیر حاضری کی منظوری ان ڈائریکٹرز کو دی گئی جو بورڈ کے اجلاسوں میں شرکت نہیں کر سکتے تھے

کمپنی کی کارکردگی کا جائزہ

سال 2019 میں کمپنی نے مجموعی پریمیم میں 18 فیصد کے اضافے کے ساتھ پر 3 ہزار 989 ملین روپے ریکاڈ کیا جبکہ نیٹ پریمیم ریونیو 25 فیصد اضافے سے 1 ہزار 770 ملین روپے تک بڑھ گیا ہے۔

پچھلے سال دسمبر کے مقابلے میں دسمبر 2019 کے اختتام کے دوران خالص کلیم کے اخراجات میں 14 فیصد اضافہ ہوا۔ 2018. گزشتہ سال 40 فیصد کے مقابلے میں خالص پریمیم آمدنی پر خالص کلیم کا تناسب 37 فیصد رہا۔

2019 کے مالیاتی سال میں 448 ملین روپے تحریری منافع ریکاڈ کیا بمقابل 2018 کے 379 ملین روپے اس کا سبب خالص کلیم کے تناسب میں بہتری ہے۔

2018 میں اسی عرصے کے دوران 74 ملین روپے کے مقابلے میں دسمبر 2019 کو ختم ہونے والے سال کے دوران سرمایہ کاری اور دیگر آمدنی 116 ملین روپے رکاڈ کیا اور 8 ملین روپے لسٹڈ ایکویٹی سیکیورٹیز پر اپیئرمینٹ کے طور پر ریکارڈ کی گئی۔

بہتر انڈر رائٹنگ نتائج کے نتیجے میں 365 ملین روپے کے پچھلے سال کے منافع کے مقابلے میں موجودہ سال کے لئے 449 ملین روپے کا پری ٹیکس منافع حاصل ہوا ہے۔

پورٹ فولیو تجزیہ (بشمول تکافال آپریشن)

فائر اینڈ پراپرٹی

فائر اینڈ پراپرٹی کلاس کل رپورٹ فولیو کا 36 فیصد رہا۔ 1.6 بلین (2018: 1.2 بلین روپے)، نیٹ پریمیم پر خالص دعوی کا تناسب پچھلے سال 26 فیصد کے مقابلے میں اس سال 20 فیصد ہے. کمپنی نے 33 ملین روپے کا انڈر رائٹنگ منافع ریکاڈ کیا جبکہ 2018 میں 69 ملین روپے تہا.

میرین اور نقل و حمل

میرین اور نقل و حمل کاروبار کی اس کلاس میں کل پارٹفالیو کا 8 فیصد حصہ بنتا ہے۔ مجموعی پریمیم موجودہ سال میں 368 ملین (2018: 323 ملین روپے) ریکاڈ کیا، پچھلے سال 24 فیصد کے مقابلے میں خالص دعووں کا تناسب 9 فیصد ہے، جس کے نتیجے میں گذشتہ سال 44 ملین روپے کے مقابلے میں 82 ملین روپے کا تحریری منافع ہوا۔

موٹر

سال کے دوران، کمپنی نے مجموعی پریمیم 1.3 بلین (2018: روپے. 1.2 بلین) ریکارڈ کیا جو کل پورٹ فولیو کا 29 فیصد ہے. موجودہ سال کے ملین روپے) ریکارڈ - لئے خالص پریمیم پر خالص دعوی کا تناسب 36 فیصد رہا جو 2018 میں 44 فیصد تہا۔ کمپنی نے 327 ملین روپے انڈرورٹنگ منافع (2018:213 کیا

سالانہ ڈائریکٹرز رپورٹ برائے سال 2019

بورڈ اوف ڈائریکٹر کی جانب 2019 کی UBL Insurer 14(th) سالانہ رپورٹ پیش کرتا ہوں۔

زیر غور سال کے لئے مالی جھلکیاں درج ذیل ہیں۔

	31 دسمبر 2019	31 دسمبر 2018	فیصد
تحریری پریمیم	3,988,703	3,391,311	18%
خالص پریمیم آمدنی	1,769,967	1,412,471	25%
خالص کلیم کے اخراجات	(646,815)	(568,260)	14%
خالص کمیشن	(158,510)	13,188	-1302%
پریمیم ڈیفیشنسی	18	(11)	264%
انتظامی اخراجات	(516,562)	(478,684)	8%
تحریری منافع	448,098	378,703	18%
سرمایہ کاری اور دوسری آمدنی	115,843	74,485	56%
عام اور انتظامی اخراجات	(124,743)	(99,276)	26%
قبل از ٹیکس منافع ونڈوز تکافل سے	14,329	11,079	29%
منافع قبل از محصول	448,557	364,991	23%

معاشی جائزہ موجودہ حکومت

مالی ایڈ جسٹمنٹ پر پیش رفت کو برقرار رکھنے اور قرض کو نیچے کی راہ پر رکھنے کے لئے۔ منصوبہ بند اصلاحات میں ٹیکس ریونیو متحرک پر عزم ہے کرنے کو مضبوط بنانا، جس میں کلہاڑی چھوٹ اور خامیوں کا خاتمہ، اور محتاط اخراجات کی پالیسیاں شامل ہیں۔ آئی ایم ایف اور دیگر صلاحیت کی ترقی فراہم کرنے والے اداروں کی جانب سے تکنیکی معاونت کے ذریعے اے ایم ایل / سی ایف ٹی فریم ورک کو بہتر بنانے کے لئے تیز تر پیش رفت کی ضرورت ہے۔ اے ایم ایل / سی ایف ٹی کی خامیوں کے ساتھ ایف اے ٹی ایف کی دائرہ اختیار کی فہرست سے نکلنے کے لئے تمام ضروری اقدامات کو تیز تر اپنانے کی ضرورت ہے۔ تاہم پاکستان کا معاشی اصلاحاتی پروگرام ٹریک پر ہے۔ پاکستانی حکام کی جانب سے فیصلہ کن پالیسی پر عمل درآمد سے معاشی استحکام کو محفوظ رکھنے میں مدد مل رہی ہے جس کا مقصد معیشت کو پائیدار ترقی کی راہ پر ڈالنا ہے۔

Statement of Compliance with the Code of Corporate Governance for Insurers, 2016

For the year ended December 31, 2019

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

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

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

Category	Names
Independent Directors	None*
Executive Directors	Mr. Zeeshan Muhammad Raza
Non-Executive Directors	Mr. Aameer Karachiwalla
	Mr. Zameer M. Choudrey
	Mr. Rizwan Pervez
	Mr. Sharjeel Shahid
	Mr. Syed Furrukh Zaeem
	Mr. Sajid Hussain
	Ms. Saira Shah

* As per clause (iii) of the Code of Corporate Governance for insurers, 2016, the appointment of an independent director on the Board is preferred but is not mandatory. Hence, no independent director has been appointed on the' Board of Directors of the Company.

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

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

4. No casual vacancy occurred on the board during the year 2019.

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

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

7. All powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive Directors and the Key officers, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven (7) days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board has established a system of sound internal control, which is effectively implemented at all levels within the insurer. The insurer has adopted and complied with all the necessary aspects of internal controls given in the code.

10. All Directors of the company have attended orientation courses to acquaint them with this Code, applicable laws and their duties and responsibilities.

11. The Board has approved appointment of Chief Financial Officer, company secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

12. The Directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance for insurers, 2016 and fully describes the salient matters required to be disclosed.

13. The financial statements of the insurer were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.

14. The Directors, Chief Executive officer and other executives do not hold any interest in the shares of the insurer other than disclosed in the pattern of shareholding.

15. The insurer has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance for insurers, 2016.

16. The Board has formed the following Management Committees;

Underwriting Committee

Name of Member	Category
Mr. Aameer Karachiwalla	Chairman
Mr. Zeeshan Muhammad Raza	Member
Mr. Rashid Jameel Khan	Member

Claim Settlement Committee

Name of Member	Category
Ms. Saira Shah	Chairman
Mr. Zeeshan Muhammad Raza	Member
Mr. Abdul Rauf Patel	Member

Reinsurance & Co-insurance Committee

Name of Member	Category
Mr. Aameer Karachiwalla	Chairman
Mr. Zeeshan Muhammad Raza	Member
Mr. Rashid Jameel Khan	Member

Risk Management & Compliance Committee

Name of Member	Category
Mr. Sajid Hussain	Chairman
Mr. Zeeshan Muhammad Raza	Member
Mr. Rashid Jameel Khan	Member

17. The Board has formed the following Board Committee;

Ethics, Nominations, Human Resource & Remuneration Committee

Name of Member	Category
Mr. Sharjeel Shahid	Chairman
Mr. Zameer Mohammad Choudrey	Member
Mr. Rizwan Pervez	Member
Mr. Zeeshan Muhammad Raza	Member

Investment Committee

Name of Member	Category
Mr. Syed Furrukh Zaeem	Chairman
Mr. Zameer Muhammad Choudrey	Member
Mr. Rizwan Pervez	Member
Mr. Zeeshan Muhammad Raza	Member

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

Audit Committee

Name of Member	Category
Mr. Zameer Muhammad Choudrey	Chairman
Mr. Rizwan Pervez	Member
Mr. Sharjeel Shahid	Member

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

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

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

Name of the Person	Designation
Mr. Zeeshan Muhammad Raza	Chief Executive Officer
Mr. Nadeem Raza	Chief Financial Officer
Mr. Mathew Joel	Compliance Officer
Akhtar & Hasan (Pvt) Ltd	Actuary
Mr. Abdul Sattar Vaid	Company Secretary
Mr. Aamir Shaukat Hussain	Head of Internal Audit
Mr. Rashid Jameel Khan	Head of Underwriting
Mr. Abdul Rauf patel	Head of Claims
Mr. Ashfaq Sharif	Head of Reinsurance
Ms. Sidra Nasir	Head of Risk Management
Mr. Arif Sharif	Head of Grievance Dept.

**During the Year Zeeshan Muhammad Raza was appointed as a Chief Executive Officer from Acting Chief Executive Officer.*

22. The statutory auditors of the insurer have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the insurance Ordinance, 2000. The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality control review programme of the institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the insurer and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the institute of Chartered Accountants of Pakistan.

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

24. The Actuarial function is outsourced to an Actuarial firm, which does not hold any shares in the Company.

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

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

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

28. The insurer has set up a risk management function / department, which carries out its tasks as covered under the Code of Corporate Governance for insurers, 2016.

29. The Board ensures that as part of the risk management system, the insurer gets itself rated from JCR- VIS which is being used by its risk management function / department and the respective Committee as a risk monitoring tool. The rating assigned by the said rating agency on September 27, 2019 is AA (Double A) with stable outlook.

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

31. We confirm that the material principles contained in the Code of Corporate Governance have been complied.

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

Zeeshan Muhammad Raza
Chief Executive officer

Dated: February 14th, 2020

Review Report on Statement of Compliance contained in the Code of Corporate Governance for insurers, 2016

We have reviewed the enclosed Statement of Compliance with the Code of Corporate Governance for Insurers, 2016 ('the Code') prepared by the Board of Directors of **UBL Insurers Limited** ("the Company") for the year ended 31 December 2019 in accordance with the requirements of Code of Corporate Governance for Insurers, 2016 applicable to insurance companies as issued by the Sercurities and Exchange Commission of Pakistan (SECP).

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

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

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

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

Paragraph Reference	Description
11	The Board has approved the appointment of Head of Internal Audit but he is not a full time employee of the Company.

A. F. Ferguson & Co.

Chartered Accountants

Date: March 25, 2020
Karachi

Independent Auditor's Report

To the members of UBL Insurers Limited

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

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

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

b) the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

Other Matter

The financial statement of the Company for the year ended December 31, 2018 were audited by another firm of chartered Accountants who had expressed an unqualified opinion thereon vide their report dated February 21, 2019.

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

AFFerguson & Co.

A. F. Ferguson & Co.
Chartered Accountants
Karachi
Date: March 25, 2020

Statement of Financial Position

As at December 31, 2019

	Note	2019	2018
		(Rupees in '000)	
Assets			
Property and equipment	5	120,456	94,655
Right-of-use-assets	6	38,325	-
Intangible assets	7	3,884	5,832
Investments			
Equity securities	8	40,418	53,237
Debt securities	9	636,994	548,838
Term deposits	10	150,000	270,000
Loans and other receivables	11	62,957	63,745
Insurance / Reinsurance receivables	12	1,507,508	1,314,993
Reinsurance recoveries against outstanding claims		1,490,143	1,197,859
Salvage recoveries accrued		60,983	49,732
Deferred commission expense / acquisition cost		196,555	147,626
Deferred taxation	14	21,982	18,245
Taxation - payment less provisions	33	-	11,583
Prepayments	15	885,821	749,777
Cash and bank	16	360,436	140,664
Total assets of Window Takaful Operations - Operator's fund	23	178,345	140,322
Total assets		5,754,807	4,807,107
Equity and liabilities			
Capital and reserves attributable to Company's equity holders			
Ordinary Share Capital	17	1,152,174	1,152,174
Discount on issue of right shares		(352,174)	(352,174)
Reserves	18	1	(7,850)
Unappropriated profit		865,952	608,925
Total equity		1,665,953	1,401,075
Liabilities			
Underwriting provisions			
Outstanding claims including IBNR	25	1,655,260	1,400,561
Unearned premium reserves	24	1,468,684	1,378,040
Premium deficiency reserves		20	38
Unearned reinsurance commission	26	186,152	137,326
Retirement benefit obligations	13	7,214	8,720
Lease liabilities	19	42,966	-
Premium received in advance		-	1,041
Insurance / Reinsurance payables	20	425,805	229,919
Other creditors and accruals	21	186,335	163,387
Taxation - payment less provision	33	1,631	-
Total liabilities of Window Takaful Operations - Operator's fund	23	114,787	86,999
Total Liabilities		4,088,854	3,406,031
Total Equity and Liabilities		5,754,807	4,807,107
Contingencies and commitments	22		

The annexed notes 1 to 44 form an integral part of these financial statements.

Chief Executive Officer | **Director** | **Director** | **Chairman**

Profit & Loss Account

For the year ended December 31, 2019

	Note	2019	2018
		--------------(Rupees in '000) -----------	
Net insurance premium	24	1,769,967	1,412,471
Net insurance claims	25	(646,815)	(568,260)
Premium deficiency		18	(11)
Net commission and other acquisition costs	26	(158,510)	13,188
Insurance claims and acquisition expenses		(805,307)	(555,083)
Management expenses	27	(516,562)	(478,684)
Underwriting results		448,098	378,703
Investment income	28	79,661	60,557
Other income	29	36,182	13,928
Other expenses	30	(124,743)	(99,276)
Results of operating activities		439,198	353,912
Finance costs	31	(4,970)	-
Profit from Window Takaful Operations	23	14,329	11,079
Profit before tax		448,557	364,991
Income tax expense	32	(140,682)	(105,414)
Profit after tax		307,875	259,576
Earnings (after tax) per share - Rupees	34	2.67	2.25

The annexed notes 1 to 44 form an integral part of these financial statements.

Chief Executive Officer | **Director** | **Director** | **Chairman**

Statement of Comprehensive Income

For the year ended December 31, 2019

	2019	2018
	(Rupees in '000)	
Profit after tax	307,875	259,576
Other comprehensive income		
Item to be reclassified to profit and loss account in subsequent years		
Unrealised gain / (loss) on available-for-sale investments	10,975	(9,809)
Related tax impact	(3,185)	2,834
	7,790	(6,975)
Other comprehensive income from Window Takaful Operations	61	5
Item that will never be reclassified to profit and loss account in subsequent years		
Re-measurement gain / (loss) on defined benefit obligation	1,506	(3,225)
Related tax impact	(437)	935
	1,069	(2,290)
Net other comprehensive income / (loss) for the year	8,920	(9,260)
Total comprehensive income for the year	316,795	250,316

The annexed notes 1 to 44 form an integral part of these financial statements.

Chief Executive Officer **Director** **Director** **Chairman**

Statement of Changes in Equity

For the year ended December 31, 2019

	Ordinary Share Capital	Discount on issue of right	Revenue Reserve: General Reserve	Revenue Reserve: Revaluation reserve	Unappropriated profit	Total
	Attributable to equity holders of the Company					
	(Rupees in '000)					
Balance as at January 01, 2018	1,152,174	(352,174)	-	(880)	351,639	1,150,759
Total comprehensive income						
Profit after tax	-	-	-	-	259,576	259,576
Other comprehensive loss - net of tax	-	-	-	(6,970)	(2,290)	(9,260)
	-	-	-	(6,970)	257,286	250,316
Balance as at December 31, 2018	1,152,174	(352,174)	-	(7,850)	608,925	1,401,075
Changes in Equity for the year ended December 31, 2019						
Total comprehensive income						
Profit after tax	-	-	-	-	307,875	307,875
Dividend	-	-	-	-	(51,917)	(51,917)
Other comprehensive Income - net of tax	-	-	-	7,851	1,069	8,920
	-	-	-	7,851	257,027	264,878
Balance as at December 31, 2019	**1,152,174**	**(352,174)**	**-**	**1**	**865,952**	**1,665,953**

The annexed notes 1 to 44 form an integral part of these financial statements.

Chief Executive Officer **Director** **Director** **Chairman**

Cash Flow Statement

For the year ended December 31, 2019

	2019	2018
	(Rupees in '000)	
Operating cash flows		
(a) Underwriting activities		
Insurance premium received	3,851,580	3,173,098
Reinsurance premium paid	(2,097,320)	(1,806,468)
Claims paid	(2,022,610)	(1,927,442)
Reinsurance and other recoveries received	1,326,959	1,363,824
Commission paid	(614,746)	(370,050)
Commission received	444,146	336,985
Management expenses paid	(466,484)	(509,937)
Net cash inflow from underwriting activities	421,525	260,010
(b) Other operating activities		
Income tax paid	(130,672)	(111,612)
General management expenses paid	(136,043)	(105,249)
Loan advanced	(7,032)	(5,469)
Security deposits paid	(1,056)	(467)
Loan repayments received	6,538	6,711
Receipt of cash margin against insurance policies	3,001	-
Payment against unclaimed insurance benefits	(1,173)	-
Net cash outflow from other operating activities	(266,437)	(216,087)
Total cash flow from all operating activities	155,088	43,923
Investment activities		
Profit / return received	109,138	53,119
Dividend received	4,541	5,414
Payment for investments	(1,570,519)	(2,412,913)
Proceeds from investments	1,631,900	2,405,028
Proceeds from sale of property and equipment	14,760	4,955
Fixed capital expenditure	(62,261)	(44,910)
Total cash inflow from investing activities	127,559	10,692
Financing Activities		
Dividend Paid	(51,917)	-
Principal portion of lease liability	(5,988)	-
Interest paid	(4,970)	-
Total cash outflow from financing activities	(62,875)	-
Net cash flow from all activities	219,772	54,615
Cash and cash equivalents at beginning of the year	140,664	86,049
Cash and cash equivalents at end of the year	360,436	140,664
Reconciliation to profit and loss account		
Operating cash flows	155,088	43,923
Depreciation expense	(39,024)	(24,701)
Financial charges expense	(4,970)	-
Profit on disposal of investments	552	-
Profit on disposal of property and equipment	6,978	2,288
Dividend income	4,541	5,414
Other investment income	82,315	52,588
Profit from window takaful operations	14,329	11,079
Increase in assets other than cash	819,833	521,589
(Increase) in liabilities other than borrowings	(610,435)	(259,809)
Amortisation expense	(2,112)	(1,575)
Provision for impairment - against listed equity securities	(7,736)	(6,873)
Income tax expense	(140,682)	(105,414)
Other income	29,197	21,068
Profit after taxation	307,875	259,577

The annexed notes 1 to 44 form an integral part of these financial statements.

Chief Executive Officer **Director** **Director** **Chairman**

1. LEGAL STATUS AND NATURE OF BUSINESS

UBL Insurers Limited ("the Company"), a subsidiary of Bestway (Holdings) Limited, was incorporated as an unlisted public limited company on June 29, 2006 under the Companies Ordinance, 1984. The registered office of the Company is situated at 126-C, Jami Commercial Street Number 14, D.H.A., Phase VII, Karachi. The Company currently operates a network of 21 (December 31, 2018:19) branches in various cities. The Company received Certificate of Registration under Section 6 of the Insurance Ordinance, 2000 on January 05, 2007. The objects of the Company include providing general insurance services (in spheres of Fire, Marine, Aviation and Transport, Motor, Health, Bankers Blanket and Miscellaneous) and general takaful services.

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

2. BASIS OF PREPARATION & STATEMENT OF COMPLIANCE

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standard Board (IASB) as are notified under Companies Act, 2017; and

- Provision of and directives issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules, 2017, Insurance Accounting Regulations, 2017 and Takaful Rules, 2012.

In case requirements differ, the provisions or directives of the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017 and Takaful Rules, 2012, shall prevail.

2.1.1 Total assets, total liabilities and profit of the Window Takaful Operations of the Company referred to as the Operator's Fund has been presented in these financial statements in accordance with the requirements of Circular 25 of 2015 dated 9 July 2015. A separate set of financial statements of the general Window Takaful Operations has been reported which is annexed to these financial statements as per the requirements of the SECP Takaful Rules, 2012.

2.2 Basis of Measurement

The financial statements have been prepared under the historical cost convention basis except for the available-for-sale investments that have been measured at fair value and the obligations under employee benefits that have been measured at fair value of plan assets less the present value of defined benefit obligation.

2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentational currency.

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2.4 Standards, interpretations and amendments to the accounting and reporting standards as applicable in Pakistan that are effective in the current year

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

Further, IFRS 4 provides two alternative options in relation to application of IFRS 9 for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from the effective date to remove from the profit and loss account the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied. The Company has adopted the temporary exemption which allows the Company to defer the application of IFRS 9 until December 31, 2021.

For the companies adopting the temporary exemption, the IFRS 4 requires certain disclosures which have been disclosed as follows:

2.4.1.1 Temporary exemption from application of IFRS 9

As an insurance company, the management has opted temporary exemption from the application of IFRS 9 as allowed by the International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance. Additional disclosures, as required by IASB, for being eligible to apply the temporary exemption from the application of IFRS 9 are given in note 2.4.1.2 below.

2.4.1.2 Fair value of financial assets as at December 31, 2019 and change in the fair values during the year

	As at December 31, 2019	As at December 31, 2018	Change during the year
		(Rupees in '000)	
Financial assets with contractual cash flows that meet the SPPI criteria, excluding those held for trading			
Pakistan Investment Bonds - Held to maturity	241,234	236,048	5,186
Sukuk - HUBCO - Held to maturity	40,560	-	40,560
Term Finance Certificate - HBL - Held to maturity	50,000	-	50,000
Debt securities - Available-for-sale	-	231,297	(231,297)
Financial assets that do not meet the SPPI criteria			
Equity securities - Available-for-sale	40,418	53,237	(12,819)

The fair value of the remaining financial assets are not significantly different from their carrying amounts since these assets are short term in nature or are frequently repriced to market rate.

2.4.2 IFRS 16: 'Leases', became effective from annual period beginning on or after January 1, 2019. The impact of the adoption of IFRS 16 on the Company's financial statements is disclosed in note 3.1 below.

2.4.3 There are certain other new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or do not have any significant effect on the Company's operations and are therefore not stated in these financial statements.

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2.5 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are not yet effective

The following standards, amendments and interpretations of the accounting and reporting standards as applicable in Pakistan will be effective for accounting periods beginning on or after January 1, 2020:

Standards, amendments or interpretations	Effective date (period beginning on or after)
• IAS 1 - 'Presentation of financial statements' (amendments)	January 1, 2020
• IAS 8 - 'Accounting policies, changes in accounting estimates and errors' (amendments)	January 1, 2020

The management is in the process of assessing the impacts of above amendments on the financial statements of the Company. There are certain other new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore not stated in these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as stated below have been applied consitently to all years presented in these financial statements except for the changes in accounting policy as stated in note 3.1 below:

3.1 Effective January 1, 2019, the Company has adopted IFRS 16, "Leases" which replaces existing guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC-15 'Operating Leases-Incentive and SIC-27 'Evaluating the substance of transactions involving the legal form of a Lease'. IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognises a right a right-of-use asset representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The accounting polices relating to Company's right-of-use assets and lease liability are disclosed in note 3.19.

The Company has adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on January 1, 2019. The new accounting policies are disclosed in note 3.19.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate.

On adoption of IFRS 16, the Company has recognised lease liability amounting to Rs 38.070 million as at January 1, 2019 in respect of operating lease commitments of Rs 67.890 million. The on-balance sheet recognition of leases previously accounted for as operating leases was most significantly impacted by adjustments as a result of different treatment of extension and termination options under IFRS 16.

	December 31, 2019	January 1, 2019
	---------Rupees in '000---------	
Total lease liability recognised	42,966	38,070

The right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position.

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	December 31, 2019	January 1, 2019
	------------Rupees in '000------------	
The recognised right-of-use assets relate to the following type of assets:		
Land and buildings	38,325	40,518
Impact on the statement of financial position		
Increase in property and equipment (right-of-use assets)	38,325	40,518
Decrease in prepayments - prepaid rent	-	(2,448)
Increase in total assets	38,325	38,070
Increase in Lease liabilities	(42,966)	(38,070)
Decrease in tax liabilities	1,346	-
Decrease in net assets	(3,295)	-

Impact on the profit and loss account	For the year ended December 31, 2019
	---(Rupees in '000)---
(Increase) in management expense - interest expense (lease liability against right-of-use assets)	(4,970)
(Increase) / decrease in administrative expenses:	
- Depreciation on right-of-use assets	(10,531)
- Rent expense	10,860
Decrease in profit before tax	(4,641)
Tax charge @ 29%	1,346
Decrease in profit after tax	(3,295)
Decrease in earnings (after tax) per share - Rupees	(0.029)

Practical Expedients Applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

3.2 Property and Equipment

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

Depreciation is calculated so as to write off the depreciable amount of the assets over their expected economic lives at the rates specified in note 5.1 to the financial statements, after taking into account residual value, if any. The useful lives, residual values and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Gains and losses on disposal, if any, of assets are included in the profit or loss account in the year the asset is derecognized.

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

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

3.3 Intangible assets

These are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of intangible assets is charged to income applying the straight line method at the rates specified in note 7 to these financial statements after taking into account residual value, if any.

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

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

3.4 Insurance contracts

Insurance contracts are those contracts under which the Company as insurer has accepted insurance risk from the insurance contract holder (insured) by agreeing to compensate the insured if a specified uncertain future event (the insured event) adversely affects the insured. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

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

a) Fire and property

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

b) Marine, aviation and transport

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

c) Motor

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

d) Bankers' blanket

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

e) **Health**

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

f) **Other classes**

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

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

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

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

The revenue recognition policy for the above is disclosed in note 3.12.

3.5 Deferred commission expense / acquisition cost

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

3.6 Unearned premium reserve

Unearned premium reserve represents the portion of premium written relating to the unexpired period of coverage at the reporting date and is recognised as a liability by the Company. This liability is calculated by applying the 1/24th method as specified in the Insurance Rules, 2017.

3.7 Premium deficiency reserve

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

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

3.8 Reinsurance contracts held

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

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

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

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

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

3.9 Receivables and payables related to insurance contracts

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

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

3.10 Segment reporting

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

The Company presents segments reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Insurance Accounting Regulations, 2017. The reported operating segments are also consistent with the internal reporting process of the Company for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment. All the Company's business segments operate in Pakistan only.

Based on its classification of insurance contracts issued, the Company has six primary business segments for reporting purposes namely fire, marine, motor, accident and health, liability and miscellaneous. The nature and business activities of these segments are disclosed in note 3.4.

Assets and liabilities are allocated to particular segments on the basis of premium earned. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities. Depreciation and amortisation are allocated to a particular segment on the basis of net premium earned.

3.11 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 , bank deposits and term deposits having maturity of less than three months.

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3.12 Revenue recognition

3.12.1 Premium

Premium received / receivable under a policy / cover note is recognised as written from the date of attachment of the risk to the policy / cover note to which it relates. Where the pattern of incidence of risk varies over the period of the policy, premium is recognised as revenue in accordance with the pattern of the incidence of risk. The portion of premium written relating to the unexpired period of coverage is recognised as unearned premium by the Company. This liability is calculated by applying 1/24 method as specified in the Insurance Rules, 2017.

For facultative acceptance, the basis of recognizing premium and determining the unearned premium reserve is the same as for the direct policies.

3.12.2 Commission income

Commission income from reinsurers is recognised at the time of issuance of the underlying insurance policy by the Company. This income is deferred and brought to statement of comprehensive income as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Commission from reinsurers is arrived at after taking the impact of opening and closing unearned commission. Profit commission, if any, which the Company may be entitled to under the terms of reinsurance, is recognised on accrual basis.

For facultative acceptance the basis of recognizing commission and determining the unearned commission reserve is the same as for the direct policies.

3.12.3 Investment income

- Unrealised appreciation or diminution on revaluation of investments classified as available-for-sale is included in the statement of comprehensive income in the period to which it relates.
- Gain or loss on sale of investments is accounted for in the profit and loss account in the period to which it relates.
- Dividend income is recognised when the Company's right to receive the dividend is established.
- Interest / mark-up on bank balances, term deposits and government securities is recognised on an accrual basis using the effective interest method.

3.12.4 Dividend income

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

3.13 Investments

3.13.1 Classification and measurement

All investments are initially recognised at cost, being the fair value of the consideration given and include transaction cost, except for held for trading investments in which case transaction costs are charged to the statement of comprehensive income.

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

a) In equity securities

Surplus / (deficit) arising on revaluation of quoted securities which are classified as available for sale investments is taken to a separate account which is shown in the statement of changes in equity as revaluation reserve. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realised upon disposal or in case of impairment of securities.

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

The unrealised surplus / (deficit) arising on revaluation of quoted securities which are classified as held for trading is taken to the profit and loss account.

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

b) In debt securities

These are investments with fixed or determinable payments and fixed maturities. The company classifies these debt securities under "held-to-maturity" (where the Company has intention and ability to hold till maturity) and "available-for-sale" category.

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

Provision for impairment against debt securities is made in accordance with the requirements of the law. Unquoted investments are recorded at cost less accumulated impairment losses, if any.

c) In term deposits

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

These investments are designated at held to maturity.

3.14 Off setting of financial assets and liabilities

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

3.15 Provisions

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

Further, accounting policies relating to "outstanding claims including IBNR" are disclosed in note 4.1.

3.16 Reinsurance expense

Premium Ceded to reinsurers is recognized as an expense. For reinsurance contracts operating on a proportionate basis, on attachment of the underlying policies reinsured; and for reinsurance contracts operating on a non-proportionate basis, on inception of the reinsurance contract.

Reinsurance premium shall be recognized as an expense. For proportionate reinsurance business, evenly over the period of the underlying policies, for non-proportionate reinsurance business, evenly over the period of indemnity.

The portion of reinsurance premium ceded not yet recognized as an expense is recognized as a prepayment. The prepaid portion of premium ceded is recognized as an asset. Such asset is calculated by applying the one by twenty-forth method , whereby the liability shall equal 1/24 of the premium ceded relating to reinsurance contract commencing in the first month of the insurer's financial year, 3/24 of the premiums ceded relating to policies commencing in the second month of the insurer's financial years, and so on.

3.17 Taxation

3.17.1 Current

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

3.17.2 Deferred

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

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

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

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

3.18 Staff retirement benefits

3.18.1 Defined benefit plan - Gratuity Scheme

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

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

3.18.2 Defined contributory plan

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

3.19 Lease liability and right-of-use asset

The Company enters into leasing arrangements for its branches. At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contains different terms and conditions.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease liability is initially measured at the present value of the lease payments over the period lease term and that are not paid at the commencement date, discounted using the Company's incremental borrowing rate.

Lease payments include fixed payments less any lease incentive receivable, variable lease payment that are based on an index or a rate which are initially measured using the index or rate as at the commencement date, amounts expected to be payable by the Company under residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payment.

The lease liability is remeasured when the Company reassesses the reasonable certainty of exercising the extension or termination option upon occurrence of either a significant event or a significant change in circumstances, or when there is a change in assessment of an option to purchase underlying asset, or when there is a change in amount expected to be payable under a residual value guarantee, or when there is a change in future lease payments resulting from a change in an index or rate used to determine those payment. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the profit and loss account if the carrying amount of right-of-use asset has been reduced to zero.

When there is a change in scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease, it is accounted for as a lease modification. The lease modification is accounted for as a separate lease if modification increases the scope of lease by adding the right to use one or more underlying assets and the consideration for lease increases by an amount that is commensurate with the stand-alone price for the increase in scope adjusted to reflect the circumstances of the particular contracts, if any. When the lease modification is not accounted for as a separate lease, the lease liability is remeasured and corresponding adjustment is made to right-of-use asset.

The right-of-use asset is initially measured at an amount equal to the initial measurement of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which the asset is located.

The right-of-use asset is subsequently measured at cost model. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Company has elected to apply the practical expedient of not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognised as an expense on a straight line basis over the lease term.

3.20 Impairment of assets

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

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

3.21 Dividend Distribution

Dividends, if any, declared and transfers between reserves made subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the year in which such dividends are declared and transfers are made.

3.22 Management expenses

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

3.23 Window Takaful Operations

The accounting policies followed by Window Takaful Operations are stated in the annexed financial statements of Window Takaful Operations for the year ended December 31, 2019.

3.24 Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Exchange differences, if any, are taken to the profit and loss account. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3.25 Earnings per Share

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

3.26 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and are derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. At the time of initial recognition all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Any gain or loss on derecognition of financial assets and financial liabilities is taken to the profit and loss account in the period in which financial instrument is derecognised.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with accounting and reporting 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 judgment was exercised in application of accounting policies, are as follows:

a) Provision for outstanding claims including IBNR (note 4.1)
b) Unearned premium reserve (note 3.6)
c) Premium deficiency reserve (note 3.7)
d) Defined benefit plan (note 3.18.1)
e) Classification and measurement of investments (note 3.13.1)
f) Useful lives of assets and methods of depreciation (note 3.2 and 3.3)
g) Provision for current and deferred tax (note 3.17)
h) Insurance / reinsurance receivables and payables (note 3.9)
i) Deferred commission expense / acquisition cost (note 3.5)
j) Lease liability and right-of-use asset (note 3.19)

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

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

Outstanding claims

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

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

Incurred But Not Reported (IBNR) Claims

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

The Company is required, as per SECP circular no. 9 of 2016 dated 09 March 2016 "Guidelines for Estimation of Incurred but not reported claims reserve, 2016" to estimate and maintain the provision for claims incurred but not reported for each class of business by using prescribed Method "Chain Ladder Method" and other alternate method as allowed under the provisions of the Guidelines.

The actuarial valuation as at December 31, 2019 has been carried out by independent firm of actuaries for determination of IBNR for each class of business.

5. PROPERTY AND EQUIPMENT

	Note	December 31, 2019	December 31, 2018
		(Rupees in '000)	
Operating assets	5.1	120,456	94,655
		-	-
		120,456	94,655

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5.1 Operating fixed assets

	2019								
	Cost			Accumulated Depreciation			Written down value as at December 31, 2019	Depreciation rate
	As at January 1, 2019	Additions / (disposals)	As at December 31, 2019	As at January 1, 2019	For the year / (on disposals)	As at December 31, 2019		
	(Rupees in '000)							%
Furniture and fixtures	16,826	2,648 (279)	19,195	10,269	968 (279)	10,958	8,237	10
Office equipment	14,526	2,546 (271)	16,801	10,287	1,824 (271)	11,840	4,961	20
Computer and accessories	11,563	5,092 (628)	16,027	7,547	2,147 (553)	9,142	6,885	25
Motor vehicles	118,972	46,196 (20,622)	144,546	52,059	20,846 (13,052)	59,853	84,692	20
Tracking devices	-	- -	-	-	- -	-	-	33
Mobile phones	1,419	778 (434)	1,763	820	421 (322)	919	844	33
Leasehold improvements	33,511	4,838 (2,416)	35,933	21,180	2,287 (2,371)	21,096	14,837	10
	196,817	**62,097 (24,650)**	**234,264**	**102,162**	**28,493 (16,847)**	**113,808**	**120,456**	

	2018								
	Cost			Accumulated Depreciation			Written down value as at December 31, 2018	Depreciation rate
	As at January 1, 2018	Additions / (disposals)	As at December 31, 2018	As at January 1, 2018	For the year / (on disposals)	As at December 31, 2018		
	(Rupees in '000)							%
Furniture and fixtures	15,078	1,772 (24)	16,826	8,981	1,295 (7)	10,269	6,557	10
Office equipment	13,858	976 (309)	14,526	8,864	1,662 (239)	10,287	4,239	20
Computer and accessories	10,024	2,204 (665)	11,563	6,057	1,822 (331)	7,547	4,016	25
Motor vehicles	101,773	33,948 (16,749)	118,972	49,971	16,845 (14,757)	52,059	66,913	20
Tracking devices	4,280	- (4,280)	-	4,280	- (4,280)	-	-	33
Mobile phones	1,198	467 (247)	1,419	606	395 (181)	820	599	33
Leasehold improvements	31,239	2,478 (207)	33,511	18,519	2,682 (21)	21,180	12,331	10
	177,452	41,846 (22,481)	196,817	97,278	24,701 (19,817)	102,162	94,655	

5.1.1 Disposal of fixed assets

Fixed Assets	Cost	Book value	Sale proceeds	Mode of sale	Particulars of purchaser
	2019				
	(Rupees in '000)				
Computer and accessories	628	75	35	Negotiation	Various
Motor vehicles	19,566	7,464	14,427	Employee Policy	Syed Kashif Ali
Motor vehicles	1,056	106	211	Negotiation	Various
Mobile phones	434	112	57	Negotiation	Various
	21,685	7,759	14,729		

6. RIGHT-OF-USE-ASSETS

	December 31, 2019	December 31, 2018
	(Rupees in '000)	
Cost as at January 01,2019	40,519	-
Addition	8,337	-
Disposal	-	-
Cost as at December 31,2019	48,856	-
Accumulated Depreciation as at January 01, 2019	-	-
Depreciation for the period	(10,531)	-
Depreciation for disposals	-	-
Accumulated Depreciation as at December 31, 2019	10,531	-
Written Down Value as at December 31, 2019	38,325	-

7. INTANGIBLE ASSETS

	Cost			Amortisation				
	As at January 1	Additions	As at December 31	As at January 1	For the year	As at December 31	Written down value as at December 31	Amortisation period
Computer softwares	(Rupees in '000)							
2019	16,461	164	16,625	10,629	2,112	12,741	3,884	4 years
2018	13,397	3,064	16,461	9,055	1,575	10,629	5,832	4 years

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8. INVESTMENTS IN EQUITY SECURITIES

	Note	31 December 2019 Cost	31 December 2019 Impairment / provision	31 December 2019 Carrying value	31 December 2018 Cost	31 December 2018 Impairment / provision	31 December 2018 Carrying value
Available-for-sale		(Rupees in '000)					
Listed shares							
Saif Power Limited		18,877	(8,323)	10,554	18,877	(5,947)	12,930
Nishat Chunian Power Limited		28,243	(19,200)	9,043	28,243	(17,174)	11,069
Arif Habib Dolmen REIT Management Limited		14,901	-	14,901	14,901	-	14,901
Fauji Fertilizer Bin Qasim Limited		-	-	-	5,770	-	5,770
Kot Addu Power Company Limited		17,519	(11,686)	5,833	17,519	(8,352)	9,167
	8.1	79,540	(39,209)	40,331	85,310	(31,473)	53,836
Surplus / (Deficit) on revaluation				87			(599)
				40,418			53,237

8.1 Listed shares

	Note	2019	2018
		(Rupees in '000)	
Cost		79,540	85,310
Provision for impairment	8.1.1	(39,209)	(31,473)
		40,331	53,836

8.1.1 Provision for impairment

	2019	2018
Opening provision	31,473	24,600
Charge for the year	7,736	6,873
Closing provision	39,209	31,473

9. INVESTMENTS IN DEBT SECURITIES - Available-for-Sale

	Note	December 31, 2019 Cost	December 31, 2019 Carrying value	December 31, 2018 Cost	December 31, 2018 Carrying value
		(Rupees in '000)			
Government Securities					
Market treasury bills	9.1	99,656	102,699	-	-
Pakistan investment bonds	9.2	-	-	244,089	241,763
		99,656	102,699	244,089	241,763
Term Finance Certificates					
Habib Bank Limited	9.3	50,000	50,000	-	-
Deficit on revaluation		-	(178)	-	(10,467)
		149,656	152,521	244,089	231,296

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INVESTMENTS IN DEBT SECURITIES - held-to-maturity

	Note	December 31, 2019 Cost	December 31, 2019 Carrying value	December 31, 2018 Cost	December 31, 2018 Carrying value
		(Rupees in '000)			
Government Securities					
Market treasury bills	9.4	200,700	206,925	80,107	80,693
Pakistan investment bonds	9.5	230,972	236,997	238,060	236,848
		431,672	443,922	318,167	317,541
Corporate Sukuks					
Hub Power Company Limited	9.6	40,560	40,551	-	-
		472,232	484,473	318,167	317,541
		621,888	**636,994**	562,256	548,838

9.1 Market treasury bills (Available for Sale)

Face value (Rupees '000)	Profit rate %	Profit payment	Type of security	Maturity date	December, 31 2019 Cost	December, 31 2018 Cost
					(Rupees '000)	
113,000	13.43%	On Maturity	Treasury bills	8-Oct-20	**99,656**	-

9.1.1 Market treasury bills (MTBs) have face value of Rs. 113 million and market value of Rs. 102.521 million (2018: Nil)

These carry mark-up at the rate of 13.43% (2018: Nil per annum) and will mature latest by October 8, 2020.

9.2 Pakistan investment bonds (Available for Sale)

Face value (Rupees '000)	Profit rate %	Profit payment	Type of security	Maturity date	December, 31 2019 Cost	December, 31 2018 Cost
					(Rupees '000)	
240,500	7.00%	Semi-annually	3 Years PIBs	29-Dec-19	-	244,089

9.2.1 Pakistan investment bonds having face value of Nil (2018: face value of Rs.120 million having market value of Rs 115.408 million) were deposited with the State Bank of Pakistan in accordance with the requirements of circular no. 15 of 2008 dated July 7, 2008 issued by Securities and Exchange Commission of Pakistan.

9.3 Term Finance Certificate

	No. of Certificates 2019	No. of Certificates 2018	Face Value	Value of Certificates 2019	Value of Certificates 2018
				(Rupees in '000)	
Habib Bank Limited	500,000	-	100	**50,000**	-

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9.4 Market treasury bills (Held to Maturity)

Face value (Rupees '000)	Profit rate %	Profit payment	Type of security	Maturity date	December, 31 2019	December, 31 2018
					(Rupees '000)	
					Amortized Cost	Amortized Cost
207,000	13.64%	On Maturity	Treasury bills	2-Jan-20	206,925	-
82,000	10.27%	On Maturity	Treasury bills	28-Feb-19	-	80,693
					206,925	80,693

9.4.1 Market treasury bills (MTBs) have face value of Rs. 207 million (market value of Rs. 206.957 million) [2018: face value Rs. 82 million (market value of Rs. 80.657 million)]. These carry mark-up ranging at 13.64% per annum (2018: 10.27%) and will mature latest by January 2, 2020.

9.5 Pakistan investment bonds (Held to Maturity)

Face value (Rupees '000)	Profit rate %	Profit payment	Type of security	Maturity date	December, 31 2019	December, 31 2018
					(Rupees '000)	
					Amortized Cost	Amortized Cost
260,000	7.25%	Semi-annually	3 Years PIBs	12-Jul-21	236,997	-
235,000	11.50%	Semi-annually	5 Years PIBs	17-Jul-19	-	236,848
					236,997	236,848

9.5.1 Pakistan investment bonds have face value of Rs. 260 million (market value of Rs. 241.234 million) [2018: face value of 235 million (market value of Rs. 236.048 million)]. These carry mark-up at 7.25% per annum (2018: 11.50%) and will mature latest by July 12, 2021. PIBs having face value of Rs. 135 million (market value of Rs 125.256 million) are deposited with the State Bank of Pakistan in accordance with the requirements of circular no. 15 of 2008 dated July 7, 2008 issued by the Securities and Exchange Commission of Pakistan.These carry mark-up at 7.25% per annum (2018: Nil) and will mature latest by July 12, 2021.

9.6 Sukuk (Held to maturity)

	No. of Certificates		Face Value	Value of Certificates	
	2019	2018		2019	2018
				(Rupees in '000)	
Hub Power Company Limited	400,000	-	100	40,000	-

9.7 Terms of TFC and Sukuks

Name of Investment	Maturity year	Effective Yield %	Profit payment	December 31, 2019	December 31, 2018
				(Rupees in '000)	
				Face value	Face value
Term Finance Certificates - quoted					
Habib Bank Limited	Perpetual	15.14%	Quarterly	50,000	-
Corporate Sukuks - quoted					
Hub Power Company Limited	2023	15.51%	Quarterly	40,000	-

10. INVESTMENTS IN TERM DEPOSITS

	Note	December, 31 2019	December, 31 2018
		---------------- (Rupees '000) ----------------	
Held to maturity			
Deposits maturing within 12 months			
Telenor Microfinance Bank	10.1	-	203,000
Finca Microfinance Bank	10.1	150,000	67,000
		150,000	270,000

10.1 Term Deposit of Rs. 150 million (market value of Rs. 150 million) [2018: Rs. 270 million (market value of Rs. 270 million)]. These carry mark-up at 13.95% per annum (2018: 7.93% to 9% per annum) and will mature latest by March 31, 2020.

11. LOANS AND OTHER RECEIVABLES - Considered good

	Note	December, 31 2019	December, 31 2018
		---------------- (Rupees '000) ----------------	
Accrued investment income		9,912	25,038
Receivable from window takaful operations		5,986	181
Federal excise duty		-	7,396
Security deposits		18,652	17,596
Loans to employees		3,122	2,628
Other receivables		25,285	10,906
		62,957	63,745

12. INSURANCE / REINSURANCE RECEIVABLES - Unsecured and considered good

	December, 31 2019	December, 31 2018
Due from insurance contract holders	898,533	662,340
Less: Provision for impairment of receivables from insurance contract holders	-	-
Due from other insurers / reinsurers	608,975	652,653
Less: Provision for impairment of due from other insurers / reinsurers	-	-
	1,507,508	1,314,993

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13. RETIREMENT BENEFIT OBLIGATIONS

Defined benefit plan - funded gratuity scheme

The latest valuation of the scheme was carried out as at December 31, 2019 by Akhtar & Hasan (Private) Limited using the Projected Unit Credit Method. Provision has been made in the financial statements to cover the related obligation in accordance with the actuarial recommendations.

	December 31, 2019	December 31, 2018
	(Rupees in '000)	
Details of Employees Valued		
Total number of employees	260	252
Total monthly salary	9,779	9,107
Balance Sheet Reconciliation		
Fair value of plan assets	(47,534)	(36,900)
Present value of defined benefit obligations	54,748	45,620
Funded status	7,214	8,720
Unrecognised net actuarial loss / (gain)	-	-
Recognised liability	7,214	8,720
Movement in fair value of plan assets		
Fair value as at January 01, 2018 / January 01, 2017	36,900	30,340
Expected return on plan assets	5,224	2,745
Actuarial losses	(612)	(508)
Employer contributions	9,461	7,703
Benefits paid	(3,439)	(3,381)
Fair value as at December 31, 2019 / December 31, 2018	47,534	36,900
Movement in the defined benefit obligations		
Obligation as at January 01, 2018 / January 01, 2017	45,620	35,835
Service cost	8,375	7,267
Interest cost	6,310	3,181
Settlement and curtailment	-	-
Actuarial (gains) / losses	(2,118)	2,718
Benefits paid	(3,439)	(3,381)
Obligation as at December 31, 2019 / December 31, 2018	54,748	45,620
Cost		
Current Service cost	8,375	7,267
Interest cost	6,310	3,181
Expected return on plan assets	(5,224)	2,745
Expense	9,461	13,194
Actual return on plan assets	4,612	2,237
Principal actuarial assumptions are as follows:		
Discount rate and expected return on plan assets	11.25%	13.25%
Future salary increases	10.25%	12.25%
Mortality rates	SLIC (2001-05)	SLIC (2001-05)
Rates of Employee turnover	Moderate	Moderate

Comparison for five years:	2019	2018	2017	2016	2015
			(Rupees)		
As at December 31					
Fair value of plan assets	(47,534)	(36,900)	(30,340)	(23,977)	(18,977)
Defined benefit obligations	54,748	45,620	35,835	26,279	19,868
Deficit	7,214	8,720	5,495	2,302	891
Experience adjustments					
Gain / (loss) on plan assets (as percentage of plan assets)	-3.3%	-4.1%	-8.2%	-5.5%	-2.6%
Gain / (loss) on plan assets (as percentage of plan obligations)	-2.8%	-3.4%	-4.3%	-5.9%	-7.8%

The effect of 1% movement in assumed medical cost trend rate are as follows:

	Increase	Decrease
	(Rupees in '000)	
Effect on the aggregate of current service and interest cost	50,723	59,381
Effect on the defined benefit obligations	59,650	50,424

Plan assets comprise of the following:	December 31, 2019		December 31, 2018	
	(Rupees in '000)	%	(Rupees in '000)	%
Debt	47,023	98.9%	34,703	94.0%
Cash and cash equivalent - net of current liabilities	511	1.1%	2,196	6.0%
Fair value of plan assets	47,534	100.0%	36,900	100.0%

The expected charge for retirement benefit obligations for the year 2020 amounts to Rs. 9.70 million.

14. DEFERRED TAXATION

Deferred taxation comprises deductible temporary differences relating to following:

	Note	December 31, 2019	December 31, 2018
		(Rupees in '000)	
Deferred debits arising in respect of:			
- accelerated depreciation		568	(1,482)
- staff retirement benefits		2,092	1,893
- impairment against listed equity securities		11,370	9,127
- lease liability		12,460	-
- provision for employee bonus		6,580	5,496
- Deficit on revaluation		26	3,211
Deferred credit arising in respect of:			
- Right of use assets		(11,114)	-
		21,982	18,245

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15. PREPAYMENTS

	Note	December 31, 2019	December 31, 2018
		(Rupees in '000)	
Prepaid reinsurance premium ceded	24	824,312	681,538
Prepaid rent		3,076	5,842
Prepaid tracker monitoring charges		54,636	57,260
Prepaid miscellaneous expenses		3,797	5,136
		885,821	749,777

16. CASH AND BANK

	Note	December 31, 2019	December 31, 2018
Cash and cash equivalents			
- Cash in hand		1,160	1,005
- Policy stamps in hand		1,233	3,143
		2,393	4,148
Cash at bank			
- Current accounts	16.1	46,291	49,508
- Savings accounts	16.2 & 16.3	311,752	87,008
		358,043	136,516
		360,436	140,664

16.1 This includes balance with a related parties amounting to Rs. 41.520 million (2018: Rs. 18.639 million).

16.2 This includes balance with a related parties amounting to Rs. 52.880 million (2018: Rs. 29.392 million).

16.3 These carry profit rates ranging between 10.00% to 11.75% (2018: 8.50% to 10.00%) per annum.

17. SHARE CAPITAL

17.1 Authorised Capital

2019	2018		2019	2018
(Number of shares)			(Rupees in '000)	
150,000,000	150,000,000	Ordinary shares of Rs. 10 each	1,500,000	1,500,000

17.2 Issued, subscribed and paid-up capital

2019	2018		2019	2018
115,217,391	115,217,391	Ordinary shares of Rs. 10 each fully paid in cash	1,152,174	1,152,174

17.3 Major shareholders of the Company are:

Number of shares held			Percentage of Shareholding	
2019	2018	Name of Shareholder	2019	2018
64,063,972	64,063,972	Bestway (Holdings) Limited	55.6	55.6
34,565,214	34,565,214	United Bank Limited	30.0	30.0
14,088,199	14,088,199	Bestway Cement Limited	12.2	12.2

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18. RESERVES	Note	2019	2018
		(Rupees in '000)	
Revaluation reserves - Available-for-sale			
Listed Shares	8	87	(599)
Market Treasury Bills	9	(178)	-
Pakistan Investment Bonds		-	(10,467)
		(91)	(11,066)
Related deferred tax liability		26	3,211
		(65)	(7,855)
Revaluation Reserve - WTO		66	5
		1	(7,850)

19. LEASE LIABILITIES

		2019	2018
Current		13,200	-
Non-current		29,766	-
		42,966	-

20. INSURANCE / REINSURANCE PAYABLES

		2019	2018
Due to foreign reinsurers		205,107	156,879
Due to local reinsurers		150,217	31,314
Due to other insurers		60,618	38,279
Due to insurance contract holders		9,863	3,448
		425,805	229,919

21. OTHER CREDITORS AND ACCRUALS

	Note	2019	2018
Agents commission payable		50,451	62,438
Federal excise duty		31,576	-
Federal insurance fee		2,999	1,099
Accrued expenses		45,097	49,471
Unclaimed insurance benefits	21.1	21,016	16,282
Cash margin against insurance policies		20,746	17,745
Others		14,450	16,353
		186,335	163,387

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

	2019	2018
	(Rupees in '000)	
More than 6 months	21,016	16,282
1 to 6 months	142,482	98,622

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Claims not encashed

December 31, 2019					
(Age-wise Breakup)					
1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months	Total
(Rupees in '000)					
142,482	2,411	7,192	2,093	9,320	163,498

December 31,2018					
(Age-wise Breakup)					
1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months	Total
(Rupees in '000)					
98,622	4,585	2,223	2,016	7,458	114,904

22. CONTINGENCIES AND COMMITMENTS

There were no contingencies and committments outstanding as on December 31, 2019.

23. WINDOW TAKAFUL OPERATIONS OPERATOR'S FUND

	December 31, 2019	December 31, 2018
	(Rupees in '000)	
Assets		
Cash and bank	5,422	9,888
Investments	43,090	47,007
Current assets - other	129,833	83,427
Total assets	178,345	140,322
Total liabilities - current	114,787	86,999
Profit before taxation	14,329	11,079

Details of total assets, total liabilities and segment disclosure of window takaful operations are stated in the annexed financial information for the year ended December 31, 2019 and 2018.

24. NET INSURANCE PREMIUM

	2019	2018
Written Gross Premium	3,988,703	3,391,311
Add: Unearned premium reserve opening	1,378,040	1,066,261
Less: Unearned premium reserve closing	(1,468,684)	(1,378,040)
Premium earned	3,898,059	3,079,532
Less:		
Reinsurance premium ceded	2,270,866	1,781,788
Add: Prepaid reinsurance premium opening	681,538	566,812
Less: Prepaid reinsurance premium closing	(824,312)	(681,538)
Reinsurance expense	2,128,092	1,667,062
	1,769,967	1,412,471

25. NET INSURANCE CLAIMS EXPENSE

	Note	2019	2018
		(Rupees in '000)	
Claims paid		2,022,610	1,927,442
Add: Outstanding claims including IBNR closing	25.1	1,655,260	1,400,561
Less: Outstanding claims including IBNR opening		(1,400,561)	(1,340,866)
Claim expense		2,277,309	1,987,138
Less: Reinsurance and other recoveries received		(1,326,959)	(1,363,824)
Add: Reinsurance and other recoveries in respect of outstanding claims - opening		1,247,591	1,192,538
Less: Reinsurance and other recoveries in respect of outstanding claims - closing		(1,551,126)	(1,247,591)
Reinsurance and other recoveries revenue		(1,630,494)	(1,418,878)
		646,815	568,260

25.1 Claim Development

The following table shows the development of claims over a period of time on gross basis.

Analysis on gross basis

Accident year	2015	2016	2017	2018	2019
			(Rupees in '000)		
Estimate of ultimate claims cost:					
At end of accident year	3,856,765	1,825,827	1,592,214	2,060,841	2,095,948
One year later	4,347,971	1,726,900	1,648,955	2,209,711	-
Two years later	4,259,922	1,610,185	1,583,877	-	-
Three years later	4,242,535	1,574,801	-	-	-
Four years later	4,154,525	-	-	-	-
Current estimate of cumulative claims	4,154,525	1,574,801	1,583,877	2,209,711	2,095,948
Cumulative payments made to date	(4,075,002)	(1,516,937)	(1,470,289)	(1,846,142)	(1,220,146)
Liability recognised in the statement of financial position	79,523	57,864	113,588	363,569	875,802

26. NET COMMISSION EXPENSE / ACQUISITION COSTS

	December 31, 2019	December 31, 2018
	(Rupees in '000)	
Commission paid or payable	602,759	348,498
Add: Deferred commission expense opening	147,626	122,925
Less: Deferred commission expense closing	(196,555)	(147,626)
Net Commission	553,830	323,797
Less: Commission received or recoverable	(444,146)	(334,852)
Add: Unearned reinsurance commission closing	186,152	137,326
Less: Unearned reinsurance commission opening	(137,326)	(139,459)
Commission from reinsurers	(395,320)	(336,985)
	158,510	(13,188)

27. MANAGEMENT EXPENSES

	Note	December 31, 2019	December 31, 2018
		(Rupees in '000)	
Employee benefit cost	27.1	232,612	204,047
Traveling expense		5,798	4,352
Advertisements & sales promotion		4,947	25,603
Printing and stationery		6,394	3,458
Depreciation		28,404	14,616
Rent, rates and taxes		7,598	15,612
Legal and professional charges - business related		11,502	4,284
Electricity, gas and water		5,611	4,511
Entertainment		1,986	1,863
Vehicle running expenses		46,927	41,441
Office repairs and maintenance		4,821	3,015
Bank charges		4,007	3,504
Postages, telegrams and telephone		6,833	6,047
Annual supervision fee - SECP		6,970	6,707
Service charges		8,305	20,305
Tracker charges		127,714	110,841
Miscellaneous		6,131	8,476
		516,562	478,684

27.1 Employee benefit cost

Salaries, allowances and other benefits		214,007	191,709
Charges for post employment benefit		18,605	12,338
		232,612	204,047

28. INVESTMENT INCOME

Available-for-sale			
Income from equity securities			
Dividend income		4,541	5,414
Income from debt securities			
Return on government securities		16,697	16,569
Amortization of discount / (premium) on government securities / term finance certificates		1,780	17,848
		23,018	39,831
Net realised gains on investments			
- Equity securities		552	1,014
		23,570	40,845
Less: Impairment in value of available-for-sale securities - Equity Securities		(7,736)	(6,873)
		15,834	33,972
Held to maturity			
Income from debt securities			
Return on government securities		22,098	4,423
Return on term finance certificates		2,114	-
Return on sukuks		270	-
Amortization of discount / (premium) on sukuks		(9)	-
Amortization of discount / (premium) on government securities		11,709	(676)
		36,182	3,747
Income from term deposits			
Return on term deposits		27,645	22,838
		63,827	26,585
Total Investment income		79,661	60,557

29. OTHER INCOME

	Note	December 31, 2019	December 31, 2018
		(Rupees in '000)	
Income from financial assets / liabilities			
Return on bank balances		25,189	9,428
Gain on sale of fixed assets		6,978	2,288
Exchange gain		2,929	1,020
Miscellaneous income		1,086	1,191
		36,182	13,928

30. OTHER EXPENSES

	Note	December 31, 2019	December 31, 2018
Legal and professional fee other than business related		1,358	1,409
Auditors' remuneration	*30.1*	1,863	2,024
(Reversal) / charge workers' welfare fund		-	(12,031)
Depreciation expense		10,621	10,085
Amortisation		2,112	1,575
Communication		6,409	7,825
Rent, rates and taxes		12,753	11,568
Salaries and benefits		58,311	53,323
Miscellaneous		31,316	23,499
		124,743	99,276

30.1 Auditors' remuneration

	December 31, 2019	December 31, 2018
Audit fee	476	476
Half yearly review fee	238	238
Certifications	964	1,117
Out of pocket expenses	184	193
	1,863	2,024

31. FINANCE COST

	December 31, 2019	December 31, 2018
Mark-up on finance leases	4,970	-

32. TAXATION

	December 31, 2019	December 31, 2018
For the year		
Current	136,230	107,862
Deferred	(7,359)	(826)
	128,871	107,036
For the prior year		
Current	11,811	(1,622)
	140,682	105,414

32.1 Relationship between tax expense and accounting profit

	December 31, 2019	December 31, 2018
Profit before taxation for the year	448,557	364,991
Tax at the applicable rate of 29% (2018: 29%)	130,082	105,847
Tax at the applicable rate of 5% (2018: 5%)	-	-
Tax effect of change in tax rate	-	485
Tax effect of permanent difference	(2,050)	299
Tax effect of long outstanding liabilities	-	199
Tax effect of right to use assets	11,114	
Tax effect of lease liabilities	(12,460)	-
Tax effect of prior year	11,811	(1,622)
Others	2,186	207
	140,682	105,414

32.2 The assessment of the Company upto and including tax year 2019 have been deemed to be completed under section 120 of the Income Tax Ordinance, 2001 (the Ordinance) which is subject to audit under section 177 of the Ordinance.

33. TAXATION - PAYMENTS LESS PROVISION

	2019	2018
	(Rupees in '000)	
Balance as at January 1,	11,583	2,998
Tax paid including deducted at source	130,672	111,612
Provision for taxation - Takaful	4,155	3,213
Provision for taxation	(148,041)	(106,240)
Balance as at December 31,	(1,631)	11,583

34. EARNINGS PER SHARE

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

	2019	2018
	(Rupees in '000)	
Profit after tax for the year	307,875	259,576
	(Number of shares)	
Weighted average number of ordinary shares of Rs. 10 each	115,217,391	115,217,391
	(Rupees)	
Earnings per share - basic and diluted	2.67	2.25

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

35. COMPENSATION OF DIRECTORS AND EXECUTIVES

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

	Chief executive		Directors		Executives / key management personnel		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	(Rupees in '000)							
Fees		-	-	-	-	-	-	-
Managerial remuneration	6,171	5,784	243	761	43,772	32,055	50,187	38,600
Bonus	6,500	5,000	127	300	7,898	7,311	14,525	12,611
House rent allowance	2,777	2,603	109	343	19,697	14,425	22,584	17,370
Utilities	1,234	1,157	49	152	10,395	7,141	11,678	8,450
Medical	617	1,128	24	76	4,587	3,871	5,228	5,076
Retirement benefits	900	843	-	-	5,326	4,493	6,226	5,336
FuelAllowance	410	463	-	-	9,846	6,457	10,256	6,920
Cell allowance	60	49	10	30	924	644	994	723
Car maintenance allowance	648	259	-	-	4,217	1,745	4,865	2,004
Driver Salary	-	172	-	-	1,380	1,311	1,380	1,482
Guard Salary	334	120	-	-	-	-	334	120
Others	135	105	3	-	244	361	382	466
	19,788	17,683	565	1,662	108,286	79,813	128,639	99,159
Number of persons	1	*2	7	7	26	18	34	27

*During the year 2018, the Chief Executive of the Company has resigned and acting Chief executive was appointed by the Company.

36. TRANSACTIONS WITH RELATED PARTIES

36.1 Related parties comprise of directors, major shareholders, key management personnel, holding company, associated companies, and entities with common directors and employee retirement benefit funds. The transactions with related parties are carried out at commercial terms and conditions except for compensation to key management personnel which are on employment terms. The transactions and balances with related parties during the year are as follows :

Transactions and balances with related parties

	2019	2018
	(Rupees in '000)	
Associated companies		
Premium underwritten	290,157	483,007
Insurance claims expense	295,891	364,924
Bank charges	3,960	3,479
Profit on bank accounts	16,358	6,956
Internal audit fees	420	420
Commission expense	24,453	21,191
Others		
Premium underwritten	3,648	4,017
Insurance claims expense	288	81
Profit on bank accounts	27	19
Employees' funds		
Contribution to the provident fund	9,145	8,413
Contribution to the gratuity fund	9,461	7,703
Balances		
Associated companies		
Bank balances	94,006	48,682
Premium due but unpaid	39,702	56,650
Profit receivable on bank accounts	-	-
Claim outstanding	498,778	288,309
Internal audit fee payable	503	83
Marketing service charges payable	-	722
Communication charges payable	-	7,548
Others		
Bank balances	394	370
Premium due but unpaid	1	208
Claim outstanding	859	278

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37. SEGMENT INFORMATION

	For the year ended 31 December 2019						
	Fire & property	Marine, aviation & transport	Motor	Bankers blanket	Health	Other classes	2019 Aggregate
	(Rupees in '000)						
Premium receivable (inclusive of Federal excise duty and Federal insurance fee and Administrative surcharge)	1,752,438	384,890	1,112,998	155,005	560,946	548,840	4,515,117
Less: Federal excise duty / sales tax	(211,987)	(40,538)	(130,935)	(18,141)	(24,757)	(60,361)	(486,718)
Less: Federal insurance fee	(15,135)	(3,427)	(9,659)	(1,355)	(5,310)	(4,809)	(39,696)
Gross written premium (inclusive of Administrative surcharge)	1,525,316	340,925	972,404	135,509	530,879	483,670	3,988,703
Gross direct premium	1,488,143	330,851	923,021	135,498	530,679	472,531	3,880,722
Facultative inward premium	28,934	2,386	19,168	-	-	6,292	56,780
Administrative surcharge	8,240	7,688	30,214	11	200	4,848	51,201
Insurance premium earned	1,350,443	339,148	972,580	134,966	630,492	470,432	3,898,059
Insurance premium ceded to reinsurers	(1,090,447)	(164,205)	(169,438)	(122,826)	(191,908)	(389,269)	(2,128,092)
Net insurance premium	259,996	174,943	803,142	12,139	438,584	81,163	1,769,967
Commission income	216,533	41,188	45,386	14,577	19,618	58,018	395,320
Net underwriting income	476,529	216,131	848,528	26,716	458,202	139,181	2,165,287
Insurance claims	(786,120)	(141,616)	(497,598)	(56,427)	(550,572)	(244,976)	(2,277,309)
Insurance claims recovered from reinsurers	733,756	128,756	239,762	46,389	289,342	192,488	1,630,494
Net claims	(52,364)	(12,860)	(257,836)	(10,037)	(261,230)	(52,487)	(646,814)
Commission expenses	(252,437)	(88,725)	(91,398)	(685)	(75,144)	(45,441)	(553,831)
Management expenses	(147,919)	(33,062)	(222,013)	(13,141)	(53,523)	(46,904)	(516,562)
Reversal of premium deficiency reserve	-	-	-	-	-	18	18
Net insurance claims and expenses	(452,720)	(134,647)	(571,247)	(23,863)	(389,896)	(144,815)	(1,717,189)
Underwriting result	23,809	81,484	277,281	2,853	68,305	(5,634)	448,098
Investment income							79,661
Other income							36,182
Other expenses							(124,743)
Result of operating activities							439,198
Finance costs							(4,970)
Profit from Window takaful operations - net off tax							14,329
Profit before tax							448,557
Segment assets	1,606,101	358,981	1,023,905	142,686	558,996	509,287	4,199,957
Unallocated assets							1,554,850
							5,754,807
Segment liabilities	1,447,943	323,631	923,078	128,635	503,949	459,136	3,786,372
Unallocated liabilities							302,483
							4,088,854

	For the year ended 31 December 2018						
	Fire & property	Marine, aviation & transport	Motor	Bankers blanket	Health	Other classes	2018 Aggregate
	(Rupees in '000)						
Premium receivable (inclusive of Federal excise duty and Federal insurance fee and Administrative surcharge)	1,222,972	332,473	1,085,500	173,054	560,703	435,086	3,809,789
Less: Federal excise duty / sales tax	(152,095)	(36,676)	(130,224)	(20,368)	(3,478)	(41,909)	(384,749)
Less: Federal insurance fee	(10,531)	(2,923)	(9,473)	(1,512)	(5,516)	(3,774)	(33,729)
Gross written premium (inclusive of Administrative surcharge)	1,060,346	292,875	945,804	151,175	551,709	389,403	3,391,311
Gross direct premium	1,031,808	283,891	911,612	151,158	551,505	369,480	3,299,454
Facultative inward premium	19,994	1,408	5,120	-	-	14,681	41,203
Administrative surcharge	8,544	7,576	29,072	16	204	5,242	50,653
Insurance premium earned	937,002	289,509	875,611	149,777	445,888	381,745	3,079,532
Insurance premium ceded to reinsurers	(697,610)	(190,827)	(155,107)	(130,447)	(194,895)	(298,176)	(1,667,062)
Net insurance premium	239,392	98,682	720,504	19,330	250,992	83,569	1,412,471
Commission income	132,047	47,767	42,361	23,439	31,328	60,042	336,985
Net underwriting income	371,439	146,450	762,865	42,769	282,320	143,612	1,749,455
Insurance claims	(611,024)	(148,149)	(566,573)	(27,707)	(407,595)	(226,089)	(1,987,138)
Insurance claims recovered from reinsurers	547,201	125,224	257,929	27,624	264,700	196,199	1,418,878
Net claims	(63,823)	(22,925)	(308,644)	(83)	(142,895)	(29,890)	(568,260)
Commission expenses	(129,210)	(51,272)	(65,737)	(947)	(41,163)	(35,467)	(323,797)
Management expenses	(109,111)	(30,137)	(225,298)	(15,556)	(58,512)	(40,070)	(478,684)
Reversal of premium deficiency reserve	-	-	-	-	-	(11)	(11)
Net insurance claims and expenses	(302,144)	(104,334)	(599,678)	(16,586)	(242,570)	(105,439)	(1,370,752)
Underwriting result	69,295	42,115	163,187	26,183	39,750	38,173	378,703
Investment income							60,557
Other income							13,928
Other expenses							(99,276)
Result of operating activities							353,912
Finance costs							-
Profit from Window takaful operations - net off tax							11,079
Profit before tax							364,991
Segment assets	1,091,901	301,590	973,950	155,673	568,128	400,992	3,492,235
Unallocated assets							1,314,872
							4,807,107
Segment liabilities	1,003,457	277,161	895,060	143,064	522,109	368,511	3,209,363
Unallocated liabilities							196,669
							3,406,031

38. MOVEMENT IN INVESTMENT

	Held to Maturity	Available for Sale	Total
	(Rupees in '000)		
At beginning of previous year	-	863,694	863,694
Additions	1,084,066	1,328,846	2,412,912
Disposal (sale and redemptions)	(495,900)	(1,909,128)	(2,405,028)
Fair value net gains (excluding net realised gains)	-	(11,066)	(11,066)
Amortization of discount / (premium)	(626)	19,061	18,435
Impairment losses	-	(6,873)	(6,873)
At beginning of current year	587,540	284,534	872,074
Additions	1,467,233	103,286	1,570,519
Disposal (sale and redemptions)	(1,382,000)	(249,900)	(1,631,900)
Fair value net gains (excluding net realised gains)	-	10,975	10,975
Amortization of discount / (premium)	11,700	1,780	13,480
Impairment losses	-	(7,736)	(7,736)
At end of current year	**684,473**	**142,939**	**827,412**

39. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

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

39.1 Insurance risk management

Insurance risk

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of compensation to the insured. Generally most insurance contracts carry the insurance risk for a period of one year (refer note 3.4).

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

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

a) Frequency and severity of claims

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

The reinsurance arrangements against major risk exposure include excess of loss, 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.

Concentration of risk

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

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the commercial/ industrial/ residential occupation of the insured. Details regarding the fire separation/ segregation with respect to the manufacturing process, storage, utilities, etc. are extracted form the layout plan of the insured facility. Such details are formed part of the reports which are made available to the underwriters/ reinsurance personnel for their evaluation. Reference is made to the standard construction specification as laid down by IAP (Insurance Association of Pakistan). For instance, the presence of perfect party walls, double fire proof iron doors, physical separation between the building within a insured's premises. It is basically the property contained within an area which is separated by another property by sufficient distance to confine insured damage from uncontrolled fire and explosion under the most adverse conditions to that one area.

The ability to manage catastrophic risk is tied managing the density of risk within a particular area. For catastrophic aggregates, the system assigns precise geographic CRESTA (Catastrophe Risk Evaluating and standardising Target Accumulations) codes with reference to the accumulation of sum insured in force at any particular location against natural perils.

For marine risks, complete underwriting details such as sums insured, mode of transport (air / inland transit), vessel identification, sailing dates, origin and destination of the shipments, per carry limits, accumulation of sum insured on a single voyage etc. are taken into consideration.

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

The insurers monitors concentration of insurance risks primarily by class of business. The table below sets out the concentration of the gross exposure by class of business:

Class	Maximum gross risk exposure	
	2019	2018
	(Rupees in '000)	
Fire and property	1,318,177,323	1,146,431,269
Marine, aviation and transport	460,357,495	435,265,983
Motor	45,448,716	47,064,152
Banker's blanket	4,030,500	6,277,500
Health	27,281,646	34,407,102
Other classes	399,466,351	370,889,330

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

b) Uncertainty in the estimation of future claim payments

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

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

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

c) Key assumptions

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

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

The actuarial valuation as at December 31, 2018 has been carried out by independent firm of actuaries for determination of IBNR for each class of business. The actuarial valuation is based on a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation as required / allowed by the circular 9 of 2016. IBNR is determined by using Chain Ladder Method for all class of business. The claim outstanding and claims paid till date are deducted from the ultimate claim payments for that particular year to derive an IBNR estimate for that year. Any negative values are ignored. The total for each accident year shall be the total IBNR as at the end of reporting year for that risk class. IBNR triangles are made on a yearly basis for each class of business. The methods used, and the estimates made, are reviewed regularly.

The Company determines adequacy of liability of premium deficiency by carrying out analysis of its loss ratio of expired periods of the contracts. For this purpose average loss ratio of last three years inclusive of claim settlement cost but excluding major exceptional claims are taken into consideration to determine ultimate loss ratio to be applied on unearned premium. The liability of premium deficiency reserve in relation to accident and health insurance is calculated in accordance with the advice of the actuary (note 3.7).

d) Changes in assumptions

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

e) Sensitivity analysis

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

Average claim cost	**Underwriting results**		**Shareholder's equity**	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
	(Rupees in '000)			
Fire and property	5,236	6,382	3,718	4,531
Marine and transport	1,286	2,293	913	1,628
Motor	25,784	30,864	18,306	21,914
Health Insurance	26,123	14,289	18,547	10,146
Banker's blanket	1,004	8	713	6
Others	5,249	2,989	3,727	2,122
	64,681	56,826	45,924	40,346

39.2 Financial risk management

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

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

39.2.1 Financial risk

Maturity profile of financial assets and liabilities:

	December 31, 2019							
	Profit rate % per annum	Profit / mark-up bearing financial instruments			Non profit / mark-up bearing financial instruments			Total
		Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
		(Rupees in '000)						
Financial assets								
Cash and bank	10.00 - 11.75	311,752	-	311,752	48,684	-	48,684	360,436
Investments	7.25- 15.51	509,446	277,548	786,994	40,418	-	40,418	827,412
Loans and other receivables		-	-	-	44,305	18,652	62,957	62,957
Insurance / reinsurance receivables		-	-	-	1,507,508	-	1,507,508	1,507,508
Reinsurance recoveries against outstanding claims		-	-	-	1,490,143	-	1,490,143	1,490,143
		821,198	277,548	1,098,746	3,131,058	18,652	3,149,710	4,248,456
Financial liabilities								
Underwriting Provision for outstanding claims including IBNR		-	-	-	1,655,260	-	1,655,260	1,655,260
Premium received in advance		-	-	-	-	-	-	-
Insurance / reinsurance payables		-	-	-	425,805	-	425,805	425,805
Other creditors and accruals		-	-	-	186,335	-	186,335	186,335
		-	-	-	2,267,400	-	2,267,400	2,267,400
Interest rate risk sensitivity gap		821,198	277,548	1,098,746				
Cumulative interest rate risk sensitivity gap		821,198	1,098,746					

	December 31, 2018							
	Profit rate % per annum	Profit / mark-up bearing financial instruments			Non profit / mark-up bearing financial instruments			Total
		Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
		(Rupees in '000)						
Financial assets								
Cash and bank	8.50 - 10.00	87,008	-	87,008	53,656	-	53,656	140,664
Investments	7.00- 11.50	818,838	-	818,838	53,237	-	53,237	872,074
Loans and other receivables		-	-		46,149	17,596	63,745	63,745
Insurance / reinsurance receivables		-	-		1,314,993	-	1,314,993	1,314,993
Reinsurance recoveries against outstanding claims		-	-		1,197,859	-	1,197,859	1,197,859
		905,846	-	905,846	2,665,893	17,596	2,683,489	3,589,335
Financial liabilities								
Underwriting Provision for outstanding claims including IBNR		-	-	-	1,400,561	-	1,400,561	1,400,561
Premium received in advance					1,041	-	1,041	1,041
Insurance / reinsurance payables		-	-	-	229,919	-	229,919	229,919
Other creditors and accruals		-	-	-	163,387	-	163,387	163,387
		-	-	-	1,794,908	-	1,794,908	1,794,908
Interest rate risk sensitivity gap		905,846	-	905,846				
Cumulative interest rate risk sensitivity gap		905,846	905,846					

a) Sensitivity analysis - interest rate risk

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

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

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

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

b) Sensitivity analysis - Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's listed securities are susceptible to market price risk arising from uncertainties about the future value of investment securities. In case of 5% decrease / increase in the market price of listed securities on December 31, 2019, with all other variables held constant, total comprehensive income for the year and net assets would be lower/higher by Rs. 2.02 million (2018: Rs. 2.66 million).The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity market.

39.3 Credit risk

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

39.3.1 Exposure to credit risk

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

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

	Note	December 31, 2019		December 31, 2018	
		Balance as per the financial statement	Maximum exposure	Balance as per the financial statement	Maximum exposure
		(Rupees in '000)			
Cash and bank	16	360,436	358,043	140,664	136,516
Investments	8, 9 & 10	827,412	240,551	872,074	270,000
Loans and other receivables	11	62,957	62,957	63,745	63,745
Insurance / reinsurance receivable	12	1,507,508	1,507,508	1,314,993	1,314,993
Reinsurance recoveries against outstanding claims		1,490,143	1,490,143	1,197,859	1,197,859
		4,248,456	3,659,202	3,589,335	2,983,112

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Differences in the balances as per financial statements and maximum exposure in investments is due to investments in government securities and equity security of Rs. 586.861 million (2018 Rs. 602 million) which are not exposed to credit risk.

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

	Rating		Rating	2019	2018
	Short term	Long term	Agency	(Rupees in '000)	
United Bank Limited	A-1+	AAA	JCR-VIS	94,006	48,682
Summit Bank Limited	Suspended	Suspended	JCR-VIS	7	5
Telenor Microfinance Bank	A-1	A+	JCR-VIS	60,696	56,591
FINCA Microfinance Bank	A-1	A+	JCR-VIS	176,861	30,869
Khushhali Bank Limited	A-1	A	JCR-VIS	394	370
Bank Al-Habib Limited	A-1+	AA+	PACRA	4,771	-
Faysal Bank Limited	A-1+	AA	PACRA	21,309	-
				358,043	136,516

Concentration of credit risk

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

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

	Amount due from other insurers / reinsurers	Reinsurance and other recoveries against outstanding claims	Prepaid reinsurance premium ceded	2019	2018
	(Rupees in '000)				
A or above (including PRCL)	608,975	1,490,143	824,312	2,923,430	2,580,255
BBB	-	-	-	-	408
Others	-	-	-	-	1,119
	608,975	1,490,143	824,312	2,923,430	2,581,782

39.3.2 Liquidity risk

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

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The following are the contractual maturities of financial liabilities:

Non-Derivative Financial liabilities	Carrying Amount 2019	2018
	------------ (Rupees in '000)	----------
Underwriting Provision for outstanding claims including IBNR	1,655,260	1,400,561
Insurance / reinsurance payables	425,805	229,919
Other creditors and accruals	186,335	163,387
Lease liabilities	42,966	-
	2,310,366	1,793,868

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

39.3.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise of interest rate risk, foreign currency risk and other price risk. The Company manages the market risk exposures by following internal risk management policies.

39.3.4 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. The Company invests in securities and has deposits that are subject to interest / mark-up rate risk. The Company limits interest / mark-up rate risk by monitoring changes in interest / mark-up rates in the currencies in which its cash and investments are denominated. Refer note 39.2.1 for exposure to interest rate risk.

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

39.3.5 Foreign Currency risk

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

39.4 Capital Management Policies And Procedures

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

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

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

40. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

40.1 Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Company to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

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

On balance sheet financial instruments	December 31, 2019								
							Fair value		
	Fair value through profit or loss	Available-for-sale	Held to maturity	Loans and Other Receivable	Other financial liabilities	Total	Level 1	Level 2	Level 3
	(Rupees in '000)								
Financial assets measured at fair value									
- Investments									
Ordinary shares of quoted companies	-	40,418	-	-	-	40,418	40,418	-	-
Government securities	-	102,521	-	-	-	102,521	-	102,521	-
Government securities	-	-	443,922	-	-	443,922	-	-	-
Debt securities	-	50,000	40,551	-	-	90,551	-	50,000	-
Financial assets not measured at fair value									
Investment in term deposit *	-	-	150,000	-	-	150,000	-	-	-
Cash and Bank *	-	-	-	360,436	-	360,436	-	-	-
Loans and other receivables *	-	-	-	62,957	-	62,957	-	-	-
Insurance / reinsurance receivables *	-	-	-	1,507,508	-	1,507,508	-	-	-
Reinsurance recoveries against outstanding claims *	-	-	-	1,490,143	-	1,490,143	-	-	-
Total Assets of Windows Takaful Operations - Operator's Fund									
Investments	-	4,093	-	-	-	4,093	4,093	-	-
Investments *	-	-	38,997	-	-	38,997	-	-	-
Other than investments *	-	-	-	135,255	-	135,255			
	-	197,032	673,470	3,556,299	-	4,426,800			
Financial liabilities not measured at fair value									
Underwriting Provision for outstanding claims including IBNR *	-	-	-	-	1,655,260	1,655,260			
Insurance / reinsurance payables *	-	-	-	-	425,805	425,805			
Other creditors and accruals *	-	-	-	-	186,335	186,335			
Total liabilities of Window Takaful Operations-Operator's Fund *	-	-	-	-	114,787	114,787			
	-	-	-	-	2,382,187	2,382,187			

On balance sheet financial instruments

	December 31, 2018								
							Fair value		
	Fair value through profit or loss	Available-for-sale	Held to maturity	Loans and Other Receivable	Other financial liabilities	Total	Level 1	Level 2	Level 3
	(Rupees in '000)								
Financial assets measured at fair value									
- Investments									
Ordinary shares of quoted companies	-	53,836	-	-	-	53,836	53,836	-	-
Government Securities	-	241,763	-	-	-	241,763	-	241,763	-
Government Securities	-	-	317,541	-	-	317,541	-	-	-
Financial assets not measured at fair value									
Investment in term deposit *	-	-	270,000	-	-	270,000	-	-	-
Cash and Bank *	-	-	-	140,664	-	140,664	-	-	-
Loans and other receivables *	-	-	-	63,745	-	63,745	-	-	-
Insurance / reinsurance receivables *	-	-	-	1,314,993	-	1,314,993	-	-	-
Reinsurance recoveries against outstanding claims *	-	-	-	1,197,859	-	1,197,859	-	-	-
Total Assets of Windows Takaful Operations - Operator's Fund									
Investments	-	10,007	-	-	-	10,007	10,007	-	-
Investments	-	-	37,000	-	-	37,000	-	-	-
Other than investments *	-	-	-	93,315	-	93,315	-	-	-
	-	305,606	624,541	2,810,575	-	3,740,723			
Financial liabilities not measured at fair value									
Underwriting Provision for outstanding claims including IBNR *	-	-	-	-	1,400,561	1,400,561			
Insurance / reinsurance payables *	-	-	-	-	229,919	229,919			
Other creditors and accruals *	-	-	-	-	163,387	163,387			
Total liabilities of Window Takaful Operations-Operator's Fund *	-	-	-	-	86,999	86,999			
	-	-	-	-	1,880,867	1,880,867			

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

41. PROVIDENT FUND

The following is based on un-audited financial statements for the year ended December 31, 2019 and audited financial statement for the year ended December 31, 2018.

	2019	2018
	(Rupees in '000)	
Size of the fund - net assets	103,294	85,319
Cost of investments	97,745	81,154
Percentage of investments made	94.63%	95.12%
Fair value of investments	97,784	81,100

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

	2019	2018	2019	2018
	Percentage		(Rupees)	
Bank balances	1.0%	4.7%	957	3,821
Pakistan investment bonds	23.7%	13.6%	23,196	11,049
Market treasury bills	20.9%	20.0%	20,431	16,230
Term deposits	54.4%	61.7%	53,200	50,000
	100.0%	100.0%	97,784	81,100

42. NUMBER OF EMPLOYEES

	2019	2018
	(Number)	
At December 31	283	270
Average during the year	278	265

43. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors in their meeting held on February 14, 2020.

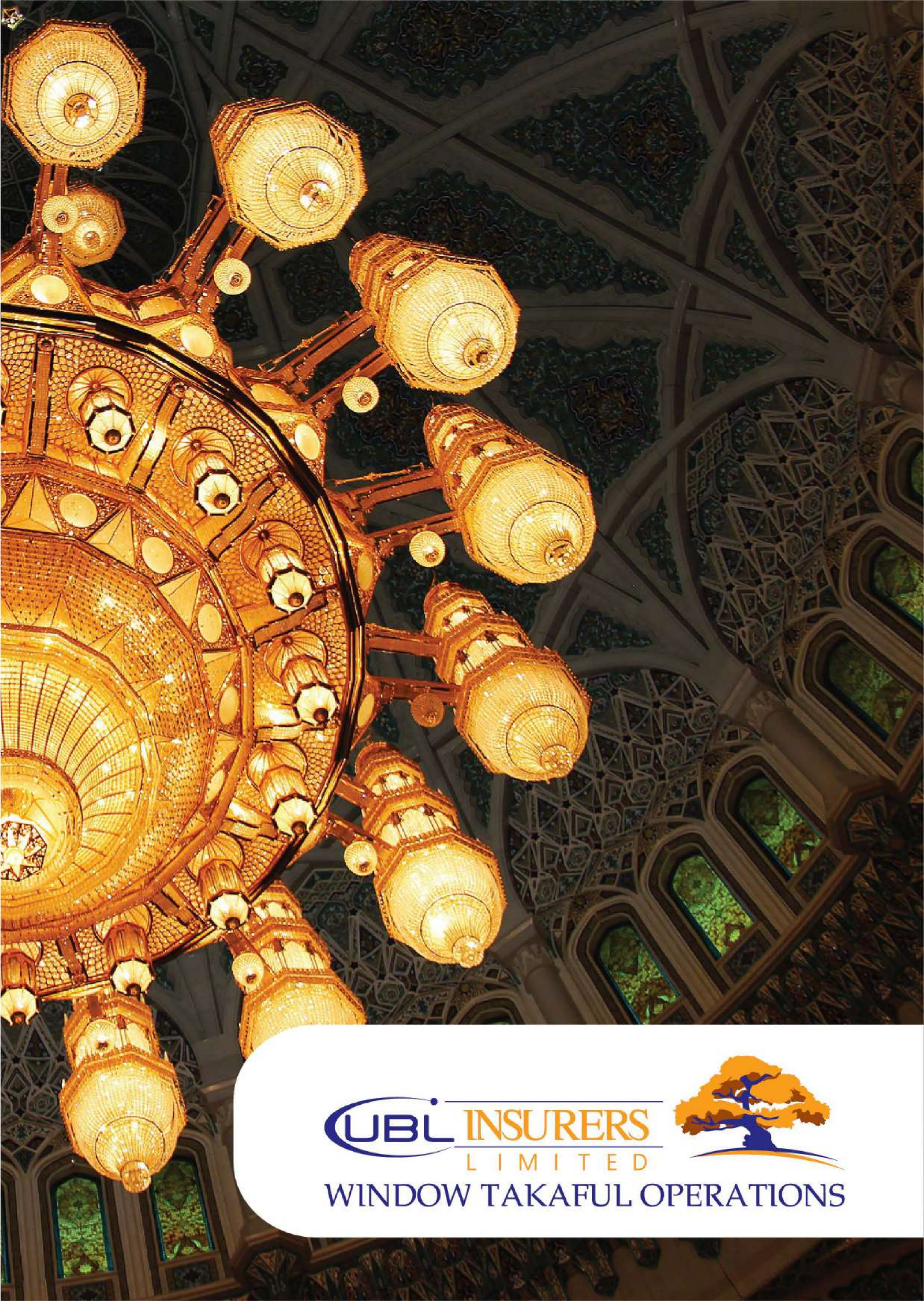
44. GENERAL

44.1 Non adjusting event after balance sheet date.

TThe Board of Directors of the Company in their meeting held on February 14, 2020 has proposed a final cash dividend of Rs. 0.534 per share amounting to Rs. 62 million (2018: 52 million) for the year ended December 31, 2019. The approval of the Members of the Company for the dividend shall be obtained at the Annual General Meeting to be held on March 26, 2020. The financial statements for the year ended December 31, 2019 do not include the effect of the proposed final dividend which will be accounted for in the year ending December 31, 2020.

44.2 Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.

Chief Executive Officer	Director	Director	Chairman



UBL INSURERS
LIMITED
WINDOW TAKAFUL OPERATIONS

Shariah Advisory Board's Report to the Board of Directors

For the period ended 31 December 2019

The Company, UBL Insurers Limited commenced Window Takaful Operations on January 1, 2016. By the grace of Almighty Allah and sincere efforts of Management, the year under review was the fourth successful year of Window Takaful Operations.

We acknowledge that as Shariah Advisory Board members of Takaful Operator, it is our responsibility to provide Shariah guidelines and develop framework for assurance that the financial arrangements, contracts and transactions undertaken by the Takaful Operator with its participants and stakeholders are in compliance with the requirements of Shariah rules and principles. It is the responsibility of the Takaful Operator to ensure that the rules, principles and guidelines set by the Shariah Advisory Board are fully complied with, and that all policies and services being offered are duly approved by the Shariah Advisory Board.

The Takaful Operator's activities and operations are periodically checked and monitored by Shariah Advisory Board. In order to have an independent assessment of the Shariah Governance and Compliance environment of the Takaful operations under taken by the Operator and the conformity of Takaful operations with Shariah rules and principles an external audit was conducted. Further, internal audit via UBL and Shariah Compliance review through Shariah Compliance officer were conducted as well. Based on their reports and statement of compliance with the Shariah Principles submitted by the Operator/Management to the Board of Director, We hereby present our report as follows:

i) transactions undertaken by the Takaful Operator were in accordance with guidelines issued by Shariah Advisory Board as well as requirements of Takaful Rules, 2012;

ii) the investments have been done from the Participant's Takaful Fund and Operator's Fund into Shariah Compliant avenues as per Shariah Guidelines for Investment already approved by Shariah Advisory Board;

iii) during the year, Rs. 478,990/- has been disbursed from Operator Fund as charity amount for income purification;

iv) transactions and activities of Window Takaful Operations are in accordance with the Shariah principles in respect of the Participants Takaful Fund (Waqf Fund) and Operator's Fund (OF);

v) all Participant Membership Documents (PMDS) are revised in the light of Takaful Rules 2012;

vi) training sessions were held in across Pakistan on awareness of Takaful for Managerial and Business Development Staff and facilitated by Chairman ~ Shariah Advisory Board;

We are grateful to the Board of Directors of UBL Insurers Limited, Management, and all relevant departments who cooperated with the Shariah Compliance function and provided every possible support to ensure Shariah Compliance in our Takaful practices.

While concluding; we state that over all the financial arrangements, products, services and transactions entered into by the Operator and the PTF/Waqf, as the case may be, for the year ended December 31, 2019 are in compliance with the requirements of the Shariah rules and guidelines And Allah knows the best. However, the following are recommended:

- The Operator/management should take concrete measures to play pivotal role in sound and transparent growth of Takaful countrywide.
- The Operator/management should be more vigilant for issuance of membership of Waqf Fund in accordance with the Shariah Guidelines.

May Allah bless us with the best Tawfeeq and bestow us with success in this world and in the world hereafter, and forgive us for our mistakes. A'ameen.

Mufti Muhammad Hanif	**Mufti Muhammad Ashraf Alam**	**Mufti Imtiaz Alam**
Shariah Advisor & Member	Member	Chairman & Member
Shariah Advisory Board	Shariah Advisory Board	Shariah Advisory Board

Date: February 14th, 2020

Statement of Compliance with the Shariah Principles

The financial arrangements, contracts and transactions, entered into by Window Takaful Operations of the UBL Insurers Limited for the year ended December 31, 2019 are in compliance with the Takaful Rules, 2012.

Further, we confirmed that:

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

Nadeem Raza
Chief Financial Officer

Zeeshan Muhammad Raza
Chief Executive Officer

Date: February 14th, 2020

Independent Assurance Report on the Statement of Management's Assessment of Compliance with the Sharia'h Principles

To the members of UBL Insurers Limited

We were engaged by the Board of Directors of UBL Insurers Limited (the Company) to report on the management's assessment of compliance of the Window Takaful Operations (Takaful Operations) of the Company, as set out in the annexed statement prepared by the management for the year ended December 31, 2019, with the Takaful Rules, 2012, in the form of an independent reasonable assurance conclusion about whether the annexed statement reflects the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects This engagement was conducted by a multidisciplinary team including assurance practitioners and independent Sharia'h scholars.

Applicable Criteria

The criteria for the assurance engagement against which the annexed statement has been assessed comprises of the Takaful Rules, 2012, issued by the Securities and Exchange Commission of Pakistan (SECP).

Management's Responsibility for Sharia'h Compliance

The management of the Company is responsible for preparation of the annexed statement that is free from material misstatement.

This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of the annexed statement that is free from material misstatement, whether due to fraud or error. It also includes ensuring the overall compliance of the Takaful Operations with the Takaful Rules, 2012.

Our Independence and Quality Control

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

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

Our responsibility and summary of the work performed

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

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

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

In this connection, we have also reviewed the work carried out by the Intemal Sharia'h Compliance Department and the Sharia'h reviews carried out by the Internal Sharia'h Compliance Department. We have designed and performed necessary verification procedures on various financial arrangements, contracts, classes of transactions and related policies and procedures based on judgmental and systematic samples with regard to the compliance with the Takaful Rules, 2012 and Sharia'h guidelines issued by the Sharia'h Advisory Board of the Company. In performing our audit procedures necessary guidance on Sharia'h matters was provided by independent Sharia'h scholars referred above.

We believe that the evidences we have obtained through performing our procedures were sufiicient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the annexed statement does not reflect the Company's status of compliance, in all material respects with the Takaful Rules, 2012 for the year ended December 31, 2019.

AFFerguson & Co.

A. F. Ferguson & Co.
Chartered Accountants

Engagement Partner: **Shahbaz Akbar**
Dated: March 25, 2020
Karachi.

Independent Auditor's Report

To the members of UBL Insurers Limited

Report on the Audit of the Financial Statements

Opinion

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

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the proht and loss account, the statement of comprehensive income, the statement of changes in fund and the cash flow statement together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Operat0r's affairs as at December 31, 2019 and of the profit, total comprehensive income, the changes in fund and its cash flows for the year then ended.

Basis of Opinion

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

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the requirements of Insurance Ordinance, 2000 and, Companies Act, 2017 (XIX of 2017), and for such internal control as management determines is necessary to enable the

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preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

b) the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in fund and the cash flow statement together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Operator's business; and

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

Other Matter

The financial statements of the Operator for the year ended December 31, 2018 were audited by another firm of Chartered Accountants who had expressed an unqualliied opinion thereon vide their report dated February 21, 2019.

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

A F Ferguson & Co.

A. F. Ferguson & Co.
Chartered Accountants

Karachi.
Dated: March 25, 2020

Statement of Financial Position

As at December 31, 2019

	Note	2019 Operator's Fund	2019 Participants' Takaful Fund	2019 Aggregate	2018 Aggregate
		(Rupees in '000)			
Assets					
Investments					
Equity Securities	5	4,093	7,161	11,254	35,025
Debt Securities	6	1,997	11,459	13,456	-
Term Deposits	7	37,000	230,000	267,000	174,000
Loan and other receivable		981	5,588	6,569	1,471
Wakala and modarib fee receivable	8	73,028	-	73,028	50,939
Takaful / retakaful receivables	9	-	155,599	155,599	106,743
Retakaful recoveries against outstanding claims		-	65,499	65,499	30,837
Salvage recoveries accrued		-	3,837	3,837	2,634
Qard-e-Hasna		23,000	-	23,000	5,000
Deferred Commission Expense / Acquisition cost		32,498	-	32,498	25,973
Taxation - payment less provisions		-	3,223	3,223	1,978
Prepayments	10	326	78,608	78,934	59,050
Cash and bank	11	5,422	43,509	48,931	64,444
Total assets		178,345	604,483	782,828	558,095
Funds and Liabilities					
Funds attributable to Operator and Participants					
Operator's Fund					
Statutory fund		50,000	-	50,000	50,000
Revaluation Reserves		66	-	66	5
Accumulated profit		13,492	-	13,492	3,318
		63,558	-	63,558	53,323
Waqf / Participants' Takaful Fund					
Seed money		-	500	500	500
Revaluation Reserves		-	318	318	18
Accumulated surplus		-	132,904	132,904	64,869
		-	133,722	133,722	65,387
Liabilities					
Underwriting provisions					
Outstanding claims including IBNR	18	-	103,671	103,671	79,236
Unearned contribution reserves	16	-	147,478	147,478	126,381
Unearned retakaful rebate	19	-	17,745	17,745	14,755
Unearned wakala fees	12	68,490	-	68,490	58,700
Qard-e-Hasna		-	23,000	23,000	5,000
Deferred taxation		27	-	27	2
Contribution received in advance		-	-	-	158
Wakala and modarib fee payable		-	73,028	73,028	50,939
Retakaful / co-takaful payables	13	-	100,732	100,732	66,670
Other creditors and accruals	14	43,758	5,107	48,865	37,543
Taxation - provision less payment		2,512	-	2,512	-
Total liabilities		114,787	470,761	585,548	439,385
Total fund and liabilities		178,345	604,483	782,828	558,095
Contingencies and Commitments	15				

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

Chief Executive Officer **Director** **Director** **Chairman**

Profit & Loss Account

For the year ended December 31, 2019

	Note	2019	2018
		(Rupees in '000)	
Participants' Takaful Fund - (PTF) Revenue Account			
Net takaful contribution	16	159,378	116,751
Net takaful claims	18	(139,844)	(108,739)
Re-takaful rebate earned	19	38,218	32,519
Takaful claims and acquisition expenses		(101,626)	(76,220)
Direct expenses	20	(11,506)	(6,504)
Surplus before investment income		46,246	34,028
Investment income net of modarib fees	21	17,917	303
Other income - net of modarib fees	22	3,872	6,402
Surplus for the year		68,035	40,732
Operator's Fund - (OTF) Revenue Account			
Wakala fee income	17	155,808	114,298
Commission and other acquisition costs	23	(86,323)	(52,894)
Management expenses	24	(46,973)	(39,631)
		22,512	21,774
Net investment income	21	9,055	179
Other income	22	894	4,173
		32,461	26,126
General and administrative expenses	25	(18,132)	(15,047)
Profit before tax		14,329	11,079
Income tax expense		(4,155)	(3,213)
Profit after tax		10,174	7,866

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

Chief Executive Officer **Director** **Director** **Chairman**

Statement of Comprehensive Income

For the year ended December 31, 2019

	2019	2018
	(Rupees in '000)	
Participants' Takaful Fund - (PTF)		
Surplus for the year	68,035	40,732
Other comprehensive income for the year		
Items that will be reclassified to profit and loss subsequently		
Unrealised gain / (loss) on available-for-sale investments	300	(1)
Related tax impact	-	-
	300	(1)
Total comprehensive income for the year	68,335	40,731
Operator's Fund - (OTF)		
Profit for the year	10,174	7,866
Other comprehensive income for the year		
Items that will be reclassified to profit and loss subsequently		
Unrealised gain on available-for-sale investments	86	7
Related tax impact	(25)	(2)
	61	5
Total comprehensive income for the year	10,235	7,871

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

Chief Executive Officer	Director	Director	Chairman

Statement of Changes in Fund

For the year ended December 31, 2019

	Participants' Takaful Fund			
	Seed money	Revaluation reserve	Accumulated surplus	Total
	(Rupees in '000)			
Balance as at 01 January 2018	500	19	24,137	24,656
Total comprehensive income for the year	-	(1)	40,732	40,731
Balance as at December 31, 2018	500	18	64,869	65,387
Total comprehensive income for the year	-	300	68,035	68,335
Balance as at December 31, 2019	**500**	**318**	**132,904**	**133,722**

	Operator's Fund			
	Statutory fund	Revaluation reserve	Accumulated (loss) / profit	Total
	(Rupees in '000)			
Balance as at 01 January 2018	50,000	-	(4,548)	45,452
Total comprehensive income for the year	-	5	7,866	7,871
Balance as at December 31, 2018	50,000	5	3,318	53,323
Total comprehensive income for the year	-	61	10,174	10,235
Balance as at December 31, 2019	**50,000**	**66**	**13,492**	**63,558**

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

Chief Executive Officer | **Director** | **Director** | **Chairman**

Cash Flow Statement

For the year ended December 31, 2019

	2019 Operator's Fund	2019 Participants' Takaful Fund	2019 Aggregate	2018 Aggregate
	(Rupees in '000)			
Operating cash flows				
(a) Takaful activities				
Contributions received	-	484,710	484,710	436,333
Retakaful contribution paid	-	(161,368)	(161,368)	(138,378)
Claims paid	-	(240,949)	(240,949)	(122,774)
Retakaful and other recoveries received	-	89,675	89,675	45,175
Commissions paid	(82,342)	-	(82,342)	(53,356)
Retakaful rebate received	-	38,218	38,218	32,519
Wakala and modarib fee received / (paid)	148,496	(148,496)	-	-
Net cash inflows from takaful activities	66,154	61,790	127,944	199,518
(b) Other operating activities				
Income tax paid	(419)	(2,470)	(2,889)	(3,136)
General, administration and management expenses paid	(59,905)	(21,248)	(81,153)	(59,025)
Seed money to participants' takaful fund	-	-	-	-
Net cash outflows from other operating activities	(60,324)	(23,718)	(84,042)	(62,161)
Total cash flow from all operating activities	5,830	38,072	43,902	137,358
Investment activities				
Profit received	3,699	19,177	22,876	11,056
Payment for investments	(116,558)	(649,314)	(765,872)	(359,000)
Proceeds from investments	120,563	563,017	683,580	161,000
Total cash generated / (outflow from) investing activities	7,704	(67,120)	(59,416)	(186,944)
Financing activities				
Contribution to operator's fund	-	-	-	-
Qard e Hasna	(18,000)	18,000	-	-
Total cash flow from financing activities	(18,000)	18,000	-	-
Net cash flow from all activities	(4,466)	(11,048)	(15,514)	(49,586)
Cash and cash equivalents at the beginning of the year	9,888	54,557	64,445	114,030
Cash and cash equivalents at the end of the year	5,422	43,509	48,931	64,444
Reconciliation to profit and loss account				
Operating cash flows	5,830	38,072	43,902	137,358
Increase in assets other than cash	24,489	126,549	151,038	196,267
Increase in liabilities other than borrowings	(25,939)	(118,375)	(144,314)	(292,870)
	4,380	46,246	50,626	40,754
Other adjustments				
Profit on disposal of investments	519	1,037	1,556	181
Dividend income	74	306	380	-
Income tax expense	(4,155)	-	(4,155)	(3,213)
Mudarib fee	4,986	(4,986)	-	-
Investment income	3,983	21,053	25,036	-
Other income	387	4,379	4,766	10,876
	5,794	21,789	27,583	7,844
Net profit for the year	10,174	68,035	78,209	48,598
Attributed to				
Operator's Fund	10,174	-	10,174	7,866
Participants' Takaful Fund	-	68,035	68,035	40,732
	10,174	68,035	78,209	48,598

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

Chief Executive Officer **Director** **Director** **Chairman**

Notes to and forming part of the Financial Statements
For the year ended December 31, 2019

1. LEGAL STATUS AND NATURE OF BUSINESS

UBL Insurers Limited ("the Company"), a subsidiary of Bestway (Holdings) Limited, was incorporated as an unlisted public limited company on June 29, 2006 under the Companies Ordinance, 1984. The registered office of the Company is situated at 126-C, Jami Commercial Street Number 14, D.H.A., Phase VII, Karachi. The Company currently operates a network of 21 (December 31, 2018:19) branches in various cities. The Company received Certificate of Registration under Section 6 of the Insurance Ordinance, 2000 on January 05, 2007. The objects of the Company include providing general insurance services (in spheres of Fire, Marine, Aviation and Transport, Motor, Health, Bankers Blanket and Miscellaneous) and general takaful services.

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

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

2. BASIS OF PREPARATION & STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) as are notified under Companies Act, 2017; and

- Provision of and directives issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules, 2017, Insurance Accounting Regulations, 2017 and Takaful Rules, 2012.

In case requirements differ, the provisions or directives of the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017 and Takaful Rules, 2012, shall prevail.

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

2.1 Basis of Measurement

These financial statements have been prepared under the historical cost convention except available-for-sale investments that have been measured at fair value.

2.2 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is also the Company's functional currency.

2.3 'Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are effective in the current year.

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

Further, IFRS 4 provides two alternative options in relation to application of IFRS 9 for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from the effective date to remove from the profit and loss account the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied. The Company has adopted the temporary exemption which allows the Company to defer the application of IFRS 9 until December 31, 2021.

For the companies adopting the temporary exemption, the IFRS 4 requires certain disclosures which have been disclosed as follows:

2.3.1.1 Temporary exemption from application of IFRS 9

As an insurance company, the management has opted temporary exemption from the application of IFRS 9 as allowed by the International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance. Additional disclosures, as required by IASB, for being eligible to apply the temporary exemption from the application of IFRS 9 are given in note 2.3.1.2 below.

2.3.1.2 Fair value of financial assets as at December 31, 2019 and change in the fair values during the year

	As at December 31, 2019	As at December 31, 2018	Change during the year
		(Rupees in '000)	
Financial assets with contractual cash flows that meet the SPPI criteria, excluding those held for trading			
Sukuk - Dawood Hercules Corporation - Held to maturity - OPF	2,495	-	2,495
Sukuk - Hub Power Company - Held to maturity - PTF	5,070	-	5,070
Sukuk - Dawood Hercules Corporation - Held to maturity - PTF	7,984	-	7,984
Financial assets that do not meet the SPPI criteria			
Equity securities - available-for-sale - OPF	4,093	10,007	(5,914)
Equity securities - available-for-sale - PTF	7,161	25,018	(17,857)

The fair value of the remaining financial assets are not significantly different from their carrying amounts since these assets are short term in nature or are frequently repriced to market rate.

2.3.2 There are certain other new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore not stated in these financial statements.

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2.4 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are not yet effective

The following standards, amendments and interpretations of the accounting and reporting standards as applicable in Pakistan will be effective for accounting periods beginning on or after January 1, 2020:

Standards, amendments or interpretations	Effective date (period beginning on or after)
- IAS 1 - 'Presentation of financial statements' (amendments)	January 1, 2020
- IAS 8 - 'Accounting policies, changes in accounting estimates and errors' (amendments)	January 1, 2020

The management is in the process of assessing the impacts of above amendments on the financial statements of the Company. There are certain other new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore not stated in these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Takaful contracts

Takaful contracts are those contracts under which the Company as takaful operator has accepted Takaful risk from the Takaful contract holder (Participants) by agreeing to compensate the Participants if a specified uncertain future event (the Takaful event) adversely affects the Participants. Once a contract has been classified as a Takaful contract, it remains a Takaful contract for the remainder of its lifetime, even if the Takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

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

a) Fire and property

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

b) Marine, aviation and transport

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

c) Motor

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

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d) Bankers blanket

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

f) Other classes

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

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

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

The Company also accepts takaful risk pertaining to takaful contracts of other takaful as retakaful inward. The takaful risk involved in these contracts is similar to the contracts undertaken by the Company as insurer. All retakaful inward contracts are facultative (specific risk) acceptance contracts.
The revenue recognition policy for the above is disclosed in note 3.9.

3.2 Deferred commission expense / acquisition cost

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

3.3 Provision for Unearned contribution

Provision for unearned contribution represents the portion of contribution written relating to the unexpired period of coverage at the reporting date and is recognised as a liability by the Company. This liability is calculated by applying the 1/24th method as specified in the SEC (Insurance) Rules, 2017.

3.4 Contribution Deficiency Reserve (liability adequacy test)

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

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

3.5 Retakaful contracts held

These are contracts entered into by the Company with retakaful for compensation of losses suffered on takaful contracts issued. These retakaful contracts include both facultative and treaty arrangements contracts and are

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classified in same categories of takaful contracts for the purpose of these financial statements. The Company recognises the entitled benefits under contracts as various retakaful assets and liabilities.

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

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

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

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

3.6 Receivables and payables related to takaful contracts

Receivables related to takaful contracts are known as Due from takaful contract holders. These are recognised at cost, which is the fair value of the consideration to be received less provision for impairment, if any. Contributions received in advance is recognised as liability till the time of issuance of takaful contract thereagainst.

Provision for impairment and write-off is estimated on a systematic basis after analysing the receivables as per their aging.

3.7 Segment reporting

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

The Operator presents segments reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Insurance Accounting Regulations, 2017. The reported operating segments are also consistent with the internal reporting process of the Operator for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment. All the Operator's business segments operate in Pakistan only.

Based on its classification of takaful contracts issued, the Operator has five primary business segments for reporting purposes namely fire, marine, motor, accident and health and miscellaneous. The nature and business activities of these segments are disclosed in note 3.1.

Assets and liabilities are allocated to particular segments on the basis of contribution earned. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities. Depreciation and amortisation are allocated to a particular segment on the basis of net contribution earned.

3.8 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 , bank deposits and term deposits having maturity of less than three months.

3.9 Revenue Recognition

3.9.1 Contribution

Contribution Receivable under a policy / cover note issued is recognized as written from date of attachment of risk to the policy / cover note and over the period of takaful from inception to expiry. Contribution is recognized as revenue evenly over the period of the policy.

The unearned portion of Contribution income is recognized as a liability. Such liability is calculated by applying the one by twenty-forth method , whereby the liability shall equal 1/24 of the Contribution relating to policies commencing in the first month of the takful operator financial year, 3/24 of the Contributions relating to policies commencing in the second month of the takaful operator financial year, and so on.

For facultative acceptance, the basis of recognizing Contribution and determining the unearned Contribution reserve is the same as for the direct policies.

3.9.2 Rebate from retakaful operators

Re-takaful rebate from retakaful is recognised at the date from attachment of risk to the policy / cover note and over the period of takaful from inception to expiry. Re-takaful rebate is recognized as revenue evenly over the period of the policy of issuance of the underlying takaful.

The unearned portion of Re-takaful rebate is recognized as a liability. Such liability is calculated by applying the one by twenty-forth method , whereby the liability shall equal 1/24 of the Contribution relating to policies commencing in the first month of the takaful operator financial year, 3/24 of the Contributions relating to policies commencing in the second month of the takaful operator financial year, and so on.

For facultative acceptance, the basis of recognizing commission and determining the unearned commission reserve is the same as for the direct policies.

3.9.3 Receivables and payables related to takaful contracts

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

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

Provision for impairment in contribution receivables is estimated on a systematic basis after analysing the receivables as per their ageing

3.9.4 Takaful surplus

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

3.9.5 Wakala and modarib fee

Wakala Fee

The Takaful operator manages the general takaful operations for the participants and charges 30% of gross

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contribution on fire , marine and other classes and 32.5% of gross contribution on motor as wakala fees against the services given to Participants' 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.

Modarib Fee

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

3.9.6 Investment income

- Unrealised appreciation or diminution on revaluation of investments classified as available-for-sale is included in the statement of comprehensive income in the period to which it relates.
- Gain or loss on sale of investments is accounted for in the profit and loss account in the period to which it relates.
- Dividend income is recognised when the Company's right to receive the dividend is established.
- Interest / mark-up on bank balances, term deposits and government securities is recognised on an accrual basis using the effective interest method.

3.9.7 Dividend income

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

3.10 Investments

3.10.1 Classification and measurement

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

a) In equity securities

Surplus / (deficit) arising on revaluation of quoted securities which are classified as available for sale investments is taken to a separate account which is shown in the statement of changes in equity as revaluation surplus. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realised upon disposal or in case of impairment of securities.

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

The unrealised surplus / (deficit) arising on revaluation of quoted securities which are classified as held for trading is taken to the profit and loss account.

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

b) In debt securities

These are investments with fixed or determinable payments and fixed maturities. The company classifies these debt securities under "held-to-maturity" (where the Company has intention and ability to hold till maturity) and "available-for-sale" category.

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

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

c) In term deposits

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

3.11 Qard-e-Hasna

Qard-e-hasna is provided by the Operator's fund to Participants' Takaful Fund in case of deficit or to fulfill cash flow requirements.

3.12 Off setting of financial assets and liabilities

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

3.13 Creditors, accruals and provisions

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

3.14 Retakaful expense

Contribution Ceded to re-takaful operators is recognized as an expense. For retakaful contracts operating on a proportional basis, on attachment of the underlying policies retakaful; and for retakaful contracts operating on a non-proportional basis, on inception of the retakaful contract.

Retakaful Contribution shall be recognized as an expense. For proportional retakaful business, evenly over the period of the underlying policies, for non-proportional retakaful business, evenly over the period of indemnity.

The portion of retakaful Contribution ceded not yet recognized as an expense is recognized as a prepayment. The prepaid portion of Contribution ceded is recognized as an asset. Such asset is calculated by applying the one by twenty-forth method, whereby the liability shall equal 1/24 of the Contribution ceded relating to reinsurance contract commencing in the first month of the takaful operators financial year, 3/24 of the Contributions ceded relating to policies commencing in the second month of the takaful operator financial year,

3.15 Taxation

3.15.1 Current

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

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3.15.2 Deferred

Deferred tax is recognised using the balance sheet liability method, on all temporary differences arising at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

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

3.16 Impairment of assets

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

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

3.17 Dividend Distribution

Dividends, if any, declared and transfers between reserves made subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the year in which such dividends are declared and transfers are made.

3.18 Allocation of management expenses

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with accounting and reporting 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 judgment was exercised in application of accounting policies, are as follows:

a) Provision for outstanding claims including IBNR (note 4.1)
b) Provision for unearned contribution (note 3.3)
c) Contribution deficiency reserve (note 3.4)
d) Classification and impairment of investments (note 3.10 and 3.17)
e) Provision for current and deferred tax (note 3.15)
f) Takaful / retakaful receivables (note 3.9.3)
g) Deferred commission expense (note 3.2)

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

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

Outstanding claims

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

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

Incurred but not reported claims (IBNR)

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

The Company is required, as per SECP circular no. 9 of 2016 dated 09 March 2016 "Guidelines for Estimation of Incurred but not reported claims reserve, 2016" to estimate and maintain the provision for claims incurred but not reported for each class of business by using prescribed Method "Chain Ladder Method" and other alternate method as allowed under the provisions of the Guidelines.

5. INVESTMENTS IN EQUITY SECURITIES - available-for-sale

Units of open end mutual funds	2019			2018		
	Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value
	(Rupees in '000)					
- Operator's fund						
NAFA Riba Free Savings Fund	-	-	-	5,000	-	5,000
NAFA Mahana Aamdani Fund	4,000	-	4,000	-	-	-
Atlas Islamic Income Fund	-	-	-	5,000	-	5,000
	4,000	-	4,000	10,000	-	10,000
Surplus on revaluation			93			7
Carrying Value (Operator's fund)			4,093			10,007
- Participants' fund						
NAFA Riba Free Savings Fund	-	-	-	10,000	-	10,000
NAFA Mahana Aamdani Fund	1,084	-	1,084	-	-	-
Atlas Islamic Income Fund	5,759	-	5,759	15,000	-	15,000
	6,843	-	6,843	25,000	-	25,000
Surplus on revaluation			318			18
Carrying Value (Participants' fund)			7,161			25,018
Aggregate Carrying Value			11,254			35,025

6. INVESTMENTS IN DEBT SECURITIES - held-to-maturity

6.1 Operator's Fund

	Note	December 31, 2019 Cost	December 31, 2019 Carrying value	December 31, 2018 Cost	December 31, 2018 Carrying value
		(Rupees in '000)			
Sukuk - Dawood Hercules Corporation	6.1.1	2,495	1,997	-	-

		No. of Certificates 2019	No. of Certificates 2018	Face Value 2019	Value of Certificates 2019	Value of Certificates 2018
6.1.1	Dawood Hercules Corporation	25	-	80	2,000	-

The market value of the investments in sukuk as at December 31, 2019 is Rs 2.494 million (2018: Rs. Nil).

6.2 Participants' Takaful Fund

	Note	December 31, 2019 Cost	December 31, 2019 Carrying value	December 31, 2018 Cost	December 31, 2018 Carrying value
		(Rupees in '000)			
Sukuk - Dawood Hercules Corporation	6.2.1	7,984	6,390	-	-
Sukuk - Hub Power Company	6.2.2	5,070	5,069	-	-
		13,054	11,459	-	-

		No. of Certificates 2019	No. of Certificates 2018	Face Value	Value of Certificates 2019	Value of Certificates 2018
6.2.1	Dawood Hercules Corporation	80	-	80	6,400	-
6.2.2	Hub Power Company	50	-	100	5,000	-

The market value of the investments in sukuk as at December 31, 2019 is Rs 13.024 million (2018: Rs. Nil).

7. INVESTMENTS IN TERM DEPOSITS - held-to-maturity

	Note	2019	2018
		(Rupees in '000)	
Operator's Fund			
Deposits maturing within 12 months			
Al Baraka Bank Pakistan Limited	7.1	13,000	12,000
Dubai Islamic Bank Pakistan Limited	7.1	9,000	9,000
Bank Islami Pakistan Limited	7.1	15,000	16,000
		37,000	37,000
Participant Takaful Fund			
Deposits maturing within 12 months			
Al Baraka Bank Pakistan Limited	7.2	86,500	50,000
Dubai Islamic Bank Pakistan Limited Fund	7.2	56,500	32,000
Bank Islami Pakistan Limited	7.2	87,000	55,000
		230,000	137,000

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7.1 Term Deposit of Rs. 37 million (market value of Rs. 37 million) [2018: Rs. 37 million (market value of Rs. 37 million)] in Operator's fund. These carry profit rate ranging from 12.25% to 13.30% (2018: 10.00% to 10.60%) per annum and will mature latest by March 31, 2020.

7.2 Term Deposit of Rs. 230 million (market value of Rs 230 million) [2018: Rs. 137 million (market value of Rs. 137 million)] in Particpant's fund. These carry profit rate ranging from 12.25% to 13.30% (2018: 10.00% to 10.60%) per annum and will mature latest by March 20, 2020.

8. WAKALA AND MUDARIB FEE RECEIVABLE

	Note	2019	2018
		(Rupees in '000)	
Operator's Fund			
Wakala and modarib fee receivable - opening		50,939	29,310
Wakala and modarib fee - Income		170,585	140,629
Wakala and modarib fee received		(148,496)	(119,000)
Wakala and modarib fee receivable - closing		73,028	50,939

9. TAKAFUL / RETAKAFUL RECEIVABLES - Unsecured and considered

	2019	2018
Participants' Takaful Fund		
Due from takaful contract holders	67,466	49,470
Less: Provision for impairment of receivables from takaful contract holders	-	-
	67,466	49,470
Due from other takaful / retakaful	88,133	57,273
Less: Provision for impairment against due from other takaful / retakaful	-	-
	88,133	57,273
	155,599	106,743

10. PREPAYMENTS

	Note	2019	2018
Participants' Takaful Fund			
Prepaid retakaful contribution ceded	16	74,857	55,824
Tracker monitoring charges		3,751	3,226
		78,608	59,050
Operator's Fund			
Prepaid software charges		326	-
		326	-

11. CASH AND BANK

	Note	2019			2018
		Operator's Fund	Participants' Takaful Fund	Aggregate	Aggregate
		(Rupees in '000)			
Cash and cash equivalents					
Policy Stamps		-	41	41	90
Cash at Bank					
Current		1,911	19,476	21,387	21,995
Savings accounts	11.1	3,511	23,992	27,503	42,359
		5,422	43,468	48,890	64,354
		5,422	43,509	48,931	64,444

11.1 Savings accounts carry expected profits rates ranging from 3% to 13.3% (2018: 4.00% to 7.50%) per annum.

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12. UNEARNED WAKALA FEES (Operator's Fund)

	2019				2018
	Wakala fee	Provision for unearned wakala fee opening	Provision for unearned wakala fee closing	Net Wakala fee income	Net Wakala fee income
	(Rupees in '000)				
Direct and facultative					
Fire and property	31,703	14,008	15,469	30,242	24,307
Marine, aviation and transport	8,137	776	426	8,487	8,659
Motor	115,345	41,289	48,100	108,534	75,336
Bankers blanket	5,391	1,146	2,147	4,390	3,315
Other classes	5,022	1,481	2,348	4,155	2,682
	165,598	58,700	68,490	155,808	114,298

13. RETAKAFUL / CO-TAKAFUL PAYABLES

	2019	2018
	(Rupees in '000)	
Participants' Takaful Fund		
Due to retakaful operators	93,964	61,588
Due to takaful contract holder	1,573	1,521
Due to other takaful operators	5,195	3,560
	100,732	66,670

14. OTHER CREDITORS AND ACCRUALS

	Note	2019			2018
		Operator's Fund	Participants' Takaful Fund	Aggregate	Aggregate
		(Rupees in '000)			
Federal excise duty and sales tax		-	1,384	1,384	2,120
Federal takaful fee		-	399	399	301
Commissions payable		37,315	-	37,315	26,809
Unclaimed takaful benefits	14.1	-	929	929	1,211
Accrued expenses		1,468	592	2,060	3,640
Others		18	774	792	3,281
Payable to UBL Insurers Limited	14.2	4,957	1,029	5,986	181
		43,758	5,107	48,865	37,543

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

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

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	2019	2018
	(Rupees in '000)	
- More than 6 months	929	1,211
- 1 to 6 months	16,379	13,874

	2019 (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	16,379	140	497	287	5	17,308

	2018 (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	13,874	919	287	5	-	15,084

15. CONTINGENCIES AND COMMITMENTS

There were no contingencies and committments as on 31 December 2019.

16. NET TAKAFUL CONTRIBUTION

	2019	2018
	(Rupees in '000)	
Written gross contribution	522,418	438,871
Less: Wakala fee	(165,598)	(138,953)
Net contribution	356,820	299,918
Add: Unearned contribution reserve opening	126,381	79,439
Less: Unearned contribution reserve closing	(147,478)	(126,381)
Contribution earned	335,723	252,977
Less:		
Retakaful contribution ceded	(195,378)	(154,925)
Add: Prepaid retakaful contribution closing	74,857	55,824
Less: Prepaid retakaful contribution opening	(55,824)	(37,124)
Retakaful expense	(176,345)	(136,225)
	159,378	116,751

17. NET WAKALA FEE

	2019	2018
Gross Wakala expense	165,598	138,953
Deferred wakala expense opening	58,700	34,045
Deferred wakala expense Closing	(68,490)	(58,700)
Wakala fee	155,808	114,298

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18. NET TAKAFUL CLAIMS

	2019	2018
	(Rupees in '000)	
Claims paid	**240,949**	122,774
Add: outstanding claims including IBNR closing	**103,671**	79,236
Less: outstanding claims including IBNR opening	**(79,236)**	(35,982)
Claim expense	**265,384**	166,028
Less: Re-Takaful and other recoveries received	**(89,675)**	(45,175)
Add: Re-Takaful and other recoveries in respect of outstanding claims net of impairment (if any) opening	**33,471**	21,357
Less: Re-Takaful and other recoveries in respect of outstanding claims net of impairment (if any) closing	**(69,336)**	(33,471)
Reinsurance and other recoveries revenue	**(125,540)**	(57,289)
	139,844	108,739

18.1 Claims development

The following table shows the development of claims over a period of time on gross basis.

Analysis on gross basis

Accident year	2016	2017	2018	2019
		(Rupees in '000)		
At end of accident year	10,325	61,818	161,346	**230,033**
One year later	16,058	64,398	190,977	-
Two years later	18,161	65,585	-	-
Three years later	18,072	-	-	-
Current estimate of cumulative claims	18,072	65,585	190,977	**230,033**
Cumulative payment made to date	(16,200)	(60,560)	(174,234)	**(154,624)**
Liability recognised in the statement of financial position	1,872	5,026	16,743	**75,409**

19. RE-TAKAFUL REBATE EARNED

	2019	2018
	(Rupees in '000)	
Retakaful rebate received or recoverable	**41,208**	36,758
Add: Unearned retakaful rebate opening	**14,755**	10,516
Less: Unearned retakaful rebate closing	**(17,745)**	(14,755)
	38,218	32,519

20. DIRECT EXPENSES

	2019	2018
	------- (Rupees in '000)	--------
Co-takaful service charges	2,131	2,395
Legal & professional fee	-	873
Tracker service charges	9,223	3,143
Bank charges	57	71
Others	95	22
	11,506	6,504

21. INVESTMENT INCOME

21.1 Operator's Fund

	2019	2018
Income from equity securities - available-for-sale		
- Gain on sale of investments	519	29
- Dividend income	74	-
Income from Debt Securities - held-to-maturity		
- Return on debt securities (Sukuk)	294	-
Income from term deposits - held-to-maturity		
- Return on term deposits	3,689	74
	4,576	104
Add: Modarib share of PTF investment income	4,479	76
Net investment income	9,055	179

21.2 Participant Takaful Fund

	2019	2018
Income from equity securities - available-for-sale		
- Gain on sale of investments	1,037	151
- Dividend income	306	-
Income from Debt Securities - held-to-maturity		
- Return on debt securities (Sukuk)	973	-
Income from term deposits - held-to-maturity		
- Return on term deposits	20,080	227
	22,396	379
Less: Modarib share on PTF investment income	(4,479)	(76)
Net investment income	17,917	303

22. OTHER INCOME

22.1 Operator's Fund

	2019	2018
Profit on bank deposits	331	2,572
Other income	56	-
Modarib's share of profit on bank deposit	507	1,600
	894	4,173

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		2019	2018
		(Rupees in '000)	

22.2 Participants' Takaful Fund

Profit on bank deposits		2,536	8,002
Other income		1,843	-
Modarib's share on profit on bank deposit		(507)	(1,600)
		3,872	6,402

23. COMMISSION AND OTHER ACQUISITION COSTS

Commission paid or payable		92,848	63,388
Add: Deferred commission expense opening		25,973	15,479
Less: Deferred commission expense closing		(32,498)	(25,973)
Net Commission		86,323	52,894

24. MANAGEMENT EXPENSES

Employee benefit cost		32,603	28,033
Travelling expenses		910	563
Printing and stationery		296	238
Rent, rates and taxes		1,412	2,020
Electricity, gas and water		735	584
Entertainment		272	241
Vehicle running expenses		6,146	5,363
Office repairs and maintenance		631	390
Communication		2,222	1,823
Other expenses		1,746	376
		46,973	39,631

25. GENERAL AND ADMINSTRATIVE EXPENSES

Legal and professional fees		1,965	1,200
Audit fees	*25.1*	631	634
Salaries and wages	*25.2*	9,449	8,098
Rent, rates and taxes		1,670	1,497
Communication		971	1,051
Miscellaneous		3,446	2,568
		18,132	15,047

25.1 Auditor's remuneration

Audit fee		170	170
Shariah audit fee		340	340
Interim review fee		57	57
Out of pocket expense		64	67
		631	634

25.2 COMPENSATION OF HEAD OF WINDOW TAKAFUL OPERATIONS

	2019	2018
	(Rupees in '000)	
Managerial remuneration	779	693
Bonus	70	72
House rent allowance	351	312
Utilities allowance	156	139
Medical expenses	78	69
Retirement benefits	114	87
Fuel allowance	290	210
Cell allowance	36	30
Driver salary	120	120
Others	11	11
	2,005	1,743

26. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of directors, major shareholders, key management personnel, holding company, associated companies, and entities with common directors and employee retirement benefit funds. The transactions with related parties are carried out at commercial terms and conditions except for compensation to key management personnel which are on employment terms. The transactions and balances with related parties during the year other than those which have been specifically disclosed elsewhere in these financial statements are as follows :

	2019	2018
	(Rupees in '000)	
Transactions and balances with related parties		
Associated companies		
Contribution underwritten	7,897	6,327
Takaful claims expense	1,030	718
Profit on bank accounts	112	89
Balances		
Associated companies		
Bank balances	1,530	512
Contribution due but unpaid	0.3	76
Claim outstanding	4,075	661

27. SEGMENT INFORMATION

	For the year ended December 31, 2019					
	Fire & property	Marine, aviation & transport	Motor	Bankers blanket	Other classes	2019 Aggregate
	(Rupees in '000)					
Participants' Takaful Fund						
Contribution receivable (inclusive of Federal excise duty and Federal takaful fee and Administrative surcharge)	121,342	31,024	402,539	20,487	19,092	594,484
Less: Federal excise duty/ sales tax	(14,621)	(3,629)	(44,341)	(2,336)	(2,187)	(67,114)
Less: Federal takaful fee	(1,043)	(272)	(3,290)	(180)	(167)	(4,952)
Gross written contribution (inclusive of Administrative surcharge)	105,678	27,123	354,908	17,971	16,738	522,418
Gross direct contribution	101,630	26,036	315,030	17,962	16,459	477,117
Facultative inward contribution	2,536	66	29,123	-	69	31,794
Administrative surcharge	1,512	1,021	10,755	9	210	13,507
Wakala fee	(31,703)	(8,137)	(115,345)	(5,391)	(5,021)	(165,598)
Net Contribution	73,975	18,986	239,564	12,580	11,717	356,822
Takaful contribution earned	70,566	19,803	225,417	10,245	9,691	335,722
Takaful contribution ceded to retakaful	(85,600)	(24,616)	(50,116)	(4,690)	(11,323)	(176,345)
Net contribution revenue	(15,034)	(4,813)	175,301	5,555	(1,632)	159,378
Net claims	(2,714)	(2,641)	(133,741)	(230)	(519)	(139,844)
Direct Expenses	(462)	(119)	(10,774)	(79)	(73)	(11,506)
Re-takaful rebate earned	24,514	7,246	4,067	257	2,135	38,218
Underwriting result	6,304	(327)	34,854	5,503	(89)	46,246
Net investment income						17,917
Other income						3,872
Surplus for the year						68,035
Operator's Fund - revenue account						
Wakala fee	30,243	8,487	108,534	4,391	4,153	155,808
Management expenses	(9,502)	(2,439)	(31,912)	(1,616)	(1,504)	(46,973)
Commission expense	(18,334)	(4,851)	(61,373)	(37)	(1,728)	(86,323)
	2,407	1,197	15,249	2,738	921	22,512
Modarib's share of PTF investment income						4,986
Net investment income						4,576
Other income						387
						32,461
General and administrative expenses						(18,132)
Profit before tax						14,329
Segment Assets	81,990	21,043	275,355	13,943	12,986	405,318
Unallocated Assets						377,510
						782,828
Segment Liabilities	74,770	19,190	251,108	12,715	11,843	369,626
Unallocated Liabilities						215,922
						585,548

SEGMENT INFORMATION (Continued)

	For the year ended December 31, 2018					
	Fire & property	Marine, aviation & transport	Motor	Bankers blanket	Other classes	2018 Aggregate
	(Rupees in '000)					
Participants' Takaful Fund						
Contribution receivable (inclusive of Federal excise duty and Federal takaful fee and Administrative surcharge)	107,930	33,684	333,527	15,559	11,183	501,882
Less: Federal excise duty/ sales tax	(13,055)	(3,592)	(38,937)	(1,774)	(1,274)	(58,633)
Less: Federal takaful fee	(932)	(297)	(2,916)	(136)	(97)	(4,379)
Gross written contribution (inclusive of Administrative surcharge)	93,942	29,795	291,673	13,648	9,812	438,871
Gross direct contribution	92,282	28,675	282,682	13,638	9,599	426,875
Facultative inward contribution	214	19	46	-	17	296
Administrative surcharge	1,447	1,102	8,945	11	196	11,700
Wakala fee	(28,183)	(8,939)	(94,794)	(4,095)	(2,944)	(138,953)
Net Contribution	65,759	20,857	196,879	9,554	6,868	299,918
Takaful contribution earned	56,715	20,205	162,065	7,734	6,258	252,977
Takaful contribution ceded to retakaful	(77,614)	(25,260)	(21,150)	(4,989)	(7,212)	(136,225)
Net contribution revenue	(20,898)	(5,056)	140,915	2,744	(954)	116,751
Net claims	(56)	(1,163)	(105,376)	(2,207)	64	(108,739)
Direct Expenses	(719)	(229)	(5,378)	(104)	(74)	(6,504)
Re-takaful rebate earned	20,529	7,703	1,737	762	1,789	32,519
Underwriting result	(1,145)	1,255	31,898	1,195	825	34,028
Net investment income						6,705
Surplus for the year						40,732
Operator's Fund - revenue account						
Wakala fee	24,307	8,659	75,336	3,315	2,682	114,298
Management expenses	(8,481)	(2,695)	(26,355)	(1,229)	(872)	(39,631)
Commission expense	(14,898)	(5,464)	(31,417)	(237)	(877)	(52,894)
	928	500	17,564	1,849	933	21,774
Modarib's share of PTF investment income						1,676
Net investment income						2,676
						26,126
General and administrative expenses						(15,047)
Profit before tax						11,079
Segment Assets	58,426	18,531	181,403	8,489	6,102	272,951
Unallocated Assets						285,144
						558,095
Segment Liabilities	56,465	17,909	175,315	8,204	5,898	263,791
Unallocated Liabilities						175,594
						439,385

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28. MOVEMENT IN INVESTMENT

Operator's Fund	Shareholder Fund			
	Held to maturity	Available for sale	Fair Value through P & L	Total
	(Rupees in '000)			
Balance as at 01 January 2018	-	2,000	-	2,000
Additions	77,000	10,000	-	87,000
Disposal (sale and redemptions)	(40,000)	(2,000)	-	(42,000)
Fair value net gains (excluding net realised gains)	-	7	-	7
Impairment losses	-	-	-	-
Balance as at 01 January 2019	37,000	10,007	-	47,007
Additions	105,495	11,063	-	116,558
Disposal (sale and redemptions)	(103,500)	(17,063)	-	(120,563)
Fair value net gains (excluding net realised gains)	-	86	-	86
Discount / premium amortization	2	-	-	2
Balance as at December 31, 2019	38,997	4,093	-	43,090

Participants' Takaful Fund	Window Takaful Operation			
	Held to maturity	Available for sale	Fair Value through P & L	Total
	(Rupees in '000)			
Balance as at 01 January 2018	-	9,019		9,019
Additions	247,000	25,000	-	272,000
Disposal (sale and redemptions)	(110,000)	(9,000)	-	(119,000)
Fair value net gains (excluding net realised gains)	-	(1)	-	(1)
Impairment losses	-	-	-	-
Balance as at 01 January 2019	**137,000**	**25,018**		**162,018**
Additions	641,054	8,260	-	649,314
Disposal (sale and redemptions)	(536,600)	(26,417)	-	(563,017)
Fair value net gains (excluding net realised gains)	-	300	-	300
Discount / premium amortization	5	-	-	5
Balance as at December 31, 2019	**241,459**	**7,161**	-	**248,620**

29. MANAGEMENT OF TAKAFUL AND FINANCIAL RISK

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

29.1 Takaful risk management

Takaful risk

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

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

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

a) Frequency and severity of claims

Risk associated with general takaful 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, 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 the Company's net retentions.

Concentration of risk

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

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the commercial/ industrial/ residential occupation of the participant. Details regarding the fire separation/ segregation with respect to the manufacturing process, storage, utilities, etc are extracted form the layout plan of the participant facility. Such details are formed part of the reports which are made available to the underwriters/ retakaful personnel for their evaluation. Reference is made to the standard construction specification as laid down by IAP (Insurance Association of Pakistan). For instance, the presence of perfect party walls, double fire proof iron doors, physical separation between the building within a participant's premises. It is basically the property contained within an area which is separated by another property by sufficient distance to confine participant damage from uncontrolled fire and explosion under the most adverse conditions to that one area.

The ability to manage catastrophic risk is tied managing the density of risk within a particular area. For catastrophic aggregates, the system assigns precise geographic CRESTA (Catastrophe Risk Evaluating and standardising Target Accumulations) codes with reference to the accumulation of sum covered in force at any particular location against natural perils.

For marine risks, complete underwriting details such as sums covered mode of transport (air / inland transit), vessel identification, sailing dates, origin and destination of the shipments, per carry limits, accumulation of sum covered on a single voyage etc. are taken into consideration.

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

The operator monitors concentration of takaful exposer primarily by class of business. The table below sets out the concentration of the gross risk exposure by class of business at balance sheet date:

Class	Maximum gross risk exposure 2019	2018
	(Rupees in '000)	
Fire and property	87,233,845	109,284,007
Marine, aviation and transport	38,297,402	42,129,150
Motor	17,034,277	14,192,619
Bankers blanket	1,810,563	2,632,275
Other classes	2,398,367	3,641,384

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

b) Uncertainty in the estimation of future claim payments

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

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

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

c) Key assumptions

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

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

IBNR is determined by using the "Chain Ladder Method" for all classes of business including in-patient claims of accident and health class. Alternative method is used for accident and health out-patient (OP) takaful. The claims outstanding and claims paid till date are deducted from the ultimate claim payments for that particular year to derive an IBNR estimate for that year. IBNR triangles are made on a yearly basis for each class of business except for marine which is made on a quarterly basis. For accident and health OP business, IBNR has been set equal to monthly average of OP claims reported in preceding three months, including margins for adverse deviations. For accident and health takaful business, a loss ratio method has been used. The methods used, and the estimates made, are reviewed regularly.

The Operator determines adequacy of liability of contribution deficiency by carrying out analysis of its loss ratio of expired periods of the contracts. For this purpose average loss ratio of last three years inclusive of claim settlement cost but excluding major exceptional claims are taken into consideration to determine ultimate loss ratio to be applied on unearned contribution. The liability of contribution deficiency reserve in relation to accident and health takaful is calculated in accordance with the advice of the actuary (refer note 3.1).

d) Changes in assumptions

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

e) Sensitivity analysis

The takaful claim liabilities are sensitive to the incidence of participant events and severity / size of claims. The impact of 10% increase / decrease in incidence of participant events on underwriting results and participants' Takaful Fund is as follows:

Average claim cost	Underwriting results December 31, 2019	Underwriting results December 31, 2018	Participants' Takaful Fund December 31, 2019	Participants' Takaful Fund December 31, 2018
	(Rupees in '000)			
Fire and property	**271**	6	**192**	4
Marine and transport	**264**	116	**187**	82
Motor	**13,374**	10,538	**9,496**	7,482
Banker's blanket	**23**	221	**16**	157
Others	**52**	(6)	**37**	(4)
	13,984	10,875	**9,929**	7,721

29.2 Financial risk management

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

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

29.2.1 Financial risk

Maturity profile of financial assets and liabilities:

	Profit rate % per annum	31 December 2019 Profit / mark-up bearing financial instruments: Maturity upto one year	Maturity after one year	Sub total	Non profit / mark-up bearing financial instruments: Maturity upto one year	Maturity after one year	Sub total	Total
		(Rupees in '000)						
Financial assets								
Cash and bank	3.00 - 13.30	27,503	-	27,503	21,428	-	21,428	48,931
Investments	12.25 - 13.30	267,000	13,456	280,457	11,254	-	11,254	291,711
Wakala and mudarib fee receivable		-	-	-	73,028	-	73,028	73,028
Takaful / retakaful receivables		-	-	-	155,599	-	155,599	155,599
Retakaful recoveries against outstanding claims		-	-	-	65,499	-	65,499	65,499
Qard-e-Hasna		-	-	-	23,000	-	23,000	23,000
		294,503	13,456	307,960	349,808	-	349,808	657,768
Financial liabilities								
Outstanding claims including IBNR		-	-	-	103,671	-	103,671	103,671
Contribution received in advance		-	-	-	-	-	-	-
Wakala and mudarib fee payable		-	-	-	73,028	-	73,028	73,028
Retakaful / co-takaful payables		-	-	-	100,732	-	100,732	100,732
Other creditors and accruals		-	-	-	48,865	-	48,865	48,865
Qard-e-Hasna		-	-	-	23,000	-	23,000	23,000
		-	-	-	349,296	-	349,296	349,296
Interest rate risk sensitivity gap		294,503	13,456	307,960				
Cumulative interest rate risk sensitivity gap		294,503	307,960					

	Profit rate % per annum	31 December 2018						
		Profit / mark-up bearing financial instruments			Non profit / mark-up bearing financial instruments			Total
		Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
		(Rupees in '000)						
Financial assets								
Cash and bank	4.00 - 7.50	42,359	-	42,359	22,085	-	22,085	64,444
Investments	10.00 - 10.60	174,000	-	174,000	35,025	-	35,025	209,025
Wakala and Mudarib fee receivable		-	-	-	50,939	-	50,939	50,939
Takaful / retakaful receivables		-	-	-	106,743	-	106,743	106,743
Retakaful recoveries against outstanding claims		-	-	-	30,837	-	30,837	30,837
Qard-e-Hasna		-	-	-	5,000	-	5,000	5,000
		216,359	-	216,359	250,629	-	250,629	466,988
Financial liabilities								
Outstanding claims including IBNR		-	-	-	79,236	-	79,236	79,236
Contribution received in advance		-	-	-	158	-	158	158
Wakala and mudarib fee payable		-	-	-	50,939	-	50,939	50,939
Retakaful / co-takaful payables		-	-	-	66,670	-	66,670	66,670
Other creditors and accruals		-	-	-	37,543	-	37,543	37,543
Qard-e-Hasna		-	-	-	5,000	-	5,000	5,000
		-	-	-	239,547	-	239,547	239,547
Interest rate risk sensitivity gap		216,359	-	216,359				
Cumulative interest rate risk sensitivity gap		216,359	216,359					

a) Sensitivity analysis - interest rate risk

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

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

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

The Company is exposed to cash flow interest rate risk in respect of its balances with profit and loss sharing account with banks.

b) Sensitivity analysis- Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Operator's listed securities are susceptible to market price risk arising from uncertainties about the future value of investment securities. The Operator limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity market.

The following table summarises the Operator's other price risk as at December 31, 2019 and 2018. It shows the effects of an estimated increase of 5% in the market prices as on those dates. A decrease of 5% in the fair values of the listed equity securities would affect it in a similar and opposite manner.

	Fair value	Price change	Effect on fair value
	(Rupees in '000)		(Rupees in '000)
December 31, 2019	4,093	+5%	205
	(4,093)	-5%	(205)
December 31, 2018	10,007	+5%	500
	(10,007)	-5%	(500)

29.2.2 Credit risk

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

29.2.2.1 Exposure to credit risk

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

In summary, compared to the amount included in statement of assets and liabilities, the maximum exposure to credit risk as at December 31, 2018 is as follows:

	December 31, 2019		December 31, 2018	
	Balance as per the financial	Maximum exposure	Balance as per the financial	Maximum exposure
	(Rupees in '000)			
Equity Securities	11,254	-	35,025	-
Debt Securities	13,456	13,456	-	-
Term Deposit	267,000	267,000	174,000	174,000
Wakala and Mudarib fee receivable	73,028	73,028	50,939	50,939
Takaful / retakaful receivables	155,599	155,599	106,743	106,743
Retakaful recoveries against outstanding claims	65,499	65,499	30,837	30,837
Qard-e-Hasna	23,000	23,000	5,000	5,000
Cash and bank	48,931	48,890	64,444	64,354
	657,767	646,472	466,988	431,874

Differences in the balances as per financial statements and maximum exposure in investments is mainly due to investments equity securities of Rs.11.245 million (2018 Rs. 35.025 million) which are not exposed to credit risk.

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

Bank	Rating Agency	Short Term Rating	Long Term Rating	2019	2018
				(Rupees in '000)	
Meezan Bank Limited - Participant Takaful Fund	JCR-VIS	A-1+	AA+	89	9,000
Dubai Islamic Bank - Participant Takaful Fund	JCR-VIS	A-1+	AA	19,724	15,111
Bank Islamic Limited - Participant Takaful Fund	PACRA	A-1	A+	22,046	28,844
Al Baraka Bank (Pakistan) Limited - Participant Takaful Fund	JCR-VIS	A-1	A+	80	1,000
UBL Ameen - Participant Takaful Fund	JCR-VIS	A-1+	AAA	1,530	512
				43,469	54,467
Meezan Bank Limited - Operator Fund	JCR-VIS	A-1+	AA+	952	1,000
Dubai Islamic Bank - Operator Fund	JCR-VIS	A-1+	AA	1,911	6,884
Al Baraka Bank (Pakistan) Limited - Operator Fund	JCR-VIS	A-1	A+	1,017	1,000
Bank Islamic Limited - Operator Fund	PACRA	A-1	A+	1,542	1,004
				5,422	9,888

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Concentration of credit risk

Concentration of credit risk arises when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. The Company manages concentration of credit risk through diversification of activities among individuals, groups and industry segments. The Company enters into re-takaful / co-takaful arrangements with re-takaful operator / other takaful operator having sound credit ratings accorded by reputed credit rating agencies. Further, the Company is required to comply with the requirements of circular no. 32 / 2009 dated October 27, 2009 issued by SECP which requires takaful company to place at least 80% of their outward treaty cessions with retakful operator 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 retakaful assets recognised by the rating of the entity from which it is due is as follows:

	Amount due from other cotakaful / retakaful	Retakaful and other recoveries against outstanding claims	Prepaid retakaful contribution ceded	2019	2018
	(Rupees in '000)				
A or above (including PRCL)	88,133	65,499	74,857	228,489	143,934
	88,133	65,499	74,857	228,489	143,934

29.2.3 Liquidity risk

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

The following are the contractual maturities of financial liabilities:

	Carrying Amount	
	2019	2018
Non-Derivative Financial liabilities	(Rupees in '000)	
Outstanding claims including IBNR	103,671	79,236
Wakala and mudarib fee payable	73,028	50,939
Retakaful / co-takaful payables	100,732	66,670
Other creditors and accruals	48,865	37,543
Qard-e-Hasna	23,000	5,000
	349,296	239,388

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

29.2.4 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise of interest rate risk, foreign currency risk and other price risk. The Company manages the market risk exposures by following internal risk management policies.

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

The Company is exposed to cash flow interest rate risk in respect of its balances with profit and loss sharing account with banks

29.2.4.1 Foreign Currency risk

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

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Underlying the definition of fair value is the presumption that the Operator is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

	2019							
	Available-for-sale	Held to Maturity	Loans and Receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
	(Rupees in '000)							
On-balance sheet financial instruments								
Financial assets measured at fair value								
Investments								
- Units of open ended mutual fund	11,254	-	-	-	11,254	-	11,254	-
- Corporate Sukuks	-	13,456	-	-	13,456	-	-	-
Financial assets not measured at fair value								
Cash and bank *	-	-	48,931	-	48,931	-	-	-
Investment in term deposit **	-	267,000	-	-	267,000	-	-	-
Takaful / ReTakaful receivables *	-	-	155,599	-	155,599	-	-	-
Wakala and modarib fee receivable *	-	-	73,028	-	73,028	-	-	-
Re-takaful recoveries against outstanding claims *	-	-	65,499	-	65,499	-	-	-
Qard-e-Hasna *	-	-	23,000	-	23,000	-	-	-
	11,254	280,456	366,057	-	657,767			
Financial liabilities not measured at fair value								
Underwriting provision for outstanding claims including IBNR *	-	-	-	103,671	103,671			
Retakaful / co-takaful payables *	-	-	-	100,732	100,732			
Wakala and modarib fee payable *	-	-	-	73,028	73,028			
Other creditors and accruals *	-	-	-	48,865	48,865			
Qard-e-Hasna *	-	-	-	23,000	23,000			
	-	-	-	349,296	349,296			

	2018							
	Available-for-sale	Held to Maturity	Loans and Receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
	(Rupees in '000)							
On-balance sheet financial instruments								
Financial assets measured at fair value								
Investments - Units of open ended mutual fund	35,025	-	-	-	35,025	-	35,025	-
Financial assets not measured at fair value								
Cash and bank *	-	-	64,444	-	64,444	-	-	-
Investment in term deposit **	-	174,000	-	-	174,000	-	-	-
Takaful / ReTakaful receivables *	-	-	106,743	-	106,743	-	-	-
Wakala and modarib fee receivable *	-	-	50,939	-	50,939	-	-	-
Re-takaful recoveries against outstanding claims *	-	-	30,837	-	30,837	-	-	-
Qard-e-Hasna *	-	-	5,000	-	5,000	-	-	-
	35,025	174,000	257,963	-	466,988			
Financial liabilities not measured at fair value								
Underwriting provision for outstanding claims including IBNR *	-	-	-	79,236	79,236			
Retakaful / co-takaful payables *	-	-	-	66,670	66,670			
Wakala and modarib fee payable *	-	-	-	50,939	50,939			
Other creditors and accruals *	-	-	-	37,543	37,543			
Qard-e-Hasna *	-	-	-	5,000	5,000			
	-	-	-	239,388	239,388			

31. NUMBER OF EMPLOYEES

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

	2019	2018
	(Number)	
At December 31	**2**	2
Average during the year	**2**	2

31.1 All expenses incurred during the year were allocated between Takaful window and Conventional on the basis of premium and contribution written during the year.

32. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue in accordance with a resolution of the Board of Directors on February 14, 2020.

33. GENERAL

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

Chief Executive Officer | **Director** | **Director** | **Chairman**

Head Office & Branches Information

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

CITY BRANCH
Office No. 608-609, 6th Floor, Uni Tower,
I.I. Chundrigar Road, Karachi, Pakistan.
Tel: (021) 32424707,32424699, 32468396,
32415539.
Fax: (92-21) 32424689

CORPORATE BRANCH
Office No. 403, 4th Floor, Fayyaz Centre,
Sindhi Muslim Society, Main
Shahrah-e-Faisal, Karachi, Pakistan.
Ph: (92-21) 34323064-65-66
Fax: (92-21) 34323062

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

D.H.A. BRANCH
Basement, 126-C Jami Commercial, Street
No. 14, Phase-VII, DHA, Karachi, Pakistan.
UAN: 111-845-111 Ext: 7856,
Ph: (92-21) 35314524,
Fax: (92-21) 35314504

JAMI COMMERCIAL BRANCH
Office # 102, 1st Floor, 100-C Main
Khayaban-e-Jami Commercial Street # 11,
DHA, Phase 7, Karachi-Pakistan.
Tel: (021) 35314519, 35314547, 35314556-58

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

GLASS TOWER BRANCH
Office No. F-17 & F-18, 1st Floor, Glass
Tower, Frere Town, Teen Talwar, Clifton,
Karachi.
Ph: 021-35631501-03-04-05-06,
Fax: 021-35631802

NEW UNIT BRANCH
Office # 101, 1st Floor, 100-C Main
Khayaban-e-Jami Commercial Street # 11,
DHA, Phase 7, Karachi - Pakistan.
Tel: 021-35314530-32-33
Fax: 021-35314529

KEPZ BRANCH
Plot. No. 2, Sector B-III, Karachi Export
Processing Zone, Phase-1 Landhi Industrial
Area, Mehran Highway, Karachi, Pakistan.
Ph: (021) 35130835-36, 0321-2107171
Fax: (021) 35130836

HYDERABAD BRANCH
Office # 1, 1st Floor, Shelter Shopping Mall,
Saddar Cantt, Hyderabad.
Ph: 022-2784501,
Fax: 022-2784439

LAHORE (REGIONAL OFFICE)
Office: 501, 5th Floor, Siddique Trade Centre,
Main Boulevard, Gulberg-II, Lahore
-Pakistan.
UAN: +92 42 111-845-111
Ph: 042-35770029-30
Fax: 042-35770406

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

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

MULTAN (REGIONAL OFFICE)
3rd Floor, ChenOne Tower, 74-Abdali Road,
Multan.
UAN: (061) 111 845 111
Ph: 061-4500171, 72
Fax: 061-4500170

MULTAN CITY BRANCH
Office No. 123/ABC, 1st Floor, Shama Plaza,
Old Bahawalpur Road, Nishtar Chowk,
Multan
Tel: 061-4515045-46-47
Fax # 061 4515048

MULTAN FIESTA GARDEN BRANCH
Office # 504, 5th Floor, United Mall, Abdali
Road, Multan.
Ph: (061) 4515049-50-51
Fax: (061) 4515052

ISLAMABAD (REGIONAL OFFICE)
4th Floor, Redco Pakistan Building, (West)
Jinnah Avenue, Blue Area, Islambad,
Pakistan.
UAN: 051-111-845-111
Ph: 051-2344345-46-47
Fax: 051-2344349

CAPITAL BRANCH ISLAMABAD
Office No. 3/08, 4th Floor, Silk Centre,
Murree Road, Satellite
Town, Rawalpindi.
Ph: 051-4264168-69-70,
Fax: 051-4264163

PESHAWAR OFFICE
Office A-3 & A-4, 1st Floor, Lamsy
Arcade, Fakhr-e-Alam Road,
Peshawar Cantt, Pakistan.
Ph: 091-5279544, 5286412,
Fax: 091-5278144

FAISALABAD (REGIONAL OFFICE)
P-74, Liaquat Road, Faisalabad.
UAN: (041) 111 845 111
Ph: (041) 2602222
Fax: (041) 2606058

MALL ROAD BRANCH FAISALABAD
Office # 1, 3rd Floor, Fatima Towers,
Kohinoor City, Faislabad.
Ph: 041-8721852, 8721853, 8721854.
Fax: 041-2622755

SUB OFFICE SUKKUR CITY BRANCH
Eidgah Road, Near Forest Office,
Sukkur.
Cell: 0331-2734835, 0306-3128904

SUB OFFICE RAHIM YAR KHAN MULTAN REGIONAL OFFICE
Tanveer Building, 1st Floor, Shahi
Road, Rahim Yar Khan.
Ph: (068) 5870099 Cell: 0336-0879789

SUB OFFICE RAHIM YAR KHAN FIESTA GARDEN BRANCH MULTAN
1st Floor, Office # 6, Iqbal Complex,
Rahim Yar Khan.
Ph: (068) 5888808 Cell: 0302-3330124

SUB OFFICE SAHIWAL FIESTA GARDEN BRANCH MULTAN
Tahir Shabbir Plaza, 2nd Floor,
Super Market, Liaqat Road, Sahiwal.
Ph: 040-4460090-91
Cell: 0300 6263480

SUB OFFICE SIALKOT CANTT BRANCH LAHORE
Office No. 208, Kareem Plaza,
Defence Road, Allama Iqbal Town,
Sialkot.
Ph: (052) 3259595
Cell: 0321-7155000

SUB OFFICE FAISALABAD, MULTAN REGIONAL OFFICE
Office No. 3, 3rd Floor, Wahab Centre,
Mian Susan Road, Faisalabad.
Ph: (041) 8723830

SUB OFFICE LAHORE REGIONAL BRANCH
70-Officers Colony No. 1, East Canal
Road, Near ITHM College, Faisalabad
Ph: (041) 8725022-3
Cell: 0321-9430969

Form of Proxy

14th ANNUAL GENERAL MEETING OF UBL INSURERS LIMITED

I/We, ______________________________ of ____________________________ being a member of **UBL Insurers Limited** (the **"Company"**) and holder of _____ ordinary shares as per Share Register Folio No. ____________ hereby appoint_________________________ or failing him/her ______________________ as my/us proxy to vote for me/our and on my/our behalf at the 14th **Annual General Meeting** of the Company scheduled to be held on **Thursday 26, March 2020 at 03:00 p.m. at UBL Insurers Ltd. Board Room, Head Office Building, 126-C Jami Commercial, Phase VII DHA, Karachi** and at any adjournment thereof.

Signed this ______________ day of ________ 2020.

Witness 1 :

Signature: ______________________________________

Name: ____

CNIC No. or Passport No: __________________________

Address: ____

Revenue Stamps of Rs.5/-

____

(Authorized Signature)

Witness 2 :

Signature: ______________________________________

Name: ____

CNIC No. or Passport No: __________________________

Address: ____

Note:

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

HERE
FOR YOU