ANNUAL REPORT 2018

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 sprit 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 Furrukh Zaeem	Director
Zia Ijaz	Director
Abdul Sattar Vaid	Executive Director
Zeeshan Muhammad Raza	Acting 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 Minus)

Status of Company:
MSC (Medium Sized Company)

Auditors:
KPMGTaseer Hadi & Co.
Chartered Accountants

Legal Advisors:
Warsi & Iqbal Associates
(Advocate, Consultants & Legal Advisors)

Shariah Advisor:
Mufti Imtiaz Alam

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

INSURANCE / TAKAFUL PRODUCTS

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.

INSURANCE / TAKAFUL PRODUCTS

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.

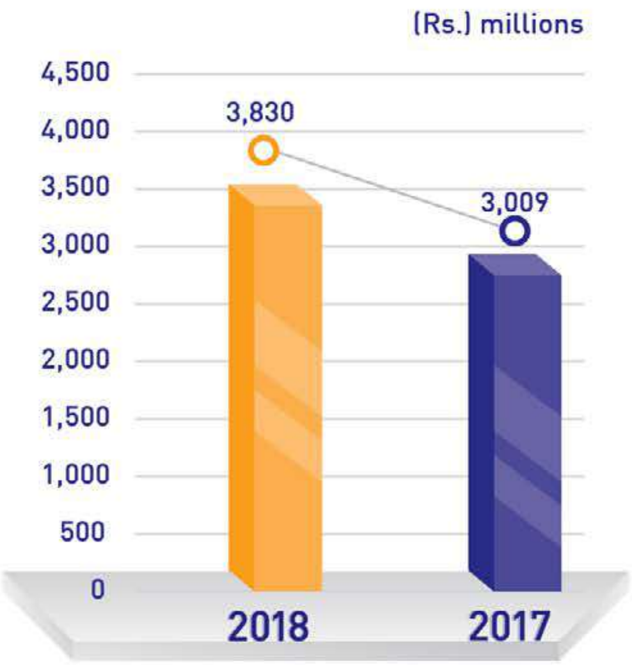
MARINE CARGO:

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.

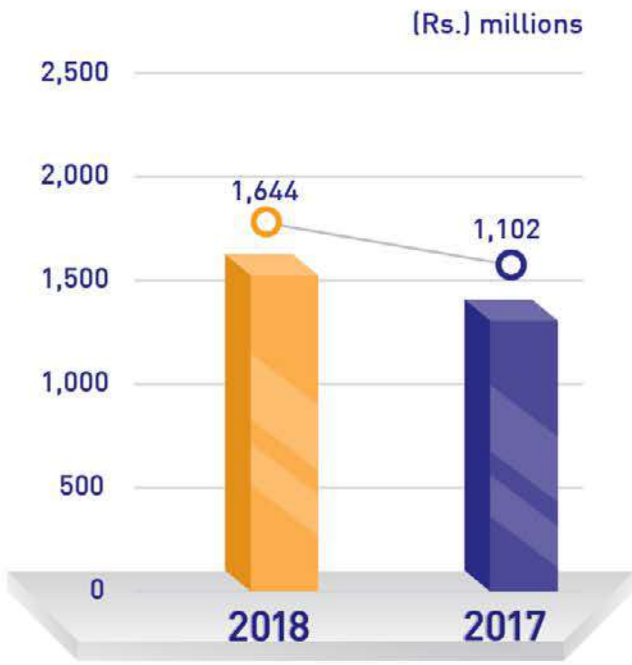
FINANCIAL HIGHLIGHTS

CONVENTIONAL & TAKAFUL

Gross Premium Written



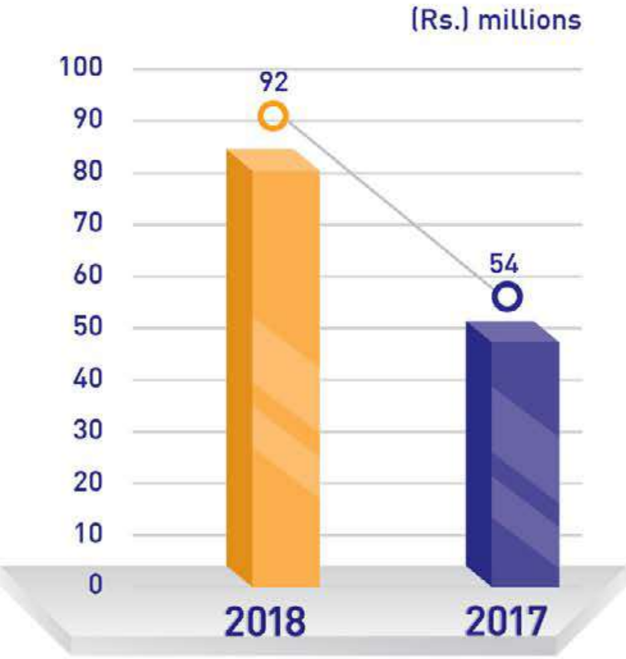
Net Premium Revenue



Net Claims

Underwriting Result

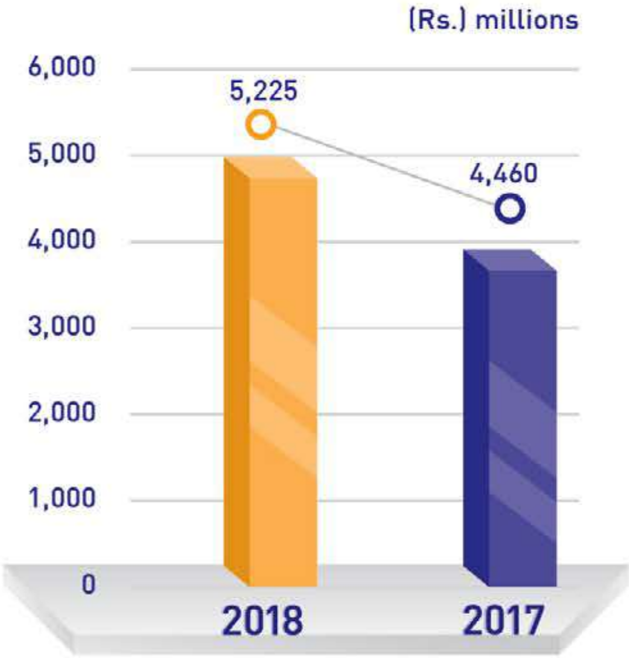
Investment & Other Income



Profit Before Tax

Profit After Tax

Total Assets



Earnings Per Share

Claims Paid

Notice of 13th Annual General Meeting

Notice is hereby given that the 13th Annual General Meeting (AGM) of UBL Insurers Limited will be held on Friday, 26th April, 2019 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 12th Annual General Meeting held on March 16th, 2018.

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, 2018 and the Chairman's review, Directors' and Auditors' report thereon.

3. To consider and approve a final cash dividend at PKR 0.45 i.e. 4.5% per share for the year ended December 31, 2018 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, 2019.The Board Audit Committee and the Board of Directors have recommended the name of M/s. A.F. Ferguson & Co. Chartered Accountants.

5. To elect seven (7) directors as fixed by the Board of Directors of the Company under section 159 (1) of the Companies Act, 2017, in accordance with the provisions of the said Act, for a period of three years to commence from April 26, 2019. The names of the retiring directors are Mr. Aameer Karachiwalla, Mr. Zameer Mohammad Choudry, Mr. Rizwan Pervez, Mr. Sharjeel Shahid, Mr. Zia Ijaz, Mr. Syed Furrukh Zaeem and Mr. Abdul Sattar Vaid.

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

By Order of the Board

Abdul Sattar Vaid
Company Secretary

March 29, 2019

Notes

1. Any person who seeks to contest election of Directors shall file with the Companies a notice of his/her intention to offer himself/herself for election as a Director along with the consent to act as Director in Form 28 under section 159 (3) and section 167respectively, of the Companies Act, 2017 and a detailed profile along with office address for placement onto the Company's website in terms of SRO 634(I)2014 dated July 10, 2014, not later than fourteen days before the date of meeting.

2. The share transfer books of the Company shall remain closed from Tuesday, April 16, 2019 to Friday April 26, 2019 (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 April 15, 2019 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.

3. The financial statements and reports have been placed on the website of the Company.
http://ublinsurers.com/

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

5. A member entitled to attend the meeting and vote is entitled to appoint other member as a proxy to attend and vote on his / her behalf, save that a corporation being a member may appoint as its proxy an officer of such corporation whether a member of the company or not. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a naturally certified copy of the power or authority shall be deposited to the company not later than 48 hours before the time of holding the meeting, and must be dully stamped, signed and witnessed. (Form of proxy attached).

For Appointing Proxies

a. In case of individuals, the account holder and /or sub-account holder, shall submit the proxy form as per above requirements.

b. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC number shall be mentioned on the form.

c. Attested copies of the CNIC or the passport of beneficial owner and the proxy shall be furnished with the proxy form.

d. The proxy shall produce his original CNIC or original passport at the time of the Meeting.

e. In case of Corporate entity, the Board's resolution / power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Company.

Deduction of Withholding Tax on the amount of Dividend:

As per the provision of Section 150 of the Income Tax Ordinance, 2001, different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the Companies. The current withholding tax rates are as under:

a) For filers of income tax returns:	15.00%
b) For non-filers of income tax returns:	20.00%

To enable the Company to make tax deduction on the amount of dividend @15.00% instead of 20.00% all the shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of the Federal Board of Revenue ("FBR"), despite the fact they are filers, are advised to make sure that their names are entered into ATL before the date of issuance of Dividend Warrants, otherwise tax on their dividend will be deducted @ 20.00%.

Director's Report
For the year ended December 31,2018

On behalf of the Board of Directors, I present the thirteenth (13th) annual report of UBL Insurers Limited for the year ended 31 December, 2018.

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

'Rupees 000'

	31-Dec-18	31-Dec-17	%
Gross premium written	3,391,311	2,760,842	23%
Net premium revenue	1,412,471	1,012,177	40%
Net claim expense	(568,260)	(419,969)	35%
Net commission	13,188	63,369	-79%
Premium deficiency reserve	(11)	10,880	-100%
Management expenses	(478,685)	(345,490)	39%
Underwriting profit	378,703	320,967	18%
Investment & other income	74,485	50,288	48%
General & administrative expenses	(99,276)	(125,047)	-21%
Profit before tax from Windows Takaful Operations	11,079	1,163	853%
Profit before tax	364,991	247,371	48%

Economic Overview

Pakistan's economy is recovering from what can be best described as a 'consumption led' growth period that was financed by short term debt instruments and a stifling of investment climate. The Rupee has been devalued, interest rates have gone up and there has been some increase in the rate of inflation in the country. With the beginning of 2019, Pakistan would be entering into the second phase of China Pakistan Economic Corridor. This means that the government would focus on trade policies and industry development, moving on from infrastructure. Large multinational companies are already interested in setting up industries in the automobiles, telecommunications, energy and electronics industry, in order to tap the undiscovered potential of the people of Pakistan. The increase in multinational companies will also increase the general insurance sector's performance and rapid growth could be seen over the next decade in insurance industry.

Company Performance Review

In the year 2018 company has posted a growth of 23% in gross premium written to close at Rs. 3,391 million while net premium revenue increased by 40% to Rs. 1,412 million.

Net claim expense is increased by 35% during the year ended December 2018 as compared to last year December 2017. The net claim ratio over net premium revenue is 40% compared to 41% last year.

The underwriting results reported a profit of Rs. 379 million during the year ended 31 December 2018 as compared to a profit of Rs. 321 million for the year ended 31 December 2017 due to an improvement in net premium revenue and net Claim expense.

Investments and other income is greater at Rs.74 million during the year ended December 2018 as compared to Rs.50 million during the same period in 2017 and an amount of Rs. 7 million has been recorded as impairment on listed equity securities.

Improved underwriting results has resulted in achieving a pre-tax profit of Rs. 365 million for the current year as compared with last year profit of Rs. 247 million.

Portfolio Analysis

Fire & Property

Fire and property class of business constitutes 31% of the total portfolio. During the year, the Company has underwritten a gross premium of Rs. 1 billion (2017: Rs. 764 million). The ratio of net claims to net premium is 27% this year as compared to 24% last year. The Company incurred an underwriting profit of Rs. 69 million as compared to Rs. 40 million in 2017.

Marine and Transport

This class of business constitutes 9% of the total portfolio. The Company has underwritten a gross premium of Rs. 293 million in current year (2017: Rs.239 million). The net claims ratio is 23% as against 33% last year, which resulted in an underwriting profit of Rs. 42 million against Rs. 25 million last year.

Motor

During the year, the Company has underwritten gross premium of Rs. 946 million (2017: Rs. 783 million) which constitutes 28% of the total portfolio. The ratio of net claims to net premium for the current year is 43% as compared to 49% in 2017. The Company incurred an underwriting profit of Rs. 163 million as compared to Rs. 123 million in 2017.

Bankers & Blanket

This class of business constitutes 4% of the total portfolio. The Company has underwritten a gross premium of Rs. 151 million in current year (2017: Rs.192 million). The net claims ratio is 0% as against 8% last year, which resulted in an underwriting profit of Rs. 26 million against Rs. 39 million last year.

Health

This class of business constitutes 16% of the total portfolio. The Company has underwritten a gross premium of Rs. 552 million in current year (2017: Rs. 410 million). The net claims ratio is 57% as compared to last year 66%. This resulted in an underwriting profit of Rs. 40 million against Rs. 33 million last year.

Other Classes

The other classes of business constitute 11% of the total portfolio. The gross premium written was Rs. 389 million (2017: Rs. 372 million). The ratio of net claims to net premium is 36% as against 1% last year. The portfolio showed an underwriting profit of Rs. 38 million in current year against an underwriting profit of Rs. 60 million in last year.

The earning per share in current year is 2.25 against a profit of Rs. 1.45 in the year 2017.

Window Takaful Operations

The year under review was the third year for Takaful business and the company was able to successfully grow gross written contribution to Rs. 439 million. The participant's Takaful fund reported a surplus before investment income of Rs. 34 million as compared to 19 million in the year 2017. Investment and other income stands at Rs. 7 million in 2018 against Rs. 3 million for the year 2017. The improved underwriting resulted in achieving a surplus for the year of Rs. 41 million which stood at 22 million in the year 2017.

The Operator's Fund reported the profit before tax of Rs. 11 million in the year 2018 against profit of 1 million in the year 2017.

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 minus) with stable outlook by JCR-VIS for the year 2018.

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	04
Mr. Zameer Muhammad Choudrey	04
Mr. Rizwan Pervez	05
Mr. Sharjeel Shahid	04
Mr. Zia Ijaz	03
Mr. Syed Furrukh Zaeem	04
Mr. Abdul Sattar Vaid	05
Mr. Babar Mahmood Mirza – Chief Executive Officer (resigned – April 12th, 2018)	01
Zeeshan Muhammad Raza– Acting Chief Executive Officer (appointed – April 13th, 2018)	04

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 2018, 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	03

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. Babar Mahmood Mirza	01

Investment Committee

The committee consists of four members. During the year 2018, four (4) meetings of the committee were held and attended by the members as under:

Name of Member	Meetings Attended
Mr. Syed Furrukh Zaeem	03
Mr. Zameer Muhammad Choudrey	03
Mr. Rizwan Pervez	04
Mr. Babar Mahmood Mirza	01
Mr. Zeeshan Muhammad Raza	03

Leave of absence was granted to the members who could not attend Ethics, Nominations, Human Resource & Remuneration Committee.

Management Committee in Compliance with Code of Corporate Governance

The Underwriting committee consists of three members. During the year 2018, four meetings of the committee were held and attended by the members as under:

- Mr. Aameer Karachiwalla
- Mr. Zeeshan Raza
- Mr. Rashid Jameel

The Claim committee consists of three members. During the year 2018, four meetings of the committee were held and attended by the members as under:

- Mr. Zia Ijaz
- Mr. Zeeshan Raza
- Mr. Abdul Rauf Patel

The Re-Insurance & Co-Insurance committee consists of three members. During the year 2018, four meetings of the committee were held and attended by the members as under:

- Mr. Aameer Karachiwalla
- Mr. Zeeshan Raza
- Mr. Rashid Jameel

The Risk Management & Compliance committee consists of three members. During the year 2018, four meetings of the committee were held and attended by the members as under:

- Mr. Zia Ijaz
- Mr. Zeeshan Raza
- Mr. Rashid Jameel Khan

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 2019 is designed to deliver sustainable, profitable growth in a changing and competitive business environment in order to maintain prominent position in the industry. We will continue to invest in our people and making UBL Insurers Limited a great place to build career. We will also continue to invest in the systems and processes to better understand our customer's needs, serve them in the way they require, increase collaboration and improve efficiency.

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) Incurred but not reported has been reported on the bases of actuarial valuation as per the SECP's guideline.
j) During the Third year of Takaful the Operator's Fund reported a profit of Rs. 11 million which is expected to be further improved in the year 2019.
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 22 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. 0.45 per share i.e. 4.5% for the year ended December 31, 2018.
n) The value of investments of provident and gratuity funds based on their unaudited accounts, as on December 31, 2018 were the following.
   Provident Fund Rs. 81 million
   Gratuity Fund Rs. 37 million
o) The statement of pattern of shareholding in the Company as at 31 December, 2018 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 M/s. KPMG Taseer Hadi & Co. Chartered Accountants have retired and M/s. PWC A.F. Ferguson & Co have offered themselves for appointment. The Board of Audit Committee recommends that they be appointed as the statutory auditors for the year 2019, 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
Acting Chief Executive Officer

Aameer Karachiwalla
Chairman - Board of Directors

Date: February 21st, 2019

Key operating and financial data for the last six years

'Rupees 000'

	2018	2017	2016	2015	2014	2013
Gross premium Written	**3,391,311**	2,760,842	2,334,187	1,600,476	1,114,520	885,966
Net premium revenue	**1,412,471**	1,012,177	872,903	534,555	385,189	341,610
Net claims	**(568,260)**	(419,969)	(452,947)	(203,788)	(176,738)	(207,697)
Premium deficiency (expense) / reversal	**(11)**	10,880	(10,907)	-	-	-
Management Expenses	**(478,684)**	(345,490)	(240,114)	(191,989)	(128,137)	(100,196)
Net commission	**13,188**	63,369	67,760	9,550	24,399	31,455
Underwriting result	**378,703**	320,967	236,694	148,329	104,713	65,172
Investment income	**60,557**	44,115	73,992	88,198	74,611	70,947
Exchange gain / (Loss)	**1,020**	65	-	276	(114)	1,877
Other Income	**13,928**	6,173	3,256	7,060	3,749	(772)
General and administrative	**(99,276)**	(125,047)	(109,887)	(96,784)	(81,180)	(81,976)
Profit before tax from Windows Takaful Operations	**11,079**	1,163	(7,771)	-	-	-
Profit before tax	**364,991**	247,371	196,283	147,078	101,779	55,249
Taxation						
- Prior	**1,622**	-	-	226	-	-
- Current	**(107,862)**	84,913	63,815	(29,929)	(790)	(854)
- Deferred	**826**	(4,538)	(4,128)	(17,869)	(41,164)	(17,869)
Profit after tax	**259,576**	166,996	136,596	99,507	59,826	36,526

Pattern of Shareholding

As at December 31, 2018

Number of Shareholders	Shareholdings		Total Shares Held	Percentage %
	From	To		
6	1	100	6	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	34,565,214	30.000
1	60,000,001	65,000,000	64,063,972	55.603
10			**115,217,391**	**100.000**

Category of Shareholders

As at December 31, 2018

Categories of shareholders	Number of Shareholders	Shares held	Percentage
Directors, CEO & Children	6	6	0
NIT	0	-	0
Associated Companies, undertaking & related parties	3	112,717,385	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	10	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) Zia Ijaz	1	-
6) Syed Furrukh Zaeem	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	34,565,214	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	34,565,214	30.000
Bestway Cement Limited	14,088,199	12.227

۱۳۔ بورڈ آف ڈائریکٹرز UBL انشوررز لمیٹڈ نے سال 2018 کے اختتام پر 21 فروری 2019 کراچی میں ہونے والی میٹنگ میں کیش ڈیویڈنڈ (0.45 روپے فی شیئر) کا اعلان کیا۔

۱۴۔ پراویڈنٹ اور گریجویٹی فنڈز کے unaudited اکاؤنٹس کی بنیاد پر 31 دسمبر 2018 کی سرمایہ کاری کی قدر مندرجہ ذیل ہیں:

ا۔ پرویڈنٹ فنڈ	81 ملین روپے
۲۔ گریجویٹی فنڈ	37 ملین روپے

۱۵۔ کمپنی میں 31 دسمبر 2018 کو شیئر ہولڈنگ کی صورتحال کا اسٹیٹمنٹ رپورٹ کے ساتھ منسلک ہے۔

کوئی بڑی تبدیلی جو کمپنی کی مالیاتی پوزیشن پر اثرانداز ہو یا مالیاتی سال کے دوران جو بیلنس شیٹ سے اور اس رپورٹ سے متعلق ہو عمل میں نہیں آئی۔

موجودہ ایکسٹرنل آڈیٹرز میسرز KPMG تاثیر ہادی اینڈ کمپنی کو چارٹرڈ اکاؤنٹنٹس ریٹائر ہو چکے ہیں اور میسرز PWC A. F. Ferguson اینڈ کو نے تقرری کیلئے اپنی خدمات پیش کی ہیں۔ بورڈ آڈٹ کمیٹی نے سفارش کی کہ انہیں ایک سال کی مدت 2019 کیلئے قانونی طور پر تقرر کیا جائے، اور بورڈ نے اس سفارش کی توثیق کر دی۔

کمپنی لندن (U.K) میں رجسٹرڈ بیسٹ وے (ہولڈنگ) لمیٹڈ کی ایک ذیلی کمپنی ہے۔ بیسٹ وے (ہولڈنگ) لمیٹڈ UBL انشوررز لمیٹڈ کے جاری کردہ حصص کا 55.6 فیصد رکھتا ہے۔

کمپنی کے ڈائریکٹرز سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کا شکریہ ادا کرتے ہیں، ری انشوررز کی رہنمائی، تعاون اور حمایت کے لئے شکر گزار ہیں۔

ہم اپنے قابلِ قدر کسٹمرز کا بھی شکریہ ادا کرتے ہیں جنہوں نے اپنی معاونت کو جاری رکھا اور ہماری کمپنی سے تعاون کو بڑھایا۔

ڈائریکٹرز UBL انشورنس لمیٹڈ مینجمنٹ کی کمپنی کے مقاصد کے حصول میں کئے گئے ہارڈ ورک اور سخت محنت کو سراہتے ہیں۔

ذیشان محمد رضا
ایکٹنگ چیف ایگزیکٹو آفیسر
تاریخ: 21 فروری 2019

عامر کراچی والا
چیئرمین

اخلاقیات اور کاروباری عمل کا بیان

بورڈ نے اخلاقیات اور کاروباری طرزِ عمل کے بیان کو اپنایا ہے۔ تمام ملازمین کو اس بیان کے بارے میں معلومات ہے اور کاروبار اور قواعد وضوابط کے سلسلے میں طرز عمل کے ان قوانین پر عمل کرنے کی ضرورت ہے۔

مستقبل کا نقطہ نظر

2019 میں ہماری حکمت عملی کے تحت صنعت میں نمایاں پوزیشن برقرار رکھتے ہوئے ایک منفرد اور ہم سری کاروباری ماحول میں پائیداری، منافع بخش، ترقی فراہم کریں۔ ہم اپنے لوگوں کے لئے سرمایہ کاری جاری رکھیں گے اور UBL انشوررز لمیٹڈ کو اچھا کیریئر بنانے کے لئے ایک بہترین ادارہ بنائیں گے۔ ہم نظام اور اس کے عمل میں بھی سرمایہ کاری جاری رکھیں گے تاکہ بہتر طریقے سے سمجھ سکیں کہ گاہک کی کیا ضروریات ہیں اور ان کو ان کی ضرورت کے مطابق خدمات فراہم کریں گے اور باہمی شراکت کو بڑھائیں گے اور صلاحیت کو بہتر بنائیں گے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

کمپنی کی طرف سے تیار کردہ مالیاتی اسٹیٹمنٹس اپنے معاملات کو انصاف سے پیش کرتی ہے اور اس کے آپریشنز کے نتیجے میں کیش کا بہاؤ اور تبدیلیاں برابری کے حساب سے عمل میں آتی ہیں۔

۱۔ کمپنی کی طرف سے اکاؤنٹس کی مناسب کتابوں کو برقرار رکھا جائے گا۔

۲۔ مناسب اکاؤنٹس کی کتابیں کمپنی کی طرف سے مرتب کی گئی ہیں۔

۳۔ مناسب اکاؤنٹنگ کی پالیسیاں مالیاتی بیانات کی تیاری میں مسلسل لاگو ہوتی ہیں اور اکاؤنٹنگ کے اندازے مناسب اور دانشمندانہ فیصلوں پر مبنی ہوتے ہیں۔

۴۔ انٹرنیشنل اکاؤنٹنگ کے معیار (IAS)، انٹرنیشنل مالیاتی رپورٹنگ کے معیار (IFRS) یا کسی دوسرے ضابطہ یا قانون (بشمول لیکن شرعی رہنمائی/اصولوں تک محدود نہیں ہیں) جو پاکستان میں نافذ العمل ہے مالیاتی اسٹیٹمنٹس کی تیاری میں ان کو مدِ نظر رکھا گیا اور اس کے علاوہ کسی بھی عمل کا مناسب طریقے سے انکشاف کیا گیا ہے۔

۵۔ اندرونی کنٹرول کے نظام کا ڈیزائن واضح ہے اور موثر طریقے سے اس کا نفاذ اور اس کی نگرانی کی گئی۔

۶۔ کمپنی کو جاری رکھنے کے لئے اس کی قابلیت پر کوئی شک وشبہ نہیں ہونا چاہیئے۔

۷۔ 2016 کی بیماکاری میں انشورنس کمپنیوں کے لئے کارپوریٹ گورننس کے کوڈ میں تفصیلی طور پر، کارپوریٹ گورننس کے بہترین طریقوں میں سے کسی قسم کا کوئی انحراف نہیں کیا گیا۔

۸۔ پریمیم ڈیفیشینسی ریزرو حادثاتی انشورنس اور ہیلتھ انشورنس کی مد میں ریکارڈ کیا گیا ہے۔

۹۔ کلیم انکرڈبٹ نوٹ رپورٹڈ SECP کی ہدایات کے مطابق ایکچوری (Actuarial) سے کرائی گئی۔

۱۰۔ تکافل آپریشن فنڈ کے دوسرے سال 11 ملین روپے کا منافع رپورٹ کیا گیا جس میں سال 2019 میں مزید بہتری کی امید ہے۔

۱۱۔ FED, FIF, EOBI ملازمین کی شراکت، کارکن فلاح وبہبود فنڈ اور SECP فیس کی مد میں 22 ملین روپے ہیں جو متعلقہ ریگولیٹریز اداروں کی ضرورت کے مطابق ان کی ادائیگی کی جاتی ہے۔

۱۲۔ گزشتہ چھ سالہ نمایاں آپریٹنگ اور مالیاتی ڈیٹا منسلک ہے۔

سرمایہ کاری کمیٹی

یہ کمیٹی چار ممبران پر مشتمل ہے۔اس سال 2018 کے دوران، کمیٹی کی (04) میٹنگز منعقد کی گئیں اور ممبران نے اس طرح سے شرکت کی۔

ممبر کا نام	میٹنگز کی تعداد
جناب سید فرخ زعیم	03
جناب ضمیر محمد چودھری	03
جناب رضوان پرویز	04
جناب بابر محمود مرزا	01
ذیشان محمد رضا	03

غیر حاضری کے لئے رخصت ان ڈائریکٹرز کو دی گئی جو بورڈ میٹنگ میں حاضر نہ ہو سکے۔

کارپوریٹ گورننس کے کوڈ کی تعمیل میں انتظامی کمیٹی

یہ ذمہ نویسی کمیٹی تین ممبران پر مشتمل ہے۔اس سال 2018 کے دوران، کمیٹی کی چار میٹنگز منعقد کی گئیں اور ممبران نے اس طرح سے شرکت کی۔

- جناب عامر کراچی والا
- جناب ذیشان رضا
- جناب راشد جمیل

کلیم کمیٹی چار ممبران پر مشتمل ہے۔اس سال 2018 میں کمیٹی کی چار میٹنگز منعقد کی گئیں اور ممبران نے اس طرح شرکت کی۔

- جناب ضیاء اعجاز
- جناب ذیشان رضا
- جناب عبدالرؤف پٹیل

Re-insurance & Co-insurance کمیٹی تین ممبران پر مشتمل ہے۔اس سال 2018 میں کمیٹی کی چار میٹنگز منعقد کی گئیں اور ممبران نے اس طرح سے شرکت کی۔

- جناب عامر کراچی والا
- جناب ذیشان رضا
- جناب راشد جمیل

رسک مینجمنٹ اینڈ کمپلائنس کمیٹی تین ممبران پر مشتمل ہے۔ اس سال 2018 میں کمیٹی کی چار میٹنگز منعقد کی گئیں اور ممبران نے اس طرح سے شرکت کی۔

- جناب ضیاء اعجاز
- جناب ذیشان رضا
- جناب راشد جمیل

بورڈ آف ڈائریکٹرز کی (5) میٹنگز میں ہر ڈائریکٹر کی حاضری اس طرح سے رہی:

سیریل	ڈائریکٹرز کے نام	منعقدہ میٹنگز کی تعداد
1	جناب عامر کراچی والا	04
2	جناب ضمیر محمد چودھری	04
3	جناب رضوان پرویز	05
4	جناب شرجیل شاہد	04
5	جناب ضیاء اعجاز	03
6	جناب سید فرخ زعیم	04
7	جناب عبدالستار واعد	05
8	جناب بابر محمود مرزا۔ چیف ایگزیکٹیو آفیسر (مستعفی۔12 اپریل 2018)	01
9	ذیشان محمد رضا۔ ایکٹنگ چیف ایگزیکٹیو آفیسر (تقرری 13 اپریل 2018)	04

غیر حاضری کے لئے رخصت ان ڈائریکٹرز کو دی گئی جو بورڈ میٹنگ میں حاضر نہ ہو سکے۔

بورڈ کی کمیٹیاں

آڈٹ کمیٹی

یہ کمیٹی تین ممبران پر مشتمل ہے۔ اس سال 2018 کے دوران، کمیٹی کی چار میٹنگز منعقد کی گئیں اور ممبران نے اس طرح سے شرکت کی۔

ممبر کا نام	میٹنگز کی تعداد
جناب ضمیر محمد چودھری	03
جناب رضوان پرویز	04
جناب شرجیل شاہد	03

غیر حاضری کے لئے منظوری ان ممبران کو دی گئی جو بورڈ آڈٹ کمیٹی میٹنگ میں حاضر نہ ہو سکے۔

اخلاقیات، کاغذاتِ نامزدگی، انسانی وسائل اور معاوضے کی کمیٹی

یہ کمیٹی چار ممبران پر مشتمل ہے۔ سال کے دوران، کمیٹی کی ایک میٹنگ منعقد کی گئی اور ممبران نے اس طرح سے شرکت کی۔

ممبر کا نام	منعقدہ میٹنگز کی تعداد
جناب شرجیل شاہد	01
جناب ضمیر محمد چودھری	01
جناب رضوان پرویز	01
جناب بابر محمود مرزا	01

صحت

بزنس کی یہ کلاس ٹوٹل پورٹ فولیو کا 16 فیصد ہے۔ کمپنی نے موجودہ سال میں 552 ملین روپے کی ذمہ نویسی قبول کی ہے (2017 میں 410 ملین روپے)۔ خالص کلیم کا تناسب پچھلے سال 66 فیصد کی بنسبت 57 فیصد ہے جس کے نتیجے میں 40 ملین روپے کا ذمہ نویسی منافع پچھلے سال کے 33 ملین روپے کی بنسبت ریکارڈ کیا گیا ہے۔

دیگر کلاسز

کاروبار کی دیگر کلاسز ٹوٹل پورٹ فولیو کا 11 فیصد ہے۔ مجموعی تحریری پریمیم 389 ملین روپے رہا (2017 میں 372 ملین روپے)۔ خالص کلیم سے خالص پریمیم کا تناسب پچھلے سال 1 فیصد کے مقابلے میں 36 فیصد ہے۔ پورٹ فولیو نے 38 ملین روپے منافع کی ذمہ نویسی پچھلے سال 60 ملین روپے کی ذمہ نویسی کے مقابلے میں موجودہ سال میں ظاہر کی۔

موجودہ سال میں فی شیئر آمدنی 2.25 روپے رہی جبکہ پچھلے سال 2017 میں 1.45 روپے تھی۔

ونڈو تکافل آپریشن:

سال کے دوران، کمپنی نے تکافل آپریشنز پر نظر ثانی کی اور 439 ملین روپے کی مجموعی کنٹریبیوشن کی ذمہ نویسی حاصل کی۔ پارٹیسیپینٹ تکافل فنڈ کا ذمہ نویسی منافع پچھلے سال 19 ملین روپے کی بنسبت اس سال 34 ملین روپے ریکارڈ کیا گیا۔ سرمایہ کاری اور دیگر آمدنی 7 ملین روپے ریکارڈ کی گئی جو پچھلے سال 3 ملین روپے تھی۔ ذمہ نویسی میں بہتری کے سبب پارٹیسیپینٹ تکافل فنڈ کا سرپلس 41 ملین روپے ریکارڈ کیا گیا جو پچھلے سال 22 ملین روپے تھا۔

آپریٹرز فنڈ میں منافع قبل از وقت ٹیکس 11 ملین روپے رپورٹ کیا گیا جو پچھلے سال 1 ملین روپے کا منافع تھا۔

متعلقہ پارٹیز کے ساتھ لین دین

بورڈ آف ڈائریکٹرز ہر بورڈ کی میٹنگ میں متعلقہ / الحاق شدہ کمپنیوں کے ساتھ لین دین کی منظوری دیتے ہیں۔ متعلقہ فریقین کے ساتھ تمام لین دین دونوں فریقین کی خود مختاری اور معیار پر منحصر کرتی ہے۔

انشورر کی مالیاتی مضبوطی (IFS) کی شرح

JCR-VIS درجہ بندی ایجنسی نے سال کے دوران IFS ریٹنگ (AA-(Double A minus کے طور پر کمپنی کی درجہ بندی کو برقرار رکھا ہے۔

کارپوریٹ گورننس کے کوڈ کے ساتھ تعمیل

ریگولیٹری اتھارٹی کی طرف سے مقرر کارپوریٹ گورننس کے کوڈ کی ضروریات کو حسبِ ضابطہ تعمیل کیا گیا ہے۔ اس سلسلے میں ایک اسٹیٹمنٹ اس رپورٹ کے ساتھ منسلک ہے۔

ذمہ نویس منافع پچھلے سال کے 321 ملین روپے منافع کی بنسبت 2018 میں خالص پریمیم ریونیو اور خالص کلیم اخراجات میں بہتری کے سبب 379 ملین روپے کا منافع رپورٹ کیا گیا۔

سرمایہ کاری اور دیگر آمدنی میں پچھلے سال 50 ملین روپے کی بنسبت اس سال 2018 میں منافع کے ساتھ 74 ملین روپے رہی اور 7 ملین روپے کا نقصان لسٹڈ سیکیورٹیز میں امپیئر مینٹ کے سبب ریکارڈ کیا۔

ذمہ نویس نتائج میں بہتری کے سبب 2018 میں پچھلے سال 247 ملین روپے کی بنسبت قبل از وقت ٹیکس میں 365 ملین روپے کا منافع ریکارڈ کیا۔

پورٹ فولیو کا تجزیہ

فائر اینڈ پراپرٹی

فائر اینڈ پراپرٹی ٹوٹل پورٹ فولیو کا 31 فیصد ہے۔ سال کے دوران، کمپنی نے 1 بلین روپے کی مجموعی پریمیم کی انڈر رائٹنگ کی (764 ملین روپے 2017 میں)۔ خالص کلیم سے خالص پریمیم کا تناسب 27 فیصد رہا جبکہ پچھلے سال 24 فیصد تھا۔ کمپنی نے 69 ملین روپے کا ذمہ نویس منافع ریکارڈ کیا جو پچھلے سال 40 ملین روپے تھا۔

میرین اور ٹرانسپورٹ:

کاروبار کی یہ کلاس ٹوٹل پورٹ فولیو کا 9 فیصد ہے۔ کمپنی نے 293 ملین روپے موجود سال کے مجموعی پریمیم کی ذمہ نویسی کی ہے (2017 میں 239 ملین روپے) تھی۔ خالص کلیمز کا تناسب پچھلے سال 33 فیصد کے مقابلے میں 23 فیصد ہے جس کے نتیجے میں ذمہ نویسی منافع پچھلے سال کے 25 ملین روپے کے مقابلے میں 42 ملین روپے ہے۔

موٹر

سال کے دوران، کمپنی نے 946 ملین روپے مجموعی پریمیم کی ذمہ نویسی کی (2017 میں 783 ملین روپے) جو کہ ٹوٹل پورٹ فولیو کا 28 فیصد ہے۔ خالص کلیم سے خالص پریمیم کا تناسب پچھلے سال 49 فیصد کے مقابلے میں 43 فیصد ہے۔ کمپنی نے 2017 میں 123 ملین روپے کے مقابلے میں 163 ملین روپے کی ذمہ نویسی منافع کیا۔

بینکرز اور بلینکٹ

کاروبار کی یہ کلاس ٹوٹل پورٹ فولیو کا 4 فیصد ہے۔ کمپنی نے موجودہ سال 151 ملین روپے کا مجموعی پریمیم کی ذمہ نویسی کی (2017 میں 192 ملین روپے)۔ خالص کلیم کا تناسب پچھلے سال کے 8 فیصد کے مقابلے میں 0 فیصد ہے۔ جس کے نتیجے میں 26 ملین روپے کا ذمہ نویسی منافع ہوا جو 2017 میں 39 ملین روپے ہوا تھا۔

سالانہ ڈائریکٹرز رپورٹ برائے سال 2018

بورڈ آف ڈائریکٹرز کی جانب سے، میں UBL انشوررز لمیٹڈ کی 13 ویں سالانہ رپورٹ برائے سال 2018 پیش کرتا ہوں:

سال کی مالیاتی جھلکیاں مندرجہ ذیل ہیں:

	31 دسمبر 2018	31 دسمبر 2017	%
تحریری پریمیم ریونیو	3,391,311	2,760,842	23%
خالص پریمیم ریونیو	1,412,471	1,012,177	40%
کلیم کے اخراجات	(568,260)	(419,969)	35%
خالص منافع	13,188	63,369	-79%
پریمیم ڈیفشنسی ریزرو	(11)	10,880	-100%
انتظامی اخراجات	(478,685)	(345,490)	39%
انڈررائٹنگ منافع	378,703	320,967	18%
سرمایاکاری ودیگر آمدنی	74,485	50,288	48%
عام اور انتظامی اخراجات	(99,276)	(125,047)	-21%
ٹیکس سے قبل منافع ونڈو تکافل آپریشنز کی طرف سے	11,079	1,163	853%
منافع ٹیکس سے قبل	364,991	247,371	48%

اقتصادی جائزہ:

پاکستان کی معیشت بحال ہو رہی ہے اس کو پیداواری مدت میں ''کھپت کا اضافہ'' کہا جا سکتا ہے جسے ڈوبتی ہوئی سرمایہ کاری کو مختصر مدتی قرض کے پیش نظر فنڈ کیا گیا۔ روپے کی قدر میں کمی، شرحِ سود میں اضافہ اور پورے ملک میں افراطِ زر کی شرح میں کچھ اضافہ ہو چکا ہے۔ پاکستان سال 2019 کے آغاز کے ساتھ، چائنہ پاکستان اکنامک کوریڈور کے دوسرے مرحلے میں داخل ہو جائے گا۔ اس کا مطلب کہ حکومت انفرااسٹرکچر سے ہٹ کر تجارتی پالیسیوں اور صنعتی ترقی پر توجہ دے گی۔ بڑی ملٹی نیشنل کمپنیاں پہلے ہی آٹوموبائلز، ٹیلی کمیونیکیشنز، انرجی اور الیکٹرونکس انڈسٹری لگانے میں دلچسپی رکھتی ہیں تاکہ پاکستانی عوام کی نادیدہ صلاحیتوں کو اجاگر کیا جائے۔ ملٹی نیشنل کمپنیوں میں اضافے سے جنرل انشورنس سیکٹرز کی پرفارمانس میں بھی اضافہ اور تیزی سے ترقی ہوگی جو اگلے دس سالوں میں انشورنس انڈسٹری میں دیکھی جا سکتی ہے۔

کمپنی کی کارکردگی کا جائزہ:

2018 میں کمپنی کا مجموعی تحریری پریمیم 23% ریکارڈ کیا گیا جو کہ 3,391 ملین کے قریب ہے جبکہ خالص پریمیم ریونیو میں 40% اضافہ ہوا جو 1,412 ملین روپے ہے۔

خالص کلیم اخراجات میں پچھلے سال کی بنسبت 2018 میں 35% فیصد اضافہ ہوا۔ خالص کلیم کی شرح 40% رہی جو پچھلے سال 41% تھی۔

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

For the year ended December 31, 2018

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:

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
Executive Directors	Mr. Abdul Sattar Vaid
Non-Executive Directors	Mr. Aameer Karachiwalla
	Mr. Zameer M. Choudrey
	Mr. Rizwan Pervez
	Mr. Sharjeel Shahid
	Mr. Zia Ijaz
	Mr. Syed Furrukh Zaeem

There is no independent Director on Board due to relaxation provided by SECP in annexure III of the Code of Corporate Governance for Insurers, 2016.

2. The Directors have confirmed that none of them is serving as a Director in more than seven (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 2018.

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 Acting 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 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 Acting Chief Executive Officer and Chief Financial Officer before approval of the Board.

14. The Directors, Acting 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
Mr. Zia Ijaz	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. Zia Ijaz	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 Acting 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	Acting 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 an Acting Chief Executive Officer due to the vacancy occurred.

During the year Mr. Mathew Joel was appointed as the Compliance officer in place of Mr. Haris Uddin as he has been trained for four years for the position of Compliance Officer

During the year Mr. Amir Shaukat Hussain was appointed as the Head of Internal Audit due to the vacancy occurred

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 except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

24. 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.

25. 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

26. 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.

27. 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.

28. 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 Aug 20, 2018 is AA- (Double A Minus) with stable outlook.

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

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

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

Zeeshan Muhammad Raza
Acting Chief Executive officer

Dated: February 21st, 2019

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance for Insurers, 2016 ('the Code') as prepared by the Board of Directors ("the Board") of UBL Insurers Limited ("the Company") for the year ended 31 December 2018 to comply with the requirements of Code of Corporate Governance for Insurers, 2016.

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

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

The Code require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions 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 best practices contained in the Code as applicable to the Company for the year ended 31 December 2018.

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
1	There is no independent director on the Board due to the relaxation of SECP
11	The Board has approved the appointment of Head of Internal Audit but he is not a full time employee of the Company.
21	The Acting Chief Executive Officer and the Compliance Officer were appointed during the year without prior recommendation of the Ethics,Human Resource & Remuneration Committee.However the appointment of acting Chief Executivewas subsequent ratified by the Ethics, Human Resource & Remuneration Committee held on 21 February 2019.

Date: February 21th, 2019
Karachi

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants

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 2018, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows 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 statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Company's affairs as at 31 December 2018 and of the profit, total comprehensive income, the changes in equity 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 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 Company's 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.

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

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

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

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

Date: February 21th, 2019

Karachi

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants

Statement of Financial Position

For the year ended 31 December 2018

	Note	31 December 2018	31 December 2017
		(Rupees)	
Assets			
Property and equipment	5	94,654,793	80,173,354
Intangible assets	6	5,831,542	4,341,952
Investments			
Equity securities	7	53,236,806	53,975,494
Debt securities	8	548,837,638	719,385,835
Term deposits	9	270,000,000	90,333,631
Loans and other receivables	10	63,744,552	30,669,376
Insurance / Reinsurance receivables	11	1,314,992,933	1,096,779,795
Reinsurance recoveries against outstanding claims		1,197,858,808	1,178,125,015
Salvage recoveries accrued		49,732,332	14,413,033
Deferred commission expense / acquisition cost		147,626,187	122,925,249
Deferred taxation	13	18,245,366	13,650,184
Taxation - payment less provisions	30	11,583,025	2,997,822
Prepayments	14	749,776,543	621,554,567
Cash and bank	15	140,664,184	86,049,473
Total assets of Window Takaful Operations - Operator's fund	21	140,321,948	101,688,817
Total assets		4,807,106,657	4,217,063,597
Equity and liabilities			
Capital and reserves attributable to Company's equity holders			
Ordinary Share Capital	16	1,152,173,910	1,152,173,910
Discount on issue of right shares		(352,173,910)	(352,173,910)
Reserves	17	(7,849,800)	(879,580)
Unappropriated profit		608,925,155	351,638,736
Total equity		1,401,075,355	1,150,759,156
Liabilities			
Underwriting provisions			
Outstanding claims including IBNR	23	1,400,561,201	1,340,865,701
Unearned premium reserves	22	1,378,039,598	1,066,260,912
Premium deficiency reserves		38,043	27,008
Unearned reinsurance commission	24	137,326,001	139,459,237
Retirement benefit obligations	12	8,720,191	5,494,750
Premium received in advance		1,040,906	-
Insurance / Reinsurance payables	18	229,919,281	280,807,917
Other creditors and accruals	19	163,387,024	177,151,935
Total liabilities of Window Takaful Operations - Operator's fund	21	86,999,057	56,236,981
Total liabilities		3,406,031,302	3,066,304,441
Total equity and liabilities		4,807,106,657	4,217,063,597
Contingencies and commitments	20		

The annexed notes 1 to 41 form an integral part of these financial statements.

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

Profit & Loss Account

For the year ended 31 December 2018

	Note	2018	2017
		---------- (Rupees) ----------	
Net insurance premium	22	1,412,470,555	1,012,176,985
Net insurance claims	23	568,259,988	419,969,155
Premium deficiency		11,035	(10,879,974)
Net commission and other acquisition costs	24	(13,187,987)	(63,369,485)
		(555,083,036)	(345,719,696)
Insurance claims and acquisition expenses		857,387,519	666,457,289
Management expenses	25	(478,684,445)	(345,489,969)
Underwriting results		378,703,074	320,967,320
Investment income	26	60,556,925	44,115,113
Other income	27	13,927,667	6,172,718
Other expenses	28	(99,275,894)	(125,046,719)
Results of operating activities		(24,791,302)	(74,758,888)
Profit from Window Takaful Operations	21	11,078,877	1,162,864
Profit before tax		364,990,649	247,371,296
Income tax expense	29	(105,414,168)	(80,375,793)
Profit after tax		259,576,481	166,995,503
Earnings (after tax) per share - Rupees	31	2.25	1.45

The annexed notes 1 to 41 form an integral part of these financial statements.

Acting Chief Executive Officer	Director	Director	Chairman

Statement of Comprehensive Income

For the year ended 31 December 2018

	2018	2017
	(Rupees)	
Profit after tax	259,576,481	166,995,503
Other comprehensive income		
Item to be reclassified to profit and loss account in subsequent year		
Unrealised losses on available-for-sale investments	(9,809,531)	(8,184,393)
Related tax impact	2,834,259	2,524,597
	(6,975,272)	(5,659,796)
Other comprehensive income / (loss) from Window Takaful Operations	5,052	(4,153)
Item that will never be reclassified to profit and loss account in subsequent year		
Re-measurement loss on defined benefit obligation	(3,225,439)	(3,193,130)
Related tax impact	935,377	534,748
	(2,290,062)	(2,658,382)
Net other comprehensive loss for the year	(9,260,282)	(8,322,331)
Total comprehensive income for the year	250,316,199	158,673,172

The annexed notes 1 to 41 form an integral part of these financial statements.

Acting Chief Executive Officer	Director	Director	Chairman

Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to equity holders of the Company					
	Ordinary Share Capital	Discount on issue of right shares	Revenue Reserve: General Reserve	Revenue Reserve: Revaluation reserve	Unappropriated profit	Total
	(Rupees)					
Balance as at January 01, 2017	1,152,173,910	(352,173,910)	-	4,784,369	187,301,615	992,085,984
Total comprehensive income						
Profit after tax	-	-	-	-	166,995,503	166,995,503
Other comprehensive loss - net of tax	-	-	-	(5,663,949)	(2,658,382)	(8,322,331)
	-	-	-	(5,663,949)	164,337,121	158,673,172
Balance as at December 31, 2017	1,152,173,910	(352,173,910)	-	(879,580)	351,638,736	1,150,759,156
Balance as at January 01, 2018	1,152,173,910	(352,173,910)	-	(879,580)	351,638,736	1,150,759,156
Total comprehensive income						
Profit after tax	-	-	-	-	259,576,481	259,576,481
Other comprehensive loss - net of tax	-	-	-	(6,970 ,220)	(2,290,062)	(9,260,282)
	-	-	-	(6,970,220)	257,286,419	250,316,199
Balance as at December 31, 2018	**1,152,173,910**	**(352,173,910)**	**-**	**(7,849,800)**	**608,925,155**	**1,401,075,355**

The annexed notes 1 to 41 form an integral part of these financial statements.

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

Cash Flow Statement

For the year ended 31 December 2018

Operating cash flows	Note	2018	2017
		----------(Rupees)----------	
(a) Underwriting activities			
Insurance premium received		3,173,098,002	2,627,694,051
Reinsurance premium paid		(1,806,467,989)	(1,614,623,547)
Claims paid		(1,927,442,016)	(1,293,601,073)
Reinsurance and other recoveries received		1,363,824,436	901,668,660
Commission paid		(370,050,232)	(293,311,267)
Commission received		336,984,847	318,196,516
Management expenses paid		(509,937,330)	(341,414,978)
Net cash inflow from underwriting activities		260,009,718	304,608,362
(b) Other operating activities			
Income tax paid		(111,612,043)	(79,110,406)
General management expenses paid		(105,249,392)	(107,166,075)
Loan advanced		(5,468,968)	(3,423,196)
Security deposits paid		(467,437)	(2,747,848)
Loan repayments received		6,710,629	3,904,748
Net cash outflow from other operating activities		(216,087,211)	(188,542,777)
Total cash flow from all operating activities		43,922,507	116,065,585
Investment activities			
Profit / return received		53,118,922	66,082,064
Dividend received		5,413,675	4,487,693
Payment for investments		(2,412,913,027)	(3,708,982,851)
Proceeds from investments		2,405,028,374	3,602,912,068
Proceeds from sale of property and equipment		4,954,678	3,395,449
Fixed capital expenditure		(44,910,418)	(28,405,869)
Total cash flow from investing activities		10,692,204	(60,511,446)
Net cash flow from all activities		54,614,711	55,554,139
Cash and cash equivalents at beginning of the year		86,049,473	30,495,334
Cash and cash equivalents at end of the year		140,664,184	86,049,473
Reconciliation to profit and loss account			
Operating cash flows		43,922,507	116,065,585
Depreciation expense		(24,701,130)	(24,245,338)
Amortisation expense		(1,574,655)	(918,493)
Dividend income		5,413,675	3,781,193
Other investment income		52,587,999	58,909,095
Profit on disposal of property and equipment		2,287,754	2,119,055
Provision for impairment - against listed equity securities		(6,873,235)	(18,575,175)
Income tax expense		(105,414,168)	(80,375,793)
Other income		21,068,399	4,053,663
Increase in assets other than cash		521,589,213	587,747,085
Decrease in liabilities		(259,808,755)	(482,728,238)
Profit after tax from Conventional Insurance Operations		248,497,604	165,832,639
Profit from Window Takaful Operations- Operator's fund		11,078,877	1,162,864
Profit after taxation		259,576,481	166,995,503

The annexed notes 1 to 41 form an integral part of these financial statements.

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

1. LEGAL STATUS AND NATURE OF BUSINESS

UBL Insurers Limited (the Company) is an unlisted public limited company incorporated in Pakistan on June 29, 2006. The Company is a subsidiary of Bestway (Holdings) Limited. The Company received the Certificate of Commencement of Business on December 27, 2006. The principal objective of the Company is to conduct general insurance business. The Company received the Certificate of Registration under Section 6 of the Insurance Ordinance, 2000 on January 05, 2007. The Company currently operates a network of 19 (2017: 20) branches at various cities. The registered office of the Company is situated at 126-C, Jami Commercial, Street No.14, Phase VII, Defence Housing Authority, Karachi.

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

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

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

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

Incase 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.

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 requirements of the SECP Takaful Rules, 2012.

2.1 Basis of Measurement

The financial statements have been prepared under the historical cost 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.

2.2 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 effective in current year

There are certain new and amended standards and interpretations that are mandatory for the Company's accounting periods beginning on or after 01 January, 2018 but are considered not to be relevant or do not have any significant effect on the Company's financial statements. During the year Companies Act, 2017 became effective for the financial statements for the year ended 31 December 2018.

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 accounting and reporting standards as applicable in Pakistan will be effective for accounting periods beginning on or after 01 January 2019:

• IFRS 16 'Leases' (effective for annual period beginning on or after 01 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' 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 recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, the development of the Company's leases portfolio, the Comapny's assessment of whether it will exercise any lease renewal options and the extent to which the Company chooses to use practical expedients and recognition exemptions. The nature of expenses related to these leases will now change because IFRS 16 replaces the straight line operating lease expense with a depreciation charge for right-of-use assets and profit expense on lease liabilities. The Company plans to apply IFRS 16 initially on 01 January 2019, using a modified retrospective approach. The Company is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.

• IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Company's financial statements.

• IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 01 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of assessing the impact of this standard on the financial statements of the Company and expects that the amendments are not likely to have an impact on the Company's financial statements.

• IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 01 July 2018 and 01 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

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

• Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 01 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long- term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The application of this amendment is not likely to have impact on the Company's financial statements.

• Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Company's financial statements.

• Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The amendment is effective for transactions in the future and therefore would not have an impact on past financial statements.

• Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

• Annual Improvements to IFRS Standards 2015–2017 Cycle. The new cycle of improvements addresses improvements to following accounting and reporting standards:

• IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business.

• IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

• IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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.

3.1 Property and equipment

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

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 income currently.

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 profit and loss account as and when incurred. Major renewals and improvements are capitalised and assets so replaced, if any, are retired.

3.2 Intangible assets

These are stated at cost less accumulated amortisation and any impairment in value. Amortisation of intangible assets is charged to income applying the straight line method at the rates specified in note 6 to the 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, whereby 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 is 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.

3.3 Insurance contracts

Insurance contracts are those contracts under which the Company as insurer has accepted significant 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 duration of risk and whether or not the terms and conditions are fixed:

- Fire and property
- Banker's blanket
- Health
- Other classes

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.

The Company neither issues investment contracts nor does it issues insurance contracts with discretionary participation feature (DPF).

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.

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.

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.

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.

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.

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.

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 reinsuance 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.

3.4 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.

3.5 Unearned premium reserve

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

3.6 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 insurance as at the year end.

3.7 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. 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.

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.

3.8 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.

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

3.9 Segment reporting

The Company's operating business is organised and managed separately according to the nature of the services provided with each segment representing a strategic business unit that serves different markets.

3.9.1 Fire and property

The fire and property insurance provides coverage against damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and other related perils.

3.9.2 Marine and transport

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

3.9.3 Motor

Motor insurance provides comprehensive vehicle coverage and indemnity against third party loss.

3.9.4 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.

3.9.5 Banker's blanket

Banker's blanket insurance covers losses as a result of dishonest or fraudulent acts by officers and employees of the bank.

3.9.6 Other classes

Other classes insurance provides cover against burglary, loss of cash in safe and cash in transit, money, engineering losses, accident and health, and other coverage.

3.10 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.

3.11 Revenue recognition

3.11.1 Premium

Premium 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 insurance from inception to expiry. Premium is recognized as revenue evenly over the period of the policy.

The unearned portion of premium income is recognized as a liability. Such liability is calculated by applying the twenty-forth method , whereby the liability shall equal 1/24 of the premium relating to policies commencing in the first month of the insurer's financial year, 3/24 of the premiums relating to policies commencing in the second month of the insurer's financial years, and so on.

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

3.11.2 Commission income

Commission income from reinsurers is recognised at the date from attachment of risk to the policy / cover note and over the period of insurance from inception to expiry. Commission income is recognized as revenue evenly over the period of the policy of issuance of the underlying insurance.

The unearned portion of commission income is recognized as a liability. Such liability is calculated by applying the twenty-forth method , whereby the liability shall equal 1/24 of the premium relating to policies commencing in the first month of the insurer's financial year, 3/24 of the premiums relating to policies commencing in the second month of the insurer's financial years, 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.

3.11.3 Investment income

Income from held to maturity investments is recognised on a time proportion basis taking into account the effective yield on the investments. The difference between the redemption value and the purchase price of the held to maturity investments is amortised and taken to the profit and loss account over the term of the investment.

Gain loss on sale of investments is included in income currently.

Return on fixed income securities classified as available for sale is recognised on a time proportion basis taking into account the effective yield on the investments.

Return on bank deposits is recognised on a time proportion basis taking into account the effective yield.

3.11.4 Dividend income

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

3.12 Investments

3.12.1 Classification

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

a) In equity securities

Surplus / (deficit) arising on revaluation of quoted securities which are classified as available for sale investments is taken to a separate account which is shown in the statement of financial position 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. 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.

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

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

b) In debt securities

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

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

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

c) In term deposits

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

These investments are designated at held to maturity.

3.13 Off setting of financial assets and liabilities

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

3.14 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.

3.15 Reinsurance expense

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

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

3.16 Taxation

3.16.1 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.

3.16.2 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.

3.17 Staff retirement benefits

3.17.1 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 profit and loss account. The Company recognises gain and loss on the settlement of a defined benefit plan when the settlement occurs.

3.17.2 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.

3.18 Leases

Assets subject to finance lease

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, at the fair value of the lease property or, if lower at the present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Assets acquired under the finance lease are depreciated using the same basis as for owned assets.

3.19 Impairment of assets

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

3.20 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.

3.21 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.

3.22 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 31 December 2018.

3.23 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 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.

3.24 Earnings per Share

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgment or complexity, or areas where assumption and estimates are significant to the financial statements, or 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 3.5)
c) Premium deficiency reserve (note 3.6)
d) Defined benefit plan (note 3.17.2)
e) Classification of investments and impairment (note 3.19 and 3.12)
f) Useful lives of assets and methods of depreciation (note 3.1 and 3.2)
g) Provision for current and deferred tax (note 3.16)
h) Insurance / reinsurance receivables (note 4.2)
i) Deferred commission expense / acquisition cost (note 3.4)

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 31 December 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.

4.2 Insurance / reinsurance receivables

This is recognised at cost, which is the fair value of the consideration receivable, less provision for impairment, if any.

5. PROPERTY AND EQUIPMENT

	Note	31 December 2018	31 December 2017
		(Rupees)	
Operating assets	5.1	94,654,793	80,173,354
Capital work in progress		-	-
		94,654,793	80,173,354

Kon

5.1 Operating fixed assets

	2018							
	Cost			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)							
Furniture and fixtures	15,078,261	1,772,447 (24,351)	16,826,357	8,981,407	1,294,960 (7,304)	10,269,063	6,557,294	10
Office equipment	13,858,443	976,199 (308,888)	14,525,754	8,863,719	1,661,697 (238,848)	10,286,568	4,239,186	20
Computer and accessories	10,024,206	2,204,040 (664,919)	11,563,327	6,057,020	1,821,922 (331,459)	7,547,483	4,015,844	25
Motor vehicles	101,772,805	33,947,812 (16,748,618)	118,971,999	49,971,234	16,845,110 (14,757,075)	52,059,269	66,912,730	20
Tracking devices	4,280,429	- (4,280,429)	-	4,280,429	- (4,280,429)	-	-	33
Mobile phones	1,198,192	467,400 (246,973)	1,418,619	606,113	395,281 (181,466)	819,928	598,691	33
Leasehold improvements	31,239,489	2,478,275 (206,675)	33,511,089	18,518,549	2,682,160 (20,668)	21,180,041	12,331,048	10
	177,451,825	41,846,173 (22,480,853)	196,817,145	97,278,471	24,701,130 (19,817,249)	102,162,352	94,654,793	

	2017							
	Cost			Depreciation			Written down value as at December 31, 2017	Depreciation rate %
	As at January 1, 2017	Additions / (disposals)	As at December 31, 2017	As at January 1, 2017	For the year / (on disposals)	As at December 31, 2017		
	(Rupees)							
Furniture and fixtures	13,739,760	2,354,041 (1,015,540)	15,078,261	8,549,355	1,271,835 (839,783)	8,981,407	6,096,854	10
Office equipment	12,900,924	3,025,778 (2,068,259)	13,858,443	9,577,820	1,335,710 (2,049,811)	8,863,719	4,994,724	20
Computer and accessories	9,305,072	2,820,606 (2,101,472)	10,024,206	6,547,503	1,423,365 (1,913,848)	6,057,020	3,967,186	25
Motor vehicles	97,490,829	14,354,138 (10,072,162)	101,772,805	42,382,325	16,936,048 (9,347,139)	49,971,234	51,801,571	20
Tracking devices	4,280,429	-	4,280,429	4,280,429	-	4,280,429	-	33
Mobile phones	966,265	449,100 (217,173)	1,198,192	376,839	362,211 (132,937)	606,113	592,079	33
Leasehold improvements	31,592,864	2,442,930 (2,796,305)	31,239,489	18,297,642	2,916,169 (2,695,262)	18,518,549	12,720,940	10
	170,276,143	25,446,593 (18,270,911)	177,451,825	90,011,913	24,245,338 (16,978,780)	97,278,471	80,173,354	

5.1.1 Disposal of fixed assets

Fixed Assets	Cost	Book value	Sale proceeds	Mode of sale	Particulars of purchaser
	2018				
Computer and accessories	664,919	333,460	266,203	Quotation	Muneer Ahmed,Babar Mahmood Mirza & Shahbaz Traders
Motor vehicles	16,748,618	1,991,543	4,486,252	Employee Policy / Quotation	Ilyas Malik, Sajjad Hussain Khan,Irfan ul Azim,Ghazali Farooqui,Sarmad Nadeem, Rashid Jameel Khan, Amin Najmuddin, Abdul Rauf Patel, M.Riaz, Syed M. Rizwan, Safari Centre, Ashraf Autos & Tuning Centre & Muneer Ahmed Adnan
Mobile phones	246,973	68,827	72,223	Quotation	M.Arif Sharif ,Babar Mahmood Mirza & Shahbaz Traders
Office Equipment	308,888	70,040	55,000	Quotation	High Pro Feeds
	17,969,398	2,463,870	4,879,678		

6. INTANGIBLE ASSETS

	Cost			Amortisation				
	As at 1 January	Additions	As at 31 December	As at 1 January	For the year	As at 31 December	Written down value as at 31 December	Amortisation period
Computer softwares	(Rupees)							
2018	13,396,592	3,064,245	16,460,837	9,054,640	1,574,655	10,629,295	5,831,542	4 years
2017	10,437,316	2,959,276	13,396,592	8,136,147	918,493	9,054,640	4,341,952	4 years

7. INVESTMENTS IN EQUITY SECURITIES

	Note	31 December 2018 Cost	Impairment / provision	Carrying value	31 December 2017 Cost	Impairment / provision	Carrying value
Available-for-sale		----------	----------	(Rupees)	----------	----------	----------
Listed shares							
Saif Power Limited		18,876,835	(5,946,955)	12,929,880	18,876,835	(4,310,580)	14,566,255
Nishat Chunian Power Limited		28,242,746	(17,174,245)	11,068,501	28,242,746	(12,742,135)	15,500,611
Arif Habib Dolmen REIT Management Limited		14,900,800	-	14,900,800			
Fauji Fertilizer Bin Qasim Limited		5,770,130	-	5,770,130			
Kot Addu Power Company Limited		17,519,000	(8,352,250)	9,166,750	17,519,000	(7,547,500)	9,971,500
	7.1	85,309,511	(31,473,450)	53,836,061	64,638,581	(24,600,215)	40,038,366
Mutual funds							
Atlas Income Fund		-	-	-	5,892,178	-	5,892,178
NAFA Money Market Fund		-	-	-	2,850,064	-	2,850,064
Atlas Money Market Fund		-	-	-	5,047,068	-	5,047,068
	7.2	-	-	-	13,789,310	-	13,789,310
(Deficit) / Surplus on revaluation				(599,255)			147,818
				53,236,806			53,975,494

7.1 Listed shares

	Note	2018	2017
		(Rupees)	
Cost		85,309,511	64,638,581
Provision for impairment	7.1.1	(31,473,450)	(24,600,215)
		53,836,061	40,038,366

7.1.1 Provision for impairment

	2018	2017
Opening provision	24,600,215	6,025,040
Charge for the year	6,873,235	18,575,175
Closing provision	31,473,450	24,600,215

7.1.2 The market value of the above investments is Rs. 53.237 million (2017: Rs. 40.038 million). The Company uses stock exchange quotation, at the balance sheet date to determine the market value of quoted equity securities.

7.2 Market value of the above investment is Rs. Nil (2017: Rs. 13.937 million). The Company uses net assets value issued by the fund manager at the balance sheet date to determine the market value.

8. INVESTMENTS IN DEBT SECURITIES

	Note	31 December 2018 Cost	Carrying value	31 December 2017 Cost	Carrying value
Government securities		----------	(Rupees)	----------	----------
Available-for-sale					
Market treasury bills	8.1	-	-	477,781,257	477,781,257
Pakistan investment bonds	8.2	241,763,274	241,763,274	243,008,931	243,008,931
		241,763,274	241,763,274	720,790,188	720,790,188
Deficit on revaluation		-	(10,466,810)	-	(1,404,353)
		241,763,274	231,296,464	720,790,188	719,385,835
Held to maturity					
Market treasury bills	8.3	80,693,063	80,693,063	-	-
Pakistan investment bonds	8.4	236,848,111	236,848,111	-	-
		317,541,174	317,541,174	-	-
		559,304,448	548,837,638	720,790,188	719,385,835

8.1 Market treasury bills (Available for Sale)

Face value	Profit rate %	Profit payment	Type of security	Maturity date	31 December 2018	31 December 2017
					(Rupees)	
142,000,000	5.99 %	On Maturity	Treasury bills	4-Jan-18	-	141,931,029
76,000,000	5.99 %	On Maturity	Treasury bills	18-Jan-18	-	75,790,819
102,000,000	5.99 %	On Maturity	Treasury bills	1-Feb-18	-	101,488,057
102,000,000	5.99 %	On Maturity	Treasury bills	15-Feb-18	-	101,256,857
58,000,000	5.99 %	On Maturity	Treasury bills	15-Mar-18	-	57,314,495
					-	477,781,257

8.1.1 Market treasury bills (MTBs) have face value of Rs. Nil (market value of Rs. Nil) [2017: face value Rs. 480 million (market value of Rs. 477.721 million)].

These carry mark-up ranging at Nil (2017: 5.99% per annum).

8.2 Pakistan investment bonds (Available for Sale)

Face value	Profit rate %	Profit payment	Type of security	Maturity date	31 December 2018	31 December 2017
					(Rupees)	
240,500,000	7.00 %	Semi-annually	Pakistan Investment Bonds - 3 Years	29-Dec-19	241,763,274	243,008,931

8.2.1 Pakistan investment bonds have face value of Rs. 241 million (market value of Rs. 231.296 million) [2017: face value of Rs. 241 million (market value of Rs. 241.664 million)]. PIBs having face value of Rs. 120 million (market value of Rs 115.408 million) [(2017: face value of Rs.120 million (market value of Rs. 120.581 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 Securities and Exchange Commission of Pakistan. These carry mark-up at 7.00% per annum and will mature latest by December 29, 2019.

8.3 Market treasury bills (Held to Maturity)

Face value	Profit rate %	Profit payment	Type of security	Maturity date	31 December 2018	31 December 2017
					(Rupees)	
82,000,000	10.27%	On Maturity	Treasury bills	28-Feb-19	80,693,063	-

8.3.1 Market treasury bills (MTBs) have face value of Rs. 82 million (market value of Rs. 80.657 million) [2017: face value Rs. Nil (market value of Rs. Nil)].

These carry mark-up ranging at 10.27% per annum (2017: Nil) and will mature latest by February 28, 2019.

8.4 Pakistan investment bonds (Held to Maturity)

Face value	Profit rate %	Profit payment	Type of security	Maturity date	31 December 2018	31 December 2017
					(Rupees)	
235,000,000	11.50%	Semi-annually	Pakistan Investment Bonds - 5 years	17-Jul-19	236,848,111	

8.4.1 Pakistan investment bonds have face value of Rs. 235 million (market value of Rs. 236.048 million) [2017: face value of Rs. Nil (market value of Rs. Nil)].

These carry mark-up at 11.50% per annum and will mature latest by July 17, 2019.

9. INVESTMENTS IN TERM DEPOSITS

	Note	31 December 2018	31 December 2017
		(Rupees)	
Held to maturity			
Deposits maturing within 12 months	9.1	203,000,000	-
Telenor Microfinance Bank	9.1	67,000,000	90,333,631
Finca Microfinance Bank		270,000,000	90,333,631

9.1 Term Deposit of Rs. 270 million (market value of Rs. 270 million) [2017: Rs. 90.33 (market value of Rs. 90.33)]. These carry mark-up ranging from 7.93% to 9% per annum (2017: 7.25% to 7.80% per annum).and will mature latest by March 09, 2019.

10. LOANS AND OTHER RECEIVABLES - Considered good

	31 December 2018	31 December 2017
Accrued investment income	25,037,913	5,267,858
Receivable from window takaful operations	181,413	5,999,682
Federal excise duty	7,395,856	-
Security deposits	17,595,746	17,128,309
Loans to employees	2,627,805	1,386,144
Other receivable	10,905,819	887,383
	63,744,552	30,669,376

11. INSURANCE / REINSURANCE RECEIVABLES - Unsecured and considered good

	31 December 2018	31 December 2017
Due from insurance contract holders	662,339,941	675,981,973
Less: Provision for impairment of receivables from insurance contract holders	-	-
Due from other insurers / reinsurers	652,652,992	420,797,822
Less: Provision for impairment of due from other insurers / reinsurers	-	-
	1,314,992,933	1,096,779,795

12. RETIREMENT BENEFIT OBLIGATIONS

Defined benefit plan - funded gratuity scheme

The latest valuation of scheme was carried out as at December 31, 2018 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

	31 December 2018	31 December 2017
	(Rupees)	
Details of Employees Valued		
Total number of employees	252	231
Total monthly salary	9,106,975	8,273,598
Balance Sheet Reconciliation		
Fair value of plan assets	(36,899,718)	(30,340,407)
Present value of defined benefit obligations	45,619,909	35,835,157
Funded status	8,720, 191	5,494,750
Unrecognised net actuarial loss / (gain)	-	-
Recognised liability	8,720,191	5,494,750
Movement in fair value of plan assets		
Fair value as at 01 January 2018	30,340,407	23,977,341
Expected return on plan assets	2,745,244	2,077,745
Actuarial losses	(507,809)	(667,642)
Employer contributions	7,703,136	5,336,964
Benefits paid	(3,381,260)	(384,001)
Fair value as at 31 December 2018	36,899,718	30,340,407
Movement in the defined benefit obligations		
Obligation as at 01 January 2018	35,835,157	26,278,963
Service cost	7,267,442	5,159,783
Interest cost	3,180,944	2,254,924
Settlement and curtailment	-	-
Actuarial losses	2,717,626	2,525,488
Benefits paid	(3,381,260)	(384,001)
Obligation as at 31 December 2018	45,619,909	35,835,157
Cost		
Current Service cost	7,267,442	5,159,783
Interest cost	3,180,944	2,254,924
Expected return on plan assets	2,745,244	(2,077,745)
Settlement and curtailment	-	-
Recognition of actuarial loss	-	-
Expense	13,193,630	5,336,962
Actual return on plan assets	2,237,435	1,410,103

Principle actuarial assumptions under are as follows:	31 December 2018	31 December 2017
Discount rate and expected return on plan assets	13.25%	8.25%
Future salary increases	12.25%	7.25%
Mortality rates	SLIC (2001-05)	SLIC (2001-05)
Rates of Employee turnover	Moderate	Moderate

Comparison for five years:	2018	2017	2016	2015	2014
			(Rupees)		
As at December 31					
Fair value of plan assets	(36,899,718)	(30,340,407)	(23,977,341)	(18,976,746)	(15,255,160)
Defined benefit obligations	45,619,909	35,835,157	26,278,963	19,867,746	15,550,236
Deficit	8,720,191	5,494,750	2,301,622	891,000	295,076

Experience adjustments					
Gain / (loss) on plan assets (as percentage of plan assets)	-4.1 %	-8.2 %	-5.5 %	-2.6 %	5.0 %
Gain / (loss) on plan assets (as percentage of plan obligations)	-3.4 %	-4.3 %	-5.8 %	-7.7 %	-9.8 %

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

	Increase	Decrease
	(Rupees)	
Effect on the aggregate of current service and interest cost	49,600,001	39,094,675
Effect on the defined benefit obligations	42,340,666	33,150,695

Plan assets comprise of the following:	December 31, 2018		December 31, 2017	
	(Rupees)	%	(Rupees)	%
Debt	34,703,301	94.0 %	27,489,951	90.6 %
Equity	-	0.0 %	-	0.0 %
Cash and cash equivalent - net of current liabilities	2,196,417	6.0 %	2,850,456	9.4 %
Fair value of plan assets	36,899,718	100 %	30,340,407	100 %

The expected charge to retirement benefit obligation for the year 2019 amounts to Rs. 9.46 million.

13. DEFERRED TAXATION

Deferred taxation comprises deductible temporary differences relating to following:

	Note	31 December 2018	31 December 2017
		(Rupees)	
Deferred debits arising in respect of:			
- staff retirement benefits		1,893,316	957,939
- impairment against listed equity securities		9,127,301	7,380,065
- provision for bad debts		-	-
- provision for employee bonus		5,495,726	5,372,473
- Deficit on revaluation		3,211,220	376,961
Deferred credit arising in respect of:			
- accelerated depreciation		(1,482,197)	(437,254)
		18,245,366	13,650,184

14. PREPAYMENTS

Prepaid reinsurance premium ceded		681,537,909	566,811,611
Prepaid rent		5,842,420	3,502,683
Prepaid tracker monitoring charges		57,260,021	42,040,837
Prepaid miscellaneous expenses		5,136,193	9,199,436
		749,776,543	621,554,567

15. CASH AND BANK

Cash and cash equivalents			
- Cash in hand		1,005,000	874,704
- Policy stamps in hand		3,143,226	196,330
		4,148,226	1,071,034
Cash at bank			
- Current accounts	15.1	49,507,531	15,040,495
- Savings account	15.2 & 15.3	87,008,427	69,937,944
		136,515,958	84,978,439
		140,664,184	86,049,473

Cash and short term borrowing include the following for the purposes of the cashflow statement:

Cash and cash equivalents	140,664,184	86,049,473

15.1 This includes balance with a related parties amounting to Rs. 18.639 million (2017: 12.680 million).

15.2 This includes balance with a related parties amounting to Rs. 29.392 million (2017: Rs. 10.369 million).

15.3 These carry profit rates ranging between 8.50% to 10.00% (2017: 3.75% to 7.00%) per annum.

16. SHARE CAPITAL

16.1 Authorised Capital

2018	2017		2018	2017
(Number of shares)			(Rupees)	
150,000,000	150,000,000	Ordinary shares of Rs. 10 each	1,500,000,000	1,500,000,000

16.2 Issued, subscribed and paid-up capital

115,217,391	115,217,391	Ordinary shares of Rs. 10 each fully paid in cash	1,152,173,910	1,152,173,910

16.3 Major shareholders of the Company are:

Number of shares held		Name of Shareholder	Percentage of Shareholding	
2018	2017		2018	2017
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

17. RESERVES

	Note	2018	2017
		(Rupees)	
Revaluation reserves - Available-for-sale			
Listed Shares		(599,255)	-
Mutual Funds		-	147,818
Market Treasury Bills		-	(59,899)
Pakistan Investment Bonds		(10,466,810)	(1,344,453)
Term Finance Certificate		-	-
		(11,066,065)	(1,256,534)
Related deferred tax liability		3,211,220	376,961
		(7,854,845)	(879,573)
Revaluation Reserve - WTO		5,045	(7)
		(7,849,800)	(879,580)

18. INSURANCE / REINSURANCE PAYABLES

	Note	2018	2017
Due to foreign reinsurers		156,878,856	127,495,229
Due to local reinsurers		31,313,906	85,377,325
Due to other insurers		38,278,878	29,988,938
Due to insurance contract holders		3,447,641	37,946,425
		229,919,281	280,807,917

19. OTHER CREDITORS AND ACCRUALS

	Note	2018	2017
Agents commission payable		62,437,714	83,990,148
Federal excise duty		-	2,198,267
Federal insurance fee		1,098,779	474,980
Worker's welfare fund		-	12,031,111
Accrued expenses		49,470,698	50,855,857
Unclaimed insurance benefits	19.1	16,282,273	11,153,403
Cash margin against insurance policies		17,744,886	5,796,447
Others		16,352,674	10,651,722
		163,387,024	177,151,935

19.1 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:

	2018	2017
	(Rupees)	
More than 6 months	16,282,273	11,153,403
1 to 6 months	5,917,000	51,284,116

Claims not encashed

31 December 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)					
5,917,000	4,585,010	2,222,838	2,016,450	7,457,975	22,199,273

31 December 2017					
(Age-wise Breakup)					
1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months	Total
(Rupees)					
51,284,116	3,305,428	133,178	436,400	7,278,397	62,437,519

20. CONTINGENCIES AND COMMITMENTS

Section 113(2)(c) of the Income Tax Ordinance 2001, was interpreted by a Divisional Bench of the Sindh High Court (SHC) in the Income Tax Reference Application (ITRA) No. 132 of 2011 dated 7 May 2013, whereby it was held that the benefit of carry forward of minimum tax is only available in the situation where the actual tax payable (on the basis of net income) in a tax year is less than minimum tax. Therefore, where there is no tax payable, inter alia, due to brought forward tax losses, minimum tax could not be carried forward for adjustment with future tax liability. As per the provisions of Income Tax Ordinance 2001, the Company has minimum tax as at December 31, 2018 of Rs. 15,002,983 which has not been recorded as tax expense.

A leave to appeal against the aforesaid decision has already been filed before the Supreme Court of Pakistan which is pending for hearing. The Company based on tax advisor's advice considers that if tax authorities initiate similar proceedings against the Company, there are reasonable grounds whereby the decision can be challenged before Superior Courts. In view of above, the Company is confident that the ultimate outcome in this regard would be favourable. Hence no provision in this respect has been made in these financial statements.

21. WINDOW TAKAFUL OPERATIONS OPERATOR'S FUND

	Note	31 December 2018	31 December 2017
		(Rupees)	
Assets			
Cash and bank		9,887,828	45,696,160
Investments		47,007,106	1,999,990
Current assets - other		83,427,014	53,992,667
Total assets		140,321,948	101,688,817
Total liabilities - current		86,999,057	56,236,981
Profit before taxation		11,078,877	1,162,864

Details of total assets, total liabilities and segment disclosure of window takaful operations are stated in the annexed financial information for the year ended 31 December 2018 and 2017.

22. NET INSURANCE PREMIUM

	31 December 2018	31 December 2017
	(Rupees)	
Written Gross Premium	3, 391, 311, 140	2,760,841,910
Add: Unearned premium reserve opening	1,066,260, 912	762,340,868
Less: Unearned premium reserve closing	(1,378,039,598)	(1,066,260,912)
Premium earned	3,079,532,454	2,456,921,866
Less:		
Reinsurance premium ceded	1, 781,788, 197	1,614,623,547
Add: Prepaid reinsurance premium opening	566, 811, 611	396,932,945
Less: Prepaid reinsurance premium closing	(681,537,909)	(566,811,611)
Reinsurance expense	1,667,061,899	1,444,744,881
	1,412,470,555	1,012,176,985

23. NET INSURANCE CLAIMS EXPENSE

	31 December 2018	31 December 2017
Claims paid	1,927,442,016	1,293,601,073
Add: Outstanding claims including IBNR closing *23.1*	1,400,561,201	1,340,865,701
Less: Outstanding claims including IBNR opening	(1,340,865,701)	(1,177,704,139)
Claim expense	1,987,137,516	1,456,762,635
Less: Reinsurance and other recoveries received	(1,363,824,436)	(901,668,660)
Add: Reinsurance and other recoveries in respect of outstanding claims - opening	1,192,538,048	1,057,413,228
Less: Reinsurance and other recoveries in respect of outstanding claims - closing	(1,247,591,140)	(1,192,538,048)
Reinsurance and other recoveries revenue	(1,418,877,528)	(1,036,793,480)
	568,259,988	419,969,155

23.1 Claim Development

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

Analysis on gross basis

Accident year	2014	2015	2016	2017	2018
	(Rupees)				
Estimate of ultimate claims cost:					
At end of accident year	3,074,153,825	782,611,023	1,825,827,421	1,592,214,277	2,060,841,290
One year later	3,623,063,355	724,907,708	1,726,899,944	1,648,955,450	
Two years later	3,559,931,628	699,990,400	1,610,184,664		
Three years later	3,550,988,321	691,546,565			
Four years later	3,494,939,067				
Current estimate of cumulative claims	3,494,939,067	691,546,565	1,610,184,664	1,648,955,450	2,060,841,290
Cumulative payments made to date	(3,402,308,975)	(653,740,573)	(1,472,645,749)	(1,395,529,846)	(1,181,680,692)
Liability recognised in the statement of financial position	92,630,092	37,805,992	137,538,915	253,425,604	879,160,598

24. NET COMMISSION EXPENSE / ACQUISITION COSTS

	Note	31 December 2018	31 December 2017
		(Rupees)	
Commission paid or payable		348,497,798	293,311,267
Add: Deferred commission expense opening		122,925,249	84,441,012
Less: Deferred commission expense closing		(147,626,187)	(122,925,249)
Net Commission		323,796,860	254,827,030
Less: Commission received or recoverable		(334,851,611)	(368,671,256)
Add: Unearned reinsurance commission closing		137,326,001	139,459,237
Less: Unearned reinsurance commission opening		(139,459,237)	(88,984,496)
Commission from reinsurers		(336,984,847)	(318,196,515)
		(13,187,987)	(63,369,485)

25. MANAGEMENT EXPENSES

	Note	31 December 2018	31 December 2017
Employee benefit cost	25.1	204,047,334	161,500,590
Traveling expense		4,352,478	3,064,092
Advertisements & sales promotion		25,603,197	13,215,529
Printing and stationery		3,458,390	1,723,778
Depreciation		14,616,131	13,698,603
Rent, rates and taxes		15,612,385	14,799,309
Legal and professional charges - business related		4,283,585	3,774,778
Electricity, gas and water		4,511,293	5,371,919
Entertainment		1,862,924	1,180,472
Vehicle running expenses		41,441,464	28,942,198
Office repairs and maintenance		3,015,394	2,505,661
Bank charges		3,504,086	100,085
Postages, telegrams and telephone		6,047,179	6,506,092
Annual supervision fee - SECP		6,706,601	5,401,748
Service charges		20,304,858	13,027,234
Tracker charges		110,841,282	66,025,671
Miscellaneous		8,475,864	4,652,210
		478,684,445	345,489,969

25.1 Employee benefit cost

		31 December 2018	31 December 2017
Salaries, allowances and other benefits		191,709,494	149,228,954
Charges for post employment benefit		12,337,840	12,271,636
		204,047,334	161,500,590

26. INVESTMENT INCOME

	Note	31 December 2018	31 December 2017
		--(Rupees)--	
Available-for-sale			
Income from equity securities			
Dividend income		5,413,675	3,781,193
Income from debt securities			
Return on government securities		35,613,087	48,683,759
Return on term finance certificates		-	3,553,145
Amortization of discount / (premium) on government securities / term finance certificates		(1,195,618)	(2,528,769)
		39,831,144	53,489,328
Net realised gains on investments			
- Equity securities		1,013,579	8,299,051
Total investment income		40,844,723	61,788,379
Less: Impairment in value of available for sale securities			
- Equity Securities		(6,873,235)	(18,575,175)
		33,971,488	43,213,204
Held to maturity			
Income from debt securities			
Return on government securities		5,009,430	-
Amortization of discount / (premium) on government securities		(1,261,967)	-
		3,747,463	-
Income from term deposits			
Return on term deposits		22,837,974	901,909
		26,585,437	901,909
Net investment income		60,556,925	44,115,113

27. OTHER INCOME

	Note	31 December 2018	31 December 2017
Income from financial assets / liabilities			
Return on bank balances		9,428,486	3,644,774
Gain on sale of fixed assets		2,287,754	2,119,055
Exchange gain		1,020,475	-
Miscellaneous income		1,190,952	408,889
		13,927,667	6,172,718

28. OTHER EXPENSES

	Note	31 December 2018	31 December 2017
Legal and professional fee other than business related		1,408,821	1,397,692
Auditors' remuneration	28.1	2,024,175	1,667,859
(Reversal) / charge workers' welfare fund		(12,031,111)	5,047,966
Depreciation expense		10,084,999	10,546,735
Amortisation		1,574,655	918,493
Communication		7,824,594	6,335,636
Rent, rates and taxes		11,567,756	9,978,705
Salaries and benefits		53,322,763	53,307,553
Miscellaneous		23,499,242	35,846,080
		99,275,894	125,046,719

28.1 Auditors' remuneration

	31 December 2018	31 December 2017
	(Rupees)	
Audit fee	476,280	491,600
Half yearly review fee	238,140	226,800
Certifications	1,116,644	766,800
Out of pocket expenses	193,111	182,659
	2,024,175	1,667,859

29. TAXATION

	31 December 2018	31 December 2017
For the year		
Current	107,861,871	(84,913,453)
Deferred	(825,546)	4,537,660
	107,036,325	(80,375,793)
For the prior year		
Current	(1,622,157)	-
	105,414,168	(80,375,793)

29.1 Relationship between tax expense and accounting profit

	31 December 2018	31 December 2017
Profit before taxation for the year	364,990,649	247,371,296
Tax at the applicable rate of 29% (2017: 30%)	105,847,288	74,211,389
Tax effect of change in tax rate	485,387	442,441
Tax effect of permanent difference	298,524	308,818
Tax effect of long outstanding liabilities	198,612	2,183,519
Tax effect of prior year	(1,622,157)	-
Others	206,514	3,229,626
	105,414,168	80,375,793

29.2 The assessment of the Company upto and including tax year 2017 have been finalized under section 120 of the Income Tax Ordinance, 2001 (the Ordinance) which is subject to audit under section 177 of the Ordinance.

30. TAXATION - PAYMENTS LESS PROVISION

	31 December 2018	31 December 2017
Balance as at January 1,	2,997,822	8,452,009
Tax paid including deducted at source	111,612,043	79,110,406
Provision for taxation - Takaful	3,212,874	348,860
Provision for taxation	(106,239,714)	(84,913,453)
Balance as at December 31,	11,583,025	2,997,822

30.1 The Finance Act, 2018, ammended Section 5A of the Income tax Ordinance, 2001. According to which now every public limited company is required to pay at the rate of 5 percent of its accounting profit before tax. However this tax shall not apply in case of public limited company, which distributes at least 20 percent of its after tax profit with in six months of the end of the relevant tax year through cash.

The management has intention to pay dividend. Accordingly, no provision of income tax in this respect has been made in these financial statements.

31. EARNINGS PER SHARE

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

	2018	2017
	(Rupees)	
Profit after tax for the year	259,576,481	166,995,503
	(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	2.25	1.45

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

32. COMPENSATION OF DIRECTORS AND EXECUTIVES

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		Director		Executives / key management personnel		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	(Rupees)							
Fees	-	-	-	-	-	-	-	-
Managerial remuneration	5,784,002	6,342,852	761,143	548,568	32,055,139	20,184,648	38,600,284	27,076,068
Bonus	5,000,000	5,000,000	300,000	250,000	7,311,031	7,230,640	12,611,031	12,480,640
House rent allowance	2,602,804	2,854,284	342,514	246,852	14,424,809	9,083,094	17,370,127	12,184,230
Utilities	1,156,799	1,268,568	152,229	109,716	7,140,632	4,036,918	8,449,660	5,415,202
Medical	1,128,474	634,284	76,114	54,852	3,871,239	2,332,952	5,075,827	3,022,088
Retirement benefits	843,467	924,996	-	-	4,492,764	2,879,704	5,336,231	3,804,700
Fuel	463,257	432,000	-	-	6,456,613	3,337,920	6,919,870	3,769,920
Cell allowance	48,600	60,000	30,000	30,000	644,400	388,000	723,000	478,000
Car maintenance allowance	259,000	-	-	-	1,745,000	948,000	2,004,000	948,000
Driver Salary	171,979	207,500	-	-	1,310,500	1,170,000	1,482,479	1,377,500
Guard Salary	120,000	360,000	-	-	-	-	120,000	360,000
Others	104,741	435,000	-	-	361,285	457,400	466,026	892,400
	17,683,123	18,519,484	1,662,000	1,239,988	79,813,412	52,049,276	99,158,535	71,808,748
Number of persons	*2	1	7	7	18	11	27	19

* The Chief executive of the Company has resigned during the year and acting Chief executive has been appointed by the Company

33. TRANSACTIONS WITH RELATED PARTIES

33.1 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 other than those which have been specifically disclosed elsewhere in these financial statements are as follows :

Transactions and balances with related parties	2018	2017
	(Rupees)	
Associated companies		
Premium underwritten	483,007,365	417,912,850
Insurance claims expense	364,924,460	338,657,611
Bank charges	3,479,162	3,341,638
Profit on bank accounts	6,955,522	3,713,449
Internal audit fees	420,000	400,000
Marketing service charrges	21,190,667	12,271,500
Others		
Premium underwritten	4,016,525	3,364,386
Insurance claims expense	80,712	180,000
Profit on bank accounts	18,925	17,204
Employees' funds		
Contribution to the provident fund	8,413,283	6,934,672
Contribution to the gratuity fund	7,703,142	5,336,964
Balances		
Associated companies		
Bank balances	48,681,994	22,696,777
Premium due but unpaid	56,649,699	20,562,211
Profit receivable on bank accounts	-	103,448
Claim outstanding	288,309,347	171,101,108
Internal audit fee payable	82,500	100,000
Marketing service charrges payable	722,250	1,158,425
Communication charges payable	7,548,000	7,548,000
Others		
Bank balances	369,565	352,533
Premium due but unpaid	208,207	39,781,613
Claim outstanding	278,200	14,786,712

34. SEGMENT INFORMATION

	For the year ended 31 December 2018						
	Fire & property	Marine, aviation & transport	Motor	Bankers blanket	Health	Other classes	2018 Aggregate
	(Rupees)						
Premium receivable (inclusive of Federal excise duty and Federal insurance fee and Administrative surcharge)	1,222,971,877	332,473,260	1,085,500,335	173,054,293	560,703,128	435,085,926	3,809,788,819
Less: Federal excise duty / sales tax	(152,094,634)	(36,675,874)	(130,223,872)	(20,367,762)	(3,477,696)	(41,908,819)	(384,748,657)
Less: Federal insurance fee	(10,531,100)	(2,922,867)	(9,472,916)	(1,511,933)	(5,516,287)	(3,773,919)	(33,729,022)
Gross written premium (inclusive of Administrative surcharge)	1,060,346,143	292,874,519	945,803,547	151,174,598	551,709,145	389,403,188	3,391,311,140
Gross direct premium	1,031,808,448	283,890,991	911,611,736	151,158,348	551,504,731	369,480,118	3,299,454,372
Facultative inward premium	19,994,194	1,407,979	5,120,157	-	-	14,681,156	41,203,486
Administrative surcharge	8,543,501	7,575,549	29,071,654	16,250	204,414	5,241,914	50,653,282
Insurance premium earned	937,002,245	289,509,233	875,611,233	149,776,822	445,887,684	381,745,237	3,079,532,454
Insurance premium ceded to reinsurers	(697,609,776)	(190,826,911)	(155,107,324)	(130,446,653)	(194,895,435)	(298,175,800)	(1,667,061,899)
Net insurance premium	239,392,469	98,682,322	720,503,909	19,330,169	250,992,249	83,569,437	1,412,470,555
Commission income	132,046,783	47,767,443	42,361,334	23,438,791	31,328,086	60,042,410	336,984,847
Net underwriting income	371,439,252	146,449,765	762,865,243	42,768,960	282,320,335	143,611,847	1,749,455,402
Insurance claims	(611,024,337)	(148,148,784)	(566,573,005)	(27,707,461)	(407,594,679)	(226,089,250)	(1,987,137,516)
Insurance claims recovered from reinsurers	547,201,439	125,223,695	257,929,450	27,624,256	264,699,773	196,198,915	1,418,877,528
Net claims	(63,822,898)	(22,925,089)	(308,643,555)	(83,205)	(142,894,906)	(29,890,335)	(568,259,988)
Commission expenses	(129,210,272)	(51,272,045)	(65,736,861)	(947,054)	(41,163,335)	(35,467,293)	(323,796,860)
Management expenses	(109,111,195)	(30,137,223)	(225,298,074)	(15,556,093)	(58,511,692)	(40,070,168)	(478,684,445)
Premium deficiency expense	-	-	-	-	-	(11,035)	(11,035)
Net insurance claims and expenses	(302,144,365)	(104,334,357)	(599,678,490)	(16,586,352)	(242,569,933)	(105,438,831)	(1,370,752,328)
Underwriting result	69,294,887	42,115,408	163,186,753	26,182,608	39,750,402	38,173,016	378,703,074
Investment income							60,556,925
Other income							13,927,667
Other expenses							(99,275,894)
Profit from Window takaful operations - net off tax							11,078,877
							(13,712,425)
Profit before tax							364,990,649
Segment assets	1,091,901,402	301,590,287	973,950,087	155,673,462	568,127,675	400,991,591	3,492,234,504
Unallocated assets							1,314,872,153
							4,807,106,657
Segment liabilities	1,003,457,149	277,161,408	895,059,917	143,063,878	522,109,209	368,511,183	3,209,362,744
Unallocated liabilities							196,668,558
							3,406,031,302

	For the year ended 31 December 2017						
	Fire & property	Marine, aviation & transport	Motor	Bankers blanket	Health	Other classes	2017 Aggregate
	(Rupees)						
Premium receivable (inclusive of Federal excise duty and Federal insurance fee and Administrative surcharge)	878,334,320	269,859,515	896,635,112	219,608,765	418,599,450	422,521,736	3,105,558,898
Less: Federal excise duty / sales tax	(107,310,845)	(28,104,151)	(105,871,012)	(25,793,338)	(4,054,319)	(46,371,463)	(317,505,128)
Less: Federal insurance fee	(7,388,476)	(2,382,137)	(7,756,057)	(1,919,066)	(4,104,448)	(3,661,676)	(27,211,860)
Gross written premium (inclusive of Administrative surcharge)	763,634,999	239,373,227	783,008,043	191,896,361	410,440,683	372,488,597	2,760,841,910
Gross direct premium	719,893,290	230,362,147	745,072,663	191,885,730	410,278,578	357,309,819	2,654,802,227
Facultative inward premium	35,693,137	2,796,829	14,845,047	-	-	10,688,825	64,023,838
Administrative surcharge	8,048,572	6,214,251	23,090,333	10,631	162,105	4,489,953	42,015,845
Insurance premium earned	697,367,515	254,116,041	662,430,496	195,481,849	315,070,943	332,455,022	2,456,921,866
Insurance premium ceded to reinsurers	(555,267,006)	(191,855,368)	(59,557,310)	(165,529,014)	(210,664,282)	(261,871,901)	(1,444,744,881)
Net insurance premium	142,100,509	62,260,673	602,873,186	29,952,835	104,406,661	70,583,121	1,012,176,985
Commission income	119,633,229	49,973,956	12,392,157	32,220,302	42,132,858	61,844,013	318,196,515
Net underwriting income	261,733,738	112,234,629	615,265,343	62,173,137	146,539,519	132,427,134	1,330,373,500
Insurance claims	(330,777,712)	(243,093,648)	(395,681,460)	(41,122,856)	(305,421,501)	(140,665,458)	(1,456,762,635)
Insurance claims recovered from reinsurers	296,690,483	222,468,685	102,794,057	38,687,788	236,166,147	139,986,320	1,036,793,480
Net claims	(34,087,229)	(20,624,963)	(292,887,403)	(2,435,068)	(69,255,354)	(679,138)	(419,969,155)
Commission expense	(110,165,986)	(41,967,708)	(54,334,452)	(1,211,627)	(13,319,177)	(33,828,080)	(254,827,030)
Management expenses	(77,308,906)	(24,232,401)	(145,258,226)	(19,425,050)	(41,561,223)	(37,704,163)	(345,489,969)
Premium deficiency (expense)/ reversal	-	-	-	-	10,885,862	(5,888)	10,879,974
Net insurance claims and expenses	(221,562,121)	(86,825,072)	(492,480,081)	(23,071,745)	(113,249,892)	(72,217,269)	(1,009,406,180)
Underwriting result	40,171,617	25,409,557	122,785,262	39,101,392	33,289,627	60,209,865	320,967,320
Investment income							44,115,113
Other income							6,172,718
Other expenses							(125,046,719)
Profit from Window takaful operations - net off tax							1,162,864
							(73,596,024)
Profit before tax							247,371,296
Segment assets	857,774,158	275,713,122	857,774,158	214,443,539	459,521,870	398,252,288	3,063,479,135
Unallocated assets							1,153,584,462
							4,217,063,597
Segment liabilities	805,281,631	252,428,009	825,711,230	202,361,881	432,825,032	392,803,140	2,911,410,923
Unallocated liabilities							154,893,518
							3,066,304,441

35. MOVEMENT IN INVESTMENT

	Held to Maturity	Available for Sale	Total
	(Rupees)		
At beginning of previous year	-	784,383,746	784,383,746
Additions	-	3,688,705,248	3,688,705,248
Disposal (sale and redemptions)	-	(3,602,912,068)	(3,602,912,068)
Fair value net gains (excluding net realised gains)	-	(8,184,394)	(8,184,394)
Amortization of discount / (premium)	-	20,277,603	20,277,603
Impairment losses	-	(18,575,175)	(18,575,175)
At beginning of current year	-	863,694,960	863,694,960
Additions	1,084,067,234	1,328,845,793	2,412,913,027
Disposal (sale and redemptions)	(586,233,631)	(1,818,794,743)	(2,405,028,374)
Fair value net gains (excluding net realised gains)	-	(11,066,065)	(11,066,065)
Amortization of discount / (premium)	-	18,434,131	18,434,131
Impairment losses	(6,873,235)	-	(6,873,235)
At end of current year	**490,960,368**	**381,114,076**	**872,074,444**

36. 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.

36.1 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.

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 claims and premium liabilities (in percentage terms) by class of business at balance sheet date:

	2018			
Class	Gross claims liabilites	Net claims liabilites	Gross premium liabilites	Net premium liabilites
Fire and property	26.4%	21.9%	34.3%	20.0%
Marine and transport	11.1%	5.4%	1.2%	1.0%
Motor	12.6%	48.9%	33.1%	53.8%
Banker's blanket	20.0%	1.0%	1.3%	0.3%
Health	3.2%	11.2%	19.4%	21.3%
Other classes	26.6%	11.7%	10.7%	3.7%
	100.0%	100.0%	100.0%	100.0%

	2017			
Class	Gross claims liabilites	Net claims liabilites	Gross premium liabilites	Net premium liabilites
Fire and property	20.5%	15.7%	32.8%	18.7%
Marine and transport	19.3%	14.4%	1.2%	0.2%
Motor	8.5%	53.5%	36.2%	65.6%
Banker's blanket	21.6%	1.9%	1.6%	0.1%
Health	3.9%	12.8%	15.2%	10.0%
Other classes	26.1%	1.8%	13.1%	5.5%
	100.0%	100.0%	100.0%	100.0%

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

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

	Gross sum insured		Reinsurance		Net	
	2018	2017	2018	2017	2018	2017
	(Rupees)					
Fire and property	16,251,842,751	10,630,110,219	16,241,842,751	10,622,610,219	10,000,000	7,500,000
Marine and transport	3,129,637,500	2,364,469,920	3,119,637,500	2,356,969,920	10,000,000	7,500,000
Motor	57,000,000	34,070,000	50,960,000	29,070,000	6,040,000	5,000,000
Banker's blanket	2,100,000,000	1,500,000,000	2,086,000,000	1,470,000,000	14,000,000	30,000,000
Health	1,220,000	870,000	610,000	609,000.00	610,000	261,000
Other classes	37,653,000,000	37,704,200,000	37,643,000,000	37,696,700,000	10,000,000	7,500,000
	59,192,700,251	52,233,720,139	59,142,050,251	52,175,959,139	50,650,000	57,761,000

b) Uncertainty in the estimation of future claim payments

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

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

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

c) Key assumptions

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

d) Changes in assumptions

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

e) Sensitivity analysis

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

Average claim cost	Underwriting results		Shareholder's equity	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	(Rupees)			
Fire and property	6,929,489	4,017,162	4,919,937	2,812,013
Marine and transport	4,211,541	2,540,956	2,990,194	1,778,669
Motor	16,318,675	12,278,526	11,586,259	8,594,968
Health Insurance	3,975,040	3,328,963	2,822,278	2,330,274
Banker's blanket	2,618,261	3,910,139	1,858,965	2,737,097
Others	3,817,302	6,020,987	2,710,284	4,214,691
	37,870,308	32,096,733	26,887,917	22,467,712

36.2 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

36.2.1 Financial risk

Maturity profile of financial assets and liabilities:

31 December 2018

	Profit rate % per annum	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)						
Financial assets								
Cash and bank	8.50 - 10.00	87,008,427	-	87,008,427	53,655,757	-	53,655,757	140,664,184
Investments	7.00- 11.50	818,837,638	-	818,837,638	53,236,806	-	53,236,806	872,074,444
Loans and other receivables		-	-	-	46,148,806	17,595,746	63,744,552	63,744,552
Insurance / reinsurance receivables		-	-	-	1,314,992,933	-	1,314,992,933	1,314,992,933
Reinsurance recoveries against outstanding claims		-	-	-	1,197,858,808	-	1,197,858,808	1,197,858,808
		905,846,065	-	905,846,065	2,665,893,110	17,595,746	2,683,488,856	3,589,334,921
Financial liabilities								
Underwriting Provision for outstanding claims including IBNR		-	-	-	1,400,561,201	-	1,400,561,201	1,400,561,201
Premium received in advance					1,040,906	-	1,040,906	1,040,906
Insurance / reinsurance payables		-	-	-	229,919,281	-	229,919,281	229,919,281
Other creditors and accruals		-	-	-	163,387,024	-	163,387,024	163,387,024
		-	-	-	1,794,908,412	-	1,794,908,412	1,794,908,412
Interest rate risk sensitivity gap		905,846,065	-	905,846,065				
Cumulative interest rate risk sensitivity gap		905,846,065	905,846,065					

31 December 2017

	Profit rate % per annum	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)						
Financial assets								
Cash and bank	3.75 - 7.00	69,937,944	-	69,937,944	16,111,529	-	16,111,529	86,049,473
Investments	5.99 - 7.00	568,054,989	241,664,477	809,719,466	53,975,494		53,975,494	863,694,960
Loans and other receivables		-	-	-	13,541,067	17,128,309	30,669,376	30,669,376
Insurance / reinsurance receivables		-	-	-	1,096,779,795	-	1,096,779,795	1,096,779,795
Reinsurance recoveries against outstanding claims		-	-	-	1,178,125,015	-	1,178,125,015	1,178,125,015
		637,992,933	241,664,477	879,657,410	2,358,532,900	17,128,309	2,375,661,209	3,255,318,619
Financial liabilities								
Underwriting Provision for outstanding claims including IBNR		-	-	-	1,340,865,701	-	1,340,865,701	1,340,865,701
Insurance / reinsurance payables		-	-	-	280,807,917	-	280,807,917	280,807,917
Premium received in advance		-	-	-	-	-	-	-
Other creditors and accruals		-	-	-	165,120,824	-	165,120,824	165,120,824
		-	-	-	1,786,794,442	-	1,786,794,442	1,786,794,442
Interest rate risk sensitivity gap		637,992,933	241,664,477	879,657,410				
Cumulative interest rate risk sensitivity gap		637,992,933	879,657,410					

a) Sensitivity analysis- interest rate risk

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

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

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

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

b) Sensitivity analysis - equity risk

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

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

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

36.3 Credit risk

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

36.3.1 Exposure to credit risk

Credit risk of the Company arises principally from the balances with banks, loans to employees, investments (except for investment in government securities, units of mutual funds and listed equity shares), premium due but unpaid, amount due from other insurers / reinsurers, reinsurance and other recoveries against outstanding claims and sundry receivable. To reduce the credit risk the management continuously reviews and monitors the credit exposure towards the 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	31 December 2018		31 December 2017	
		Balance as per the financial statement	Maximum exposure	Balance as per the financial statement	Maximum exposure
		(Rupees)			
Cash and bank	15	136,515,958	136,515,958	84,978,439	84,978,439
Investments	7,8 & 9	872,074,444	872,074,444	863,694,960	863,694,960
Loans and other receivables	10	63,744,552	63,744,552	30,669,376	30,669,376
Insurance / reinsurance receivables	11	1,314,992,933	1,314,992,933	1,058,833,370	1,058,833,370
Reinsurance recoveries against outstanding claims		1,197,858,808	1,197,858,808	1,178,125,015	1,178,125,015
		3,585,186,695	3,585,186,695	3,216,301,160	3,216,301,160

Differences in the balances as per financial statements and maximum exposure in investments is due to investments in government securities of Rs. 559.304 million (2017 Rs. 720.790 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	2018	2017
	Short term	Long term	Agency	(Rupees)	
United Bank Limited	A-1+	AAA	JCR-VIS	48,681,994	22,696,777
Summit Bank Limited	A-3	BBB-	JCR-VIS	5,084	59,607,879
Telenor Microfinance Bank	A-1	A+	JCR-VIS	56,590,654	2,321,250
FINCA Microfinance Bank	A-1	A+	JCR-VIS	30,868,661	
Khushhali Bank Limited	A-1	A	JCR-VIS	369,565	352,533
				136,515,958	84,978,439

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	2018	2017
	(Rupees)				
A or above (including PRCL)	651,125,541	1,247,591,140	681,537,909	2,580,254,590	2,164,512,968
BBB	408,246	-	-	408,246	49,064
Others	1,119,205	-	-	1,119,205	1,172,416
	652,652,992	1,247,591,140	681,537,909	2,581,782,041	2,165,734,448

36.3.2 Liquidity risk

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

The following are the contractual maturities of financial liabilities:

Non-Derivative Financial liabilities	Carrying Amount 2018	2017
	(Rupees)	
Underwriting Provision for outstanding claims including IBNR	1,400,561,201	1,340,865,701
Insurance / reinsurance payables	229,919,281	280,807,917
Other creditors and accruals	163,387,024	165,120,824
	1,793,867,506	1,786,794,442

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

36.3.3 Market risk

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

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

36.3.4 Foreign Currency risk

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

Fair value of financial instruments

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

36.4 Capital Management Policies And Procedures

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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.

37. 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.

On balance sheet financial instruments	31, December 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)								
Financial assets measured at fair value									
- Investments									
Ordinary shares of quoted companies	-	53,836,061	-	-	-	53,836,061	53,836,061		
Government Securities	-	241,763,274	317,541,174	-	-	559,304,448		548,001,746	
Financial assets not measured at fair value									
Investment in term deposit **	-	-	270,000,000	-	-	270,000,000			
Cash and Bank **	-	-	-	140,664,184	-	140,664,184			
Loans and other receivables **	-	-	-	63,744,552	-	63,744,552			
Insurance / reinsurance receivables **	-	-	-	1,314,992,933	-	1,314,992,933			
Reinsurance recoveries against outstanding claims **	-	-	-	1,197,858,808	-	1,197,858,808			
Total Assets of Windows Takaful Operations - Operator's Fund									
Investments	-	10,007,106	37,000,000	-	-	47,007,106	10,007,106		
Other than investments **	-	-	-	93,314,842	-	93,314,842			
	-	305,606,441	624,541,174	2,810,575,319	-	3,740,722,934			
Financial liabilities not measured at fair value									
Underwriting Provision for outstanding claims including IBNR **	-	-	-	-	1,400,561,201	1,400,561,201			
Insurance / reinsurance payables **	-	-	-	-	229,919,281	229,919,281			
Other creditors and accruals **	-	-	-	-	163,387,024	163,387,024			
Total liabilities of Window Takaful Operations-Operator's Fund **	-	-	-	-	86,999,057	86,999,057			
	-	-	-	-	1,880,866,563	1,880,866,563			

On balance sheet financial instruments

	31, December 2017									
							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)								
Financial assets not measured at fair value									
- Investments									
Ordinary shares of quoted companies	-	40,038,366	-	-	-	40,038,366	40,038,366		
Units of open end mutual funds	-	13,789,310	-	-	-	13,789,310		13,789,310	
Government Securities	-	719,385,835	-	-	-	719,385,835		719,385,835	
Financial assets not measured at fair value									
Investment in term deposit **	-	-	90,333,631	-	-	90,333,631			
Cash and bank **	-	-	-	86,049,473	-	86,049,473			
Loans and other receivables **	-	-	-	30,669,376	-	30,669,376			
Insurance / reinsurance receivables **	-	-	-	1,096,779,795	-	1,096,779,795			
Reinsurance recoveries against outstanding claims **	-	-	-	1,178,125,015	-	1,178,125,015			
Total Assets of Windows Takaful Operations - Operator's Fund									
Investments	-	1,999,990	-	-	-	1,999,990	1,999,990		
Other than investments **	-	-	-	99,688,827	-	99,688,827			
	-	775,213,501	90,333,631	2,491,312,486	-	3,356,859,618			
Financial liabilities not measured at fair value									
Underwriting Provision for outstanding claims including IBNR **	-	-	-	-	1,340,865,701	1,340,865,701			
Insurance / reinsurance payables **	-	-	-	-	280,807,917	280,807,917			
Other creditors and accruals **	-	-	-	-	165,120,824	165,120,824			
Total liabilities of Window Takaful Operations-Operator's Fund **	-	-	-	-	56,236,981	56,236,981			
	-	-	-	-	1,843,031,423	1,843,031,423			

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

Fair value measurement of traded investments, debt and government securities are disclosed in the relevant notes. Other financial liabilities are based on the present value of expected payment, discounted using a risk adjusted discount rate.

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

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

38. PROVIDENT FUND

The following is based on un-audited financial statements for the year ended 31 December 2018 and audited financial statement for the year ended 31 December 2017.

	2018	2017
	(Rupees)	
Size of the fund - net assets	85,675,938	71,624,361
Cost of investments	77,333,380	59,940,551
Percentage of investments made	90.26%	95.81%
Fair value of investments	81,099,545	67,871,942

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

	2018	2017	2018	2017
	Percentage		(Rupees)	
Bank balances	4.7 %	11.7 %	3,820,548	7,934,344
Pakistan investment bonds	13.6 %	0.0 %	11,049,152	-
Market treasury bills	20.0 %	28.6 %	16,229,845	19,437,598
Term deposits	61.7 %	59.7 %	50,000,000	40,500,000
	100.0 %	100.0 %	81,099,545	67,871,942

38.2 Investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

39. NUMBER OF EMPLOYEES

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

	2018	2017
	(Number)	
At the year end	367	339
Average during the year	360	309

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors in their meeting held on February 21, 2019.

41. GENERAL

41.1 Non adjusting event after balance sheet date.

The Board of Directors of the Holding Company in their meeting held on February 21, 2019 has proposed a final cash dividend of Rs.0.45 per share amounting to Rs. 52 million (2017: Nil) for the year ended December 31, 2018. The approval of the Members of the holding Company for the dividend shall be obtained at the Annual General Meeting to be held on April 26, 2019. The financial statements for the year ended December 31, 2018 does not include the effect of the proposed final dividend which will be accounted for in the year ending December 31, 2019.

41.2 Figures have been rounded off to the nearest Rupee unless otherwise stated.

Acting Chief Executive Officer	Director	Director	Chairman

UBL INSURERS LIMITED

WINDOW TAKAFUL OPERATIONS

Shariah Advisor's Report to the Board of Directors

For the period ended December 31,2018

By the grace of Almighty ALLAH, UBL Insurers Limited as Window Takaful Operator (the Operator) has completed yet another year of successful Takaful operations.

As per the charter of the Operator, it is mandatory on the management and employees to ensure application of Shariah guidelines issued by the Shariah Advisor and to ensure Shariah compliance in all activities of the Operator. The prime responsibility for ensuring Shariah compliance of the Company's operations thus lies with the management.

During the year the Operator executed variety of established Takaful transactions which are approved by the Shariah Advisor of the Operator. The Operator is offering Shariah Compliant services in the following areas:

- Fire and Property Takaful
- Marine Takaful
- Motor Takaful
- Miscellaneous Takaful

The Operator invests its available funds in the approved Shariah Compliant Instruments.

During the year, the Shariah Advisor visited the premises regularly to provide Shariah assistance in day to day activities. The Shariah Advisor has issued the following Shariah guidelines till date:

a. Shariah Guidelines for Dealing with Halal and Haram Business venues;
b. Shariah Guidelines for Advertisement & Marketing;
c. Shariah Guidelines for Arrangement of Re-Takaful;
d. Shariah Guidelines for Co-Takaful;
e. Shariah Guidelines for Disbursement of Charity Fund;
f. Shariah Guidelines for Investment;
g. Shariah Guidelines for Surplus Distribution;

In addition the following activities have also been done:
a. Reviewed the Participant Membership Documents (PMDs) as per the Takaful Rules 2012 and advise collective measures;
b. Developed off course material for Takaful Training;
c. Conducted a 20 hours In-house Takaful course for managerial and business development staff.

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, I hereby present my report as follows:

The Operator has adopted Wakalah (Waqf) model for its window takaful operations which is accepted and accredited by majority of Shariah scholars of Pakistan and in accordance with the Takaful rules and guidelines, issued by SECP.

Shariah Opinion:

In my opinion and to the best of my knowledge ,the financial arrangements, products and transactions entered into by the Operator and the PTF/Waqf, as the case may be, for the year ended December 31, 2018 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.
- Necessary steps should be taken to educate the all staff including business development staff about the concept and practice of Takaful.

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

Mufti Imtiaz Alam
Shariah Advisor

UBL Insurers Limited
Window Takaful Operations
February 21st, 2019

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 period from 01 January 2018 to 31 December 2018 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 of the Shariah Advisor 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 Advisor and Board of Directors have been implemented;
- All the products and policies have been approved by Shariah Advisor 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 Advisor; 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
Acting Chief Executive Officer

Date: February 21st, 2019

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

We were engaged by the Board of Directors 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 31 December 2018, with the Takaful Rules, 2012, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

Applicable Criteria

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

Responsibilities of the Management

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

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

Our Independence and Quality Control

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

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

Our responsibilities

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

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

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

The procedures performed included:

- Evaluate the systems, procedures and practices in place with respect to the Takaful operations against the Takaful Rules, 2012 and Shariah advisors guidelines;

- Evaluating the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee/ Shari'ah Advisor and the board of directors;

- Test for a sample of transactions relating to Takaful operations to ensure that these are carried out in accordance with the laid down procedures and practices including the regulations relating to Takaful operations as laid down in Takaful Rules, 2012; and

- Review the statement of management's assessment of compliance of the Takaful transactions for the year ended 31 December 2018 with the Takaful Rules, 2012.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the annexed statement, for the year ended 31 December 2018, presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

KPMG Taseer Hadi & Co.

Date: 21 February 2019

KPMG Taseer Hadi & Co.
Chartered Accountants

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 "Company"), which comprise the statement of financial position as at 31 December 2018, the profit and loss account, the statement of comprehensive income, the statement of changes in Fund and the statement of cash flows 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 Fund and the statement of cash flows together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Company's affairs as at 31 December 2018 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 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 Company's Annual Report for 2018 but does not include the financial statements and our auditors' 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.

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 auditors 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 Fund and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;

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

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

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

Date: 21 February 2019

Karachi

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants

Statement of Financial Position

As at 31 December 2018

	Note	2018 Operator's Fund	2018 Participants' Takaful Fund	2018 Aggregate	2017 Aggregate
		(Rupees)			
Assets					
Investments					
Equity securities	5	10,007,106	25,017,673	35,024,779	11,018,858
Term Deposits	6	37,000,000	137,000,000	174,000,000	-
Accrued Investment Income		290,316	1,180,455	1,470,771	-
Wakala and Mudarib fee receivable	7	50,939,328	-	50,939,328	29,309,996
Takaful / retakaful receivables	8	-	106,742,746	106,742,746	104,046,624
Retakaful recoveries against outstanding claims		-	30,836,971	30,836,971	20,421,877
Salvage recoveries accrued		-	2,634,482	2,634,482	935,170
Qard-e-Hasna		5,000,000	-	5,000,000	5,000,000
Deferred Commission Expense / Acquisition cost		25,973,217	-	25,973,217	15,478,863
Deferred taxation		-	-	-	3
Taxation - payment less provisions		1,224,153	753,848	1,978,001	4,250,539
Prepayments	9	-	59,050,144	59,050,144	38,067,513
Cash and bank	10	9,887,828	54,556,581	64,444,409	114,029,962
Total assets		140,321,948	417,772,900	558,094,848	342,559,405
Funds and Liabilities					
Funds attributable to Operator and Participants					
Operator's Fund					
Statutory fund		50,000,000	-	50,000,000	50,000,000
Revaluation Reserves		5,045	-	5,045	(7)
Accumulated profit / (loss)		3,317,846	-	3,317,846	(4,548,157)
		53,322,891	-	53,322,891	45,451,836
Waqf / Participants' Takaful Fund					
Ceded money		-	500,000	500,000	500,000
Revaluation Reserves		-	17,673	17,673	18,867
Accumulated surplus		-	64,869,485	64,869,485	24,137,198
		-	65,387,158	65,387,158	24,656,065
Liabilities					
Underwriting provisions					
Outstanding claims including IBNR		-	79,235,532	79,235,532	35,981,668
Unearned contribution reserves	15	-	126,380,510	126,380,510	79,439,103
Unearned retakaful rebate	18	-	14,755,307	14,755,307	10,516,023
Unearned wakala fees	11	58,700,347	-	58,700,347	34,045,327
Qard-e-Hasna		-	5,000,000	5,000,000	5,000,000
Deferred taxation		2,061	-	2,061	-
Contribution received in advance		-	158,353	158,353	-
Wakala and mudarib fee payable		-	50,939,328	50,939,328	29,309,996
Retakaful / co-takaful payables	12	-	66,669,983	66,669,983	48,432,428
Other creditors and accruals	13	28,296,649	9,246,729	37,543,378	29,726,959
Total liabilities		86,999,057	352,385,742	439,384,799	272,451,504
Total fund and liabilities		140,321,948	417,772,900	558,094,848	342,559,405
Contingencies and Commitments	14				

The annexed notes 1 to 31 form an integral part of these financial statements.

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

Profit & Loss Account

For the year ended 31 December 2018

	Note	2018	2017
		(Rupees)	
Participants' Takaful Fund - (PTF) Revenue Account			
Net takaful contribution	15	116,751,427	32,782,697
Net takaful claims	17	(108,738,799)	(30,465,162)
Re-takaful rebate earned other acquisition costs	18	32,518,887	20,264,939
		(76,219,912)	(10,200,223)
Takaful claims and acquisition expenses		40,531,515	22,582,474
Direct expenses	19	(6,503,894)	(3,569,666)
Surplus before investment income		34,027,621	19,012,808
Investment income net of mudarib fees	20	6,704,666	2,637,324
Surplus for the year		40,732,287	21,650,132
Operator's Fund - (OTF) Revenue Account			
Wakala fee income	16	114,298,146	56,715,338
Commission and other acquisition costs	21	(52,893,537)	(25,013,208)
Management expenses	22	(39,630,844)	(21,608,764)
Ceded money donated to PTF		-	-
		21,773,765	10,093,366
Mudarib's share of PTF investment income		1,676,166	659,331
Net investment income	20	2,676,093	1,106,433
		26,126,024	11,859,130
General and administrative expenses	23	(15,047,147)	(10,696,266)
Profit before tax		11,078,877	1,162,864
Income tax expense		(3,212,874)	(348,860)
Profit after tax		7,866,003	814,004

The annexed notes 1 to 31 form an integral part of these financial statements.

Acting Chief Executive Officer	Director	Director	Chairman

Statement of Comprehensive Income

For the year ended 31 December 2018

	2018	2017
	(Rupees)	
Participants' Takaful Fund - (PTF)		
Surplus for the year	40,732,287	21,650,132
Other comprehensive income for the year		
Items that will be reclassified to profit and loss subsequently		
Unrealised (loss) / gain on available-for-sale investments	(1,194)	11,432
Related tax impact	-	2,305
	(1,194)	13,737
Total comprehensive income for the year	40,731,093	21,663,869
Operator's Fund - (OTF)		
Profit for the year	7,866,003	814,004
Other comprehensive income for the year		
Items that will be reclassified to profit and loss subsequently		
Unrealised gain / (loss) on available-for-sale investments	7,116	(6,019)
Related tax impact	(2,064)	1,866
	5,052	(4,153)
Total comprehensive income for the year	7,871,055	809,851

The annexed notes 1 to 31 form an integral part of these financial statements.

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

Cash Flow Statement

For the year ended 31 December 2018

Operating cash flows	Operator's Fund (2018)	Participants' Takaful Fund (2018)	Aggregate (2018)	2017 Aggregate
	(Rupees)			
(a) Takaful activities				
Contributions received	-	436,333,342	436,333,342	187,074,006
Retakaful contribution paid	-	(138,378,148)	(138,378,148)	(65,183,806)
Claims paid	-	(122,774,013)	(122,774,013)	(31,569,801)
Retakaful and other recoveries received	-	45,174,672	45,174,672	12,406,757
Commissions paid	(53,356,419)	-	(53,356,419)	(25,017,382)
Retakaful rebate received	-	32,518,887	32,518,887	20,264,939
Wakala fee paid	119,000,000	-	119,000,000	78,500,000
Net cash inflows from takaful activities	65,643,581	252,874,740	318,518,321	176,474,713
(b) Other operating activities				
Income tax paid	(2,347,118)	(788,401)	(3,135,519)	(2,124,462)
General, administration and management expenses paid	(56,780,887)	(121,244,393)	(178,025,280)	(109,265,239)
Ceded money to participants' takaful fund	-	-	-	-
Net cash outflows from other operating activities	(59,128,005)	(122,032,794)	(181,160,799)	(111,389,701)
Total cash flow from all operating activities	6,515,576	130,841,946	137,357,522	65,085,012
Investment activities				
Profit received	2,676,093	8,380,832	11,056,925	4,403,088
Payment for investments	(10,000,000)	(25,000,000)	(35,000,000)	(243,103,540)
Proceeds from disposal / redemption of investments	1,999,999	9,000,001	11,000,000	280,611,847
Total cash outflows from investing activities	(5,323,908)	(7,619,167)	(12,943,075)	41,911,395
Financing activities				
Contribution to operator's fund	-	-	-	-
Qard e Hasna	-	-	-	-
Total cash flow from financing activities	-	-	-	-
Net cash flow from all activities	1,191,668	123,222,779	124,414,447	106,996,407
Cash and cash equivalents at the beginning of the year	45,696,160	68,333,802	114,029,962	7,033,555
Cash and cash equivalents at the end of the year	46,887,828	191,556,581	238,444,409	114,029,962
Reconciliation to profit and loss account				
Operating cash flows	6,515,576	130,841,946	137,357,522	65,085,012
Increase in assets other than cash	30,973,119	165,293,689	196,266,808	93,891,979
Increase in liabilities	(30,762,077)	(262,108,014)	(292,870,091)	(140,567,083)
	6,726,618	34,027,621	40,754,239	18,409,908
Other adjustments				
Capital gain	29,355	151,284	180,639	4,189,761
Mudarib's share of PTF investment income	1,676,166	(1,676,166)	-	-
Income tax expense	(3,212,874)	-	(3,212,874)	(348,860)
Other income	2,646,738	8,229,548	10,876,286	213,327
	1,139,385	6,704,666	7,844,051	4,054,228
Net profit for the year	7,866,003	40,732,287	48,598,290	22,464,136
Attributed to				
Operator's Fund	7,866,003	-	7,866,003	814,004
Participants' Takaful Fund	-	40,732,287	40,732,287	21,650,132
	7,866,003	40,732,287	48,598,290	22,464,136

Definition of cash

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

The annexed notes 1 to 31 form an integral part of these financial statements.

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

Statement of Changes in Fund
For the year ended 31 December 2018

	Operator's Fund			
	Statutory fund	Revaluation reserve	Accumulated (loss) / profit	Total
	(Rupees)			
Balance as at 01 January 2017	50,000,000	4,146	(5,362,161)	44,641,985
Total comprehensive income for the year	-	(4,153)	814,004	809,851
Balance as at 31 December 2017	50,000,000	(7)	(4,548,157)	45,451,836
Total comprehensive income for the year	-	5,052	7,866,003	7,871,055
Balance as at 31 December 2018	**50,000,000**	**5,045**	**3,317,846**	**53,322,891**

	Participants' Takaful Fund			
	Ceded money	Revaluation reserve	Accumulated surplus	Total
	(Rupees)			
Balance as at 01 January 2017	500,000	5,130	2,487,066	2,992,196
Total comprehensive income for the year	-	13,737	21,650,132	21,663,869
Balance as at 31 December 2017	500,000	18,867	24,137,198	24,656,065
Total comprehensive income for the year	-	(1,194)	40,732,287	40,731,093
Balance as at 31 December 2018	**500,000**	**17,673**	**64,869,485**	**65,387,158**

The annexed notes 1 to 31 form an integral part of these financial statements.

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

Notes to and forming part of the Financial Statements
For the year ended 31 December 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

UBL Insurers Limited (the Company) is an unlisted public limited company incorporated in Pakistan on June 29, 2006. The Company is a subsidiary of Bestway (Holdings) Limited. The Company received the Certificate of Commencement of Business on December 27, 2006. The principal objective of the Company is to conduct general insurance business. The Company received the Certificate of Registration under Section 6 of the Insurance Ordinance, 2000 on January 05, 2007. The Company currently operates a network of 19 (2017: 20) branches at various cities. The registered office of the Company is situated at 126-C, Jami Commercial, Street No.14, Phase VII, Defence Housing Authority, Karachi.

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 directive 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.

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 July 9, 2015.

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

There are certain new and amended standards and interpretations that are mandatory for the Company's accounting periods beginning on or after 01 January 2018 but are considered not to be relevant or do not have any significant effect on the Company's financial statements. During the year Companies Act, 2017 became effective for the financial statements for the year ended 31 December 2018.

2.4 Standards, interpretations and amendments not effective at the year end

The following standards, amendments and interpretations of accounting and reporting standards as applicable in Pakistan will be effective for accounting periods beginning on or after 01 January 2019:

- IFRS 16 'Leases' (effective for annual period beginning on or after January 1, 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' 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 recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

- The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, the development of the Operations' leases portfolio, the Operator's assessment of whether it will exercise any lease renewal options and the extent to which the Operator chooses to use practical expedients and recognition exemptions. The nature of expenses related to these leases will now change because IFRS 16 replaces the straight line operating lease expense with a depreciation charge for right-of-use assets and profit expense on lease liabilities. The Company is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Operations' financial statements.

- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 01 July 2018).IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The application of ammendment is not likely to have an impact on the Operations' financial statements.

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

- Amendment to IFRS 4 'Insurance Contracts'- Applying IFRS 9 'Financial Instruments' with IFRS 4 (effective for annual periods beginning on or after 1 July 2018). The amendment address issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from 1 July 2018 onwards to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 01 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long- term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The application of this amendment is not likely to have impact on the Operations' financial statements.

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Operations' financial statements.

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after January 1, 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The amendment is effective for transactions in the future and therefore would not have an impact on past financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- Annual Improvements to IFRS Standards 2015–2017 Cycle. The new cycle of improvements addresses improvements to following accounting and reporting standards:

  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business.

  - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

  - IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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 significant Takaful risk from the Takaful contract holder (Participants) by agreeing to compensate the Participants if a specified uncertain future event (the Participants 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 duration of risk and whether or not the terms and conditions are fixed.

- Fire and property
- Marine and transport
- Motor
- Health
- Banker's blanket
- Other classes

These contracts are normally one year Takaful contracts except marine and some contracts of fire and property and miscellaneous class. Normally all marine Takaful 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.

The Company neither issues investment contracts nor does it issues Takaful contracts with discretionary participation feature (DPF).

Fire and property Takaful contracts mainly compensate the Company's participant 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 participants properties in their business activities.

Marine and transport Takaful 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.

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

Miscellaneous Takaful 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.

Bankers' blanket Takaful 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.

Health Takaful 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 Takaful.

These Takaful contracts are provided to all types of participant based on assessment of Takaful risk by the Company. Normally personal Takaful 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 operator as retakaful inward. The Takaful risk involved in these contracts is similar to the contracts undertaken by the Company as takfaful operator. All retakaful inward contracts are facultative (specific risk) acceptance contracts.

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 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 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 given 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

The Company's operating business is organised and managed separately according to the nature of the services provided with each segment representing a strategic business unit that serves different markets.

3.7.1 Fire and property

The fire and property takaful provides coverage against damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and other related perils.

3.7.2 Marine and transport

Marine takaful provides coverage against cargo risk, war risk and damages occurring in inland transport.

3.7.3 Motor

Motor takaful provides comprehensive vehicle coverage and indemnity against third party loss.

3.7.4 Health

Health takaful 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 takaful.

3.7.5 Banker's blanket

Banker's blanket takaful covers losses as a result of dishonest or fraudulent acts by officers and employees of the bank.

3.7.6 Other classes

Other classes takaful provides cover against burglary, loss of cash in safe and cash in transit, money, engineering losses, accident and health, and other coverage.

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 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 years, 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 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 years, 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 mudarib fee

Wakala Fee

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

Mudarib Fee

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

3.9.6 Investment income

Income from held to maturity investments is recognised on a time proportion basis taking into account the effective yield on the investments. The difference between the redemption value and the purchase price of the held to maturity investments is amortised and taken to the profit and loss account over the term of the investment.

Gain / (loss) on sale of investments is included in income currently.

Return on fixed income securities classified as available for sale is recognised on a time proportion basis taking into account the effective yield on the investments.

Return on bank deposits is recognised on a time proportion basis taking into account the effective yield.

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

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 financial position 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. 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.

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

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

b) In debt securities

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

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

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

c) In term deposits

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

These investment are designated as held to maturity.

3.11 Qard-e-Hasna

Qard-e-hasna is provided by the Operator's fund to PTF 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 balance sheet, if the Company has a legally enforceable right to set-off and the Company intends either to settle the assets and liabilities on a net basis or to realise the asset and settle the liability simultaneously.

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 a asset. Such asset is calculated by applying the 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 years, and so on.

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.

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 Leases

Assets subject to finance lease

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, at the fair value of the lease property or, if lower at the present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Assets acquired under the finance lease are depreciated using the same basis as for owned assets.

3.17 Impairment of assets

The carrying amount of the assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If such 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.

3.18 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.

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

The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgment or complexity, or areas where assumption and estimates are significant to the financial statements, or 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 of investments and impairment (note 3.10 and 3.17)
e) Provision for current and deferred tax (note 3.15)
f) Takaful / retakaful receivables (note 4.2)
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.

Claims reported but not settled

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.

The actuarial valuation as at 31 December 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.

4.2 Takaful / retakaful receivables

This is recognised at cost, which is the fair value of the consideration receivable, less provision for impairment, if any.

5. INVESTMENTS IN EQUITY SECURITIES

	2018			2017		
Units of open end mutual funds	**Cost**	**Impairment / provision**	**Carrying value**	Cost	Impairment / provision	Carrying value
	(Rupees)					
- Operator's fund						
NAFA Riba Free Savings Fund	5,000,000	-	5,000,000	-	-	-
Atlas Islamic Income Fund	5,000,000	-	5,000,000	2,000,000	-	2,000,000
	10,000,000	-	10,000,000	2,000,000	-	2,000,000
Surplus / (Deficit) on revaluation			7,106			(10)
Carrying Value (Operator's fund)			10,007,106			1,999,990
- Participants' fund						
NAFA Riba Free Savings Fund	10,000,000	-	10,000,000	-	-	-
Atlas Islamic Income Fund	15,000,000	-	15,000,000	9,000,001	-	9,000,001
	25,000,000	-	25,000,000	9,000,001	-	9,000,001
Surplus on revaluation			17,673			18,867
Carrying Value (Participants' fund)			25,017,673			9,018,868
Aggregate Carrying Value			35,024,779			11,018,858

5.1 The market value of the investments in mutual funds as at December 31, 2018 is Rs. 10.007 million (2017: Rs. 1.999 million) in Operator's Fund and Rs. 25.018 million in Participant's Takaful fund (2017: Rs. 9.019 million).

6. INVESTMENTS IN TERM DEPOSITS

	Note	31 December 2018	31 December 2017
		(Rupees)	
Held to maturity			
Deposits maturing within 12 months			
Al Baraka Bank Pakistan Limited - Participant Takaful Fund	6.1	50,000,000	-
Dubai Islamic Bank Pakistan Limited - Participant Takaful Fund	6.1	32,000,000	-
Bank Islami Pakistan Limited - Participant Takaful Fund	6.1	55,000,000	-
		137,000,000	-
Held to maturity			
Deposits maturing within 12 months			
Al Baraka Bank Pakistan Limited - Shareholder Fund	6.2	12,000,000	-
Dubai Islamic Bank Pakistan Limited - Shareholder Fund	6.2	9,000,000	-
Bank Islami Pakistan Limited - Shareholder Fund	6.2	16,000,000	-
		37,000,000	-

6.1 Term Deposit of Rs. 137 million (market value of Rs. 137 million) [2017: Rs. Nil (market value of Rs. Nil)] in Particpant's fund. These carry profit rate ranging from 10.00% to 10.60% per annum and will mature latest by March 31, 2019.

6.2 Term Deposit of Rs. 37 million (market value of Rs. 37 million) [2017: Rs. Nil (market value of Rs. Nil)] in Operator's fund. These carry profit rate ranging from 10.00% to 10.60% per annum and will mature latest by March 31, 2019.

7. WAKALA AND MUDARIB FEE RECEIVABLE

	2018	2017
	(Rupees)	
Operator's Fund		
Wakala and mudarib fee receivable - opening	29,309,996	32,666,248
Wakala and mudarib fee - Income	140,629,332	75,143,748
Wakala and mudarib fee received	(119,000,000)	(78,500,000)
Wakala and mudarib fee receivable	50,939,328	29,309,996

8. TAKAFUL / RETAKAFUL RECEIVABLES - Unsecured and considered

	2018	2017
Participants' Takaful Fund		
Due from takaful contract holders	49,469,915	65,444,856
Less: Provision for impairment of receivables from takaful contract holders	-	-
	49,469,915	65,444,856
Due from other takaful / retakful	57,272,831	38,601,768
Less: Provision for impairment of due from other takaful / retakful	-	-
	57,272,831	38,601,768
	106,742,746	104,046,624

9. PREPAYMENTS

	2018	2017
Participants' Takaful Fund		
Prepaid retakaful contribution ceded	55,824,336	37,124,163
Tracker monitoring charges	3,225,808	943,350
	59,050,144	38,067,513

10. CASH AND BANK

	Note	2018 Operator's Fund	2018 Participants' Takaful Fund	2018 Aggregate	2017 Aggregate
		(Rupees)			
Cash and cash equivalents					
Policy Stamps		-	89,928	89,928	50,785
Cash at Bank					
Current		-	21,995,270	21,995,270	1,903,228
Savings accounts	10.1	9,887,828	32,471,383	42,359,211	112,075,949
		9,887,828	54,466,653	64,354,481	113,979,177
		9,887,828	54,556,581	64,444,409	114,029,962

10.1 Savings accounts carry expected profits rates ranging from 4.00% to 7.50% (2017: 2.40% to 5.60%) per annum.

11. UNEARNED WAKALA FEES (Operator's Fund)

	2018 Wakala fee	2018 Provision for unearned wakala fee opening	2018 Provision for unearned wakala fee closing	2018 Net Wakala fee income	2017 Net Wakala fee income
	(Rupees)				
Direct and facultative					
Fire and property	28,182,612	10,132,189	14,008,218	24,306,583	14,514,696
Marine, aviation and transport	8,938,583	496,622	776,105	8,659,100	6,018,927
Motor	94,793,810	21,831,381	41,289,179	75,336,012	28,850,301
Bankers blanket	4,094,545	366,461	1,146,489	3,314,517	5,026,779
Other classes	2,943,616	1,218,674	1,480,356	2,681,934	2,304,635
	138,953,166	34,045,327	58,700,347	114,298,146	56,715,338

12. RETAKAFUL / CO-TAKAFUL PAYABLES

Participants' Takaful Fund

	2018	2017
	(Rupees)	
Due to retakaful operators	61,588,382	45,041,246
Due to takaful contract holder	1,521,169	742,831
Due to other takaful operators	3,560,432	2,648,351
	66,669,983	48,432,428

13. OTHER CREDITORS AND ACCRUALS

	Note	2018 Operator's Fund	2018 Participants' Takaful Fund	2018 Aggregate	2017 Aggregate
		(Rupees)			
Federal excise duty and sales tax		-	2,119,850	2,119,850	1,850,664
Federal takaful fee		-	300,613	300,613	154,612
Commissions payable		26,809,101	-	26,809,101	16,777,629
Unclaimed takaful benefits	13.2	-	1,211,357	1,211,357	71,292
Accrued expenses		1,148,772	2,491,429	3,640,201	3,383,579
Others		286,022	2,994,821	3,280,843	1,489,499
Payable to UBL Insurers Limited	13.1	52,754	128,659	181,413	5,999,684
		28,296,649	9,246,729	37,543,378	29,726,959

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

13.2 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:

	2018	2017
	(Rupees)	
- More than 6 months	1,211,357	71,292
- 1 to 6 months	1,683,422	-

	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	1,683,422	919,419	286,659	5,279	-	2,894,779

	2017					
	(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	-	71,292	-	-	-	71,292

14. CONTINGENCIES AND COMMITMENTS

There were no contingencies and committments as on 31 December 2018.

15. NET TAKAFUL CONTRIBUTION

	2018	2017
	(Rupees)	
Written gross contribution	438,871,111	248,281,389
Less: Wakala fee	(138,953,166)	(74,484,417)
Net contribution	299,917,945	173,796,972
Add: Unearned contribution reserve opening	79,439,103	37,977,913
Less: Unearned contribution reserve closing	(126,380,510)	(79,439,103)
Contribution earned	252,976,538	132,335,782
Less:		
Retakaful contribution ceded	(154,925,284)	(108,160,195)
Add: Prepaid retakaful contribution closing	55,824,336	37,124,163
Less: Prepaid retakaful contribution opening	(37,124,163)	(28,517,053)
Retakaful expense	(136,225,111)	(99,553,085)
	116,751,427	32,782,697

16. NET WAKALA FEE

Gross Wakala expense	138,953,166	74,484,417
Deferred wakala expense opening	34,045,327	16,276,248
Deferred wakala expense Closing	(58,700,347)	(34,045,327)
Wakala fee	114,298,146	56,715,338

17. NET TAKAFUL CLAIMS

Claims paid	122,774,013	31,569,801
Add: outstanding claims including IBNR closing	79,235,532	35,981,668
Less: outstanding claims including IBNR opening	(35,981,668)	(9,324,603)
Claim expense	166,027,877	58,226,866
Less: Re-Takaful and other recoveries received	(45,174,672)	(12,406,757)
Add: Re-Takaful and other recoveries in respect of outstanding claims net of impairment (if any) opening	21,357,047	6,002,100
Less: Re-Takaful and other recoveries in respect of outstanding claims net of impairment (if any) closing	(33,471,453)	(21,357,047)
Reinsurance and other recoveries revenue	(57,289,078)	(27,761,704)
	108,738,799	30,465,162

17.1 Claims development

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

Analysis on gross basis

Accident year	2016	2017	2018
	(Rupees)		
At end of accident year	10,325,254	61,818,286	161,345,757
One year later	16,058,437	64,398,157	-
Two year later	18,160,686	-	-
Current estimate of cumulative claims	18,160,686	64,398,157	161,345,757
Cumulative payment made to date	(14,785,927)	(55,200,811)	(94,682,330)
Liability recognised in the statement of financial position	3,374,759	9,197,346	66,663,427

18. RE-TAKAFUL REBATE / OTHER ACQUISITION COSTS

	2018	2017
	(Rupees)	
Commission received or recoverable	36,758,171	25,383,921
Add: Unearned retakaful commission opening	10,516,023	5,397,041
Less: Unearned retakaful commission closing	(14,755,307)	(10,516,023)
	32,518,887	20,264,939

19. DIRECT EXPENSES

Co-takaful service charges	2,394,806	2,437,473
Legal & professional fee	873,033	494,469
Tracker service charges	3,142,841	489,951
Bank charges	71,489	147,773
Others	21,725	-
	6,503,894	3,569,666

20. INVESTMENT INCOME NET OF MUDARIB FEES

Available-for-sale

Participant Takaful Fund		
Gain on sale of investments	151,284	3,118,759
Profit on bank accounts	8,229,548	177,896
	8,380,832	3,296,655
Less: Mudarib Fee	(1,676,166)	(659,331)
Net investment income	6,704,666	2,637,324
Operator's Fund		
Gain on sale of investments	29,355	1,071,002
Profit on bank accounts	2,646,738	35,431
	2,676,093	1,106,433

21. COMMISSION AND OTHER ACQUISITION COSTS

Commission paid or payable	63,387,891	34,018,526
Add: Deferred commission expense opening	15,478,863	6,473,545
Less: Deferred commission expense closing	(25,973,217)	(15,478,863)
Net Commission	52,893,537	25,013,208

22. MANAGEMENT EXPENSES

Employee benefit cost	28,033,298	14,523,682
Travelling expenses	563,256	275,553
Printing and stationery	237,625	203,200
Rent, rates and taxes	2,020,406	1,330,896
Electricity, gas and water	583,809	483,095
Entertainment	241,082	106,159
Vehicle running expenses	5,362,959	2,602,760
Office repairs and maintenance	390,224	225,333
Communication	1,822,553	1,672,853
Other expenses	375,632	185,233
	39,630,844	21,608,764

23. GENERAL AND ADMINSTRATIVE EXPENSES

	Note	December 31, 2018	December 31, 2017
		(Rupees)	
Legal and professional fees		1,200,000	600,000
Audit fees	23.1	633,624	609,000
Salaries and wages	23.2	8,097,856	4,784,592
Rent, rates and taxes		1,496,989	897,381
Communication		1,050,930	751,764
Miscellaneous		2,567,748	3,053,529
		15,047,147	10,696,266

23.1 Auditor's remuneration

Audit fee	170,100	162,000
Shariah audit fee	340,200	324,000
Interim review fee	56,700	54,000
Out of pocket expense	66,624	69,000
	633,624	609,000

23.2 COMPENSATION OF HEAD OF WINDOW TAKAFUL OPERATIONS

Managerial remuneration	693,252	510,612
Bonus	72,214	63,825
House rent allowance	311,964	229,776
Utilities allowance	138,648	127,656
Medical expenses	69,324	51,060
Retirement benefits	86,653	85,102
Fuel allowance	210,240	210,240
Cell allowance	30,000	30,000
Driver salary	120,000	120,000
Others	10,800	5,400
	1,743,095	1,433,671

24. 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 :

Transactions and balances with related parties

	2018	2017
	(Rupees)	
Associated companies		
Contribution underwritten	6,326,533	900,761
Takaful claims expense	718,418	282,400
Profit on bank accounts	89,019	
Balances		
Associated companies		
Bank balances	512,303	-
Contribution due but unpaid	76,254	-
Claim outstanding	660,601	-

25. SEGMENT INFORMATION

	For the year ended December 31, 2018					
	Fire & property	Marine, aviation & transport	Motor	Bankers blanket	Other classes	2018 Aggregate
	(Rupees)					
Participants' Takaful Fund						
Contribution receivable (inclusive of Federal excise duty and Federal takaful fee and Administrative surcharge)	107,929,752	33,683,986	333,526,909	15,559,270	11,182,575	**501,882,492**
Less: Federal excise duty/ sales tax	(13,055,308)	(3,591,917)	(38,937,431)	(1,774,303)	(1,273,783)	**(58,632,742)**
Less: Federal takaful fee	(932,403)	(296,794)	(2,916,217)	(136,485)	(96,740)	**(4,378,639)**
Gross written contribution (inclusive of Administrative surcharge)	93,942,041	29,795,275	291,673,261	13,648,482	9,812,052	**438,871,111**
Gross direct contribution	92,281,570	28,674,585	282,681,966	13,637,733	9,599,372	**426,875,226**
Facultative inward contribution	213,896	18,953	45,894	-	16,800	**295,543**
Administrative surcharge	1,446,575	1,101,737	8,945,401	10,749	195,880	**11,700,342**
Wakala fee	(28,182,612)	(8,938,583)	(94,793,810)	(4,094,545)	(2,943,616)	**(138,953,166)**
Net Contribution	65,759,429	20,856,692	196,879,451	9,553,937	6,868,436	**299,917,945**
Takaful contribution earned	56,715,356	20,204,564	162,064,886	7,733,878	6,257,854	**252,976,538**
Takaful contribution ceded to retakaful	(77,613,807)	(25,260,411)	(21,149,860)	(4,989,403)	(7,211,630)	**(136,225,111)**
Net contribution revenue	(20,898,451)	(5,055,847)	140,915,026	2,744,475	(953,776)	**116,751,427**
Net claims	(56,112)	(1,163,444)	(105,375,732)	(2,207,271)	63,760	**(108,738,799)**
Direct Expenses	(719,265)	(228,552)	(5,377,941)	(104,193)	(73,943)	**(6,503,894)**
Re-takaful rebate earned	20,528,696	7,703,203	1,736,534	761,624	1,788,830	**32,518,887**
Underwriting result	**(1,145,132)**	**1,255,360**	**31,897,887**	**1,194,635**	**824,871**	**34,027,621**
Net investment income						**6,704,666**
Surplus for the year						**40,732,287**
Operator's Fund - revenue account						
Wakala fee	24,306,583	8,659,099	75,336,011	3,314,517	2,681,936	**114,298,146**
Management expenses	(8,481,001)	(2,694,897)	(26,354,511)	(1,228,556)	(871,879)	**(39,630,844)**
Commission expense	(14,897,863)	(5,464,104)	(31,417,433)	(236,689)	(877,448)	**(52,893,537)**
Ceded money donated to PTF	-	-	-	-	-	**-**
	927,719	**500,098**	**17,564,067**	**1,849,272**	**932,609**	**21,773,765**
Mudarib's share of PTF investment income						**1,676,166**
Net investment income						**2,676,093**
						26,126,024
General and administrative expenses						**(15,047,147)**
Profit before tax						**11,078,877**
Segment Assets	58,426,223	18,530,845	181,402,990	8,488,524	6,102,498	**272,951,080**
Unallocated Assets						**285,143,768**
						558,094,848
Segment Liabilities	56,465,434	17,908,948	175,315,088	8,203,648	5,897,697	**263,790,815**
Unallocated Liabilities						**175,593,984**
						439,384,799

25. SEGMENT INFORMATION (Continued)

	Fire & property	Marine, aviation & transport	Motor	Bankers blanket	Other classes	2017 Aggregate
	For the year ended December 31, 2017					
	(Rupees)					
Participants' Takaful Fund						
Contribution receivable (inclusive of Federal excise duty and Federal takaful fee and Administrative surcharge)	76,782,021	22,393,315	169,571,769	4,946,104	10,128,449	283,821,658
Less: Federal excise duty/ sales tax	(9,163,177)	(2,092,268)	(20,087,197)	(564,031)	(1,158,326)	(33,064,999)
Less: Federal takaful fee	(662,410)	(200,104)	(1,481,450)	(43,386)	(87,920)	(2,475,270)
Gross written contribution (inclusive of Administrative surcharge)	66,956,434	20,100,943	148,003,122	4,338,687	8,882,203	248,281,389
Gross direct contribution	65,169,907	19,296,226	143,994,680	4,333,687	8,646,331	241,440,831
Facultative inward contribution	769,995	91,106	94,011	-	91,683	1,046,795
Administrative surcharge	1,016,532	713,611	3,914,431	5,000	144,189	5,793,763
Wakala fee	(20,086,930)	(6,030,283)	(44,400,937)	(1,301,606)	(2,664,661)	(74,484,417)
Net Contribution	46,869,504	14,070,660	103,602,185	3,037,081	6,217,542	173,796,972
Takaful contribution earned	33,867,625	14,044,162	67,317,371	11,729,145	5,377,479	132,335,782
Takaful contribution ceded to retakaful	(45,205,431)	(17,520,986)	(18,039,313)	(11,147,151)	(7,640,204)	(99,553,085)
Net contribution revenue	(11,337,806)	(3,476,824)	49,278,058	581,994	(2,262,725)	32,782,697
Net claims	(951,150)	624,669	(36,707,158)	411,487	6,156,990	(30,465,162)
Direct Expenses	(831,523)	(249,457)	(2,325,461)	(52,355)	(110,870)	(3,569,666)
Re-takaful rebate earned	11,800,309	5,256,296	502,252	601,670	2,104,412	20,264,939
Underwriting result	(1,320,170)	2,154,684	10,747,691	1,542,796	5,887,807	19,012,808
Net investment income						2,637,324
Surplus for the year						21,650,132
Operator's Fund - revenue account						
Wakala fee	14,514,697	6,018,927	28,850,303	5,026,777	2,304,634	56,715,338
Management expenses	(5,834,366)	(1,750,310)	(12,878,823)	(367,349)	(777,916)	(21,608,764)
Commission expense	(8,319,975)	(3,569,596)	(11,188,290)	(1,278,382)	(656,965)	(25,013,208)
Ceded money donated to PTF	-	-	-	-	-	-
	360,356	699,021	4,783,190	3,381,046	869,753	10,093,366
Mudarib's share of PTF investment income						659,331
Net investment income						1,106,433
						11,859,130
General and administrative expenses						(10,696,266)
Profit before tax						1,162,864
Segment Assets	55,909,090	16,784,428	123,583,640	3,622,834	7,416,701	207,316,693
Unallocated Assets						135,242,712
						342,559,405
Segment Liabilities	68,634,053	20,604,580	151,711,397	4,447,394	9,104,750	254,502,174
Unallocated Liabilities						17,949,330
						272,451,504

26. MOVEMENT IN INVESTMENT

OTF	Held to maturity	Shareholder Fund Available for sale	Fair Value through P & L	Total
	(Rupees)			
Balance as at 01 January 2017	-	21,688,353	-	21,688,353
Additions	-	46,662,083	-	46,662,083
Disposal (sale and redemptions)	-	(66,344,427)	-	(66,344,427)
Fair value net gains (excluding net realised gains)	-	(6,019)	-	(6,019)
Impairment losses	-	-	-	-
Balance as at 01 January 2018	-	**1,999,990**		**1,999,990**
Additions	-	10,000,000	-	10,000,000
Disposal (sale and redemptions)	-	(1,999,999)	-	(1,999,999)
Fair value net gains (excluding net realised gains)	-	7,116	-	7,116
Impairment losses	-	-	-	-
Balance as at 31 December 2018	-	**10,007,107**	-	**10,007,107**

PTF	Held to maturity	Window Takaful Operation Available for sale	Fair Value through P & L	Total
	(Rupees)			
Balance as at 01 January 2017	-	26,833,399	-	26,833,399
Additions	-	196,441,457	-	196,441,457
Disposal (sale and redemptions)	-	(214,267,420)	-	(214,267,420)
Fair value net gains (excluding net realised gains)	-	11,432	-	11,432
Impairment losses	-	-	-	-
Balance as at 01 January 2018		**9,018,868**		**9,018,868**
Additions	-	25,000,000	-	25,000,000
Disposal (sale and redemptions)	-	(9,000,001)	-	(9,000,001)
Fair value net gains (excluding net realised gains)	-	(1,194)	-	(1,194)
Impairment losses	-	-	-	-
Balance as at 31 December 2018	-	**25,017,673**	-	**25,017,673**

27. 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.

27.1 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.

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 claims and contribution liabilities (in percentage terms) by class of business at balance sheet date:

	2018				2017			
Class	Gross claims liabilites	Net claims liabilites	Gross premium liabilites	Net premium liabilites	Gross claims liabilites	Net claims liabilites	Gross premium liabilites	Net premium liabilites
Fire and property	5.6%	0.6%	25.2%	4.1%	18.6%	6.2%	29.8%	5.8%
Marine and transport	12.0%	2.4%	1.4%	0.2%	11.9%	1.5%	1.5%	0.2%
Motor	61.5%	93.4%	68.6%	93.1%	56.5%	75.7%	64.1%	93.4%
Banker's blanket	18.2%	3.4%	2.1%	2.3%	0.7%	1.0%	1.1%	0.3%
Other classes	2.7%	0.2%	2.7%	0.4%	12.3%	15.6%	3.6%	0.4%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

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

	Gross sum covered		Retakaful		Net	
	2018	2017	2018	2017	2018	2017
	(Rupees)					
Fire and property	942,500,204	1,024,584,570	929,375,204	1,011,459,570	13,125,000	13,125,000
Marine and transport	524,266,767	256,483,574	514,266,767	246,737,198	10,000,000	9,746,376
Motor	32,000,000	23,000,000	31,000,000	22,000,000	1,000,000	1,000,000
Banker's blanket	75,000,000	50,000,000	67,500,000	45,000,000	7,500,000	5,000,000
Other classes	125,300,000	226,599,563	115,300,000	208,471,598	10,000,000	18,127,965
	1,699,066,971	1,580,667,707	1,657,441,971	1,533,668,366	41,625,000	46,999,341

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.

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 gross claim liabilities, underwriting results, net claim liabilities, profit before tax and shareholder's equity is as follows:

Average claim cost	Underwriting results December 31, 2018	Underwriting results December 31, 2017	Participant fund equity December 31, 2018	Participant fund equity December 31, 2017
	(Rupees)			
Fire and property	(114,513)	(132,017)	(81,304)	(92,412)
Marine and transport	125,536	215,468	89,131	150,828
Motor	3,189,789	1,074,769	2,264,750	752,338
Banker's blanket	119,464	154,280	84,819	107,996
Others	82,487	588,781	58,566	412,147
	3,402,763	1,901,281	2,415,962	1,330,897

27.2 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

27.2.1 Financial risk

Maturity profile of financial assets and liabilities:

December 31, 2018

	Profit rate % per annum	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)						
Financial assets								
Cash and bank	4.00 - 7.50	42,359,211	-	42,359,211	22,085,198	-	22,085,198	64,444,409
Investments	10.00 - 10.60	174,000,000	-	174,000,000	35,024,779	-	35,024,779	209,024,779
Wakala and Mudarib fee receivable		-	-	-	50,939,328	-	50,939,328	50,939,328
Takaful / retakaful receivables		-	-	-	106,742,746	-	106,742,746	106,742,746
Retakaful recoveries against outstanding claims		-	-	-	30,836,971	-	30,836,971	30,836,971
Qard-e-Hasna		-	-	-	5,000,000	-	5,000,000	5,000,000
		216,359,211	-	216,359,211	250,629,022	-	250,629,022	466,988,233
Financial liabilities								
Outstanding claims including IBNR		-	-	-	79,235,532	-	79,235,532	79,235,532
Contribution received in advance		-	-	-	158,353	-	158,353	158,353
Wakala and mudarib fee payable		-	-	-	50,939,328	-	50,939,328	50,939,328
Retakaful / co-takaful payables		-	-	-	66,669,983	-	66,669,983	66,669,983
Other creditors and accruals		-	-	-	37,543,378	-	37,543,378	37,543,378
Qard-e-Hasna		-	-	-	5,000,000	-	5,000,000	5,000,000
		-	-	-	239,546,574	-	239,546,574	239,546,574
Interest rate risk sensitivity gap		216,359,211	-	216,359,211				
Cumulative interest rate risk sensitivity gap		216,359,211	216,359,211					

	Profit rate % per annum	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
	December 31, 2017							
	---------- (Rupees) ----------							
Financial assets								
Cash and bank	2.40 - 5.60	112,075,949	-	112,075,949	1,954,013	-	1,954,013	114,029,962
Investments		-	-	-	11,018,858	-	11,018,858	11,018,858
Wakala and Mudarib fee receivable		-	-	-	29,309,996	-	29,309,996	29,309,996
Takaful / retakaful receivables		-	-	-	104,046,624	-	104,046,624	104,046,624
Retakaful recoveries against outstanding claims		-	-	-	20,421,877	-	20,421,877	20,421,877
Qard-e-Hasna		-	-	-	5,000,000	-	5,000,000	5,000,000
		112,075,949	-	112,075,949	171,751,368	-	171,751,368	283,827,317
Financial liabilities								
Outstanding claims including IBNR					35,981,668	-	35,981,668	35,981,668
Wakala and mudarib fee payable		-	-	-	29,309,996	-	29,309,996	29,309,996
Retakaful / co-takaful payables		-	-	-	48,432,428	-	48,432,428	48,432,428
Other creditors and accruals		-	-	-	29,726,959	-	29,726,959	29,726,959
Qard-e-Hasna		-	-	-	5,000,000	-	5,000,000	5,000,000
		-	-	-	148,451,051	-	148,451,051	148,451,051
Interest rate risk sensitivity gap		112,075,949	-	112,075,949				
Cumulative interest rate risk sensitivity gap		112,075,949	112,075,949					

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- equity risk

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

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

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

27.2.2 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.

27.2.1.1 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, 2018		December 31, 2017	
	Balance as per the financial statements	Maximum exposure	Balance as per the financial statements	Maximum exposure
	(Rupees)			
Investments	35,024,779	35,024,779	11,018,858	11,018,858
Term Deposit	174,000,000	174,000,000	-	-
Wakala and Mudarib fee receivable	50,939,328	50,939,328	29,309,996	29,309,996
Takaful / retakaful receivables	106,742,746	106,742,746	103,303,793	103,303,793
Retakaful recoveries against outstanding claims	30,836,971	30,836,971	20,421,877	20,421,877
Qard-e-Hasna *	5,000,000	5,000,000	5,000,000	5,000,000
Cash and bank	42,359,211	42,359,211	112,075,949	112,075,949
	444,903,035	444,903,035	281,130,473	281,130,473

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	2018	2017
				(Rupees)	
Meezan Bank Limited - Participant Takaful Fund	JCR-VIS	A-1+	AA	8,999,535	7,174,286
Dubai Islamic Bank - Participant Takaful Fund	JCR-VIS	A-1	AA-	15,110,828	56,813,733
Bank Islamic Limited - Participant Takaful Fund	PACRA	A-1	A	28,844,265	1,332,679
Al Baraka Bank (Pakistan) Limited - Participant Takaful Fund	JCR-VIS	A-1	A+	999,722	-
UBL Ameen - Participant Takaful Fund	JCR-VIS	A-1+	AAA	512,303	1,059,091
				54,466,653	66,379,789
Meezan Bank Limited - Operator Fund	JCR-VIS	A-1+	AA+	999,535	1,569,195
Dubai Islamic Bank - Operator Fund	JCR-VIS	A-1	AA-	6,884,442	426,865
Al Baraka Bank (Pakistan) Limited - Operator Fund	JCR-VIS	A-1	A+	1,000,000	-
Bank Islamic Limited - Operator Fund	PACRA	A-1	A+	1,003,851	43,700,100
				9,887,828	45,696,160

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	2018	2017
	(Rupees)				
A or above (including PRCL)	57,272,831	30,836,971	55,824,336	143,934,138	96,147,808
	57,272,831	30,836,971	55,824,336	143,934,138	96,147,808

27.2.3 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	
	2018	2017
	(Rupees)	
Non-Derivative Financial liabilities		
Outstanding claims including IBNR	79,235,532	35,981,668
Wakala and mudarib fee payable	50,939,328	29,309,996
Retakaful / co-takaful payables	66,669,983	48,432,428
Other creditors and accruals	37,543,376	29,726,959
Qard-e-Hasna	5,000,000	5,000,000
	239,388,219	148,451,051

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

27.2.4 Market risk

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

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets at fair value through profit and loss. Therefore, a change in interestrates 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

27.2.4.1 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.

27.2.4.2 Fair value of financial instruments

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

27.3 Capital Management Policies And Procedures

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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.

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	2018							
	Available -for- sale	Held to Maturity	Loans and Receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
	(Rupees)							
On-balance sheet financial instruments								
Financial assets measured at fair value								
Investments - Units of open ended mutual fund	35,024,779		-	-	35,024,779		35,024,779	
Financial assets not measured at fair value								
Cash and bank *	-		64,444,409	-	64,444,409			
Investment in term deposit **	-	174,000,000	-	-	174,000,000			
Takaful / ReTakaful receivables *	-		106,742,746	-	106,742,746			
Wakala and Mudarib fee receivable *			50,939,328	-	50,939,328			
Re-takaful recoveries against outstanding claims *	-		30,836,971	-	30,836,971			
Qard-e-Hasna *	-		5,000,000	-	5,000,000			
	35,024,779	174,000,000	257,963,454	-	466,988,233			
Financial liabilities not measured at fair value								
Underwriting provision for outstanding claims including IBNR *	-		-	79,235,532	79,235,532			
Retakaful / co-takaful payables *	-		-	66,669,983	66,669,983			
Wakala and Mudarib fee payable *	-		-	50,939,328	50,939,328			
Other creditors and accruals *	-		-	37,543,378	37,543,378			
Qard-e-Hasna *	-		-	5,000,000	5,000,000			
	-		-	239,388,221	239,388,221			

	2017						
	Available-for-sale	Loans and Receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
	(Rupees)						
On-balance sheet financial instruments							
Financial assets measured at fair value							
Investments - Units of open ended mutual fund	11,018,858	-	-	11,018,858		11,018,858	
Financial assets not measured at fair value							
Cash and bank *	-	114,029,962	-	114,029,962			
Takaful / ReTakaful receivables *	-	103,303,793	-	103,303,793			
Wakala and Mudarib fee receivable *	-	29,309,996	-	29,309,996			
Re-takaful recoveries against outstanding claims *	-	20,421,877	-	20,421,877			
Qard-e-Hasna *	-	5,000,000	-	5,000,000			
	11,018,858	272,065,628	-	283,084,486			
Financial liabilities not measured at fair value							
Underwriting provision for outstanding claims including IBNR *	-	-	35,981,668	35,981,668			
Takaful / Retakaful payables *	-	-	47,689,597	47,689,597			
Wakala and mudarib fee payable	-	-	29,309,996	29,309,996			
Other creditors and accruals *	-	-	29,726,959	29,726,959			
Qard-e-Hasna *	-	-	5,000,000	5,000,000			
	-	-	147,708,220	147,708,220			

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

29. NUMBER OF EMPLOYEES

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

	2018	2017
	(Number)	
At the year end	2	2
Average during the year	2	2

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

30. 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 21, 2019.

31. GENERAL

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

Acting 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, Karachi, Pakistan.
Ph: (92-21) 34323064-65-66
Fax: (92-21) 34323062

SEA VIEW BRANCH
126-C/1, 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
126-C, Basement, Jami Commercial, Street No. 14, Phase-VII, DHA, Karachi, Pakistan.
UAN: 111-845-111 Ext: 7825,
Ph: (92-21) 35314524,
Fax: (92-21) 35314504

JAMI COMMERCIAL BRANCH
100-C,1st Floor, Main Khayaban-e-Jami, Commercial Street,St # 11, DHA, Phase 7, Karachi, Pakistan.
Tel: (021) 35314519, 35314547, 35314556-57-58.

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: 021-35631801-03-04-05-06,
Fax: 021-35631802.

NEW UNIT BRANCH
125 – C/1, 1st Floor, Jami Commercial, Street # 14, Phase - VII, D.H.A. Karachi.
Tel: 021-35314530-32-33,
Fax: 021-35314529

COMMERCIAL CENTER BRANCH
100-C, 1st Floor, Main Khayaban-e-Jami, Commercial Street, DHA, Phase 7, Karachi, Pakistan.
Tel: (021) 35314534,35,36,37,38.

HYDERABAD BRANCH
Office # 1, Shelter Shopping Mall, Saddar Cantt, Hyderabad.
Ph: 022-2784501,
Fax: 022-2784439

BAHAWALPUR OFFICE
1st Floor,Raheem Plaza, Fareed Gate, Bahawalpur.
Ph: 062-2884090-91,
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LAHORE (REGIONAL OFFICE)
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GULBERG BRANCH LAHORE:
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Cell: 0331-2734835, 0306-3128904.

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
Fax: (92-61) 4500170

ISLAMABAD (REGIONAL OFFICE)
4th Floor, Redco Pakistan Building,(West) Jinnah Avenue, Blue Area, Islamabad, Pakistan
U.A.N. (051) 111-845-111,
Ph: 051-2344345-7,
Fax: 051-2344349

PESHAWAR OFFICE
Office A-3 & 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
P-18, First Floor, Bilal Road, Civil lines, Faisalabad.
Ph: 041-2623755,
Fax: 041-2622755

MULTAN FIESTA GARDEN BRANCH:
Office # 504, 5th Floor, United Mall, Abdali Road, Multan.
Ph: (061) 4515049-50-51
Fax: (061) 4515052

CAPITAL BRANCH ISLAMABAD
Office No. 3/08, 4th Floor, Silk Centre, Murree Road, Satellite Town, Rawalpindi.
Ph: 051-4264168-69-70,
Fax: 051-4264163

SUSAN ROAD BRANCH FAISALABAD:
Office No. 3, 3rd Floor, Wahab Centre, Mian Susan Road, Faisalabad.
Ph: (041) 8723830

SUB OFFICE CITY BRANCH- SUKKUR
Eidgah Road, Near NBP Main Branch, Sukkur.
Cell: 0331-2734835, 0306-3128904

SHAHI ROAD BRANCH – RAHIM YAR KHAN: Tanveer Building, 1st Floor, Shahi Road, Rahim Yar Khan.
Ph: (068) 5870099

KEPZ BRANCH: Plot. No. 2, Sector B-III, Phase 1, Export Processing Zone, Karachi, Pakistan.
Ph: (021) 35130835-36

SUB-OFFICE SIALKOT:
Suit No. 208, 2nd Floor, Kareem Plaza, Defence Road, Allama Iqbal Town, Sialkot.
Ph: (052) 3259595.

SUB-OFFICE SAHIWAL:
Second Floor Tahir Shabbier Plaza, Super Market Liquate Road,Sahiwal.
Tel: (040) 4460090 – (040) 4460091

Form of Proxy

13th 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 13th **Annual General Meeting** of the Company scheduled to be held on **Friday 26, April 2019 at 03:00 p.m. at UBL Insurers Ltd. Board Room, Head Office Building, DHA, Karachi** and at any adjournment thereof.

Signed this ______________ day of ________ 2019.

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 126, Jami Commercial Street No. 14, phase VII, DHA Karachi not later than 48 hours before the meeting.

HERE
FOR YOU