

2018 ANNUAL REPORT

SERVING RELIABLY



Reliance Insurance Company Limited



Window Takaful

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Company Information



BOARD OF DIRECTORS

CHAIRMAN
ISMAIL H. ZAKARIA

DIRECTORS

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

CHIEF EXECUTIVE & MANAGING DIRECTOR

A. RAZAK AHMED

CHIEF ACCOUNTANT AND COMPANY SECRETARY

HAROON A. SHAKOOR

AUDIT COMMITTEE

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

INVESTMENT COMMITTEE

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

ETHICS, HUMAN RESOURCE & REMUNERATION COMMITTEE

MUHAMMAD IQBAL	CHAIRMAN
ZOHAIK ZAKARIA	MEMBER
IRFAN ZAKARIA BAWANY	MEMBER
A. RAZAK AHMED	MEMBER

COMPLIANCE OFFICER

GHULAM HAIDER

CREDIT RATING

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

AUDITORS

KRESTON HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

LEGAL ADVISOR

ABDUL SATTAR PINGAR

SHARI'AH ADVISOR

MUFTI MUHAMMAD FARHAN FAROOQ

BANKERS

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

REGISTERED OFFICE

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

HEAD OFFICE

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

SHARES REGISTRAR

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



Our Vision

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

Our Mission

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

Code of Conduct

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

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

Company Profile

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

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

The Company's results have been consist-

ently improving yielding handsome results. The Present Authorised Capital of the Company is Rs. 750 Million while Paid-up Capital has increased to 561.412 million. General Reserve to Rs. 250 million & the Shareholders' equity to Rs. 855.925 million.

Reliance is one of the leading General Insurance Company of Pakistan having a network of 23 Branches at all important places throughout Pakistan employing a full time work force of 194 persons.

Since its establishment Reliance has progressed smoothly and steadily. Its Gross Premium Income has increased from Rs. One Million in 1983 to Rs. 979.225 million (inclusive of Takaful Contribution) at the end of the year 2018 and the Technical Reserves at Rs. 588.065 million.

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

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

Directors' Profile



Ismail H. Zakaria - Chairman

Mr. Ismail H. Zakaria is Chairman of the Board of Directors of Reliance Insurance Company Limited since its inception. He has diversified experience of over 50 years covering various industrial, commercial and financial sectors. He is also Chairman of First Al Noor Modaraba, Shahmurad Sugar Mills Limited, and Chief Executive of Al Noor Sugar Mills Limited. The depth of knowledge and breadth of experience of Mr. Ismail H. Zakaria is an invaluable asset and a guiding force to the Board of Reliance Insurance.



A. Aziz Ayoob - Director

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



Irfan Zakaria Bawany - Director

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

Directors' Profile



Zohair Zakaria - Director

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



Muhammad Omer Bawany - Director

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



Ahmed Ali Bawany - Director

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

Directors' Profile



Noor Mohammed Zakaria - Director

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



Hamza Omar Bawany - Director

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



Muhammad Iqbal - Director

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



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

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



Our Services

Reliance Insurance underwrites all classes of General Insurance and enjoys reputation second to none. Apart from Conventional General Insurance RIC has also commenced its General Takaful operations in the year 2016.



General Insurance (Conventional)

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

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



General Takaful (Islamic)

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

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

Fire & Property Insurance

Fire & Allied Perils Insurance

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

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

Consequential Loss Due to Fire

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



Marine Cargo Insurance



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

Reliance Insurance provides most comprehensive Marine Cargo insurance by Sea, by Air, by Road / Rail.

Motor Insurance



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

Comprehensive Motor Policy (Private Vehicles)

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

Commercial Vehicles

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

Third Party Liabilities Insurance

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

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

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

Aviation Insurance

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



Engineering Insurance

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

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



Bonds & Surety Insurance



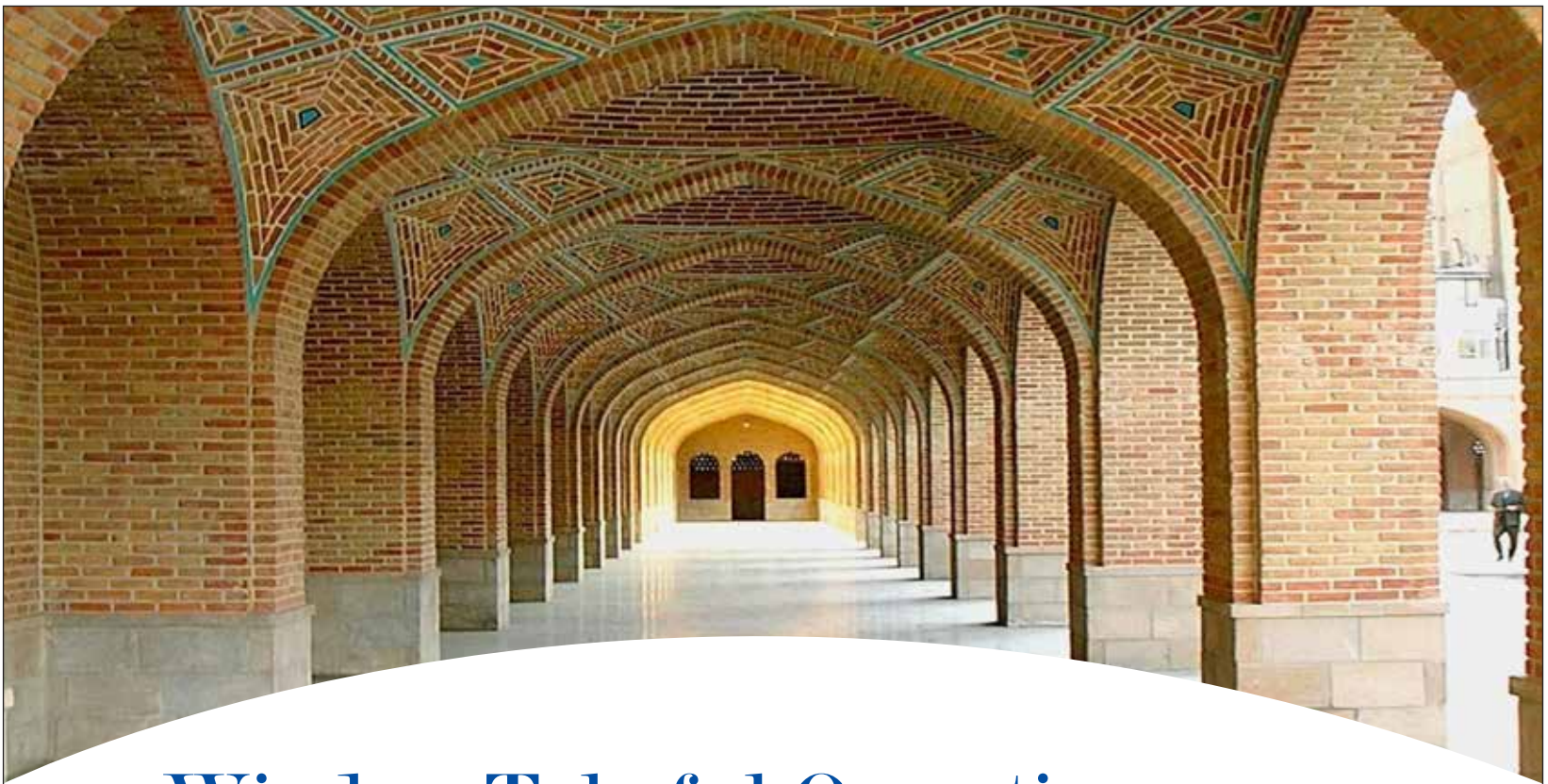
Contractor undertaking the construction of public works like buildings, roads, bridges, dams, civil works etc are usually required to furnish guarantees / bonds guaranteeing the fulfillment of their contractual obligations to the principals.

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

Miscellaneous & Others

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





Window Takaful Operations

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

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

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

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

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

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

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

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

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

Notice of the Thirty Seven Annual General Meeting

Notice is hereby given that the **37th Annual General Meeting** of the Shareholders of **RELIANCE INSURANCE COMPANY LIMITED** will be held on Tuesday the 30th April, 2019 at 12.30 p.m. at the Head Office of the Company at RELIANCE INSURANCE HOUSE 181-A Sindhi Muslim Housing Society near Mehdi Tower, off: Sharah-e-Faisal, Karachi, to transact the following business:

ORDINARY BUSINESS:

1. To confirm the Minutes of the 36th Annual General Meeting of the company held on 28th April, 2018.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended 31st December, 2018 together with Chairman's Review, Directors' and Auditors' Reports thereon.
3. To appoint auditors and fix their remuneration for the year ending December 31, 2019. The Audit Committee and the Board of Directors have recommended the name of M/s. Kreston Hyder Bhimji & Co., Chartered Accountants for re-appointment as auditors.
4. To elect Nine (9) Directors of the Company as fixed by the Board in the meeting held on March 26, 2019 in accordance with the provision of Section 159(1) of the Companies Act, 2017 for the period of three (3) years commencing from April 30, 2019 in place of retiring Directors namely:

Mr. Ismail H. Zakaria	Mr. A. Aziz Ayoob
Mr. Irfan Zakaria Bawany	Mr. Zohair Zakaria
Mr. Muhammad Omar Bawany	Mr. Noor M. Zakaria
Mr. Ahmed Ali Bawany	Mr. Hamza Omar Bawany
Mr. Muhammad Iqbal.	

The retiring Directors are eligible for re-election.

OTHER BUSINESS

5. To transact any other business with the permission of the Chair.

The Share Transfer Books of the Company will remain closed from 20th April, 2019 to 30th April, 2019 (both days inclusive).

By order of the Board

(HAROON A. SHAKOOR)
Chief Accountant & Company Secretary

Karachi: 26th March, 2019

NOTES:

1. A member of the Company entitled to attend and vote may appoint any other member as his/her proxy to attend and vote on his/her behalf. PROXIES MUST BE RECEIVED AT THE HEAD OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. Any person who seeks to contest election of Directors shall, whether he/she is retiring Director or otherwise must file the following document and information with the Company at its Head Office located at 181-A, Sindhi Muslim Co-operative Housing Society Karachi not later than fourteen (14) days before the above said meeting his/her intention of offer himself/herself for the election of the Directors in term of Section 159(3) of the Companies Act, 2017 together with:
 - I. His/her folio No./CDC Investor Account No./CDC Participate ID No./Sub-Account No.
 - II. Notice of his/her intention to offer himself/herself for the election of Directors on form 28 in term of Section 167(1) of the Companies Act, 2017.
 - III. The selection of Independent Directors will be complied with the requirements of Section 166 of the Companies Act, 2017 and Regulation 6 of Listed Companies (Code of Corporate Governance) Regulations 2017.
 - IV. Detailed profile along with his/her office address as required under SRO 1222(1)2015 dated December 10, 2015 of the Securities and Exchange Commission of Pakistan (SECP).
 - V. An attested copy of valid Computerized National Identity Card and NTN.
 - VI. Signed declaration in respect of being compliant with the requirements of the Code of Governance and the eligibility criteria as set of in the Companies Act, 2017 to act as Director of the listed company.
 - VII. Information on Annexure A and affidavits on Annexure B & C required under the Insurance Companies (Sound and Prudent Management) Regulations 2012.

Statement made under section 166(3) of the Companies Act, 2017 in respect of appointment of Independent Director.

Any person who is eligible under Section 153 of the Companies Act, 2017 and meet the criteria under Section 166(1) & (2) of the Companies Act, 2017 may submit nomination to be elected as Independent Director. The independent Director shall be elected in the same manner as other directors are elected in terms of Section 159 of the Companies Act, 2017.

No director have direct or indirect interest in the above said business except that they may consent for election of directors accordingly.

3. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting:

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

B. For appointing Proxies:

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirements.
 - ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - iii) Attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iv) The proxy shall produce his original CNIC or Original Passport at the time of the meeting.
 - v) In case of corporate entity, the Board of Director's resolution/power of attorney with specimen signature of the nominee shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.
4. Shareholders are requested to inform the Company's Share Registrar of any change in their address, if any immediately.

5. SUBMISSION OF COPIES CNIC (MANDATORY)

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

6. ELECTRONIC DIVIDEND MANDATE

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

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

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

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

7. ELECTRONIC TRANSMISSION OF ANNUAL FINANCIAL STATEMENTS AND NOTICES

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

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

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

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

9. **UNCLAIMED DIVIDEND**

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

10. **DEPOSIT OF PHYSICAL SHARES INTO CDC ACCOUNTS**

In accordance with the requirement of section 72 of Companies Act, 2017 every existing Company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the Commission, within a period not exceeding four years from the commencement of this Act. The shareholder having physical shares may open CDC sub-account with any of the broker or investor account directly with CDC to place their physical shares into scrip less form.

11. **CONSENT FOR VIDEO CONFERENCING FACILITY**

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

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

12. **E – VOTING**

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

13. **POSTAL BALLOT**

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

**Horizontal & Vertical Analysis of
Statement of Financial Position &
Profit & Loss Account**

Horizontal Analysis of Statement of Financial Position & Profit & Loss Account

STATEMENT OF FINANCIAL POSITION	Rupees in million				% Increase / (Decrease) over preceeding year			
	2018	2017	2016	2015	2018	2017	2016	2015
Property and equipment	92.881	81.020	87.071	80.743	14.64	(6.95)	7.84	(1.11)
Investments						-		
Equity securities	639.873	607.301	697.739	567.564	5.36	(12.96)	22.94	12.59
Debt securities	45.104	70.169	70.833	86.105	(35.72)	(0.94)	(17.74)	6.56
Term deposits	26.131	26.749	26.719	27.056	(2.31)	0.11	(1.25)	4.51
Loan and others receivables	2.218	3.235	4.184	3.618	(31.44)	(22.68)	15.64	(30.57)
Insurance / Reinsurance receivables	222.267	207.787	168.685	200.694	6.97	23.18	(15.95)	(0.70)
Reinsurance recoveries against outstanding claims	165.480	167.284	172.078	287.126	(1.08)	(2.79)	(40.07)	24.53
Deferred Commission Expenses	65.914	60.932	61.298	57.702	8.18	(0.60)	6.23	6.70
Deferred Taxation	4.287	2.301	-	-	86.31	-	-	-
Prepayment	173.198	339.227	366.198	349.082	(48.94)	(7.37)	4.90	5.07
Cash & Bank	144.373	160.186	120.239	106.871	(9.87)	33.22	12.51	36.11
Total Assets from General Takaful operation OPF	76.927	64.930	53.342	-	18.48	21.72	-	-
Total Assets	1,658.653	1791.121	1828.386	1766.561	(7.40)	(2.04)	3.50	10.69
Ordinary share capital	561.413	561.413	510.375	463.977	-	10.00	10.00	15.00
Reserves	250.000	250.000	220.000	200.000	-	13.64	10.00	10.00
Unappropriated profit /(loss)	42.153	(6.844)	138.505	122.057	715.91	(104.94)	13.48	(13.90)
Surplus/(deficit) on revaluation of available for sale	2.359	(5.635)	8.088	-	141.86	(169.67)	-	-
Total Equity	855.925	798.934	876.968	786.034	7.13	(8.90)	11.57	8.38
Outstanding claims including IBNR	210.197	209.590	220.508	339.587	0.29	(4.95)	(35.07)	24.21
Unearned premium reserves	342.271	494.451	527.368	497.329	(30.78)	(6.24)	6.04	7.88
Unearned Reinsurance Commission	35.596	35.347	34.712	31.286	0.70	1.83	10.95	2.84
Deferred taxation	-	-	3.466	-	-	(100.00)	-	-
Insurance/ Reinsurance Payable	114.934	138.627	71.402	39.018	(17.09)	94.15	83.00	2.69
Other Creditors and Accruals	72.632	84.095	81.493	70.931	(13.63)	3.19	14.89	4.47
Taxation-Provision less payment	7.690	13.925	7.592	2.376	(44.78)	83.42	219.53	-
Total Liabilities from General Takaful Operation OPF	19.408	16.152	4.877	-	20.16	231.19	-	-
Total Equity and Liabilities	1,658.653	1791.121	1828.386	1766.561	(7.40)	(2.04)	3.50	10.69
PROFIT AND LOSS ACCOUNT								
Net insurance premium	348.240	357.654	359.414	316.422	(2.63)	(0.49)	13.59	6.99
Net insurance claims	(87.174)	(88.157)	(101.720)	(89.862)	(1.12)	(13.33)	13.20	(4.71)
Net Commission and acquisition expenses	(59.994)	(60.678)	(60.919)	(49.389)	(1.13)	(0.40)	23.35	25.85
Management Expenses	(152.448)	(141.736)	(132.486)	(127.951)	7.56	6.98	3.54	4.23
Underwriting Results	48.624	67.083	64.289	49.220	(27.52)	4.35	30.62	24.77
Investment Income/(loss)	46.672	(40.072)	104.363	86.693	216.47	(138.40)	20.38	(9.90)
Other Income	2.122	1.517	0.952	1.285	39.88	59.35	(25.91)	(54.27)
Financial Charges	-	-	(0.047)	(0.203)	-	(100.00)	(76.85)	337.38
Others expenses	(45.211)	(47.255)	(47.128)	(46.206)	(4.33)	0.27	2.00	10.31
Profit before tax from takaful operations-Operators fund	7.915	1.132	(1.535)	-	599.20	173.75	-	-
Profit /(Loss) before Tax	60.122	(17.595)	120.894	90.789	441.70	(114.55)	33.16	(5.96)
Income tax expenses	(11.125)	(21.198)	(14.850)	(9.800)	(47.52)	42.75	51.53	53.12
Profit /(Loss) after Tax	48.997	(38.793)	106.044	80.989	226.30	(136.58)	30.94	10.15

Vertical Analysis of Statement of Financial Position & Profit & Loss Account

Rupees in million

STATEMENT OF FINANCIAL POSITION	2018		2017		2016		2015	
	Rupees	%	Rupees	%	Rupees	%	Rupees	%
Property and equipment	92.881	5.60	81.020	4.52	87.071	4.76	80.743	4.57
Investments								
Equity securities	639.873	38.58	607.301	33.91	697.739	38.16	567.564	32.13
Debt securities	45.104	2.72	70.169	3.92	70.833	3.87	86.105	4.87
Term deposits	26.131	1.58	26.749	1.49	26.719	1.46	27.056	1.53
Loan and others receivables	2.218	0.13	3.235	0.18	4.184	0.23	3.618	0.20
Insurance / Reinsurance receivables	222.267	13.40	207.787	11.60	168.685	9.23	200.694	11.36
Reinsurance recoveries against outstanding claims	165.480	9.98	167.284	9.34	172.078	9.41	287.126	16.25
Deferred Commission Expenses	65.914	3.97	60.932	3.40	61.298	3.35	57.702	3.27
Deferred Taxation	4.287	0.26	2.301	0.13	-	-	-	-
Prepayment	173.198	10.44	339.227	18.94	366.198	20.03	349.082	19.76
Cash & Bank	144.373	8.70	160.186	8.94	120.239	6.58	106.871	6.05
Total Assets from General Takaful operation OPF	76.927	4.64	64.930	3.63	53.342	2.92	-	-
	-	-	-	-	-	-	-	-
Total Assets	1,658.653	100.00	1791.121	100.00	1828.386	100.00	1766.561	100.00
Ordinary share capital	561.413	33.85	561.413	31.34	510.375	27.91	463.977	26.26
Reserves	250.000	15.07	250.000	13.96	220.000	12.03	200.000	11.32
Unappropriated profit /(loss)	42.153	2.54	(6.844)	(0.38)	138.505	7.58	122.057	6.91
Surplus/(deficit) on revaluation of available for sale	2.359	0.14	(5.635)	(0.31)	8.088	0.44	-	-
Total Equity	855.925	51.60	798.934	44.61	876.968	47.96	786.034	44.50
Outstanding claims including IBNR	210.197	12.67	209.590	11.70	220.508	12.06	339.587	19.22
Unearned premium reserves	342.271	20.64	494.451	27.61	527.368	28.84	497.329	28.15
Unearned Reinsurance Commission	35.596	2.15	35.347	1.97	34.712	1.90	31.286	1.77
Deferred taxation	-	-	-	-	3.466	0.19	-	-
Insurance/ Reinsurance Payable	114.934	6.93	138.627	7.74	71.402	3.91	39.018	2.21
Other Creditors and Accruals	72.632	4.38	84.095	4.70	81.493	4.46	70.931	4.02
Taxation-Provision less payment	7.690	0.46	13.925	0.78	7.592	0.42	2.376	0.13
Total Liabilities from General Takaful Operation OPF	19.408	1.17	16.152	0.90	4.877	0.27	-	-
	-	-	-	-	-	-	-	-
Total Equity and Liabilities	1,658.653	100.00	1791.121	100.00	1828.386	100.00	1766.561	100.00
PROFIT AND LOSS ACCOUNT								
Net insurance premium	348.240	100.00	357.654	100.00	359.414	100.00	316.422	100.00
Net insurance claims	(87.174)	(25.03)	(88.157)	(24.65)	(101.720)	(28.30)	(89.862)	(28.40)
Net Commission and acquisition expenses	(59.994)	(17.23)	(60.678)	(16.97)	(60.919)	(16.95)	(49.389)	(15.61)
Management Expenses	(152.448)	(43.78)	(141.736)	(39.63)	(132.486)	(36.86)	(127.951)	(40.44)
Underwriting Results	48.624	13.96	67.083	18.76	64.289	17.89	49.220	15.56
Investment Income/(loss)	46.672	13.40	(40.072)	(11.20)	104.363	29.04	86.693	27.40
Other Income	2.122	0.61	1.517	0.42	0.952	0.26	1.285	0.41
Financial Charges	-	-	-	-	(0.047)	(0.013)	(0.203)	(0.064)
Others expenses	(45.211)	(12.98)	(47.255)	(13.21)	(47.128)	(13.11)	(46.206)	(14.60)
Profit before tax from takaful operations-Operators fund	7.915	2.27	1.132	0.32	(1.535)	(0.43)	-	-
Profit /(Loss) before Tax	60.122	17.26	(17.595)	(4.92)	120.894	33.64	90.789	28.69
Income tax expenses	(11.125)	(3.19)	(21.198)	(5.93)	(14.850)	(4.13)	(9.800)	(3.10)
Profit /(Loss) after Tax	48.997	14.07	(38.793)	(10.85)	106.044	29.50	80.989	25.60

Key Financial Data

10 Years Growth At A Glance

Rupees '000

	2018	2017 Restated	2016 Restated	2015	2014	2013	2012	2011	2010	2009
Ordinary Share Capital	561.41	561.41	510.37	463.98	403.46	366.78	318.93	318.93	252.01	252.01
Share Holder's Equity	855.92	798.93	876.96	786.03	725.22	653.42	578.71	450.56	374.52	322.58
Reserves	250.00	250.00	220.00	200.00	180.00	160.00	90.00	90.00	87.50	87.50
Cash & Bank	144.37	160.18	120.24	133.93	104.50	103.08	68.76	79.82	57.54	63.05
Investment	711.11	704.22	795.29	653.67	584.86	500.32	436.86	341.67	284.60	282.68
Underwriting Provisions	588.06	739.39	782.59	868.20	764.85	679.63	947.90	465.33	437.16	493.36
Total Assets	1658.65	1791.12	1828.38	1766.56	1595.94	1456.58	1633.02	1044.07	903.46	904.35
Return on Assets %	2.95%	(2.16)%	5.80%	4.58%	5.65%	5.13%	5.34%	6.93%	11.99%	(3.61)%
Return on Equity %	5.72%	(4.85)%	12.09%	10.34%	12.43%	11.43%	15.07%	14.90%	13.86%	(10.11)%
Ordinary Share Capital to Assets %	33.85%	31.35%	27.91%	26.26%	25.28%	25.18%	19.53%	28.76%	26.04%	27.86%
Total Equity / Total Assets %	51.60%	44.60%	47.96%	44.50%	45.44%	44.86%	35.43%	46.48%	45.33%	35.67%
Written Gross Premium	878.68	1155.40	1201.84	1114.40	1028.14	837.23	613.72	543.40	529.54	506.34
Net Insurance Premium	348.24	357.65	359.41	316.42	295.76	260.76	240.70	238.70	267.92	326.55
Ratio to written Gross Premium %	39.63%	30.95%	29.90%	28.39%	28.77%	31.14%	39.22%	43.93%	50.59%	64.49%
Net Insurance Claims	87.17	88.16	101.72	89.86	94.30	87.89	83.09	86.32	96.43	227.46
Ratio to Net Insurance Premium %	25.03%	24.65%	28.30%	28.40%	31.88%	33.71%	34.52%	36.16%	35.99%	69.65%
Management Expenses	197.66	188.99	179.66	174.36	164.67	155.34	142.76	128.95	130.78	140.59
Ratio to Written Gross Premium %	22.49%	16.36%	14.95%	15.65%	16.02%	18.55%	23.26%	23.73%	24.70%	27.77%
Ratio to Net Insurance Premium %	56.76%	52.84%	49.98%	55.10%	55.68%	59.57%	59.31%	54.02%	48.81%	43.05%
Investment Income/(Loss)	46.67	(40.07)	104.36	86.69	96.22	97.44	110.25	94.08	54.86	53.86
Return of Investment %	6.56%	(5.69)	13.12%	13.26%	16.45%	19.47%	25.24%	23.33%	15.73%	19.05%
Underwriting Results	48.62	67.08	64.29	49.22	39.45	19.60	17.04	15.24	31.93	(51.98)
Profit/(loss) Before Tax	60.12	(17.59)	120.89	90.79	96.54	81.21	93.90	82.54	56.68	(30.99)
Percentage to Written Gross Premium %	6.84%	(1.52)%	10.06%	8.15%	9.39%	8.92%	14.21%	14.00%	99.81%	(6.45)%
Profit/(loss) After Tax	48.99	(38.79)	106.04	80.99	90.14	74.70	87.21	76.04	51.93	(32.64)
Percentage to Net Insurance Premium	14.07%	(10.85)%	29.50%	25.60%	30.48%	28.65%	36.23%	31.85%	90.38%	(10.00)%
Earnings/(loss) After Tax Per Share-Rupees	0.87	(0.69)	2.08	1.75	1.94	2.03	2.73	2.38	2.06	(1.30)
Dividend/Bonus %	-	-	10%(B) 5%(C)	10%(B) 5%(C)	15%(B)5%(C)	10%(B)5%(C)	15%(B)	12.5%(B)7.5%(C)	12.5%(B)	NIL
Break up Value Per Share	15.24	14.23	17.18	16.94	17.97	17.81	18.15	14.13	14.86	12.80
Summary of Cashflow										
Total Cash Flow from all Operating Activities	(44.425)	38.113	102.288	40.013	23.354	16.692	(57.429)	(6.862)	(58.624)	(91.354)
Total Cash Flow from Investment Activities	28.663	26.796	(66.426)	9.450	3.908	17.237	70.445	29.606	53.313	75.606
Total Cash Flow from Financing Activities	0.050	(24.963)	(22.831)	(20.035)	(18.024)	(0.111)	(24.080)	(0.461)	(0.193)	(0.463)
Net Cash Flow From all Activities	(15.812)	39.975	13.031	29.428	1.420	34.318	(11.063)	22.282	(5.504)	(16.211)
Cash and Cash Equivalent at the end of the year	144.372	160.185	120.239	133.927	104.499	103.078	68.760	79.824	57.541	63.045

Shareholders' Information

Registered Office

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

Head Office

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

Share Registrar Office

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

Listing on Stock Exchanges

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

Listing Fees

The annual listing fee for the financial year
2018-2019 was paid to the Pakistan Stock Exchange
and Central Depository Company (CDC) within the
prescribed time.

Stock Symbol

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

Statutory Compliance

During the year, the Company complied with all
applicable provisions of the Companies Act, 2017,
the Insurance Ordinance 2000, Insurance Rules
2017, Listed Companies (Code of Corporate
Governance) Regulations, 2017, the Code of
Corporate Governance, for insurers 2016 and others
regulations prescribed by SECP.

Book Closure Dates

The register of Member and share transfer books of
the Company will remain closed from 20th April
2019 to 30th April 2019, (both days inclusive).

37th Annual General Meeting

Date	:	30th April, 2019
Time	:	12:30 p.m.
Venue	:	Reliance Insurance House, 181-A, SMCHS, Karachi

Website of the Company

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

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

Website: www.relianceins.com

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

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

Change of Address

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

Investors' Grievances Policy

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

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

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

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

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

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

Shareholders' Information

Company Secretary

Reliance Insurance Company Limited
181-A, SMCHS Karachi.

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

SUBMISSION OF CNIC COPIES (MANDATORY)

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

ELECTRONIC DIVIDEND MANDATE

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

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

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

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

ELECTRONIC TRANSMISSION OF ANNUAL FINANCIAL STATEMENTS AND NOTICES

Pursuant to Notification vide SRO.787(1) / 2014 of September 8, 2014, the SECP has directed to facilitate the members of the Company receiving

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

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

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

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

CONVERSION OF PHYSICAL SHARES INTO BOOK ENTRY FORM

The shareholders heaving physical shares may open CDC sub-account with any of the brokers or Investor Account directly by with the Central Depository Company (CDC) of Pakistan Limited to have their physical shares converted into electronic form. This will facilitate then in many ways including safe custody. Further with the requirement of Section 72 of Companies Act, 2017, every existing company having share capital required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by SECP, within a period not exceeding four years from the commencement of the Act.

Shareholders' Information

UNCLAIMED DIVIDEND

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

ELECTION OF DIRECTORS

Any person who seeks of contest the election of Directors scheduled to be held on April 30, 2019 at AGM shall file with the Company at its Registered office not later than 14 days before the date of the said meeting a notice of his/her intention to offer himself / herself for election as a director in terms of Section 159(3) of the Companies Act, 2017.

CONSENT FOR VIDEO CONFERENCE FACILITY

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

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

E – VOTING

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

POSTAL BALLOT

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

DECISIONS TAKEN AT THE LAST ANNUAL GENERAL MEETING

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

- ♦ Approval of the minutes of the 36th Annual General Meeting, held on 28th April 2018.
- ♦ Approval of the audited financial statements for the year ended December 31, 2017 alongwith Directors' and Auditors' reports.
- ♦ Appointment of M/s. Kreston Hyder Bhimji & Co., Chartered Accountants as auditors of the Company for the year 2018 and fixation of their remuneration.

Financial Calendar

27th March, 2018	Meeting of the Board of Directors for approval of the audited financial statements for the year ended December 31, 2017.
28th April, 2018	<p>The Annual General Meeting of the Company was held at the Head Office for approval of annual audited financial statement for the year ended December 31, 2017.</p> <p>Appointment of M/s. Kreston Hyder Bhimji & Co., Chartered Accountants as auditors of the Company for the year 2018 and fixation of their remuneration was approved.</p>
28th April, 2018	Meeting of the Board of Directors for approval of the unaudited first quarter financial statements for the period ended March 31, 2018.
28th August, 2018	Meeting of the Board of directors for approval of the half yearly Unaudited financial statements for the period ended June 30, 2018.
30th October, 2018	Meeting of the Board of Directors for approval of the unaudited financial statements for the nine months period ended September 30, 2018.
31st December, 2018	JCR-VIS Credit Rating Company Limited has reaffirmed the Insurer Financial Strength Rating of Reliance Insurance Company Limited (RICL) at 'A' (Single A). Outlook on the assigned rating is 'Positive'.

Categories of Shareholding

as at December 31, 2018

Categories of share holders	Number of share holders	Number of shares held	Percentage of shares held%
ASSOCIATE COMPANIES UNDERTAKINGS AND RELATED PARTIES			
Anam Fabrics	1	72,897	0.13
NIT / ICP/ IDBP			
Investment Corporation of Pakistan, IDBP ICP Units	6	720	0.00
DIRECTORS, CEO & OTHER SPOUSES AND MINOR CHILDREN	15	16,567,044	29.51
The detail are as under:			
MR. ISMAIL H. ZAKARIA	1	560,195	
MR. A. AZIZ AYOOB	1	652,134	
MR. IRFAN ZAKARIA BAWANY	1	3,471,400	
MR. MOHD. OMAR BAWANY	1	332,852	
MR. ZOHAIK ZAKARIA	1	252,397	
MR. AHMED ALI BAWANY	1	2,380,725	
MR. NOOR M. ZAKARIA	1	1,484,628	
MR. HAMZA OMAR BAWANY	1	610,185	
MR. MUHAMMAD IQBAL	1	5,995	
MRS. ZARINA BAI ISMAIL	1	515,833	
MRS. MEHRUNNISA A. AZIZ	1	262,581	
MRS. SHEHLA IRFAN	1	3,358,450	
MRS. RUKHSANA BAI OMER	1	1,195,040	
MRS. AMBREEN AHMED ALI	1	-	
MRS. SHAHNAZ NOOR MOHAMMAD	1	1,484,629	
EXECUTIVE	-	-	-
PUBLIC SECTOR COMPANIES AND CORP.	-	-	-
BANK, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE INSTITUTION, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS	3	673	0.00
JOINT STOCK COMPANIES	19	8,270,057	14.73
GOVERNMENT DEPARTMENT	2	786,621	1.40
Federal Board of Revenue			
INDIVIDUALS	1,440	29,982,899	53.41
STOCK EXCHANGE	1	2,024	0.00
ISE Tower REIT Management Co. Ltd.			
WELFARE SOCIETY	1	114,070	0.20
Pakistan Memon Educational & Welfare Society			
CHARITABLE TRUSTS	1	343,611	0.61
Begum Aisha Ahmed & Latif Foundation			
TRADE	1	669	0.00
Haral Sons (Pvt.) Limited			
TOTAL :-	<u>1,490</u>	<u>56,141,285</u>	<u>100.00</u>
SHAREHOLDERS HOLDING FIVE PERCENT OR MORE VOTING INTEREST.			
M/s.Irfan Ashfaq & Company (Pvt.) Ltd.,	1	6,159,833	10.97
Mr. Irfan Zakaria Bawany	1	3,471,400	6.18
Mrs.Shehla Irfan	1	3,358,450	5.98

Pattern of Shareholding

as at December 31, 2018

Number of Shareholders	Shareholdings		Total shares held
	From	To	
406	1	100	7,378
191	101	500	53,371
151	501	1000	109,312
355	1001	5000	847,299
126	5001	10000	897,856
44	10001	15000	536,967
33	15001	20000	581,535
30	20001	25000	687,198
16	25001	30000	434,785
9	30001	35000	290,098
6	35001	40000	222,977
9	40001	45000	386,517
10	45001	50000	483,133
3	50001	55000	158,136
4	55001	60000	229,158
6	60001	65000	378,558
1	65001	70000	66,604
5	70001	75000	364,482
3	75001	80000	236,610
2	80001	85000	162,187
1	85001	90000	89,839
1	90001	95000	94,500
2	95001	100000	195,308
4	105001	110000	432,238
2	110001	115000	229,070
3	115001	120000	349,576
4	120001	125000	488,571
1	125001	130000	129,841
1	135001	140000	136,987
1	140001	145000	142,617
1	145001	150000	146,182
1	150001	155000	154,035
2	160001	165000	323,049
1	180001	185000	185,000
1	185001	190000	186,150
2	195001	200000	398,852
1	200001	205000	200,317
1	205001	210000	206,828
4	215001	220000	871,905
1	225001	230000	226,428
2	230001	235000	467,017
2	235001	240000	476,248
1	245001	250000	248,962
1	250001	255000	252,397
1	260001	265000	262,581
1	305001	310000	307,665
1	330001	335000	332,852
1	340001	345000	343,611
1	345001	350000	348,427
1	370001	375000	374,312
1	395001	400000	397,635
2	415001	420000	830,723
1	445001	450000	450,000
1	465001	470000	465,569
1	470001	475000	475,000
1	495001	500000	495,426
1	510001	515000	511,320
1	515001	520000	515,833
1	560001	565000	560,195
1	610001	615000	610,185
1	630001	635000	633,934
1	640001	645000	644,004
1	680001	685000	682,501
1	690001	695000	691,000
1	720001	725000	720,905
1	740001	745000	743,988
1	785001	790000	788,992
1	790001	795000	794,367
1	840001	845000	843,844
1	1100001	1105000	1,103,733
1	1130001	1135000	1,131,486
1	1285001	1290000	1,285,912
2	1480001	1485000	2,969,257
1	1680001	1685000	1,683,816
1	1785001	1790000	1,787,583
1	2125001	2130000	2,129,188
1	2190001	2195000	2,193,970
1	2250001	2255000	2,250,884
1	2495001	2500000	2,497,976
1	3355001	3360000	3,356,700
1	6155001	6160000	6,159,833
<u>1490</u>			<u>56,141,285</u>

Sr. No.	Categories of share holders	Number of share holders	Total shares held	Percentage %
1	INDIVIDUALS	1455	46,549,943	82.92
2	INVESTMENT COMPANIES	5	448	0.00
3	INSURANCE COMPANIES	1	648	0.00
4	JOINT STOCK COMPANIES	20	8,342,907	14.86
5	FINANCIAL INSTITUTIONS	2	456	0.00
6	STOCK EXCHANGE	1	2,024	0.00
7	WELFARE SOCIETY	1	114,070	0.20
8	CHARITABLE TRUSTS	1	343,611	0.61
9	MODARABA MANAGEMENT COMPANIES	1	1	0.00
10	TRADE	1	669	0.00
11	GOVERNMENT DEPARTMENT	2	786,621	1.40
		<u>1490</u>	<u>56,141,285</u>	<u>100.00</u>

Chairman's Review

It gives me pleasure to present Thirty Seventh Annual Report and Performance review of your Company on behalf of the Board of Directors for the year ended 31st December 2018. The year 2018 was yet another challenging year witnessing uncertain economic conditions. After general election new political government was formed facing plethora of problems including depletion of foreign exchange reserves unfavorable Balance of payment, shortage of gas, electricity & water etc.

The current account deficit continue to strain foreign exchange reserves and pressure remained on the exchange rate resulting in 25.8% devaluation in the Pak rupee over the years with the closing level in December 2018, at PKR 138.86 USD. IMF Program for the next 3 years has been under negotiation for quite some time by the newly elected Government. External support by friendly countries during the last quarter of 2018 and thereafter substantially eased the pressure of balance of payments scenario.

Pakistan Stock Exchange movement was direction less, even good corporate results, could not support the 100 index. The unrealized gain in one quarter diluted in the next quarter. Bearish sentiment continued as index closed at 37,067 points in December 2018, a decline of 8.4% over the December 2017 level, thus year 2018, too proved a difficult year for the stock market - once being one of the best performing markets of the world.

The importance of Insurance industry cannot be over emphasized. It has very close and direct link with trade, commerce and industry. It supports Trade commerce and industry at every stage by extending protection against various risks & without its support their smooth running is unimaginable.

Insurance Companies dividend income and other income continues to be taxed at corporate rate which has also affected adversely net profitability. Your company has produced Rs.48.997 million profit after tax, even under these difficult circumstances.

Your company's Window Takaful Operations are slowly and steadily growing and have yielded positive result i.e. profit for Rs.7.915 million against Rs.1.32 million of previous year. Investment income for participant Takaful Fund has increased from Rs.0.840 million to 3.238 million. We hope that Window Takaful fund would grow and Inshallah yield good results.

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



Ismail H. Zakaria

Chairman

Karachi. 26 March, 2019

چیرمین کی جائزہ رپورٹ:

31 دسمبر 2018 کو ختم ہونے والے سال کے لئے بورڈ آف ڈائریکٹرز کے چیرمین کی حیثیت سے آپ کی کمپنی کی 37 ویں سالانہ رپورٹ اور کارکردگی کا جائزہ پیش کرتے ہوئے مسرت محسوس کر رہا ہوں۔

سال 2018 غیر یقینی معاشی صورتحال کا سامنا کرنے کے لئے ایک مشکل سال تھا۔ عام انتخابات کے بعد بننے والی سیاسی حکومت کو ڈھیر سارے مسائل کا سامنا ہے جن میں غیر ملکی کرنسی کے ذخائر میں کمی، غیر مناسب ادائیگیاں، گیس بجلی اور پانی کی کمی شامل ہیں۔ اقتصادی محاذ پر کرنٹ اکاؤنٹ کا خسارہ وسیع ہو گیا ہے اور کرنسی کے تبادلے کی شرح پر دباؤ برقرار ہے جس کے نتیجے میں رواں سال میں پاکستانی روپے کی قدر میں 25.8 فیصد کمی کے نتیجے میں دسمبر 2018 کے اختتام پر ڈالر 138.86 روپے تھا۔ IMF سے آئندہ تین سال کے پروگرام کے لیے نئی حکومت بات چیت کر رہی ہے۔ 2018 کی آخری سہ ماہی کے دوران دوست ممالک کی مدد کی وجہ سے ادائیگیوں کے مد میں کافی استحکام رہا۔

پاکستان اسٹاک ایکسچینج بے رخ رہا یہاں تک کہ اچھے کارپوریٹ نتائج بھی 100 انڈیکس کو سہارا نہ دے سکے۔ ایک سہ ماہی کا غیر تسلیم شدہ منافع اگلی سہ ماہی میں ختم ہو جاتا ہے۔ مندی کا رجحان برقرار رہنے کی وجہ سے دسمبر 2018 میں انڈیکس 37,067 پوائنٹس پر بند ہوا۔ جو کہ دسمبر 2017 کے مقابلے میں 8.4 فیصد کم رہا، اس طرح یہ ثابت ہوتا ہے کہ 2018 اسٹاک ایکسچینج کے لیے مشکل سال رہا۔ جو کہ ایک مرتبہ دنیا کے بہترین مارکیٹ کا مظاہرہ کر چکی ہے۔ انشورنس کی صنعت کی اہمیت ایک تسلیم شدہ امر ہے اور اس کا صنعت اور تجارت سے بہت قریب اور براہ راست تعلق ہے۔ یہ مختلف تجارتی خطرات کے خلاف تحفظ فراہم کرتے ہوئے ہر مرحلے پر تجارت اور صنعت کی مدد کرتا ہے اور اس کے تعاون کے بغیر ان کا ہموار چلنا ناقابل تصور ہے۔

انشورنس کمپنی کی ڈویڈنڈ اور دوسری آمدنی پر کارپوریٹ کی شرح پر ٹیکس لیے جا رہے ہیں جس نے خالص منافع کو بھی متاثر کیا ہے۔ آپ کی کمپنی نے ٹیکس کے بعد، ان مشکل حالات میں بھی 48.92 کروڑ روپے کا منافع کیا ہے

آپ کی کمپنی کے ونڈو نکال آپریٹنگز آہستہ آہستہ اور تیزی سے ترقی کی طرف گامزن ہے اور پچھلے سال کے 11.3 ملین روپے کے مقابلے میں 7.915 ملین روپے کے منافع کے مثبت نتائج حاصل کیے ہیں۔

شراکت داری کا فنڈ کے لئے سرمایہ کاری آمدنی 0.840 ملین روپے سے بڑھ کر 3.238 ملین روپے ہوئی ہے۔ ہم امید کرتے ہیں کہ ونڈو نکال فنڈ مزید بڑھ جائے گا اور انشا اللہ اچھے نتائج حاصل کرے گا۔

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



اسماعیل ایچ ڈکریا

چیرمین

کراچی 26 مارچ 2019

Directors' Report

The Directors of the Company take pleasure in presenting their report together with the audited financial statements and Auditors report thereon for the year ended December 31, 2018.

OPERATIONAL RESULTS FOR THE YEAR 2018

The comparative financial highlights of your Company for the year ended 31st December, 2018 are as follows:

	2018	2017
	Rs. in Million	
Gross Premium		
(Including Takaful Contribution)	979.224	1230.175
Net Premium	348.240	357.654
Net Incurred Claims		
(including IBNR)	87.174	88.156
Management Expenses	152.448	141.736
Underwriting Profit	48.623	67.082
Investment Income / (Loss)	46.672	(40.073)
Profit/Loss before Taxation	60.122	(17.595)
Profit/Loss after Taxation	48.997	(38.793)
Earnings per Share (EPS)-Rs.	0.87	(0.69)

Your Company underwrote gross premium of Rs.979.224 million (inclusive of Rs.100.538 million of Takaful Contribution) against Rs.1230.175 million (inclusive of Rs.74.774 million of Takaful Contribution) of the last year showing a decrease of Rs.250.951 million. The net premium also decreased from Rs.357.654 million to Rs.348.240 million, i.e. a decrease of Rs.9.41million.

Claims incurred during the year were Rs.87.174 million against Rs.88.156 million of the previous year, showing a minor decrease of Rs.0.982 million. Your Company has earned underwriting profit for Rs.48.623 million from its core business, all classes of business have contributed profitability. Net profit after Tax stood at Rs.48.997 million from Rs. (38.793) million loss (Restated) for the previous year.

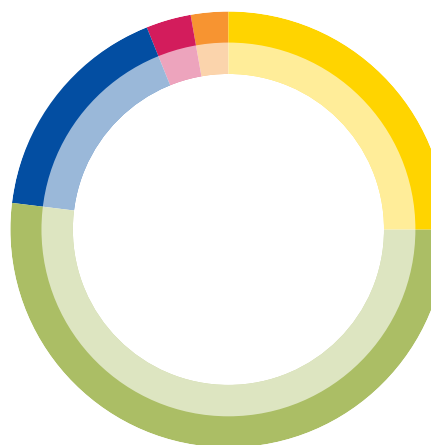
INVESTMENT

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

The shares portfolio of RICL is diversified amongst various sectors fundamentally focusing on blue chip scrips having high dividend yields / paying bonuses and also future growth prospects and to maintain balance between fixed income securities and equities. The portfolio remains under surveillance of the investment committee.

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

Gross Premium by Class of Business -2018



Fire	316.03 Million	Engineering	23.28 Million
Marine, Aviation & Transport	349.74 Million	Miscellaneous	38.45 Million
Motor	251.72 Million		

Dividend Income stood at Rs. 32.309 million in 2018 compared to previous year of Rs. 32.993 million – a slight decrease of 2.07%. Your company has also realized capital gain of Rs. 1.477 million against Rs. 5.922 million, of the previous year. Unrealized gain stood at Rs. 7.942 million compared to Rs. 75.853 million loss of the previous year. The total investment income for 2018 stood at Rs. 46.672 million against loss for Rs.40.073 million in 2017.

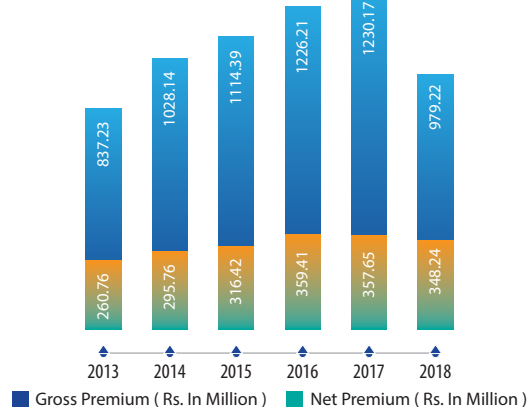
Your company continues generating a significant portion of its investment income from sustainable sources such as interest & dividends and capital gain ensuring regular income. The Investment portfolio which also includes Term Deposits for Rs.26.130 million stood at Rs.711.108 million as at 31st December 2018. Cash and Bank Deposits Accounts stood at Rs.144.373 million against 160.186 million of previous year.

CLAIMS

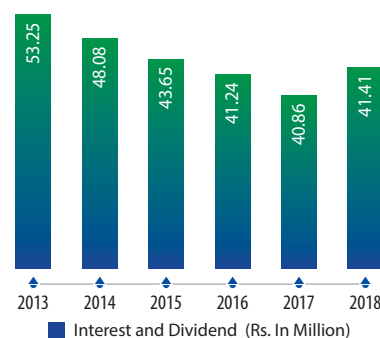
The Company recognize liability in respect of all claims incurred up to the Statement of Financial Position date which is measured at the undiscounted value of the expected future payments.

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

Gross & Net Premium



Interest and Dividend



REINSURANCE

Your Company has successfully concluded the reinsurance arrangements for the year 2019. Swiss Re world's most prestigious and renowned Re-Insurer continues to be the leader of RIC's reinsurance programme for the year 2019. Underwriting capacity for certain lines of business has improved further in 2019, thus your Company would be able to underwrite larger risks. We are thankful to all our re-insurers for their unwavering confidence and continued support.

WINDOW TAKAFUL OPERATION

The Securities and Exchange Commission of Pakistan (SECP) Insurance Division have granted License to the Company to undertake Window Takaful Operation on 25th May 2016, Reliance Takaful is operating under the guidance of renewed qualified and certified Shariah Scholar. Reliance Takaful is offering a wide range of Shariah Compliant General Takaful products such as Fire and Property Takaful, Marine Cargo, Private / Commercial Vehicles Takaful, Engineering Takaful Terrorism and Miscellaneous Accident Takaful.

Your Company has underwrote Takaful Contribution for Rs.100.538 million comparing it with previous year contribution for Rs.74.774 million showing growth of 34.45%. Window Takaful Operation yielded a profit of Rs.7.915 million (2017 Rs.1.132 million).

The Summarized results of Window Takaful operation for the year under review are as follows:-

	2018	2017
	Rs. in Million	
Gross Contribution	100.538	74.774
Net Contribution	64.841	26.309
Surplus for the year - PTF	21.725	6.241
Operators Fund		
Revenue Account	6.695	0.139
Operator Profit	7.914	1.132

INFORMATION TECHNOLOGY

The role of IT in your Company has also become quite important as availability of uninterrupted IT services

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

iGIAS has been incorporated with General Takaful services which has also been successfully implemented at branch user level for Takaful operations to satisfy short and long term day to day needs. Due to implementation of above module the operational capabilities of relevant department of the Company improved and these development is supported the improvement of internal controls and effective management information system.

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

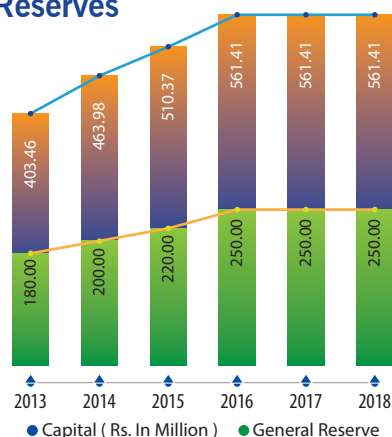
JCR VIS CREDIT RATING

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

RELATED PARTY TRANSACTIONS

All related party transactions are put up periodically before the Audit Committee and the Board for their

Capital & Reserves



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

CORPORATE GOVERNANCE LEADERSHIP SKILL PROGRAM:

Following directors have already completed Corporate Governance Leadership skills (CGLS) program of Pakistan Institute of Corporate Governance (PICG).

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

Four Directors have completed corporate governance leadership skill (CGLS) program of Pakistan Institute of Corporate Governance (PICG), while Five Directors meets the criteria of eligibility as directors of 15 years' experience on the Board of listed companies and 14 years of Education as required under Listed Companies (Code of Corporate Governance) Regulations, 2017.

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

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

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

- a) The financial statements, prepared by the management of the company fairly present its state of affairs, the results of the operations, cash flow and changes in equity.

- b) Proper books of account of the Company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statement and accounting estimates are based on reasonable and prudent judgment.
- d) The International Accounting Standard, International Financial Reporting Standards (IFRS), or any other regulation or law 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) The pattern of shareholding in the Company as at 31st December, 2018 is annexed to the accounts.
- g) There are no significant doubts about the Company's ability to continue as a going concern.
- h) There has been no material departure from the best practices of Corporate Governance.
- i) Key operating and financial data for the last Ten years in summarized form is annexed.
- j) The Value of investments based on the unaudited accounts as at 31st December 2018, in respect of the Provident Fund Stands at Rs.64.902 million.

BOARD OF DIRECTORS

The total number of Directors are nine (9) as per following:-

- (a) Male = 09
- (b) Female = None

The composition of board is as follows:-

- Independent Director = 1
- Executive Director = 1
- Non-Executive Director = 8

Mr. A. Razak Ahmed is the Chief Executive of the company. Being the Chief Executive of the company, he is deemed to be a Director.

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

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

DIRECTOR'S REMUNERATION

In line with the requirement of Listed Companies (Code of Corporate Governance) Regulations, 2017 the policy of remuneration of non-executive directors including Independent directors, the Company do not pay any remuneration to its non-executive directors (including independent directors) except as meeting fee for attending the Board meetings in compliance with the requirements of Article 137 of the Company's Article of Association.

Role of Chairman & Managing Director/CEO

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

Managing Director/CEO

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

MD's Performance Review

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

BOARD COMMITTEES

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

AUDIT COMMITTEE

The following are the members of the committee.

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

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

- i. Recommending to the Board of Directors the appointment of External Auditors and consider any questions of audit fee; taking into consideration a number of factors including satisfactory rating under ICAPS quality control review program;
- ii. Consideration of questions regarding resignation or removal of External Auditors;
- iii. Determination of appropriate measures to safeguard the company's assets;
- iv. Review of quarterly, half yearly and annual financial statements of the Company, prior to the approval by the Board of Directors;
- v. Review of adjustments resulting from audit;
- vi. Review of preliminary announcement of results prior to publication;
- vii. Review and recommend significant related party transactions;
- viii. Compliance with applicable accounting standards;
- ix. Compliance with listing regulations and other statutory and regulatory requirements;
- x. Monitoring compliance with the best practices of corporate governance and identification of any significant violations thereof;
- xi. Consideration of major findings of internal investigation of activities characterized by fraud, corruption and abuse of power and management response there to;
- xii. Consideration of any other issue or matter as may be assigned by the board of directors;
- xiii. facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- xiv. review of management letter issued by external auditors and management's response thereto;
- xv. ensuring coordination between the internal and external auditors of the company;
- xvi. review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the company;
- xvii. ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;

- xviii. review of the company's statement on internal control systems prior to endorsement by the board of directors and internal audit reports;
- xix. instituting special projects, value for money studies or other investigations on any matter specified by the board of directors, in consultation with the chief executive officer and to consider remittance of any matter to the external auditors or to any other external body.

INVESTMENT COMMITTEE

Investment Committee consists of five members including Chief Executive Officer.

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

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

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

ETHICS, HUMAN RESOURCE & REMUNERATION COMMITTEE

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

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

The committee shall be responsible for:-

- a) Recommending human resource management policies to the board.
- b) Recommending to the board the selection and compensation (including retirement benefits) of CEO, CFO/Co. Secretary and Head of Internal Audit

- c) Periodic reviews of the amount and form of reimbursement for terminal benefits in case of retirement and death of any employee in relation to current norms.
- d) Consideration and approval on the recommendation of CEO on such matters for key management positions who report directly to CEO.
- e) Review recruitment policy and procedures for hiring of executives.
- f) Review and recommend annual appraisal and salary revision of Senior Executives of the Company and staff members.
- g) Review and approve any changes required in perquisites and benefits of Senior Executives and employees.
- h) Approve termination and acceptance of resignations of Senior Executives
- i) Any other issue or matter as may be assigned by the Board of Directors.

Management Committees

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

Underwriting, Reinsurance & Co-Insurance Committee

The functions of the Underwriting Committee includes:-

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

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

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

The Committee consists of the following members:-

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

Claims Settlement Committee

The functions of the Committee includes:-

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

The Committee consists of the following members:-

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

Takaful Committee

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

TRADING OF COMPANY'S SHARES

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

Name	Disignation	No. of Share	Status
Mr. A. Aziz Ayoub	Director	415,691	Gift received from family member
Mr. Ahmed Ali Bawany	Director	2,161,949	Gift received from spouse
Mr. Noor M. Zakaria	Director	1,262,003	Gift received from family member
Mrs. Shahnaz Sattar Zakaria	Spouse of Director Mr. Noor M. Zakaria	1,135,952	Gift received from family member

The following are the members of Takaful committee:

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

Board of Director's Meetings

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

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

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

PATTERN / CATEGORIES OF SHAREHOLDING

The pattern of shareholding of the company is annexed.

STATEMENT OF THE ETHICS AND BUSINESS PRACTICES

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

TRAINING PROGRAM

During the year staff and senior officers were nominated to attend various Seminars and training courses, as recommended by nomination committee.

Two senior officers were nominated to attend Seminar on Anti Money Laundering Conducted by SECP at Islamabad. They again attend the seminar organized by SECP at Karachi.

Another training session organized by Karachi Insurance Institute on Takaful was attended by Seven Personal including VP and CFO.

“Element Training Program 2018” held by CDC was attended by two senior officers of investment Department.

AUDITORS

M/s. Kreston Hyder Bhimji Chartered Accountants retire at the conclusion of the Annual General Meeting and being eligible, offer themselves for re-appointment for the financial year ending 31st December 2019, at a fee to be mutually agreed.

The Audit Committee has recommended and the Board has endorsed the appointment of M/s. Kreston Hyder Bhimji Chartered Accountant, as auditors for the year ending 31st December 2019.

FUTURE OUTLOOK

The year 2019 would be a challenging year. GDP growth projection ranges between 3.5% to 4.0%.

Karachi: 26th March, 2019

The double digitted key discount rate and its continuous hike would raise the cost of doing business as well as debt servicing payments. The Insurance industry is likely to remain under stress until balance of payment position improves and growth in export and remittances cement financial stability subject to the improved law and order situation geo political stability and business friendly policies are implemented / enforced. Your Company will focus on long-term profitable growth through consolidation, improvement in systems and quality management information systems facilitating prudent and real time decisions.

Takaful operations will further provide new avenues and opportunities to enhance your company's business.

ACKNOWLEDGMENT

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

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

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

By Order of the Board



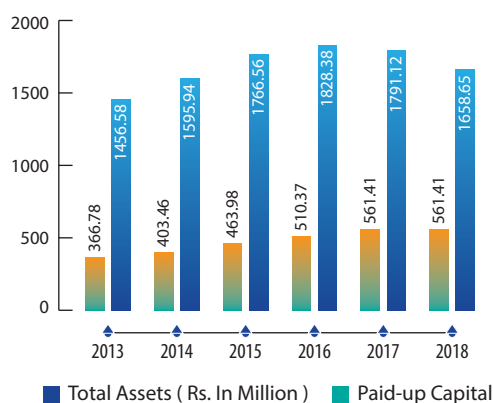
A. Razak Ahmed
Chief Executive & Managing Director



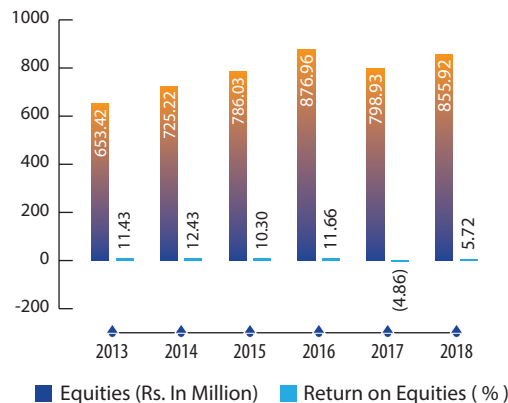
A. Aziz Ayoob
Director

Graphical Presentation

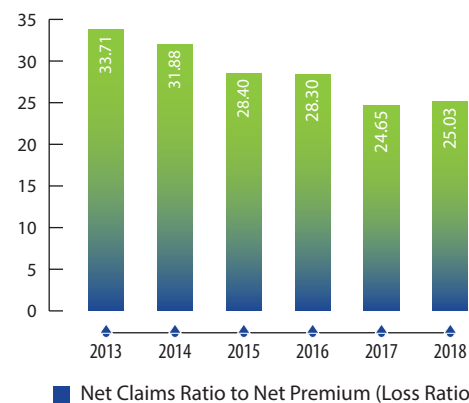
Total Assets & Paid-up Capital (Rs. In Million)



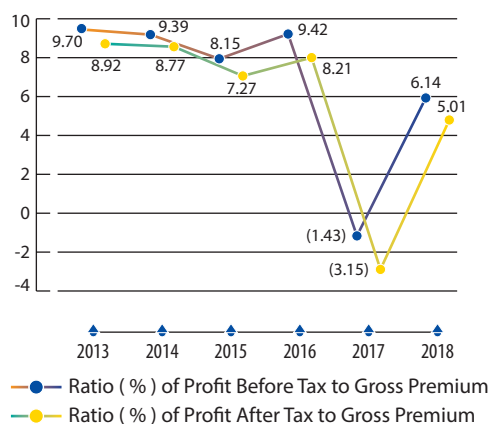
Equities & Return on Equities



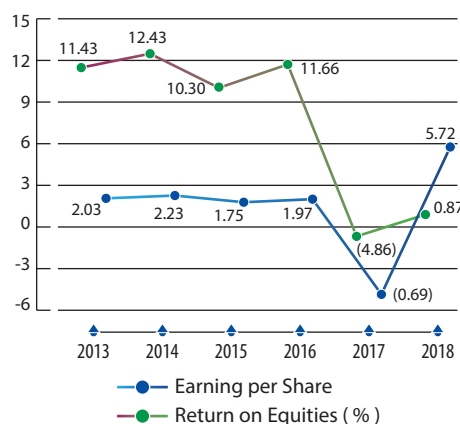
Net Claims Ratio to Net Premium (Loss Ratio)



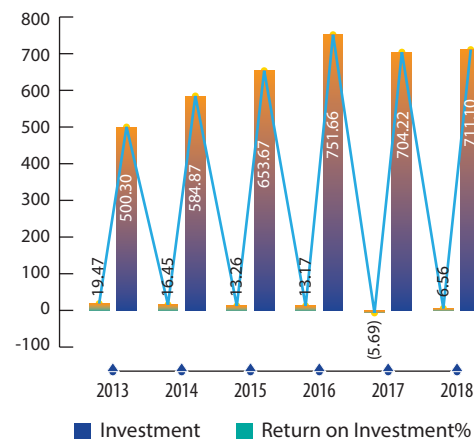
Ratio of Profit Before & After Tax to Gross Premium



Return on Equity & Earning per Share



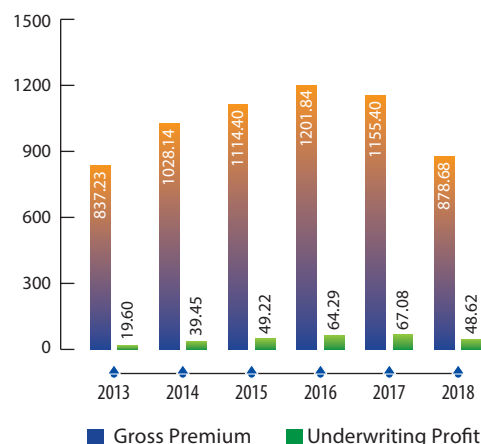
Return on Investment



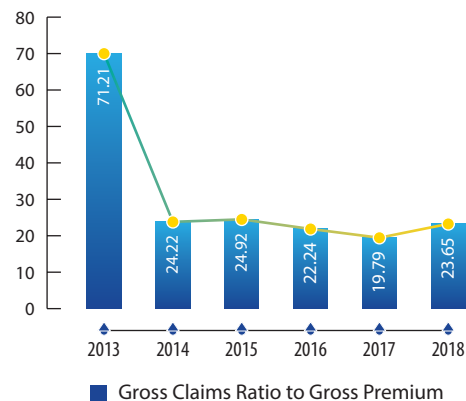
Profit Before Tax & After Tax



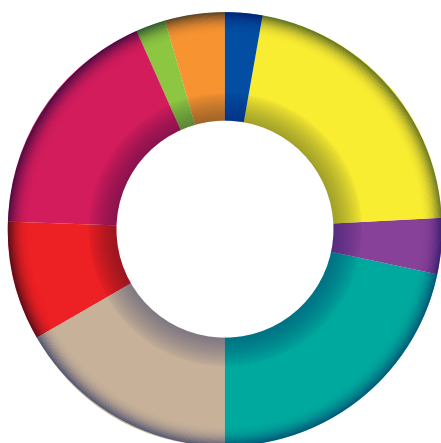
Gross Premium & Underwriting Profit



Gross Claims Ratio to Gross Premium

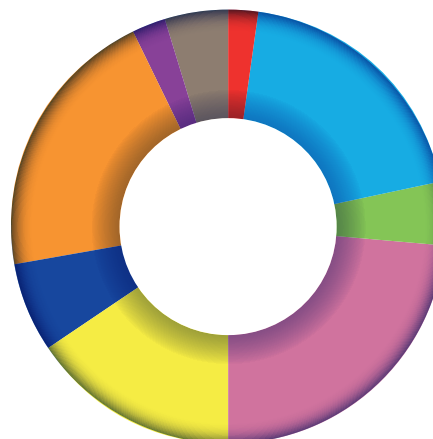


Assets, Liabilities & Equities 2018



Property and Equipment	2.80%	Reserves and Retained earnings	8.88%
Investment	21.44%	Underwriting Provisions	17.73%
Cash & Bank	4.35%	Others Creditors and Acuals	2.19%
Others Assets	21.41%	Others Liabilities	4.28%
Ordinary share capital	16.92%		

Assets, Liabilities & Equities 2017



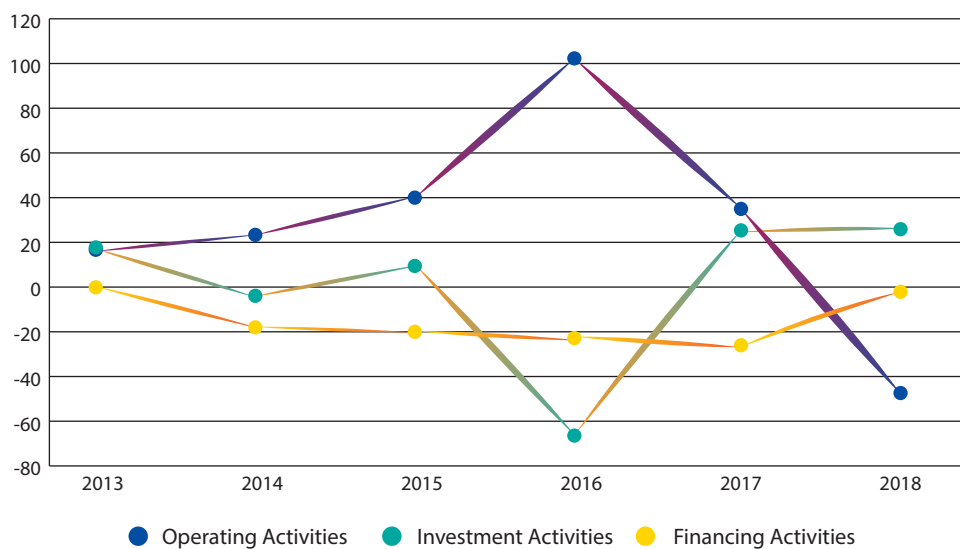
Property and Equipment	2.26%	Reserves and Retained earnings	6.63%
Investment	19.66%	Underwriting Provisions	20.64%
Cash & Bank	4.47%	Others Creditors and Acuals	2.35%
Others Assets	23.61%	Others Liabilities	4.71%
Ordinary share capital	15.67%		

Summary of Cash Flow

Cash Flow Statement

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

	2018	2017	2016	2015	2014	2013
NET CASH FLOW FROM OPERATING ACTIVITIES	(44.425)	38.113	102.288	40.013	23.354	16.692
NET CASH FLOW FROM INVESTING ACTIVITIES	28.663	26.825	(66.426)	9.450	3.908	17.237
NET CASH FLOW FROM FINANCING ACTIVITIES	(0.050)	(24.963)	(22.831)	(20.035)	(18.024)	(0.111)



اظہارِ شکر

ہم اپنے معزز صارفین کا ان کی مستقل سرپرستی اور تعاون کے لئے شکریہ ادا کرنا چاہتے ہیں۔ ہم اس موقع کا فائدہ اٹھاتے ہوئے اپنے تمام ری انشوررز بشمول پاکستان ری انشورنس کمپنی لمیٹڈ اور بروکرز کا بھی ان کی رہنمائی اور قابل قدر سپورٹ کے لئے شکریہ ادا کرتے ہیں۔

ہم سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) اور اسٹیٹ بینک آف پاکستان (SBP) کے سالہا سال سے مستقل تعاون اور رہنمائی کے لئے ان کی پیشہ ورانہ رہنمائی، معاونت اور سپورٹ پر شکرگزار ہیں۔

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

حسب الحکم بورڈ



اے عزیز ایوب

ڈائریکٹر



اے رزاق احمد

چیف ایگزیکٹو آفیسر

کراچی 26 مارچ 2019

پیٹرن / کیٹیگریز آف شیئرز ہولڈنگ

کمپنی کے شیئرز ہولڈنگ منسلک ہے۔

ضابطہ اخلاق اور کاروباری طریقہ کار کا اسٹیٹمنٹ

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

اسٹاف ٹریننگ پروگرام:

سال کے دوران نامزدگی کمیٹی کی طرف سے تجویز کیے گئے اسٹاف اور سینئر آفیسرز کو مختلف سیمینار اور ٹریننگ کورس کے لیے نامزد کیا گیا۔ اسلام آباد میں ایس سی پی کی طرف سے منعقد ہونے والی انسداد ذمہ لائڈنگ پر سیمینار میں دو سینئر افسران نامزد ہوئے اور یہی دو سینئر افسران نے دوبارہ ایس سی پی کراچی کی طرف سے منعقدہ سیمینار میں شرکت کی۔ ایک اور تربیتی سیشن جو کہ کراچی انٹرنس انسٹی ٹیوٹ کی جانب سے کافل پر منعقد ہوا اس میں وی پی اور سی ایف اوسمیت سات افراد شامل تھے۔

'ایلیمنٹ ٹریننگ پروگرام 2018' جو کہ سی ڈی سی نے منعقد کیا اس میں سرمایہ کاری سیکشن کے دو سینئر افسران نامزد تھے

آڈیٹرز:

کرٹن حیدر بھیجی چارٹرڈ اکاؤنٹنٹس کی سالانہ جنرل اجلاس کے اختتام پر مدت ختم ہو رہی ہے اور 31 دسمبر 2019 کو ختم ہونے والے مالی سال کے لئے اپنے آپ کو متفقہ معاوضہ پر پیش کرتے ہیں۔ آڈٹ کمیٹی 31 دسمبر 2019 کو ختم ہونے والے سال کے لئے میسرز کیرٹن حیدر بھیجی، چارٹرڈ اکاؤنٹنٹس کی بحیثیت آڈیٹرز کی تقرری کی سفارش کی ہے اور بورڈ نے اسکی توثیق کر دی ہے۔

مستقبل پر ایک نگاہ

سال 2019 ایک چیلنج سال ہوگا۔ جی ڈی پی ترقی 3.5 فیصد سے 4.0 فیصد پر نگاہ ہے۔

دو عددی شرح سود اور اس میں مسلسل اضافہ سے کاروبار کی لاگت بڑھ جائے گی اور ساتھ ہی ساتھ قرض کی ادائیگی بھی۔ انٹرنس انڈسٹری دباؤ میں رہے گی جب تک کہ ادائیگی کی پوزیشن بہتری، برآمدات اور ترسیلات میں اضافہ نہ ہو جو کہ بہتر قانون اور امن و عامہ کی صورتحال، سیاسی استحکام اور دوستانہ کاروباری پالیسیوں کے نفاذ کے تابع ہے۔

آپ کی کمپنی مجموعی کوششوں، سسٹم میں بہتری اور محتاط و بروقت فیصلوں پر عملدرآمد کے سلسلے میں کوالٹی مینجمنٹ انفارمیشن سسٹم کے ذریعے طویل مدتی منافع بخش ترقی پر نگاہ رکھے ہوئے ہے۔

مزید برآں، کافل آپریشنز آپ کی کمپنی کے کاروبار کو بڑھانے کے لئے مزید مواقع اور نئی راہیں فراہم کرے گا۔

- 3- جناب نجم اللہ خان ممبر
4- جناب کاشف واڈی والا ممبر

بورڈ آف ڈائریکٹرز کے اجلاس

سال کے دوران بورڈ آف ڈائریکٹرز کے چار ((14 اجلاس منعقد ہوئے اور ہر ایک ڈائریکٹر کی جانب سے اجلاسوں میں شرکت کی تعداد ذیل میں درج ہے۔

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

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

کمپنی کے شیئرز کی ٹریڈنگ

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

نام	عہدہ	شیئرز کی تعداد	حیثیت
جناب اے عزیز ایوب	ڈائریکٹر	415,691	خاندان کے رکن کی جانب سے تحفہ وصول
جناب احمد علی باوانی	ڈائریکٹر	2,161,949	بیوی کی جانب سے تحفہ وصول
جناب نور ایم ذکر یا	ڈائریکٹر	1,262,003	خاندان کے رکن کی جانب سے تحفہ وصول
ینگم شہناز ستار ذکر یا	ڈائریکٹر جناب نور ایم ذکر یا کی زوجہ	1,135,952	خاندان کے رکن کی جانب سے تحفہ وصول

o کمیٹی مستقبل کے حوالے کے لئے ری انشورنس پروگرام کے موثر ہونے کا جائزہ بھی لیتی ہے۔

کمیٹی درج ذیل ممبران پر مشتمل ہے۔

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

کلیمز کمیٹی

کمیٹی کے فرائض میں شامل ہے:

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

کمیٹی درج ذیل ممبران پر مشتمل ہے:

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

ہکافل کمیٹی

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

کمیٹی درج ذیل ممبران پر مشتمل ہے۔

1-	جناب اے رزاق احمد	چیئر مین
2-	جناب رضوان اختر	ممبر

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

کمیٹی درج ذیل امور کی ذمہ دار ہوگی۔

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

مینجمنٹ کمیٹیاں

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

انڈر رائٹنگ، ری انشورنس اور کو انشورنس کمیٹی

انڈر رائٹنگ کمیٹی کے فرائض میں شامل ہے:

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

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

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

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

انویسٹمنٹ کمیٹی

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

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

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

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

اتھیکس، ہیومن ریسورس وری میونریشن کمیٹی:

کمیٹی چار ممبران بشمول اس کمیٹی کے چیئرمین پر مشتمل ہے

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

ڈائریکٹرز کا مشاہرہ:

لٹڈ کمپنیز (کارپوریٹ گورننس) کے قوانین 2017 کے مطابق کمپنی غیر انتظامی ڈائریکٹروں بشمول آزاد ڈائریکٹرز کو آرٹیکل 137 کے مطابق بورڈ کے اجلاسوں میں شرکت کیلئے میٹنگ فیس کے علاوہ کوئی مشاہرہ ادا نہیں کرتی

چیئرمین و ایم ڈی سی ای او کا کردار:

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

ایم ڈی سی ای او:

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

ایم ڈی کی کارکردگی کا جائزہ:

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

بورڈ کمیٹی:

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

آڈٹ کمیٹی

- | | | |
|----|------------------------|----------------------------------|
| 1- | جناب محمد اقبال | ممبر (انڈپنڈنٹ ڈائریکٹر) |
| 2- | جناب عمر باوانی | چیئرمین (نان۔ ایگزیکٹو ڈائریکٹر) |
| 3- | جناب عرفان ذکر بیاوانی | ممبر (نان۔ ایگزیکٹو ڈائریکٹر) |
| 4- | جناب زوہیر ذکریا | ممبر (نان۔ ایگزیکٹو ڈائریکٹر) |

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

(i) بورڈ آف ڈائریکٹرز کو بیرونی آڈیٹرز کے تقرر کی سفارش کی جاتی ہے اور آڈٹ کے علاوہ بیرونی آڈیٹرز کی جانب سے کسی سروس کے حصول کے لئے آڈٹ فیس کے

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

کوڈ آف کارپوریٹ گورننس پر عملدرآمد کا اسٹیٹمنٹ:

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

کارپوریٹ اور فنانشل رپورٹنگ کا فریم ورک:

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

اے۔ کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی حسابات شفاف انداز میں امور کار، آپریشنز کے نتائج، کیش فلو اور ایکویٹی میں تبدیلیوں میں واضح کردیے گئے ہیں

بی۔ کمپنی کے اکاؤنٹس کی باقاعدہ کتب مرتب کی ہیں

سی۔ مالی تفصیلات اور بی ترمیموں کو مرتب کرنے کے لئے مناسب حساب داری پالیسیوں کا تسلسل سے اطلاق کیا جاتا ہے جو کہ مناسب اور محتاط فیصلوں پر منحصر ہیں۔

ڈی۔ انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز (IFRS) جیسا کہ پاکستان میں نافذ العمل ہیں، مالیاتی گوشواروں کی تیاری میں لاگو کئے جاتے ہیں اور مستحکم فیصلوں پر منحصر ہوتی ہیں۔

ای۔ اندرونی کنٹرول کا نظام مستحکم طور پر ڈیزائن کیا گیا ہے اور موثر طور پر نافذ العمل ہونے کے ساتھ اسکی باقاعدگی سے نگرانی کی جاتی ہے۔

ایف۔ 31 دسمبر 2018 کے مطابق کمپنی میں پیٹرن آف شیئرز ہولڈنگ کھاتوں کے ساتھ منسلک ہے۔

جی۔ اس امر میں کوئی شبہات نہیں کہ کمپنی میں آگے بڑھنے کی صلاحیت موجود ہے۔

ایچ۔ کارپوریٹ گورننس کے بہترین طریقہ کار سے انحراف کا کوئی جواز نہیں جیسا کہ لسٹنگ ریگولیشنز میں درج ہے۔

آئی۔ گزشتہ دس سالوں کے لئے اہم آپریٹنگ اور مالیاتی مواد مختصر شکل میں منسلک ہے۔

31 دسمبر 2018 کے مطابق پراویڈنٹ فنڈ کی رومات کے سلسلے میں غیر آڈٹ شدہ اکاؤنٹس پر مختصر سرمایہ کاروں کی ویلیو 64.902 ملین روپے پر برقرار ہے۔

بورڈ آف ڈائریکٹرز:

ڈائریکٹرز کی کل تعداد درج کے مطابق 9 ہے

اے۔ مرد 9

بی۔ خواتین 0

بورڈ کی تشکیل مندرجہ ذیل ہے:

1 - انڈپنڈنٹ ڈائریکٹر =

1 - ایکریڈیٹڈ ڈائریکٹر =

8 - نان ایکریڈیٹڈ ڈائریکٹر =

جناب اے رزاق احمد کمپنی کے چیف ایکریڈیٹڈ ہیں۔ کمپنی کے چیف ایکریڈیٹڈ ہونے کی وجہ سے انہیں ڈائریکٹر تصور کیا جاتا ہے

بورڈ پر 9 سال کے دوران اپنے فرائض کو انجام دینے میں موثر طور پر مصروف عمل رہا بشمول ان امور کے جو متعلقہ قوانین اور کمپنی کے میمورنڈم اور آرٹیکل آف ایسوسی ایشن کے تحت انجام دیئے گئے اور ان سب کا بنیادی مقصد حصص یافتگان کے مفادات کا تحفظ کرنا، کمپنی کے منافع جات میں اضافہ کرنا تھا اور بنیادی ہدف شیئرز ہولڈرز کے اثاثہ جات میں اضافہ اور مارکیٹ میں اعتماد کو فروغ دینا تھا۔

2017	2018	
		ملین روپے
74.774	100.538	مجموعی شراکت داری
26.309	64.841	خالص شراکت داری
6.241	21.725	سال کا اضافہ۔ پی ٹی ایف
0.139	6.695	آپریٹو فنڈ۔ آمدنی اکاؤنٹ
1.132	7.914	آپریٹو کامنافع

انفارمیشن ٹیکنالوجی:

آپ کی کمپنی انفارمیشن ٹیکنالوجی کی اہمیت سے آگاہ ہے اور مسلسل توسیع اور اس کی تکنیکی پلیٹ فارم کو اپ گریڈ کرنے کی سرمایہ کاری کر رہی ہے۔ جنرل انشورنس سافٹ ویئر 'iGIAS' گزشتہ کئی سالوں سے برانچ کی سطح پر کامیابی کے ساتھ نافذ العمل ہے 'iGIAS' کی خصوصیت اس کے تمام ماڈیولز یعنی، انڈر رائٹنگ، کلیمز، اکاؤنٹس اور ری۔ انشورنس ایک ساتھ مربوط ہے۔ یہ (JSP) جاوا اسکریپٹ اور ایکل ڈیٹا بیس کے ساتھ آن لائن ویب بیس سافٹ ویئر ہے اور اس کے ڈیٹا مینجمنٹ پریشنائی سے آزاد اور بہت زیادہ محفوظ ہے

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

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

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

متعلقہ پارٹی ٹرانسیکشنز:

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

کارپوریٹ گورننس لیڈرشپ اسکل پروگرام

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

- 1- جناب عرفان ذکر یا باوانی
- 2- جناب زوہیر ذکر یا
- 3- جناب احمد علی باوانی
- 4- جناب حمزہ عمر باوانی

گزشتہ سال کے 5.922 ملین روپے کے مقابلے میں 1.477 ملین روپے کا کنٹریبل گین حاصل کیا اور گزشتہ سال کے 75.853 ملین روپے نقصان کے مقابلے میں 7.942 ملین روپے کے لئے غیر تسلیم شدہ نقصان کا اندراج کیا ہے۔ 2018 میں سرمایہ کاری پر نفع 46.672 ملین روپے کے برخلاف 2017 میں () 40.073 ملین روپے نقصان تھا۔

آپ کی کمپنی پائیدار ذرائع مثلاً شرح سود اور منافع منقسمہ اور کنٹریبل گین سے اسکی سرمایہ کار آمدنی کا ایک بڑا حصہ حاصل کرنے کی کوششوں کو جاری رکھے ہوئے ہے تاکہ مناسب کیش حصول کا ذریعہ پیدا کیا جائے۔ سرمایہ کاری کے پورٹ فولیو کی مارکیٹ ویلیو 31 دسمبر 2018 کو 711.108 ملین روپے بشمول ٹرم ڈپازٹ 26.130 ملین روپے پر برقرار تھی۔ نقد اور بینک ڈپازٹس اکاؤنٹس سرمایہ کاری کی سطح گزشتہ سال کے 160.186 ملین روپے کے مقابلے میں 144.373 ملین روپے رہی

کلیمز:

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

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

ری۔ انشورنس:

آپ کی کمپنی نے سال 2019 کے لئے ری۔ انشورنس انتظامات نہایت معتبر ہیں۔ معروف اور اعلیٰ شہرت یافتہ سوئس ری (Swiss Re) سال 2019 کے آر آئی سی ایل کے ری انشورنس پروگرام کے لیڈر بننے کا عمل جاری ہے۔ سال 2019 کے لئے کاروبار کے تمام مراحل کے لیے انڈر رائٹنگ کی گنجائش میں مزید اضافہ کر دیا ہے اس طرح آپ کی کمپنی کو بڑے خطرات کو انڈر رائٹ کرنے کی صلاحیت حاصل ہو گئی ہے۔ ہم غیر متزلزل اعتماد اور مستقل سپورٹ و تعاون کے لئے اپنے تمام ری انشوررز کے انتہائی ممنون اور شکر گزار ہیں

ونڈو تکافل آپریشن:

سیکیورٹی ایچ سی جی کمیشن آف پاکستان نے ایس ای سی پی تکافل رولز 2012 کے تحت آپ کی کمپنی کو مئی 2016 میں ونڈو تکافل آپریشن جاری کرنے کا لائسنس جاری کر دیا ہے۔ ریلائنس تکافل تجدید شدہ اور تصدیق شدہ شرعی اسکالر کی رہنمائی کے تحت کام کر رہی ہے۔ ریلائنس تکافل شریعت کے مطابق جزل تکافل کی مصنوعات کی ایک وسیع رینج پیش کر رہی ہے۔ جس میں فائز پراپرٹی تکافل، میرین کارگو تکافل، ذاتی و تجارتی گاڑیاں تکافل، انجینئرنگ تکافل، دہشت گردی تکافل، متفرق حادثات تکافل شامل ہیں۔

آپ کی کمپنی نے اس سال 100.538 ملین روپے کی تحریری شراکت داری کی ہے جب کہ گزشتہ سال تحریری شراکت داری 74.774 ملین روپے تھی۔ یہ 34.45 فیصد اضافہ ظاہر کرتی ہے۔ خالص شراکت داری آمدنی 7.915 ملین روپے رہی جبکہ 2017 میں 1.132 ملین روپے تھی۔ سال کا جائزہ لینے کے لئے ونڈو تکافل آپریشن کے خلاصہ نتائج مندرجہ ذیل ہیں

ڈائریکٹرز رپورٹ:

آپ کے ڈائریکٹرز ہمسرت 31 دسمبر 2018 کو ختم ہونے والے سال کے لئے سالانہ رپورٹ بشمول آڈٹ شدہ حسابات پیش کر رہے ہیں

سال 2018 کے لئے آپریشنل نتائج:

31 دسمبر 2018 کو ختم ہونے والی مدت کے لئے آپ کی کمپنی کی تقابلی مالی جھلکیاں مندرجہ ذیل ہیں:

2017	2018	
		روپے ملین میں
1230.175	979.224	مجموعی پرییم (نکافل شراکت سمیت)
357.654	348.240	خالص پرییم
88.156	87.174	خالص حاصل کردہ کلیم (بشمول IBNR)
141.736	152.448	انتظامی اخراجات
67.082	48.623	انڈر رائٹنگ آمدنی
(40.073) نظر ثانی شدہ	46.672	سرمایہ کار آمدنی
(17.594) نظر ثانی شدہ	60.122	نفع / نقصان قبل از ٹیکس
(38.793) نظر ثانی شدہ	48.997	نفع / نقصان بعد از ٹیکس
(0.69) نظر ثانی شدہ	0.87	آمدنی فی شیئر (EPS)

آپ کی کمپنی نے 979.224 ملین روپے (بشمول 100.538 ملین روپے نکافل شراکت داری) کا مجموعی پرییم ظاہر کیا ہے اسکے برخلاف گزشتہ سال کا حجم 1230.175 ملین روپے (بشمول 74.774 ملین روپے نکافل شراکت داری) تھا جس سے 250.951 ملین روپے کی کمی ظاہر ہوتی ہے۔ خالص پرییم بھی 357.654 ملین روپے سے کم ہو کر 348.240 ملین روپے رہا یعنی 9.41 ملین روپے کم رہا

سال کے دوران کلیمز پر 87.174 ملین روپے صرف کئے گئے جبکہ گزشتہ سال 88.156 ملین روپے صرف کئے گئے تھے جو کہ 0.982 ملین روپے کم ہیں۔ آپ کی کمپنی نے کو اپنے بنیادی کاروبار سے 48.623 ملین روپے منافع ہوا ہے، کاروبار کی تمام کلاسز نے منافع میں کردار ادا کیا ہے۔ خالص آمدنی بعد از ٹیکس 48.997 ملین روپے ہے جبکہ گزشتہ سال (38.469) ملین روپے (نظر ثانی شدہ) نقصان تھا

سرمایہ کاری:

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

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

منافع منقسمہ کی آمدنی 2018 میں 32.309 ملین روپے تھی جبکہ گزشتہ سال یہ رقم 32.993 ملین روپے تھی اس طرح اس سال 2.07 فیصد کمی ہوئی ہے۔ آپ کی کمپنی نے

Statement of Compliance with the Code of Corporate Governance for Insurers, 2016 & Listed Companies (Code of Corporate Governance) Regulations, 2017

For the Financial Year ended 31st December 2018

This statement is being presented in compliance with the Code of Corporate Governance for Insurers, 2016 (The Code) for the purpose of establishing a framework of good governance, whereby the insurer is managed in compliance with the best practices of corporate governance, and Listed Companies (Code of Corporate Governance) Regulations, 2017 (The Regulations).

Reliance Insurance Company Limited (The Company) has applied the principles contained in the Code and has complied with the requirements of the Regulations in the following manner:

1. The total numbers of Director are nine (9) as per following:-
 - (a) Male = 09
 - (b) Female = None
2. The Company encourages representations of independent, non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes.

Category	Name
Independent Director Non-Executive Director	Mr. Muhammad Iqbal
	Mr. Ismail H. Zakaria
	Mr. A. Aziz Ayoob
	Mr. Irfan Zakaria Bawany
	Mr. Muhammad Omer Bawany
	Mr. Zohair Zakaria
	Mr. Ahmed Ali Bawany
	Mr. Noor M. Zakaria
Executive Director	Mr. Hamza Omer Bawany
	Mr. A. Razak Ahmed

Mr. A. Razak Ahmed is the Chief Executive of the company. Being the Chief Executive of the company, he is deemed to be a Director.

The independent director meets the criteria of independence as laid down under the Code and the Regulations.

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this Company (excluding the listed subsidiaries of listed holding companies).
4. All the resident directors of the Company are registered as taxpayer and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFII or, being a member of stock exchange, has been declared as a defaulter by a stock exchange.
5. No casual vacancy occurred on the Board during the year.
6. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
7. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
8. All the powers of the Board have been duly exercised and decisions on relevant matters and material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and the key officers, have been taken by the Board / shareholders as empowered by the relevant provisions of the Act and the Regulations.

9. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose 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 meeting. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
10. The Board of Directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and the Regulations.
11. The Board has established a system of sound internal control, which is effectively implemented at all levels within the Company. The Company has adopted and complied with all the necessary aspects of internal controls given in the Code and the Regulations.
12. Six Directors of the Company possess sufficient experience and qualification so they are exempt from attending the Directors' Training Program. Whereas four Directors, namely Mr. Irfan Zakaria Bawany, Mr. Zohair Zakaria, Mr. Ahmed Ali Bawany and Mr. Hamza Omer Bawany have acquired certifications from Pakistan Institute of Corporate Governance in the preceding years. The management of the Company also carries out orientation sessions of the Board during board meetings, as and when required, in order to apprise them of their duties and responsibilities and the new developments and pronouncements of relevant laws and regulations.
13. There was no change of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit during the year. The Board approved their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. The Company is in process of segregating duties of CFO and Company Secretary in compliance with recently introduced amendments in regulation 25 of the Regulations.
14. The directors' report for this year has been prepared in compliance with the requirements of the Code and the Regulations and fully describes the salient matters required to be disclosed.
15. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
16. The directors, CEO and other executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding.
17. The Company has complied with all the corporate and financial reporting requirements of the Code and the Regulations.
18. The Board has formed the following Management Committees:

Underwriting, Reinsurance & Co-insurance Committee:

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

Claim Settlement Committee:

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

Risk Management & Compliance Committee:

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

19. The Board has formed the following Board Committees other than Audit Committee:

Ethics, Human Resource and Remuneration Committee:

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

Nominations Committee:

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

Investment Committee:

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

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

Audit Committee:

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

21. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
22. The meetings of the Committees were held once every quarter prior to approval of interim and final results of the Company, whereas the Ethics, Human Resources, Remuneration and Nomination Committee met on an annual basis as required by the Code.
23. The Board has set up an effective internal audit function, which comprises of individuals who are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a regular basis.
24. The Chief Executive Officer, Chief Accountant and Company Secretary, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under the Code. Moreover, the persons heading the underwriting, claim, reinsurance, risk management and grievance functions / departments possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000):

Name of the person	Designation
Mr. A. Razak Ahmed	Chief Executive Officer & Managing Director
Mr. Haroon A. Shakoor	Chief Accountant & Company Secretary
Mr. Shuja Baig	Head of Internal Audit
Mr. Ishaque Azim	Head of Underwriting
Mr. Sadruddin Hussain	Head of Claims
Mr. Abdul Rahim	Head of Reinsurance
Mr. Rizwan Akhtar	Head of Risk Management and Grievance Dept.
Mr. Ghulam Haider	Compliance Officer
Mr. Najmullah Khan	Head of Window Takaful Operations

25. The statutory auditors of the Company have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board (AOB) of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
26. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, the Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
27. The Board ensures that the Investment policy of the Company has been drawn up in accordance with the provisions of the Code.
28. The Board ensures that the risk management system of the Company is in place as per the requirements of the Code.
29. The Company has set up a risk management function / department, which carries out its tasks as covered under the Code.
30. The Board ensures that as part of the risk management system, the Company 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 December 31, 2018 is A (single A) with positive outlook.
31. The Board has set up a grievance department/function, which fully complies with the requirements of the Code.
32. The Company has not obtained any exemption(s) from the Securities and Exchange Commission of Pakistan in respect of any requirement of the Code and the Regulations.
33. We confirm that all other material principles contained in the Code and all other requirements of the Regulations have been complied with.



ISMAIL H. ZAKARIA
Chairman



A. RAZAK AHMED
Chief Executive & Managing Director

Karachi: 26th March, 2019

Independent Auditors' Report to the Members of Reliance Insurance Company Limited

Review Report on the Statement of Compliance contained in Code of Corporate Governance for Insurers, 2016 & Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Code of Corporate Governance for Insurers, 2016 (the Code) and the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Reliance Insurance Company Limited (the Company) for the year ended December 31, 2018 in accordance with the requirements of the Code and regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code & the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Code & the Regulations. 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 & the Regulations.

As 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 Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations 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 requirements contained in the Code & the Regulations as applicable to the Company for the year ended December 31, 2018.

Further, we highlight that the Company has stated in paragraph 13 of the annexed statement of compliance that it is in process of segregation of duties of chief financial officer and company secretary in compliance with recently introduced amendments in regulation 25 of the Regulations.



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

Karachi: 26th March, 2019

Independent Auditor's Report

To the members of Reliance Insurance Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Reliance Insurance Company Limited (the Company), which comprises of the statement of financial position as at December 31, 2018, and 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 a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the profit and loss account, 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 December 31, 2018 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Company in accordance with the 'International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the Code)' as adopted by the Institute of Chartered Accountants of Pakistan 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.

Emphasis of Matter

We draw attention to Note 19.1 (b) of the financial statements which discloses a contingent liability relating to an aviation claim reported on November 3, 2015. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters

S. No.	Key Audit Matters	How the matters were addressed in our audit
1	<p>Revenue Recognition and Unearned Premium Reserve</p> <p>Refer notes 3.13, 11 & 20 to the financial statements.</p> <p>Premium written under a policy is recognized as income over the period of insurance or in accordance with the pattern of the incidence of risk. We identified revenue (premium) as a key audit matter because of significant amounts and potential risk of revenue being overstated resulting from the pressure management may feel to achieve premium / performance targets. Further there are also estimates involved in recognition and calculation of revenue over the period of policy as there is risk of error in terms of the calculation of unearned premium reserve due to manual calculations.</p>	<p>Our audit procedures in respect of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> Assessing the appropriateness of the company's revenue recognition policies by comparing them with applicable International Financial Reporting Standards (IFRS), SECP's Insurance Rules 2017 and SECP's Insurance Accounting Regulations, 2017. Obtaining an understanding of and testing the designs and operating effectiveness of controls designed to ensure that revenue is recognized in appropriate accounting period and reserve for unearned premium is accurately calculated. Comparing, on a sample basis, specific revenue transactions recorded before & after the reporting date with underlying documentation to assess whether revenue has been recognized in the appropriate accounting period and whether premium has been received in case of policies issued on installment basis. Assessing and evaluating the appropriateness of judgments, assumptions and estimates made by the management in determining unearned portion of revenue. Recalculating reserve of unearned premium and performing analytical procedures to correlate the different audit evidences. Performing test of details to ensure that the policies are genuine and critically assessing manual posting of journal entries to entity's MIS to identify unusual or irregular items.
2	<p>Valuation of Insurance Contract Liabilities / Expense- Claims</p> <p>Refer note 21</p> <p>The estimation of insurance contract liabilities / claims involves a significant degree of judgment. The liabilities are based on the best-estimate ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. Number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims are involved in determining the expected costs claims including those incurred but not reported (IBNR).</p>	<p>Our audit procedures in this respect, amongst others, included the following;</p> <ul style="list-style-type: none"> Obtaining understanding of the Company's process to record and estimate liabilities and testing the controls designed by the Company. Performed analytical procedures to evaluate the reasonableness of the claims and estimates of liabilities. Performed test of details on sample of selected claims to verify the source documents including surveyor reports and payments made before and subsequent to year end to ensure that claims are recorded completely in proper period.

S. No.	Key Audit Matters	How the matters were addressed in our audit
	<p>Provision for IBNR Claims is estimated using chain ladder method in accordance with guidelines issued by SECP which also involves various assumptions and judgments. Therefore this area has been identified as key audit matter.</p>	<ul style="list-style-type: none"> • Obtained actuarial valuation of estimate of IBNR and evaluated the reasonableness of the estimate by applying our industry knowledge and experience and comparison of the methodology and assumptions used against guidelines of SECP. Performed procedures for evaluation of the competence, capabilities and objectivity of the actuary, obtaining understanding of the work of expert and evaluation of appropriateness of using that expert's work as audit evidence for the relevant assertion. • Evaluated whether the liabilities in respect of claims have been adequately disclosed and presented in the financial statements.
3	<p>Enactment of New Insurance Rules, 2017 Insurance Accounting Regulations, 2017 and Companies Act, 2017</p> <p>Securities and Exchange Commission of Pakistan ("SECP") vide S.R.O 88(1)/2017 and S.R.O 89(1)/2017 dated 9 February 2017 has issued the Insurance Accounting Regulations, 2017 and Insurance Rules, 2017 (the new Rules and Regulations). The application of these Regulations and Rules form an integral part of the financial reporting framework and prescribes the format of the financial statements and nature and content of disclosures in relation to various items of the financial statements.</p> <p>In view of first time application, the extensive impacts in the financial statements, and restatement of the Financial statements due to application of IAS 39 and also because of failure to comply with the requirements of these rules, regulations and the Act, could have financial and reputational impacts leading to regulatory actions, therefore same is considered as a key audit matter.</p> <p>Refer notes 2.6 (a) & 2.6 (b) of the Financial Statements.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the rules and regulations and the relevant provisions of the Act as applicable to the Company. • Discussing the applicable changes with the Company's management, evaluating their view point with respect to new rules and regulations and assessing the procedures applied by the management for identification of the changes required in the financial statements and how the compliance of the same is made. • Ensuring that overall presentation of the financial statements and all the material disclosures as required by the rules, regulations and the Act have been made and evaluating the internal consistency of such disclosures with other elements of the financial statements. • Ensuring that the restatement of financial statements due to change in accounting policy related to available for sale investments is made in accordance with the provision of IAS-39 and IAS-8. • Evaluating and testing on sample basis the information and calculations from the underlying supporting documents and ensuring that audit evidence obtained is sufficient and appropriate.

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

Management is responsible for the other information. The other information comprises of the information included in the Annual report of the Company, 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, 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 is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Act, 2017(XIX of 2017);
- b) the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017(XIX 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 Mohammad Hanif Razzak.



Kreston Hyder Bhimji & Co.
CHARTERED ACCOUNTANTS

Karachi: 26th March, 2019



Financial Statements



Statement of Financial Position

As at December 31, 2018

	Note	December 31, 2018	December 31, 2017 Restated	December 31, 2016 Restated
Rupees				
ASSETS				
Property and equipment	5	92,880,920	81,020,496	87,071,089
Intangible assets	6	-	-	-
Investment				
Equity securities	7	639,872,879	607,301,505	697,738,461
Debt securities	8	45,104,169	70,169,043	70,833,333
Term deposits	9	26,130,453	26,748,613	26,719,457
		711,107,501	704,219,161	795,291,251
Loan and other receivables	10	2,217,906	3,234,980	4,183,972
Insurance / Reinsurance receivables	11	222,267,199	207,786,917	168,684,772
Reinsurance recoveries against outstanding claims	21	165,480,348	167,283,860	172,078,362
Deferred Commission Expense	22	65,913,719	60,932,044	61,298,491
Deferred taxation	12	4,287,468	2,301,521	-
Prepayments	13	173,198,218	339,226,563	366,197,948
Cash & Bank	14	144,372,805	160,185,536	120,239,053
Total Assets of Window Takaful Operations-Operator's Fund	2	76,927,440	64,929,992	53,341,804
TOTAL ASSETS		1,658,653,524	1,791,121,070	1,828,386,742
EQUITY AND LIABILITIES				
Capital and reserves attributable to Company's equity holders				
Ordinary share capital	15	561,412,850	561,412,850	510,375,320
Reserves	16	250,000,000	250,000,000	220,000,000
Unappropriated profit / (accumulated loss)		42,152,779	(6,844,348)	138,504,871
Surplus / (Deficit) on revaluation of available for sale investment		2,359,153	(5,634,758)	8,088,095
Total Equity		855,924,782	798,933,744	876,968,286
Liabilities				
Underwriting Provisions				
Outstanding claims including IBNR	21	210,197,626	209,590,488	220,507,963
Unearned premium reserves	20	342,270,710	494,450,943	527,368,394
Unearned Reinsurance Commission	22	35,596,302	35,347,057	34,712,441
Deferred taxation		-	-	3,466,326
Insurance / Reinsurance Payables	17	114,933,742	138,626,640	71,401,782
Other Creditors and Accruals	18	72,632,028	84,094,512	81,493,091
Taxation - provision less payments		7,689,859	13,925,667	7,591,756
Total Liabilities of Window Takaful Operations-Operator's Fund	2	19,408,475	16,152,019	4,876,703
Total Liabilities		802,728,742	992,187,326	951,418,456
CONTINGENCIES AND COMMITMENTS	19	-	-	-
TOTAL EQUITY AND LIABILITIES		1,658,653,524	1,791,121,070	1,828,386,742

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



Ismail H. Zakaria
Chairman



A. Aziz Ayoob
Director



Mohammad Omar Bawany
Director



Haroon A. Shakoob
Chief Accountant and
Company Secretary



A. Razak Ahmed
Chief Executive & Managing Director

Karachi 26th March, 2019

Profit and Loss Account

for the year ended December 31, 2018

	Note	December 31, 2018	December 31, 2017 (Restated)
		Rupees	
Net insurance premium	20	348,240,930	357,654,405
Net insurance claims	21	(87,174,228)	(88,156,922)
Net Commission and other acquisition costs	22	(59,994,556)	(60,678,267)
Insurance claims and acquisition expenses		(147,168,784)	(148,835,189)
Management Expenses	23	(152,448,471)	(141,736,334)
Underwriting results		48,623,675	67,082,882
Investment income/(loss)	24	46,672,881	(40,072,697)
Other income	25	2,121,529	1,517,137
Other expenses	26	(45,211,008)	(47,254,613)
		3,583,402	(85,810,173)
Results of operating activities		52,207,077	(18,727,291)
Profit from takaful operations-Operators Fund	2	7,914,749	1,132,508
Profit / (Loss) before tax		60,121,826	(17,594,783)
Income tax expense	27	(11,124,699)	(21,198,140)
Profit / (Loss) after tax		48,997,127	(38,792,923)
Earnings/(Loss) after tax per share - Rupees	28	0.87	(0.69)

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



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Karachi 26th March, 2019

Statement of Comprehensive Income

for the year ended December 31, 2018

	December 31, 2018	December 31, 2017 (Restated)
	Rupees	
Profit/(Loss) after tax	48,997,127	(38,792,923)
Other Comprehensive Income		
Surplus/(deficit) on revaluation of available for sale securities	6,372,131	(18,671,064)
Net loss transferred to profit and loss account on disposal / redemption of available for sale investment	4,014,507	-
Surplus/(deficit) on revaluation of available for sale securities - takaful	826,243	(819,636)
Impact of related deferred taxation including change in tax rate	(3,218,970)	5,767,847
Other comprehensive income / (loss) for the year	7,993,911	(13,722,853)
Total comprehensive income / (loss) for the year	56,991,038	(52,515,776)

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



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Karachi 26th March, 2019

Statement of Changes in Equity


for the year ended December 31, 2018

Note	Attributable to equity holders of the Company				
	Share capital	Revenue Reserves		Unappropriated profit	Total
		General reserves	Surplus / (deficit) on revaluation of Available for sale investments		
	Rupees				
Balance as at January 1, 2017 - As originally stated	510,375,320	220,000,000	-	133,150,360	863,525,680
Effect of restatement	2.6 (a) -	-	8,088,095	5,354,511	13,442,606
Balance as at January 01, 2017 (Restated)	510,375,320	220,000,000	8,088,095	138,504,871	876,968,286
Total comprehensive loss for the year ended December 31, 2017 - Restated	-	-	(13,722,853)	(38,792,923)	(52,515,776)
Transfer to general reserves	-	30,000,000	-	(30,000,000)	-
Transactions with owners:					
Issuance of bonus shares	51,037,530	-	-	(51,037,530)	-
Final cash dividend for the year ended December 31, 2016	-	-	-	(25,518,766)	(25,518,766)
	51,037,530	-	-	(76,556,296)	(25,518,766)
Balance as at December 31, 2017 - Restated	561,412,850	250,000,000	(5,634,758)	(6,844,348)	798,933,744
Balance as at January 1, 2018 - As originally stated	561,412,850	250,000,000	-	(20,150,789)	791,262,061
Effect of restatement	2.6 (a) -	-	(5,634,758)	13,306,441	7,671,683
Balance as at January 01, 2018 (Restated)	561,412,850	250,000,000	(5,634,758)	(6,844,348)	798,933,744
Total comprehensive income for the year ended December 31, 2018	-	-	7,993,911	48,997,127	56,991,038
Balance as at December 31, 2018	561,412,850	250,000,000	2,359,153	42,152,779	855,924,782

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


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Karachi 26th March, 2019

Cash Flow Statement

for the year ended December 31, 2018

	December 31, 2018	December 31, 2017 Restated
	Rupees	
Operating cash flows		
a) Underwriting activities		
Insurance premium received	862,908,791	1,115,765,007
Reinsurance premium paid	(538,403,883)	(735,910,866)
Claims paid	(207,784,319)	(228,649,424)
Reinsurance and other recoveries received	123,020,741	134,369,529
Commission paid	(139,460,817)	(139,273,371)
Commission received	74,733,829	79,596,169
Management expenses paid	(152,448,471)	(141,736,334)
Net cash flow from underwriting activities	22,565,871	84,160,710
b) Other operating activities		
Income tax paid	(22,565,424)	(14,864,229)
Other operating payments	(44,771,163)	(30,844,612)
Loan repayment received	345,450	(338,425)
Net cash flow from other operating activities	(66,991,137)	(46,047,266)
Total cash flow from all operating activities	(44,425,266)	38,113,444
Investment activities		
Profit / return received	9,101,583	7,864,788
Dividend received	32,952,713	33,020,794
Payments for investments	(59,784,464)	(174,872,519)
Proceeds from investments	68,572,973	166,352,550
Fixed capital expenditures	(37,033,329)	(11,191,882)
Proceeds from sale of property and equipment	14,853,647	5,622,700
Total cash flow from investing activities	28,663,123	26,796,431
Financing activities		
Dividend paid	(50,588)	(24,963,391)
Net cash flow from all activities	(15,812,731)	39,946,484
Cash and cash equivalent at the beginning of the year	160,185,536	120,239,052
Cash and cash equivalent at the end of the year	144,372,805	160,185,536

Cash Flow Statement

for the year ended December 31, 2018

	December 31, 2018	December 31, 2017 Restated
	Rupees	
Reconciliation to profit and loss account		
Operating cash flows	(44,425,266)	38,113,444
Depreciation expense	(12,440,787)	(13,136,912)
Profit on disposal of property, plant and equipment	2,121,529	1,517,137
Profit on disposal of investments	1,477,404	5,912,557
Dividend income	32,309,177	32,993,466
Other investment income / (loss)	12,886,300	(78,978,720)
(Decrease)/Increase in assets other than cash	(148,715,350)	6,058,101
Decrease/(Increase) in liabilities other than borrowings	192,664,454	(32,404,504)
Deferred Taxation	5,204,917	-
Profit from Takaful operations-Operators' Fund	7,914,749	1,132,508
Profit/(Loss) after taxation	48,997,127	(38,792,923)

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



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A. Razak Ahmed
Chief Executive & Managing Director

Karachi 26th March, 2019

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

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

The registered office of the Company is situated at 96-A, Sindhi Muslim Co-operative Housing Society, Karachi. The company has 24 operational branches throughout Pakistan JCR-VIS Credit Rating Company Limited has assessed the Insurer Financial Strength (IFS) rating of the Company as 'A' (Single A), Outlook on the assigned rating is "Positive".

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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 Standards Board (IASB) as are notified under the Companies Act, 2017, and

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

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

In terms of requirements of Takaful Rules, 2012, read with SECP Circular 25 of 2015 dated July 9, 2015, the assets, liabilities and profit and loss of Operator Fund of General Takaful Operations of the Company have been presented as a single line item in the statement of financial position and profit and loss account of the Company respectively. A separate set of financial statements of General Takaful operations has been annexed to these financial statements as per requirements of the Takaful Rules, 2012.

2.1 Basis of measurement

These financial statements have been prepared on the historical cost basis except otherwise stated in these financial statements. No adjustment for the effect of inflation has been accounted for in the financial statements.

2.2 Functional and presentation currency

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

2.3 Accounting Standards, IFRIC Interpretations and amendments that are effective for the current year.

During the year following new rules, regulations and accounting standards have become effective for the period beginning from January 01, 2018

a) The Securities and Exchange Commission of Pakistan (SECP) through S.R.O.88 & 89(1)/2017 notified Insurance Rules, 2017 (Rules) and in addition new Accounting Regulations 2017 (Rules and Regulations) has also been notified by SECP. These rules and regulations have become effective for the current accounting year and the Company has adopted these. These rules and regulations required changes in format of financial statements and changes in accounting policy as disclosed in detail in note 2.6. In addition to this the Companies Act, 2017 have also become effective.

b) There are certain other new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2018 but are considered not to be relevant or do not have any significant effect on the Company's operations hence not enlisted in these financial statements.

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

2.4 Accounting Standards, IFRIC interpretations and amendments that are not yet effective

The following revised standards, amendments and interpretations with respect to the accounting and reporting standards would be effective from the dates mentioned below against the respective standards, amendments or interpretations;

		Effective for the period beginning on or after
IAS-1	Presentation of Financial Statements (amendments)	January 01, 2020
IAS-8	Accounting policies, change in accounting estimates and errors (amendments)	January 01, 2020
IAS-12	Income Taxes (amendment)	January 01, 2019
IAS-19	Employee Benefits (amendments)	January 01, 2019
IAS-28	Long-term Interests in Associates and Joint Ventures (Amendments)	January 01, 2019
IFRS-3	Business Combinations (amendments)	January 01, 2020
IFRS-9	Financial Instruments	July 01, 2019
IFRS-15	Revenue from contracts with customers (with amendments)	July 01, 2018
IFRS-16	Leases	January 01, 2019
IFRIC-23	Uncertainty over Income Tax Treatments	January 01, 2019

IFRS 9: "Financial Instruments" has replaced IAS 39: "Financial Instruments: Recognition and Measurement". The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. With the adoption of this standard the Company will have to change accounting policy related to Available for sale investments particularly with respect to their impairment and realized gains or losses. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'expected credit losses' (ECL) approach rather than 'incurred credit losses' approach as currently followed. The impact of the adoption of this standard including ECL is currently being assessed by the Company.

IFRS 15 'Revenue from Contracts with customers' applies to all revenue arising from contracts with customers, unless those contracts are not in the scope of other standards and it has superseded IAS 11 "Construction Contracts", IAS 18 "Revenue" and related interpretations. The new standard establishes a five-step model to account for revenue arising from contracts with customers based on the principle that an entity should recognize revenue representing the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company is in the process of assessing the full impact of this standard.

IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC-15 'Operating Leases' Incentive and SIC-27 'Evaluating the Substance of Transactions Involving the legal form of a Lease'. IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term lease 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. On adoption of IFRS 16, the Company shall recognize a 'right to use asset' with a corresponding liability for lease payments. The Company is in the process of assessing the full impact of this standard.

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

2.5 New Standards issued by IASB but not yet notified by SECP

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

International Financial Reporting Standards (IFRSs)	IASB effective date annual periods beginning on or after
IFRS -1 - First time adoption of IFRS	January 01, 2004
IFRS -14 - Regulatory Deferral Accounts	January 01, 2016
IFRS -17 - Insurance Contracts	January 01, 2021

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

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

2.6 Effect of Insurance Rules 2017 and Insurance Accounting Regulations 2017 and Companies Act, 2017

a Changes in accounting policies

According to S.R.O.89(1)/2017, the new Insurance Rules, 2017 (Rules) have been notified. The new rules require application of IAS 39 (Financial Instruments: Recognition and Measurement) in respect of the available for sale investments in the format prescribed in the Insurance Rules, 2017. IAS 39 (Financial Instruments: Recognition and Measurement) has become applicable to the Company which resulted in change in accounting policy in respect of subsequent measurement, impairment and recognition of available for sale investments.

Previously available for sale investments were stated at lower of cost or market value, if the decline in the market value was other than temporary (i.e. impaired). A fall in market value of a security was being treated as "other than temporary (i.e. impaired)", if there was a significant or prolonged decline in fair value of security below its cost.

IAS 39 requires available for sale investments to be subsequently measured at fair value and any changes therein, other than impairment losses are recognized in other comprehensive income and presented in the surplus / (deficit) on revaluation of available for sale investments in equity. Impairment losses are recognized in profit and loss account. When an investment is derecognized, the gain and loss accumulated in equity is reclassified to profit and loss account.

This change in accounting policy has been applied retrospectively in accordance with the requirements of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

Effect of the retrospective application of change in accounting policies are as follows:

Statement of financial position and statement of changes in equity	As originally stated	Effect of Restatement	As restated
As at December 31, 2016			
Available for sale investment	268,377,459	16,908,932	285,286,391
Unappropriated profit	133,150,360	5,354,511	138,504,871
Surplus on revaluation of available for sale investment	-	8,088,095	8,088,095
Deferred taxation	-	3,466,326	3,466,326
As at December 31, 2017			
Available for sale investment	277,813,562	6,189,798	284,003,360
Accumulated loss	(20,150,789)	13,306,441	(6,844,348)
Deficit on revaluation of available for sale investments	-	(5,634,758)	(5,634,758)
Window Takaful - Assets of operator's fund	65,749,628	(819,636)	64,929,992
Deferred taxation	-	(2,301,521)	(2,301,521)
Profit and Loss Account and Comprehensive Income For the year ended December 31, 2017			
Investment loss	(48,024,626)	7,951,930	(40,072,697)
Income tax expense	(21,198,140)	-	(21,198,140)
Loss after taxation	(46,744,853)	7,951,930	(38,792,923)
Loss per share	(0.83)	0.14	(0.69)
Other comprehensive loss	-	(13,722,853)	(13,722,853)

b) Certain changes have been made to the presentation of the financial statements which include the following:

Changes in the sequence of assets/liabilities in the statement of financial position.

Discontinuation of separate statements of premiums, claims, commission and investment income which are now presented (on aggregate basis) into the Notes to and Forming Part of the Financial Statements (notes 20,21,22 and 24).

Underwriting results in relation to various classes of business which were previously presented on the face of the profit and loss account are now presented in a separate note (note 31).

Addition of statement of solvency as part of the financial statements (note 36).

Placement of claim development table (note 21.1).

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property and Equipment

The cost of an item is recognized as an asset if and only if the future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

These are stated at cost less accumulated depreciation computed on the reducing balance method on yearly basis applying the rates as mentioned in note 5.1.

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

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

3.2 Intangible assets

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

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

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

3.3 Capital work-in-progress

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

3.4 Insurance contracts

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

Fire and Property

Motor

Marine, Transport and Aviation

Other classes - Miscellaneous

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

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

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

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

3.5 Deferred Commission expense / Acquisition cost

Commission expenses are deferred and recognized as an asset in correlation with unearned premium that is recognized in the subsequent reporting period to comply with the requirement of Insurance Rules, 2017 as an expense in accordance with the pattern of recognition of premium.

3.6 Unearned premium

The portion of premium written relating to the unexpired period of coverage is recognized as unearned premium by the Company. The unearned portion of premium income is recognized as a liability. The liability is calculated by applying 1/24 method as specified in the Insurance Accounting Regulations, 2017.

3.7 Premium deficiency

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

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

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

3.8 Reinsurance contracts held

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

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

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

3.9 Receivables and payables related to insurance contracts

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

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

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

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

3.9.1 Insurance / Reinsurance receivable

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

3.9.2 Reinsurance recoveries against outstanding claims

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

3.10 Segment reporting

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

The Company presents segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Insurance Rules, 2017. The reported segments are also consistent with the internal reporting provided to Strategy Committee and Board of Directors which are responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

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

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

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

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

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

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

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

3.11 Financial instruments

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

3.12 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at nominal amount. For the purposes of the cash flow statement, cash and cash equivalents comprise of cash and stamps in hand, cash at bank in current and saving accounts.

3.13 Revenue recognition

a. Premiums

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

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

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

b. Commission income

Commission income is taken to profit and loss account on a time proportion basis in accordance with the pattern of recognition of reinsurance premium.

c. Investment income

Gains and losses on sale of investments are taken to the profit and loss account for the year at the time of disposal / sale. Income on bank deposits and Defence Saving Certificates is recognized on accrual basis. Income on held to maturity investments is recognized on time proportion basis using effective interest method.

d. Dividend income

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

3.14 Investments

3.14.1 Initial Recognition

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

In equity securities
In debt securities
In term deposits

3.14.2 Subsequent Measurement

3.14.2.1 In equity securities

a) Available for sale

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

Subsequent to initial measurement, these are remeasured at fair value. Surplus / (deficit) on revaluation from one reporting date to other is taken to other comprehensive income in the statement of comprehensive income. On derecognition or impairment of available for sale investments, the cumulative gain or loss previously reported in other comprehensive income is transferred to profit and loss account for period within statement of comprehensive income.

These are reviewed for impairment periodically and any losses arising from impairment, based on management estimates, in values are charged to the profit and loss account.

b) Investment at fair value through profit and loss - held for trading

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

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for the year ended December 31, 2018

3.14.2.2 In debt securities

Investments in debt securities, deposits and instruments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held to maturity. Subsequently, these are measured at amortized cost less provision for impairment, if any. Any premium paid or discount availed on acquisition of held to maturity investment is deferred and amortised over the term of investment using the effective yield.

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

3.14.2.3 In term deposits

Investment in term deposits with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity and are initially measured at cost. At subsequent reporting dates, these are measured at amortized cost using the effective yield method.

3.15 Offsetting of financial assets and liabilities

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

3.16 Provisions

3.16.1 Claims expense

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

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

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

3.16.2 Outstanding claims including incurred but not reported (IBNR)

A liability for outstanding claims is recognized in respect of all claims incurred up to the statement of financial position date which is measured at the undiscounted value of expected future payments. Provision for outstanding claims include amounts in relation to claims reported but not settled, claims incurred but not reported (IBNR) and expected claims settlement costs, which is determined using actuarial method. Reinsurance recoveries against outstanding claims are recognized as an asset and measured at the amount expected to be received.

3.16.3 Claims reported but not settled

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

3.16.4 Claims incurred but not reported

The provision for claims incurred but not reported (IBNR) is made at the statement of financial position date. In accordance with SECP Circular No.9 of 2016, the Company has changed its method of estimation of IBNR. The Company now takes actuarial advice for the determination of IBNR claims. IBNR claims have been estimated using Chain Ladder (CL) Method which involves determination of development factors or link ratios for each period. These are then subsequently combined to

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level.

3.17 Taxation

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

Current

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

Deferred

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

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

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

3.18 Staff retirement benefits

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

3.19 Impairment of assets

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

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

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

3.20 Dividend distribution

Profit distribution to shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability, to the extent it is unclaimed/unpaid, in the Company's financial statements in the year in which the dividends are approved by the Board of Directors or members as the case may be.

3.21 Management expenses

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

3.22 Creditors, accruals and provisions

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and / or services received. Provisions are recognized when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimates.

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

3.23 Related party transactions and transfer pricing

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

3.24 Bonus shares and reserves appropriation

Bonus shares and appropriation are recognised in the period in which these are approved.

3.25 Foreign currency translations

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

3.26 Earnings per share

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

- Useful life of property and equipment	3.1
- Deferred commission expense	3.5
- Unearned premium	3.6
- Premium	3.13 (a)
- Premium deficiency	3.7
- Insurance / Reinsurance receivables	3.9.1
- Reinsurance recoveries against outstanding claims	3.9.2
- Outstanding claims (including IBNR)	3.16.2
- Taxation (current and deferred)	3.17
- Impairment of Assets	3.19

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

5. Property and Equipment

5.1 Operating Assets

		2018									
		Cost			Accumulated Depreciation				Book value		Depreciation Rate %
As at 1 January 2018	Additions	Disposals	As at 31 December 2018	As at 1 January 2018	Charge for the year	Disposals	As at 31 December 2018	As at 31 December 2018			
Rupees											
Land and Buildings (5.1.1)	30,218,901	-	-	30,218,901	22,754,269	746,463	-	23,500,732	6,718,169	10	
Furniture and fixtures	13,439,352	-	-	13,439,352	10,267,328	475,806	-	10,743,134	2,696,218	15	
Office equipments	14,808,044	394,594	-	15,202,638	11,337,610	557,365	-	11,894,975	3,307,663	15	
Computer equipments	6,979,467	-	-	6,979,467	6,544,215	130,594	-	6,674,809	304,658	30	
Motor Vehicles	123,546,406	36,638,735	(22,560,036)	137,625,105	57,068,252	10,530,559	(9,827,918)	57,770,893	79,854,212	15	
	188,992,170	37,033,329	(22,560,036)	203,465,463	107,971,674	12,440,787	(9,827,918)	110,584,543	92,880,920		

		2017									
		Cost			Accumulated Depreciation				Book value		Depreciation Rate %
As at 1 January 2017	Additions	Disposals	As at 31 December 2017	As at 1 January 2017	Charge for the year	Disposals	As at 31 December 2017	As at 31 December 2017			
Rupees											
Land and Buildings	30,218,901	-	-	30,218,901	21,924,865	829,404	-	22,754,269	7,464,632	10	
Furniture and fixtures	12,375,787	1,063,565	-	13,439,352	9,760,704	506,624	-	10,267,328	3,172,024	15	
Office equipments	14,448,647	359,397	-	14,808,044	10,755,573	582,037	-	11,337,610	3,470,434	15	
Computer equipments	6,935,467	44,000	-	6,979,467	6,367,565	176,650	-	6,544,215	435,252	30	
Motor Vehicles	122,095,891	9,724,920	(8,274,405)	123,546,406	50,194,897	11,042,197	(4,168,842)	57,068,252	66,478,154	15	
	186,074,693	11,191,882	(8,274,405)	188,992,170	99,003,604	13,136,912	(4,168,842)	107,971,674	81,020,496		

5.1.1 The company owns Land & Building situated at Plot No. 181-A Sindhi Muslim Co-operative Housing Society having area of 600 square yards which is being used as head office.

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

5.1.2 Disposal of fixed assets.

	Cost	Accumulated Depreciation	Written down value	Sale proceeds	Net gain/(loss)	Mode of disposals	Sold to	Address
	Rupees							
Vehicles								
Suzuki Cultus ASZ-682	780,000	279,850	500,150	585,000	84,850	Negotiation	Sajjad Muhammad Khan	House # A-18/C-18, Block-C, Gulshan-e-Jamal, Karachi.
Toyota Corolla LEC-307	1,511,281	998,300	512,981	622,000	109,019	Negotiation	Masood Ashraf Chima	House # E-10, Desh Alam Colony, Gojra.
Honda City AZR -335	2,529,540	1,341,148	1,188,392	1,190,000	1,608	Negotiation	Zafar A. Pasha (Employee)	House # 188, Stadium Road, D.O.S.H., Karachi.
Honda City LEF-5417	1,705,440	848,574	856,866	1,400,000	543,134	Negotiation	Zafar Iqbal	House # 31-S-24, New Islamia Park, Tariq Road, Lahore.
Fortuner BG-0823	5,340,920	1,028,127	4,312,793	4,500,000	187,207	Negotiation	Al-Fazal Associates (Pvt) Ltd	CB-87, Lalazar Colony, Wah Cantt, Rawalpindi.
Toyota Corolla AWW-868	1,572,500	970,711	601,789	900,000	298,211	Negotiation	Mohammad Anis Memon (Employee)	Flat # A-8, First Floor, Mehran View Plaza, Sukkur.
Toyota Altis LEA-1008	2,075,965	333,452	1,742,513	1,870,000	127,487	Negotiation	Mohid Shabbir	House # 16-C, Punch Mahal Street, Queens Road, Lahore.
Toyota Prius LEF-4262	2,632,510	1,116,863	1,515,647	1,400,000	(115,647)	Negotiation	Noreen Afzaal	House # 69, Street # 30, Bahria Town, Lahore.
Honda City LEC-5699	1,678,000	979,995	698,005	850,000	151,995	Negotiation	Fahd Rehman	House # 44-F, Gulberg II, Lahore.
Suzuki Swift AWW-508	1,205,200	743,975	461,225	500,000	38,775	Negotiation	Muhammad Farman	House # 8, Block 10, Tara Chand Road, Kemari, Karachi.
Suzuki Cultus LED-973	827,280	529,941	297,339	400,000	102,661	Negotiation	Tanveer Anwar	Gali # 3, Quaid-e-Azam Colony, Hasilpur.
Suzuki Cultus LXZ-1949	584,000	555,869	28,131	250,000	221,869	Negotiation	Raziuddin Chughtai	House # 453, Street # 14, Imperial, Paragon City, Barki Road, Lahore.
Suzuki Cultus LZE-3966	60,900	50,309	10,591	265,000	254,409	Negotiation	Moeed Ali Hashmi	House # 64, Block-B, Muslim Colony, SMCHS, Karachi.
Items having book value less than Rs. 50,000								
Bike Honda 70 LZH-5857	56,500	50,804	5,696	6,000	304	Negotiation	Muhammad Azeem	House # 126, Street # 15, Muzaffar Colony, Faisalabad.
Total - 2018	22,560,036	9,827,918	12,732,118	14,738,000	2,005,882			
Total - 2017	8,274,405	4,168,842	4,105,563	5,622,700	1,517,137			

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

5.1.3 There are no assets held by third parties and assets with zero values.

6. INTANGIBLE ASSETS

2018										
Cost				Accumulated Depreciation				Written down value		Amortization period
As at 1 January 2018	Additions	Disposals	As at 31 December 2018	As at 1 January 2018	Charge for the year	Disposals	As at 31 December 2018	As at 31 December 2018		
Rupees										
Computer software	3,477,823	-	-	3,477,823	3,477,823	-	-	3,477,823	-	3 years

2017										
Cost				Accumulated Depreciation				Written down value		Amortization period
As at 1 January 2017	Additions	Disposals	As at 31 December 2017	As at 1 January 2017	Charge for the year	Disposals	As at 31 December 2017	As at 31 December 2017		
Rupees										
Computer software	3,477,823	-	-	3,477,823	3,477,823	-	-	3,477,823	-	3 years

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

Note 2018 2017
Rupees

7. INVESTMENT IN EQUITY SECURITIES

Available for sale (AFS)			
Related parties	7.1	7,388,140	4,388,545
Other listed shares	7.2	71,092,792	67,124,278
Mutual funds	7.3	243,078,486	212,490,537
		321,559,418	284,003,360
Investments at fair value through profit and loss - held for trading			
Quoted shares	7.4	318,313,461	323,298,145
		639,872,879	607,301,505

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

2018				2017 Restated			
Cost	Impairment / Provision	Revaluation Surplus / (Deficit)	Carrying Value	Cost	Impairment / Provision	Revaluation Surplus / (Deficit)	Carrying Value

Rupees

Rupees

7.1 Related parties*

First Al Noor Modaraba Ltd.	5,212,200	(3,648,540)	-	1,563,660	5,212,200	(3,648,540)	-	1,563,660
B. F Modaraba Ltd.	512,566	-	505,805	1,018,371	512,566	-	413,226	925,792
Faran Sugar Mills Ltd	369,220	-	1,131,742	1,500,962	369,220	-	822,165	1,191,385
Shahmurad Sugar Mills Ltd.	464,162	-	2,840,985	3,305,147	464,162	-	243,546	707,708
	<u>6,558,148</u>	<u>(3,648,540)</u>	<u>4,478,532</u>	<u>7,388,140</u>	<u>6,558,148</u>	<u>(3,648,540)</u>	<u>1,478,937</u>	<u>4,388,545</u>

* The Company has not accounted for investment in related parties as associates under IAS 28 "Investment in Associates and joint Ventures", as management has concluded that the Company does not have significant influence in these companies.

7.2 Other listed shares

Nimir Industrial Chemical Ltd.	391,008	-	711,317	1,102,325	502,725	-	586,050	1,088,775
Fauji Fertilizer Company Ltd.	43,852,609	-	(7,102,579)	36,750,030	43,852,609	-	(12,540,871)	31,311,738
Nishat Chunian Power Ltd.	9,829,760	(5,423,510)	-	4,406,250	9,829,760	(3,659,135)	-	6,170,625
Pakistan Oilfield Ltd.	5,149,600	-	2,497,160	7,646,760	5,149,600	-	3,764,300	8,913,900
Pakistan Petroleum Ltd.	7,686,200	-	919,250	8,605,450	7,686,200	-	2,609,300	10,295,500
Fauji Cement Ltd.	675,580	(256,980)	-	418,600	675,580	-	(175,380)	500,200
Thatta Cement Company Ltd.	3,375,000	(2,178,000)	-	1,197,000	3,375,000	(1,395,000)	-	1,980,000
Meezan Bank Ltd.	194,100	-	110,787	304,887	194,100	-	7,200	201,300
Engro Fertilizer Company Ltd.	3,431,000	-	21,500	3,452,500	3,431,000	-	(45,000)	3,386,000
Nishat Power Ltd.	1,825,250	(1,025,800)	-	799,450	1,825,250	(822,250)	-	1,003,000
D.G. Khan Cement Ltd.	5,151,570	(2,586,770)	-	2,564,800	3,738,370	(1,465,130)	-	2,273,240
Indus Motor Co. Ltd.	4,235,500	-	(576,460)	3,659,040	-	-	-	-
Engro Polymer & Chemicals Ltd.	170,500	-	15,200	185,700	-	-	-	-
	<u>85,967,677</u>	<u>(11,471,060)</u>	<u>(3,403,825)</u>	<u>71,092,792</u>	<u>80,260,194</u>	<u>(7,341,515)</u>	<u>(5,794,401)</u>	<u>67,124,278</u>

7.3 Other mutual funds

Meezan Balance Fund	6,215,041	-	(470,556)	5,744,485	6,215,041	-	(147,597)	6,067,444
Meezan Cash Fund	10,000,000	-	9,306	10,009,306	-	-	-	-
Meezan Islamic Fund	3,251,529	-	(909,390)	2,342,139	3,251,529	-	(590,189)	2,661,340
Meezan Islamic Income Fund	35,181,961	-	1,177,037	36,358,998	35,181,961	-	589,519	35,771,480
HBL Investment Fund A	186,940	-	(36,339)	150,601	-	-	-	-
HBL Investment Fund B	165,249	-	91,308	256,557	352,189	-	45,148	397,337
HBL Islamic Money Market Fund	15,000,000	-	12,058	15,012,058	-	-	-	-
Al Hamra MCB Islamic Income Fund	106,396,253	-	2,917,879	109,314,132	78,306,996	-	1,844,266	80,151,262
Al Hamra Islamic Active Allocation Fund	-	-	-	-	30,000,000	-	(2,460,796)	27,539,204
Nafa Islamic Asset Allocation Fund	10,763,848	-	(1,516,902)	9,246,946	10,763,848	-	(1,069,158)	9,694,690
Al-Ameen Islamic Agg. Income Fund	25,742,946	-	650,759	26,393,705	25,000,000	-	458,769	25,458,769
Al-Ameen Islamic Cash Fund	20,042,253	-	-	20,042,253	-	-	-	-
Al Ameen Islamic Active Allocation Fund	-	-	-	-	18,578,773	-	(1,683,945)	16,894,828
Askari Islamic Income Fund	7,937,178	-	270,128	8,207,306	7,641,379	-	212,804	7,854,183
	<u>240,883,198</u>	<u>-</u>	<u>2,195,288</u>	<u>243,078,486</u>	<u>215,291,716</u>	<u>-</u>	<u>(2,801,179)</u>	<u>212,490,537</u>
Total AFS investments	<u>333,409,023</u>	<u>(15,119,600)</u>	<u>3,269,995</u>	<u>321,559,418</u>	<u>302,110,058</u>	<u>(10,990,055)</u>	<u>(7,116,643)</u>	<u>284,003,360</u>

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

2018				2017			
Cost	Impairment / Provision	Revaluation Surplus / (Deficit)	Carrying Value	Cost	Impairment / Provision	Revaluation Surplus / (Deficit)	Carrying Value

Rupees

Rupees

7.4 Fair value through profit & loss - held for trading

Orix Modaraba	930,540	-	(127,949)	802,591	1,100,364	-	(169,824)	930,540
Meezan Bank Ltd	17,317,168	-	8,911,244	26,228,412	19,322,748	-	7,420	19,330,168
Cyan Ltd	726,842	-	119,119	845,961	1,669,399	-	(942,556)	726,843
Lucky Cement Ltd	679,395	-	(27,390)	652,005	-	-	-	-
Hub Power Company Ltd	25,798,500	-	(1,477,035)	24,321,465	35,006,580	-	(9,208,080)	25,798,500
National Refinery Ltd	1,034,088	-	(348,216)	685,872	1,370,688	-	(336,600)	1,034,088
Oil & Gas Development Co. Ltd	4,082,122	-	(872,394)	3,209,728	4,146,317	-	(64,195)	4,082,122
Pakistan Oilfield Ltd	21,286,987	-	(3,026,099)	18,260,888	20,219,863	-	2,255,644	22,475,507
Pakistan State Oil Co. Ltd	12,829,055	-	(989,246)	11,839,809	15,959,367	-	(3,130,311)	12,829,056
Pakistan Petroleum Ltd	27,093,020	-	(4,447,516)	22,645,504	24,760,160	-	2,332,860	27,093,020
Sui Northern Gas Co. Ltd	1,207,791	-	(223,915)	983,876	1,041,323	-	166,469	1,207,792
Sui Southern Gas Co. Ltd	518,726	-	(125,726)	393,000	618,423	-	(99,696)	518,727
Nishat Power Ltd	3,400,000	-	(690,000)	2,710,000	6,409,000	-	(3,009,000)	3,400,000
Kot Addu Power Company	6,737,500	-	(543,750)	6,193,750	9,850,000	-	(3,112,500)	6,737,500
Pakistan Telecommunication Co. Ltd	652,500	-	(172,000)	480,500	859,000	-	(206,500)	652,500
Engro Corporation Ltd	13,555,341	-	805,673	14,361,014	15,594,932	-	(2,039,591)	13,555,341
Engro Fertilizer Ltd	8,393,793	-	(285,044)	8,108,749	4,346,165	-	(16,623)	4,329,542
Fauji Fertilizer Co. Ltd	77,993,758	-	13,546,129	91,539,887	120,222,759	-	(29,096,741)	91,126,018
Fauji Fertilizer Bin Qasim Ltd	9,564,347	-	465,569	10,029,916	13,781,379	-	(4,217,032)	9,564,347
Fatima Fertilizer Co. Ltd	5,805,440	-	1,050,920	6,856,360	6,935,320	-	(1,129,880)	5,805,440
Highnoon Laboratories Ltd	33,548,034	-	(2,974,650)	30,573,384	44,312,939	-	(11,349,305)	32,963,634
ICI Pakistan Ltd	20,472,779	-	704,331	21,177,110	26,491,848	-	(6,019,069)	20,472,779
Akzo Nobel Pakistan Ltd	5,147,406	-	(1,384,906)	3,762,500	5,490,577	-	(493,171)	4,997,406
Wah Noble Chemical Ltd	188,300	-	161,700	350,000	1,719,840	-	539,760	2,259,600
Cherat Packaging Ltd	11,407,675	-	(106,495)	11,301,180	17,922,606	-	(6,514,931)	11,407,675
Total Held for Trading	310,371,107	-	7,942,354	318,313,461	399,151,597	-	(75,853,452)	323,298,145
Grand Total	643,780,130	(15,119,600)	11,212,349	639,872,879	701,261,655	(10,990,055)	(82,970,095)	607,301,505

Note 2018 2017
Rupees

8. INVESTMENT IN DEBT SECURITIES

Held to maturity		
GOP Ijara Sukuk Bonds	8.1	45,104,169 70,169,043

8.1 The market value of GOP Ijara Sukuk amounted to Rs.44.195 million (December 31, 2017: Rs.70.150 million).

8.2 These carry profit at the rate of 5.24% per annum (December 31, 2017: 5.24% to 5.51% per annum) due on maturity.

8.3 Government of Pakistan Ijara Sukuk Bonds (GOPI) having face value amounted to Rs.45 million and market value amounted to Rs.44.195 million (December 31, 2017: Rs.60 million and market value amounted to Rs.60.157 million) are placed with State Bank of Pakistan as deposit under Section 29 of Insurance Ordinance, 2000.

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

	Note	2018	2017
		Rupees	
9. TERM DEPOSIT			
Deposit maturing within 12 months	9.1 & 9.2	<u>26,130,453</u>	<u>26,748,613</u>
9.1	These carry profit at the rate of 5.30% to 9.50% per annum (December 31, 2017: 4.15% to 5.75% per annum) payable on maturity.		
9.2	These deposits include an advantage account amounting to Rs.11.10 million (2017: Rs.11.10 million) which is pledged against the running finance facility. The facility carry markup at rates of 2% over from the profit rate to be paid on the advantage account and 3 months KIBOR plus 175 bps. Total sanctioned limit of the facilities amounts to Rs.10.00 million (2017 Rs.10.00 million).		
		2018	2017
		Rupees	
10. LOANS AND OTHER RECEIVABLES			
Considered good			
Loan to employees		990,750	1,336,200
Deposits		499,719	499,719
Accrued investment income		727,437	1,399,061
		<u>2,217,906</u>	<u>3,234,980</u>
11. INSURANCE / REINSURANCE RECEIVABLE			
Unsecured			
Due from insurance contract holders - considered good			
Considered good		221,317,973	205,540,384
Considered doubtful		11,411,742	11,411,742
		<u>232,729,715</u>	<u>216,952,126</u>
Less: Allowance for impairment of receivables from Insurance contract holders		(11,411,742)	(11,411,742)
		<u>221,317,973</u>	<u>205,540,384</u>
Due from other insurers / reinsurers - considered good		949,226	2,246,533
		<u>222,267,199</u>	<u>207,786,917</u>
12. DEFERRED TAXATION			
Deferred tax credits / (debits) arising in respect of:			
Provision for impairment of doubtful receivables from insurance contract holders		3,195,288	-
Unrealized (gain)/ loss on held for trading investments		(2,223,859)	-
Impairment loss on available for sale investments		4,233,488	-
Surplus on revaluation of available for sale securities		(917,449)	2,301,521
		<u>4,287,468</u>	<u>2,301,521</u>

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

	Note	2018	2017
		Rupees	
12.1 Reconciliation of deferred tax			
Opening provision		2,301,521	(3,466,326)
Credit to profit and loss account		5,204,917	-
(Debit)/Credit to other comprehensive income		(3,218,970)	5,767,847
Closing balance		<u>4,287,468</u>	<u>2,301,521</u>
13. PREPAYMENTS			
Prepaid reinsurance premium ceded	20	170,921,565	337,538,956
Prepaid Rent		570,102	63,032
Prepaid miscellaneous expenses		1,288,551	1,206,575
Others		418,000	418,000
		<u>173,198,218</u>	<u>339,226,563</u>
14. CASH AND BANK			
Cash and cash equivalent			
Revenue stamps, Bond papers		330,471	498,290
Cash at bank			
Current accounts		71,592,042	65,139,297
Saving accounts	14.1	47,450,292	94,547,949
Cash deposited with State Bank of Pakistan	14.2	25,000,000	-
		<u>144,042,334</u>	<u>159,687,246</u>
		<u>144,372,805</u>	<u>160,185,536</u>
14.1 These accounts carry profit at rates ranging between 5% and 9.50% (2017: 4.15% to 5.75%) per annum.			
14.2 This represents cash deposit of Rs. 25 million with State Bank of Pakistan under Section 29 of Insurance Ordinance, 2000.			
Cash and cash equivalent for the purpose of statement of cash flows:			
Cash and cash equivalents		<u>144,372,805</u>	<u>160,185,536</u>
15. SHARE CAPITAL			
15.1 Authorized Capital			
		2018	2017
		(Number of shares)	
		<u>75,000,000</u>	<u>75,000,000</u>
		Ordinary shares of Rs.10 each	<u>750,000,000</u>
15.2 Issued, subscribed and paid-up share capital			
		(Number of shares)	
		1,156,680	1,156,680
		Ordinary shares of Rs. 10 each allotted for consideration paid in cash	11,566,800
		54,984,605	54,984,605
		Ordinary shares of Rs.10 each allotted as fully paid bonus shares	549,846,050
		<u>56,141,285</u>	<u>56,141,285</u>
		<u>561,412,850</u>	<u>561,412,850</u>

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

	Note	2018	2017
		Rupees	
16. RESERVES			
Revenue reserves			
General reserve	16.1	<u>250,000,000</u>	<u>250,000,000</u>
16.1 The movement of general reserve is as:			
Balance as at January 01		250,000,000	220,000,000
Transfer from unappropriated profit		-	30,000,000
		<u>250,000,000</u>	<u>250,000,000</u>
17. INSURANCE / REINSURANCE PAYABLES			
Due to other insurers / reinsurers		<u>114,933,742</u>	<u>138,626,640</u>
18. OTHER CREDITORS AND ACCRUALS			
Accrued expenses		4,457,612	3,494,372
Unpaid and Unclaimed dividend		2,170,665	2,221,253
Other creditors		<u>66,003,751</u>	<u>78,378,887</u>
		<u>72,632,028</u>	<u>84,094,512</u>
19. CONTINGENCIES AND COMMITMENTS			
19.1 Contingencies			
a.	<p>In the year 2016, the Commissioner of Inland Revenue (FBR) had issued show cause notices and then passed orders under section 122(5A) of the Income Tax Ordinance, 2001 (the Ordinance) related to preceding tax years, by initializing the concept of single/one basket income to insurance industry, i.e., clubbing all other sources of income (e.g. dividend and rental income) into business income for charging the business rate of tax under Fourth Schedule of the Ordinance. In the year 2016, the Commissioner Inland Revenue (Appeals) has annulled all the assessments under section 122(5A) in which dividend was taxed at normal corporate tax rate. The Commissioner of Inland Revenue has filed an appeal in Appellate Tribunal, Inland Revenue against the order passed by the Commissioner Inland Revenue (Appeals) which is pending adjudication. The Company has not made provision in this regard with consultation of tax advisor as it is confident that the case will be decided in the Company's favor.</p>		
b.	<p>An aviation claim has been reported on November 3, 2015. Investigations are underway and loss adjustors have not yet established liability. Should this loss be considered payable at any later stage, a maximum gross reserve of Rs.550 million would arise. The impact on the Company's net account would be Rs.2.5 million and the rest would be recoverable under fronting arrangements as per agreed terms.</p>		
19.2 Commitments			
There are no commitments as at the balance sheet date.			

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

	Note	2018	2017
		Rupees	
20. NET INSURANCE PREMIUM			
Written Gross Premium		878,686,380	1,155,401,952
Add: Unearned premium reserve opening		494,450,943	527,368,394
Less: Unearned premium reserve closing		(342,270,710)	(494,450,943)
Premium earned		1,030,866,613	1,188,319,403
Less: Reinsurance premium ceded		516,008,292	803,670,521
Add: Prepaid reinsurance premium opening		337,538,956	364,533,433
Less: Prepaid reinsurance premium closing		(170,921,565)	(337,538,956)
Reinsurance expense		682,625,683	830,664,998
Net Insurance Premium		348,240,930	357,654,405
21. NET INSURANCE CLAIMS EXPENSE			
Claim Paid		207,784,319	228,649,424
Add: Outstanding claims including IBNR closing		210,197,626	209,590,488
Less: Outstanding claims including IBNR opening		(209,590,488)	(220,507,963)
Claims expense		208,391,457	217,731,949
Less: Reinsurance and other recoveries received		123,020,741	134,369,529
Add: Reinsurance and other recoveries in respect of outstanding claims net of impairment (if any) closing		165,480,348	167,283,860
Less: Reinsurance and other recoveries in respect of outstanding claims net of impairment (if any) opening		(167,283,860)	(172,078,362)
Reinsurance and other recoveries revenue		121,217,229	129,575,027
Net claims expenses		87,174,228	88,156,922

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

21.1 Claim development

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

Analysis on gross tables

Accident year

2014	2015	2016	2017	2018	Total
------	------	------	------	------	-------

(Rupees in 000)

Estimate of ultimate claims cost:

At the end of accident year	132,597	160,850	69,760	72,081	99,218	534,506
One year later	67,764	27,210	11,100	13,942	-	120,016
Two years later	27,624	19,941	7,547	-	-	55,112
Three years later	24,961	16,227	-	-	-	41,188
Four years later	3,849	-	-	-	-	3,849
Current estimate of cumulative claims	7,359	18,707	11,975	104,641	205,887	348,569
Cumulative payment to date	(3,510)	(2,480)	(4,428)	(90,699)	(106,667)	(207,784)
	<u>3,849</u>	<u>16,227</u>	<u>7,547</u>	<u>13,942</u>	<u>99,220</u>	<u>140,785</u>
Liability in respect of prior years						69,413
Total liability recognised in the statement of financial position						<u>210,198</u>

2018

2017

Rupees

22. NET COMMISSION EXPENSE / ACQUISITION COST

Commission paid or payable	139,460,817	139,273,371
Add: Deferred commission expense opening	60,932,042	61,298,491
Less: Deferred commission expense closing	(65,913,719)	(60,932,042)
Commission expense	134,479,140	139,639,820
Less: Commission received or recoverable	74,733,829	79,596,169
Add: Unearned Reinsurance Commission opening	35,347,057	34,712,441
Less: Unearned Reinsurance Commission closing	(35,596,302)	(35,347,057)
Commission from reinsurers	74,484,584	78,961,553
Net Commission expense	59,994,556	60,678,267

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

	Note	2018	2017
		Rupees	
23. MANAGEMENT EXPENSES			
Employee benefit cost	23.1	82,592,999	80,045,064
Travelling expenses		1,000,961	694,336
Advertisements & sales promotion		988,875	2,265,923
Printing and stationery		3,886,316	3,664,965
Depreciation		8,708,551	9,195,838
Rent, rates and taxes		5,552,649	4,349,640
Electricity, gas and water		4,788,426	4,578,019
Entertainment		4,444,120	4,640,022
Vehicle running expenses		21,078,368	18,033,193
Office repairs and maintenance		4,155,627	3,387,257
Bank charges		894,507	1,015,765
Postages, telegrams and telephone		3,578,917	3,712,920
Annual Supervision fee SECP		2,452,432	2,228,791
Others		8,325,723	3,924,601
		<u>152,448,471</u>	<u>141,736,334</u>
23.1 Employee benefit cost			
Salaries, allowance and other benefits		79,593,545	77,090,089
Charges for post employment benefit (contribution to employee's provident fund)		2,999,454	2,954,975
		<u>82,592,999</u>	<u>80,045,064</u>
24. INVESTMENT INCOME			
Income from equity securities			
Dividend income			
Available for sale investments		12,173,049	12,278,998
Held for trading investments		20,136,128	20,714,468
		<u>32,309,177</u>	<u>32,993,466</u>
Income from debt securities - Held to maturity			
Return on debt securities		3,720,631	3,257,647
Income from deposits			
Return on term deposits and PLS accounts		5,380,950	4,607,141
		<u>41,410,758</u>	<u>40,858,254</u>
Net realised gains/(losses) on investments			
Realised gains on - Equity securities			
Available for sale investments		1,150,351	4,906,947
Held for trading investments		4,341,560	1,499,020
		<u>5,491,911</u>	<u>6,405,967</u>
Realised loss on - Equity securities			
Available for sale investments		(4,014,507)	(248,471)
Held for trading investments		-	(234,985)
		<u>(4,014,507)</u>	<u>(483,456)</u>
		<u>1,477,404</u>	<u>5,922,511</u>
Net unrealised gains/(losses) on investments at fair value through profit and loss (Held for trading purposes)			
		7,942,352	(75,853,453)
Total investment income/ (loss)		<u>50,830,514</u>	<u>(29,072,688)</u>
Less: Impairment in value of available for sale securities			
Equity Securities		(4,129,545)	(10,990,055)
Investment related expenses		(28,088)	(9,954)
Net investment income		<u>46,672,881</u>	<u>(40,072,697)</u>

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

	Note	2018	2017
		Rupees	
25. OTHER INCOME			
Gain on sale of property & equipment	5.1.2	<u>2,121,529</u>	<u>1,517,137</u>
26. OTHER EXPENSES			
Employee benefit cost		35,396,999	34,305,028
Legal & professional charges		241,500	730,000
Auditors' remuneration	26.1	972,000	756,000
Subscription		4,096,076	4,947,747
Donations	26.2	56,550	379,400
Depreciation		3,732,236	3,941,074
Provision for doubtful premium due but unpaid		-	1,411,742
Loss on disposal of property & equipment	5.1.2	115,647	-
Others		600,000	783,622
		<u>45,211,008</u>	<u>47,254,613</u>
26.1 Auditors' remuneration			
Audit fee		425,000	425,000
Interim review		100,000	100,000
Special certifications and sundry advisory service		375,000	175,000
Sindh sales tax on services		72,000	56,000
		<u>972,000</u>	<u>756,000</u>
26.2 None of the directors, sponsor shareholders, key management personnel and their spouses had any interest in the Donee.			
27. INCOME TAX EXPENSE			
For the year			
Current		16,329,616	21,198,140
Deferred		(5,204,917)	-
		<u>11,124,699</u>	<u>21,198,140</u>
27.1 Relationship between tax expense and accounting profit			
Profit/(loss) before taxation		<u>60,121,826</u>	<u>(17,594,783)</u>
Tax at enacted rate of 29% (2017: 30%)		17,435,330	(5,278,435)
Effect of items not allowed for tax purposes		(6,310,631)	26,476,575
		<u>11,124,699</u>	<u>21,198,140</u>
27.2 The tax rate applicable on the Company for tax year 2018 is 29% (2017: 30%). The tax rate is enacted in Finance Act, 2018 which will decrease by one year upto 2023 at 25%.			

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

	2018	Restated 2017
	Rupees	
28. EARNINGS PER SHARE - BASIC AND DILUTED		
Profit/(loss) after tax	48,997,127	(38,792,923)
	(Number of Shares)	
Weighted average number of Ordinary shares of Rs. 10 each	56,141,285	56,141,285
Earning/(loss) per share basic and diluted - Rupees	0.87	(0.69)

No figures for diluted earnings per share has been presented as the Company has not issued any instrument which would have dilutive effect on earnings per share when exercised.

29. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	Rupees							
Meeting Fees	-	-	600,000	725,000	-	-	600,000	725,000
Managerial remuneration	7,716,000	7,716,000	-	-	6,807,600	7,345,100	14,523,600	15,061,100
Bonus	1,929,000	1,479,000	-	-	1,622,550	1,735,200	3,551,550	3,214,200
House rent allowance	3,472,200	3,472,200	-	-	3,070,800	3,310,700	6,543,000	6,782,900
Others	541,800	541,800	-	-	3,801,120	4,109,160	4,342,920	4,650,960
	13,659,000	13,209,000	600,000	725,000	15,302,070	16,500,160	29,561,070	30,434,160
Number of persons	1	1	9	9	5	6	15	16

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

30. RELATED PARTY TRANSACTIONS

Related parties comprise companies having common directorship, group companies, directors, key management personnel and retirement benefit funds. Investment in related parties have been disclosed in the relevant notes. Directors fees and remuneration to the key management personnel are included in note 29 to these financial statements and are determined in accordance with the terms of their appointment.

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

Relation with the Company	Nature of transaction	Note	2018	2017
			Rupees	
Transactions during the year				
Associated companies	Premium underwritten		65,003,122	66,624,670
	Premium collected		66,045,367	64,344,146
	Claims paid		16,553,064	3,657,385
	Dividend paid		-	33,136
	Dividend received		164,857	190,046
Key management personnel	Remuneration and other benefits	29	29,561,070	30,434,160
Staff retirement benefits	Contribution to provident fund	23.1	2,999,454	2,954,975
Balances as at the year end				
Associated companies	Premium due but unpaid		66,552,732	58,511,719
Provision for outstanding claims	Provision for outstanding claims		8,715,364	10,051,588

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

31. SEGMENT INFORMATION

	2018				
	Fire & property damage	Marine aviation & transport	Motor	Miscellaneous	Total
	(Rupees)				
Gross written premium (inclusive of Administrative surcharge)	322,573,508	339,171,638	183,499,555	33,441,679	878,686,380
Insurance premium earned	328,907,630	501,680,199	174,005,364	26,273,420	1,030,866,613
Insurance premium ceded to reinsurers	(212,213,981)	(451,005,208)	(3,074,132)	(16,332,362)	(682,625,683)
Net insurance premium	116,693,649	50,674,991	170,931,232	9,941,058	348,240,930
Commission income	50,448,859	19,415,387	18,066	4,602,271	74,484,583
Net underwriting income	167,142,508	70,090,378	170,949,298	14,543,329	422,725,513
Insurance claims	(146,038,708)	4,026,140	(62,602,705)	(3,776,184)	(208,391,457)
Insurance claims recovered from reinsurers	129,146,211	(10,897,128)	-	2,968,146	121,217,229
Net claims	(16,892,497)	(6,870,988)	(62,602,705)	(808,038)	(87,174,228)
Commission expense	(84,420,247)	(27,972,937)	(17,150,227)	(4,935,729)	(134,479,140)
Management expense	(51,084,657)	(22,183,851)	(74,828,094)	(4,351,870)	(152,448,471)
Net insurance claims & expenses	(152,397,401)	(57,027,776)	(154,581,026)	(10,095,637)	(374,101,839)
Underwriting result	14,745,107	13,062,602	16,368,272	4,447,692	48,623,675
Net Investment income					46,672,881
Other income					2,121,529
Other expenses					(45,211,008)
Profit before tax from takaful operations-Operators' Fund					7,914,749
Profit before tax					60,121,826
Segment assets	152,949,780	66,419,456	224,038,707	13,029,695	456,437,638
Unallocated assets					1,202,215,886
					1,658,653,524
Segment liabilities	261,758,999	113,670,582	383,420,937	22,299,084	781,149,602
Unallocated liabilities					21,579,140
					802,728,742

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

	2017				Total (Restated)
	Fire & property damage	Marine aviation & transport	Motor	Miscellaneous	
	(Rupees)				
Gross written premium (inclusive of Administrative surcharge)	338,810,139	622,862,429	166,228,646	27,500,738	1,155,401,952
Insurance premium earned	335,014,198	658,176,437	165,118,284	30,010,484	1,188,319,403
Insurance premium ceded to reinsurers	(216,337,888)	(593,126,135)	(2,664,602)	(18,536,373)	(830,664,998)
Net insurance premium	118,676,310	65,050,302	162,453,682	11,474,111	357,654,405
Commission income	51,942,874	21,744,459	-	5,274,220	78,961,553
Net underwriting income	170,619,184	86,794,761	162,453,682	16,748,331	436,615,958
Insurance claims	(125,021,384)	(28,072,019)	(59,540,590)	(5,097,956)	(217,731,949)
Insurance claims recovered from reinsurers	114,465,849	13,148,012	(2,022,336)	3,983,501	129,575,026
Net claims	(10,555,535)	(14,924,007)	(61,562,926)	(1,114,455)	(88,156,922)
Commission expense	(85,722,758)	(32,266,452)	(16,148,137)	(5,502,473)	(139,639,820)
Management expense	(47,030,723)	(25,779,052)	(64,379,438)	(4,547,122)	(141,736,334)
Net insurance claims & expenses	(143,309,016)	(72,969,511)	(142,090,501)	(11,164,050)	(369,533,076)
Underwriting result	27,310,168	13,825,250	20,363,181	5,584,281	67,082,882
Net Investment loss					(40,072,697)
Other income					1,517,137
Other expenses					(47,254,613)
Profit before tax from takaful operations-Operators' Fund					1,132,508
Loss before tax					(17,594,783)
December 31, 2017 (Restated)					
Segment assets	145,399,551	79,698,170	199,034,604	14,057,823	438,190,147
Unallocated assets					1,352,930,923
					1,791,121,070
Segment liabilities	323,129,415	177,117,624	442,325,542	31,241,473	973,814,054
Unallocated liabilities					18,373,272
					992,187,326

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	Held to maturity	Available for sale	Fair value through P & L	Total
	Rupees			
32. MOVEMENT IN INVESTMENTS				
As at 1st January, 2017	97,552,790	285,286,391	412,452,070	795,291,251
Additions	-	131,190,554	75,671,239	206,861,793
Disposals (sale and redemptions)	(833,333)	(102,812,466)	(88,971,712)	(192,617,511)
Fair value net gains/loss (excluding net realised gains)	-	(18,671,064)	(75,853,453)	(94,524,517)
Impairment losses	-	(10,990,055)	-	(10,990,055)
Amortisation of premium / discount	198,199	-	-	198,199
As at 31 December 2017	<u>96,917,656</u>	<u>284,003,360</u>	<u>323,298,144</u>	<u>704,219,160</u>
Additions	-	79,989,451	5,478,045	85,467,496
Disposals (sale and redemptions)	(25,031,854)	(48,690,486)	(18,405,080)	(92,127,420)
Fair value net gains/loss (excluding net realised gains)	-	10,386,638	7,942,352	18,328,990
Impairment losses	-	(4,129,545)	-	(4,129,545)
Amortisation of premium / discount	(651,180)	-	-	(651,180)
As at 31 December 2018	<u>71,234,622</u>	<u>321,559,418</u>	<u>318,313,461</u>	<u>711,107,501</u>

33. MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

33.1 Insurance Risk Management

33.1.1 Insurance Risk

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

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

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

a. Frequency and severity of claims

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

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

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

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

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

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

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

b. Sources of uncertainty in the estimation of future claim payments

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

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

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

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

c. Process used to decide on assumptions

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

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

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

d. Changes in assumptions

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

Notes to and Forming Part of the Financial Statements

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e. Sensitivity analysis

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

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

As the Company enters into short term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on profit before tax net of reinsurance. The impact of 10% increase / decrease in incidence of insured events on profit before tax and shareholder's equity is as follows:

Pre tax profit		Shareholders' equity	
2018	2017	2018	2017

Rupees

10% increase in loss

Fire and property	(1,689,250)	(1,055,554)	(1,199,367)	(738,888)
Marine, aviation and transport	(687,099)	(1,492,401)	(487,840)	(1,044,681)
Motor	(6,260,271)	(6,156,293)	(4,444,792)	(4,309,405)
Miscellaneous	(80,804)	(111,446)	(57,371)	(78,012)
	(8,717,424)	(8,815,693)	(6,189,370)	(6,170,986)

10% decrease in loss

Fire and property	1,689,250	1,055,554	1,199,367	738,888
Marine, aviation and transport	687,099	1,492,401	487,840	1,044,681
Motor	6,260,271	6,156,293	4,444,792	4,309,405
Miscellaneous	80,804	111,446	57,371	78,012
	8,717,424	8,815,693	6,189,370	6,170,986

f. Concentration of insurance risk

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

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

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

Gross sum insured		Reinsurance		Net Amount	
2018	2017	2018	2017	2018	2017

Rupees

Fire and property	213,798,111	230,164,310	149,830,596	172,948,725	63,967,515	57,215,585
Marine, aviation and transport	107,598,325	407,909,270	67,446,450	368,102,160	40,151,875	39,807,110
Motor	7,784,747	7,740,885	7,146	-	7,777,601	7,740,885
Miscellaneous	3,597,062	4,480,773	2,170,666	2,308,457	1,426,396	2,172,316
	332,778,245	650,295,238	219,454,858	543,359,342	113,323,387	106,935,896

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

g. Claim development table

Claim development table is included in note 21.1 to the financial statements. The table shows development of claims over the period.

h. Sensitivity analysis

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

	Change in claims assumption	Impact on gross liabilities	Impact on revenue account
	Rupees		
December 31, 2018			
Current claims	+10%	53,451	(53,451)
	-10%	(53,451)	53,451
December 31, 2017			
Current claims	+10%	47,948	(47,948)
	-10%	(47,948)	47,948

34. REINSURANCE RISK

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

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

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

Rating	Due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Prepaid reinsurance premium ceded	2018	2017
	Rupees				
A or above including Pakistan Reinsurance Company Limited	949,226	160,852,547	165,094,991	326,896,764	496,527,808
BBB	-	4,627,801	5,826,574	10,454,375	10,541,544
	<u>949,226</u>	<u>165,480,348</u>	<u>170,921,565</u>	<u>337,351,139</u>	<u>507,069,352</u>

35. FINANCIAL RISK MANAGEMENT

35.1 Financial risk management objectives and policies

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

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

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

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

35.2 Market risk

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

35.3 Interest rate risk

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

	2018	2017	2018	2017
	— Effective interest rate % —		Rupees —	
Fixed rate instruments				
Government securities	5.24	5.24 to 5.51	45,104,169	70,169,043
Term deposits	5.30 to 9.50	4.15 to 5.75	26,130,453	26,748,613
Variable rate instruments				
PLS saving accounts	5.00 to 9.50	4.00 to 5.50	47,450,292	94,547,949

Sensitivity analysis for fixed rate instruments

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

Sensitivity analysis for variable rate instruments

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

	Profit and loss before tax		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	Rupees			
As at December 31, 2018				
Cash flow sensitivity	474,503	(474,503)	336,897	(336,897)
As at December 31, 2017				
Cash flow sensitivity	945,479	(945,479)	661,836	(661,836)

35.4 Foreign currency risk

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

Notes to and Forming Part of the Financial Statements

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35.5 Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. The Company is exposed to equity price risk since it has investments in quoted securities having carrying value of Rs.639.873 million (2017: Rs.607.302 million) as at the statement of financial position date.

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

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

Sensitivity analysis

The analysis summarizes Company's price risk as at 2018 and 2017 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be best or worst case scenarios. Indeed, results could be worse in Company's equity investment portfolio because of the nature of equity markets. Sensitivity analysis of investments as at the reporting date is as follows:

For held for trading investments, in case of 10% increase or decrease in prices at the reporting date, the net income and equity would have been higher or lower by Rs.31.831 million (2017: Rs.32.330 million).

For available for sale investments, in case of 10% decrease in prices at the reporting date, the net income and equity would have been lower by Rs.32.156 million (2017: Rs.28.400 million) if the decline is considered permanent.

35.6 Liquidity risk

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

	2018			
	Within one year	Over one year to five years	Over five years	Total
	Rupees			
Financial liabilities				
Outstanding claims including IBNR	210,197,626	-	-	210,197,626
Insurance / Reinsurance payables	114,933,742	-	-	114,933,742
Other Creditors & Accruals	68,140,853	-	-	68,140,853
	393,272,221	-	-	393,272,221
	Rupees			
	2017			
	Within one year	Over one year to five years	Over five years	Total
	Rupees			
Financial liabilities				
Outstanding claims including IBNR	209,590,488	-	-	209,590,488
Insurance / Reinsurance payables	138,626,640	-	-	138,626,640
Other Creditors & Accruals	79,603,337	-	-	79,603,337
	427,820,465	-	-	427,820,465

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

35.7 Credit risk

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

Exposure to credit risk

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

	Note	2018	2017
		Rupees	
Investments	7, 8 & 9	711,107,501	704,219,161
Loan and other receivable	10	2,217,906	3,234,980
Insurance / Reinsurance receivable	11	222,267,199	207,786,917
Reinsurance recoveries against outstanding claims	21	165,480,348	167,283,860
Cash at Bank	14	144,042,334	159,687,246
		<u>1,245,115,288</u>	<u>1,242,212,164</u>

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

Rating		Rating agency
Short term	Long term	
Rupees		

Banks

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

Concentration of credit risk

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

During the year no assets have been impaired other than available for sale investments against which allowance for impairment of Rs.13.837 million (2017: Rs.10.990 million) has been made. In addition the Company has also provided impairment allowance against doubtful premium receivables of Rs. 11.4 million.

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

35.8 Financial instruments

	Interest / mark-up bearing			Non-mark-up bearing			Total	
	Maturity within one year	Maturity after one year	Sub Total	Maturity within one year	Maturity after one year	Sub Total	2018	2017
Rupees								
Financial assets								
Held to maturity investments	26,130,453	45,104,169	71,234,622	-	-	-	71,234,622	96,917,656
Available for sale investments	-	-	-	321,559,418	-	321,559,418	321,559,418	284,003,360
Investments at fair value through profit and loss - held for trading	-	-	-	318,313,461	-	318,313,461	318,313,461	323,298,145
Loans & other receivable	-	-	-	2,217,906	-	2,217,906	2,217,906	3,234,980
Insurance / Reinsurance receivables	-	-	-	222,267,199	-	222,267,199	222,267,199	207,786,917
Reinsurance recoveries against outstanding claims	-	-	-	165,480,348	-	165,480,348	165,480,348	167,283,860
Cash and bank	47,450,292	-	47,450,292	96,592,042	-	96,592,042	144,042,334	159,687,246
	<u>73,580,745</u>	<u>45,104,169</u>	<u>118,684,914</u>	<u>1,126,430,374</u>	<u>-</u>	<u>1,126,430,374</u>	<u>1,245,115,288</u>	<u>1,242,212,164</u>
Financial liabilities								
Financial liabilities at amortized cost								
Outstanding claims including IBNR	-	-	-	210,197,626	-	210,197,626	210,197,626	209,590,488
Insurance / Reinsurance Payables	-	-	-	114,933,742	-	114,933,742	114,933,742	138,626,640
Other Creditors and Accruals	-	-	-	68,140,853	-	68,140,853	68,140,853	79,603,337
	-	-	-	393,272,221	-	393,272,221	393,272,221	427,820,465
	<u>73,580,745</u>	<u>45,104,169</u>	<u>118,684,914</u>	<u>733,158,153</u>	<u>-</u>	<u>733,158,153</u>	<u>851,843,067</u>	<u>814,391,699</u>

35.9 Fair value of financial assets and liabilities

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

35.9.1 Carrying amount versus fair value

The following table compares the carrying amounts and fair values of the Company's financial assets and financial liabilities as at December 31, 2018.

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

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

	As at December 31, 2018		As at December 31, 2017	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Rupees				
Financial Assets				
Investments				
Available for sale				
Ordinary shares - listed				
Related Parties	4,806,109	4,806,109	1,899,093	1,899,093
Others	71,092,792	71,092,792	67,124,278	67,124,278
Mutual fund units	243,078,486	243,078,486	212,490,537	212,490,537
Modarba certificates				
Related Parties	2,582,031	2,582,031	2,489,452	2,489,452
Held to maturity				
Government of Pakistan Ijara sukuk bonds	45,104,169	44,195,000	70,169,043	70,150,000
Deposit maturing within 12 months	26,130,453	26,130,453	26,748,613	26,748,613
Investments at fair value through profit and loss- held for trading-ordinary shares - listed	318,313,461	318,313,461	323,298,145	323,298,145
	711,107,500	710,198,331	704,219,161	704,200,118
Loan and other receivables	2,217,906	2,217,906	3,234,980	3,234,980
Insurance/Reinsurance Receivable	222,267,199	222,267,199	207,786,917	207,786,917
Reinsurance recoveries against outstanding claims	165,480,348	165,480,348	167,283,860	167,283,860
Cash and other equivalents	330,471	330,471	498,290	498,290
Current and other accounts	144,042,334	144,042,334	159,687,246	159,687,246
Total assets of Window Takaful Operations	76,927,440	76,927,440	64,929,992	64,929,992
Financial Liabilities				
Outstanding claims including IBNR	210,197,626	210,197,626	209,590,488	209,590,488
Insurance / Reinsurance Payables	114,933,742	114,933,742	138,626,640	138,626,640
Other creditors and accruals	68,140,853	68,140,853	79,603,337	79,603,337
Total Liabilities of Window Takaful operations	19,408,475	19,408,475	16,152,019	16,152,019

35.9.2 Fair value hierarchy

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

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

The fair value hierarchy has the following levels:

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

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

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

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

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

	As at December 31, 2018	Level 1	Level 2	Level 3
	Rupees			
Financial assets measured at fair value				
Investments at fair value through profit and loss/ held for trading	318,313,461	318,313,461	-	-
Available for sale investments	321,559,418	321,559,418	-	-
	<u>639,872,879</u>	<u>639,872,879</u>	<u>-</u>	<u>-</u>

	As at December 31, 2017	Level 1	Level 2	Level 3
	Rupees			
Financial assets measured at fair value				
Investments at fair value through profit and loss/ held for trading	323,298,145	323,298,145	-	-
Available for sale investments	284,003,360	284,003,360	-	-
	<u>607,301,505</u>	<u>607,301,505</u>	<u>-</u>	<u>-</u>

35.9.3 Transfers during the year

During the year ended December 31, 2018:

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

35.9.4 Valuation techniques

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

Fair value of available for sale investments is determined using level 1 inputs i.e., quoted market prices of listed securities / NAVs of open end funds.

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

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

35.9.5 Capital Management

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

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

2018

36. STATEMENT OF SOLVENCY

Assets

Property and equipment	92,880,920
Intangible assets	-
Investment in associate	7,388,140
Investment	
Equity securities	632,484,739
Debt securities	45,104,169
Term deposits	26,130,453
Loans and other receivables	2,217,906
Insurance / Reinsurance receivables	222,267,199
Reinsurance Recoveries against outstanding claims	165,480,348
Deferred Commission Expense	65,913,719
Deferred Taxation	4,287,468
Prepayments	173,198,218
Cash & Bank	144,372,805
Total Assets Window Takaful Operations	76,927,440
Total Assets (A)	1,658,653,524

In-admissible assets as per following clauses of section 32(2) of the Insurance Ordinance, 2000

Clause (d) Loan of employees	990,750
Clause (h) Insurance / Reinsurance receivable	155,536,595
Clause (j) Deferred taxation	4,287,468
Clause (l) assets subject to encumbrances	11,100,000
Clause (q) Investment in equity securities	209,177,477
Clause (u)-(i) Vehicles	79,854,212
Clause (u)-(ii) Office equipments and computers	3,612,321
Clause (u)-(iii) Furniture fixtures	2,696,218
Total of in-admissible assets (B)	467,255,041

Total Admissible Assets (C=A-B)

1,191,398,483

Total Liabilities

Underwriting provisions	
Outstanding claims including IBNR	210,197,626
Unearned premium reserves	342,270,710
Unearned commission income	35,596,302
Insurance / Reinsurance payables	114,933,742
Other Creditors and Accruals	72,632,028
Income Tax liabilities	7,689,859
Total Liabilities Window Takaful operations	19,408,475
Total Liabilities (D)	802,728,742

Total Net Admissible Assets (E=C-D)

388,669,741

Minimum Solvency Requirement (higher of following)

150,000,000

Method A - U/s 36(3)(a) (Rule 15 (1)(b))

150,000,000

Method B - U/s 36(3)(b) (Rule 15 (2))

103,086,661

Method C - U/s 36(3)(c) (Rule 15 (3))

55,289,592

Excess in Net Admissible Assets over Minimum Requirements

238,669,741

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

37. DEFINED CONTRIBUTION PLAN

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

37.1 The Trustees have intimated that the size of the Fund at year end was Rs.64.902 million (2017: Rs.49.529 million).

37.2 As intimated by the Trustees, the cost of the investments made at year end was Rs.64.902 million (2017:Rs.49.529) million which is equal to 100% of the total fund size. The category wise break up of investment as per section 218 of the Companies Act, 2017 is given below:

	2018		2017	
	Rupees in '000'	%	Rupees in '000'	%
Pakistan Investment Bonds	47,000	72.42%	42,824	86.46%
Investment in Shares	722	1.11%	968	1.95%
Units of Mutual Funds	17,180	26.47%	5,737	11.58%
	64,902	100.00%	49,529	100.00%

37.3 According to the Trustees, investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules made there under.

38. CORRESPONDING FIGURES

As a result of adoption of Insurance Rules, 2017 and Insurance Accounting Regulations, 2017 (note 2.6(a) corresponding figures have been rearranged wherever necessary, for purposes of comparison. There were no material reclassification to report except as follows:

Nature	Note	Transfer from	Transfer to	Rupees Aggregate
Term deposit receipts	9	Cash and Bank	Investments	26,748,613
Loan to employees	10	Loan to employees	Loan and other receivables	1,336,200
Accrued Investment income	10	Accrued Investment income	Loan and other receivables	1,399,061
Trade deposits and prepayments	10	Trade deposits and prepayments	Loan and other receivables	186,719
Sundry receivables	10	Sundry receivables	Loan and other receivables	313,000
Premium due but unpaid	11	Premium due but unpaid	Insurance / Reinsurance receivable	205,540,384
Amounts due from other insurers/reinsurers	11	Amounts due from other insurers/reinsurers	Insurance / Reinsurance receivable	2,246,536
Prepaid reinsurance premium ceded	13	Prepaid reinsurance premium ceded	Prepayments	337,538,956
Trade deposits and prepayments	13	Trade deposits and prepayments	Prepayments	1,624,575
Sundry receivables	10	Sundry receivables	Prepayments	63,032
Amount due to other insurers/reinsurers	17	Amount due to other insurers/reinsurers	Insurance / Reinsurance payable	138,626,640
Accrued expenses	18	Accrued expenses	Other Creditors and Accruals	3,069,372
Unclaimed dividend	18	Unclaimed dividend	Other Creditors and Accruals	2,221,253
Depreciation	23 & 26	General and Administration Expenses	Management expenses	9,195,838

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

38.1 The following nomenclature have been changed during the year for the purpose of better understanding.

S.No.	Old nomenclature	New nomenclature
1	Issued, subscribed and paid-up capital	Ordinary share capital
2	Provision for outstanding claims (including IBNR)	Outstanding claims including IBNR
3	Provision for unearned premium	Unearned premium reserves
4	Commission income unearned	Unearned reinsurance commission
5	Amount due to other insurers/reinsurers	Insurance / Reinsurance payables
6	Accrued expenses	Other Creditors and Accruals
7	Unclaimed dividend	Other Creditors and Accruals
8	Loans to employees	Loan and other receivables
9	Premium due but unpaid	Insurance / Reinsurance receivable
10	Amounts due from other insurers/reinsurers	Insurance / Reinsurance receivable
11	Accrued investment income	Loan and other receivables
12	Prepaid reinsurance premium ceded	Prepayments
13	Trade deposits and prepayments	Prepayments
14	Sundry receivables	Prepayments
15	Fixed Assets - Tangible	Property and equipment
16	Net premium revenue	Net insurance premium
17	Net claims	Net insurance claims
18	Net commission	Net Commission and other acquisition costs
19	General and administration expenses	Other expenses
20	Provision for taxation	Income tax expense

2018

2017

39. NUMBER OF EMPLOYEES

As at December 31	194	198
Average number of employees during the year	190	203

40. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on 26th March 2019 by the Board of Directors of the Company.

41. GENERAL

The figures in the financial statements have been rounded off to the nearest rupee.



Ismail H. Zakaria
Chairman



A. Aziz Ayoob
Director



Mohammad Omar Bawany
Director



Haroon A. Shakoore
Chief Accountant and
Company Secretary



A. Razak Ahmed
Chief Executive & Managing Director

Karachi 26th March, 2019

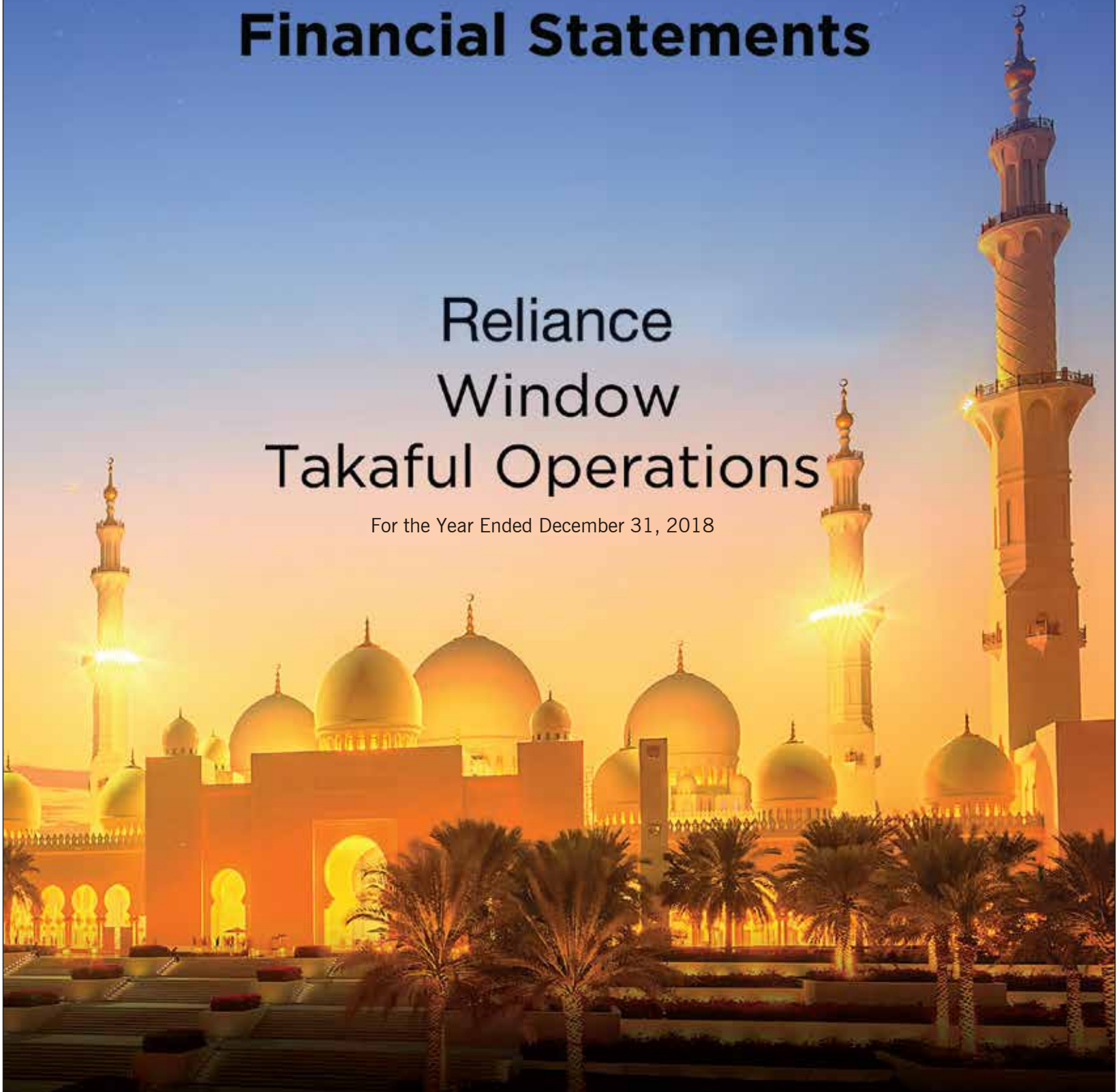
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Financial Statements

Reliance Window Takaful Operations

For the Year Ended December 31, 2018



Statement of Compliance with the Takaful Rules, 2012 and Shari'ah Rules and Principles

For the Financial Year ended 31st December 2018

The financial arrangements, contracts and transactions, entered into by Reliance Insurance Company Limited – Window Takaful Operations (the Operator) for the year ended 31 December 2018 are in compliance with the Takaful Rules, 2012 and the Shari'ah Rules and Principles determined by the Shari'ah Advisor of the Operator, (Shari'ah Rules and Principles). Further, we confirm that:

- The Operator has developed and implemented all the policies and procedures in accordance with the Takaful Rules, 2012 and rulings of the Shari'ah 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 / Shari'ah Advisor and the Board of Directors have been implemented;
- The Operator has imparted trainings / orientations and ensured availability of all manuals / agreements approved by Shari'ah Advisor / Board of Directors to maintain the adequate level of awareness, capacity and sensitization of the staff and management;
- All the products and policies have been approved by Shari'ah Advisor and the financial arrangements including investments made, policies, contracts and transactions, entered into by Window Takaful Operations are in accordance with the polices approved by Shari'ah Advisor; and
- The assets and liabilities of Operator are segregated from Reliance Insurance Company Limited's other assets and liabilities, at all times in accordance with the provisions of the Takaful Rules, 2012.

This has been duly confirmed by the Shari'ah Advisor of the Operator.



A. Razak Ahmed
Chief Executive & Managing Director

Karachi: 26th March, 2019

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

We were engaged by the Board of Directors of **Reliance Insurance Company Limited** ("the Company") to report on the management's assessment of compliance of the Window Takaful Operations ("Takaful Operations") of the Company, as set out in the annexed statement prepared by the management for the year 31 December 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 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 (ICAP), 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" (ISQC-1) 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 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board (IAASB). ISAE 3000 (Revised) requires that we plan and perform our procedures to obtain reasonable assurance about whether the annexed statement presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

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

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

The procedures performed included:

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

Karachi: 26th March, 2019



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

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

For the Financial Year ended 31st December 2018

All praise and thanks are due to Allah Almighty, by whose blessing Reliance Insurance Co. Ltd. Window Takaful Operations (RICL WTO) has successfully completed its third year of Takaful operations.

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

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

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

In my opinion and to the best of my understanding based on explanations provided by the Operator and audit report of the External auditors, below are the findings:

- Underwriting, investments and financial activities undertaken by the Operator for the year of ended 31 December, 2018 were in accordance with Takaful Rules, 2012 and guidelines issued by me in the capacity of Shari'ah Advisor.
- Appropriate accounting policies and basis of measurement have been consistently applied in preparation of the financial statements of "Participant Takaful Fund (Waqf Fund)" and "Operator Fund".
- The Operator was found performing its duties to its level best by following Shari'ah guidelines and through consultation with me where needed.
- Any cases which were required to be consulted in accordance with the Shari'ah and Takaful Rules have been discussed and duly resolved.

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



Mufti M Farhan Farooq
Shariah Advisor
Reliance Insurance Co. Ltd.
Window Takaful Operations

Karachi: 26th March, 2019

Independent Auditor's Report

To the members of Reliance Insurance Company Limited – Window Takaful Operations

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Reliance Insurance Company Limited – Window Takaful Operations (the Operator), which comprise of the statement of financial position as at December 31, 2018, and the profit and loss account, the statement of comprehensive income, the statement of changes in funds and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in funds 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, Insurance Rules, 2017, Insurance Accounting Regulations, 2017, SECP Takaful Rules 2012, 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 Operator's affairs as at December 31, 2018 and of the profit, total comprehensive income, the changes in funds and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *'Auditor's Responsibilities for the Audit of the Financial Statements'* section of our report. We are independent of the Operator in accordance with the *'International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the Code)'* as adopted by the Institute of Chartered Accountants of Pakistan 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S. No.	Key Audit Matters	How the matters were addressed in our audit
1	<p>Revenue Recognition and Unearned Contribution Reserve</p> <p>Refer notes 3.9 & 13 to the financial statements.</p> <p>Contribution written under a policy is recognized as income over the period of insurance or in accordance with the pattern of the incidence of risk. We identified revenue (premium) as a key audit matter because of significant amounts and potential risk of revenue being overstated resulting from the pressure, management may feel to achieve contribution / performance targets.</p> <p>Further there are also estimates involved in recognition and calculation of revenue over the period of policy as there is risk of error in terms of the calculation of unearned contribution reserve due to manual calculations.</p>	<p>Our audit procedures in respect of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> Assessing the appropriateness of the company's revenue recognition policies by comparing them with applicable International Financial Reporting Standards (IFRS), SECP's Insurance Rules 2017, SECP's Insurance Accounting Regulations, 2017 and Takaful Rules 2012. Obtaining an understanding of and testing the designs and operating effectiveness of controls designed to ensure that revenue is recognized in appropriate accounting period and reserve for unearned contribution is accurately calculated. Comparing, on a sample basis, specific revenue transactions recorded before & after the reporting date with underlying documentation to assess whether revenue has been recognized in the appropriate accounting period and whether contribution has been received in case of policies issued on installment basis. Assessing and evaluating the appropriateness of judgments, assumptions and estimates made by the management in determining unearned portion of contribution. Recalculating reserve of unearned contribution and performing analytical procedures to correlate the different audit evidences. Performing test of details to ensure that the policies are genuine and critically assessing manual posting of journal entries to entity's MIS to identify unusual or irregular items.
2	<p>Enactment of New Insurance Rules, 2017, Insurance Accounting Regulations, 2017 and Companies Act 2017</p> <p>Securities and Exchange Commission of Pakistan ("SECP") vide S.R.O 88(1)/2017 and S.R.O 89(1)/2017 dated 9 February 2017 has issued the Insurance Accounting Regulations, 2017 and Insurance Rules, 2017 (the new Rules and Regulations). The application of these Regulations and Rules form the integral part of the financial reporting framework and prescribes the format of the financial statements and nature and content of disclosures in relation to various items of the financial statements.</p> <p>In view of first time application, the extensive impacts in the financial statements, and also because of failure to comply with the requirements of these rules, regulations and the Act, could have financial and reputational impacts leading to regulatory actions, therefore same is considered as a key audit matter.</p> <p>Refer note 3 to the Financial Statements.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> Obtaining an understanding of the rules and regulations and the relevant provisions of the Act as applicable to the Operator. Discussing the applicable changes with the Operator's management, evaluating their view point with respect to new rules and regulation and assessing the procedures applied by the management for identification of the changes required in the financial statements and how the compliance of the same is made. Ensuring that overall presentation of the financial statements and all the material disclosures as required by the rules, regulations and the Act have been made and evaluating the internal consistency of such disclosures with other elements of the financial statements. Evaluating and testing on sample basis the information and calculations from the underlying supporting documents and ensuring that audit evidence obtained is sufficient and appropriate.

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

Management is responsible for the other information. The other information comprises of the information included in the Annual report of the Operator, 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, 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 Operator'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 Operator or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 Operator's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Operator as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in funds 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(XIX of 2017), and are in agreement with the books of account.
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Operator's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Mohammad Hanif Razzak.



Kreston Hyder Bhimji & Co.
CHARTERED ACCOUNTANTS

Karachi: 26th March, 2019

Statement of Financial Position

As at December 31, 2018

Note	2018			Restated 2017			Restated 2016	
	Operator's Fund	Participants' Fund	Aggregate	Operator's Fund	Participants' Fund	Aggregate	Aggregate	
ASSETS								
Investment								
Equity securities	5	9,424,018	-	9,424,018	9,240,372	-	9,240,372	10,008,720
Loans and other receivables	6	10,069,761	426,239	10,496,000	13,278,184	117,528	13,395,712	455,468
Takaful / Re-takaful receivables	7	-	6,291,498	6,291,498	-	7,783,670	7,783,670	11,685,797
Re-takaful recoveries against outstanding claims	15	-	566,671	566,671	-	4,844,862	4,844,862	2,045,500
Deferred Commission Expense	20	5,588,944	-	5,588,944	4,444,553	-	4,444,553	1,037,485
Prepayments	8	-	9,700,554	9,700,554	423,750	8,848,312	9,272,062	3,150,427
Deferred wakala fee	19	-	18,682,915	18,682,915	-	14,920,998	14,920,998	2,235,153
Cash & Bank	9	51,844,717	67,138,244	118,982,961	37,543,133	38,875,556	76,418,689	44,891,096
TOTAL ASSETS		76,927,440	102,806,121	179,733,561	64,929,992	75,390,926	140,320,918	75,509,646
FUND AND LIABILITIES								
Operator's Fund								
Statutory Fund		50,000,000	-	50,000,000	50,000,000	-	50,000,000	50,000,000
Accumulated profit / (loss)		7,512,358	-	7,512,358	(402,391)	-	(402,391)	(1,534,899)
Surplus / (Deficit) on revaluation of AFS investments		6,607	-	6,607	(819,636)	-	(819,636)	8,720
		57,518,965	-	57,518,965	48,777,973	-	48,777,973	48,473,821
Waqf/Participants' Takaful Fund								
Ceded Money		-	500,000	500,000	-	500,000	500,000	500,000
Accumulated Surplus		-	31,938,022	31,938,022	-	10,212,062	10,212,062	3,971,191
		-	32,438,022	32,438,022	-	10,712,062	10,712,062	4,471,191
Liabilities								
Underwriting Provisions								
Outstanding claims including IBNR	15	-	5,824,170	5,824,170	-	7,444,085	7,444,085	2,200,000
Unearned contribution	13	-	46,707,287	46,707,287	-	37,302,496	37,302,496	6,902,482
Unearned re-takaful rebate	17	-	1,803,108	1,803,108	-	1,574,843	1,574,843	493,796
Re-takaful operators payable	10	-	5,551,739	5,551,739	-	4,420,208	4,420,208	8,055,350
Wakala and mudarib fee payable		-	8,908,496	8,908,496	-	12,668,970	12,668,970	30,900
Unearned wakala fee	19	18,682,915	-	18,682,915	14,920,998	-	14,920,998	2,235,153
Other creditors and accruals	11	725,560	1,573,299	2,298,859	1,231,021	1,268,262	2,499,283	2,646,953
Total Liabilities		19,408,475	70,368,099	89,776,574	16,152,019	64,678,864	80,830,883	22,564,634
Contingencies and Commitments								
TOTAL FUND AND LIABILITIES		76,927,440	102,806,121	179,733,561	64,929,992	75,390,926	140,320,918	75,509,646

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

Ismail H. Zakaria
Chairman

A. Aziz Ayoob
Director

Mohammad Omar Bawany
Director

Haroon A. Shakoore
Chief Accountant and
Company Secretary

A. Razak Ahmed
Chief Executive & Managing Director

Karachi 26th March, 2019

Profit and Loss Account

for the year ended December 31, 2018

	Note	2018	2017
		Rupees	
Revenue Account			
Participants' Takaful Fund			
Net contribution revenue	13	64,840,502	26,309,729
Wakala expense	14	(36,453,497)	(17,223,710)
Net takaful claims	15	(13,582,857)	(6,869,260)
Direct expenses	16	(98,966)	(120,800)
Re-takaful rebate	17	5,078,223	3,640,803
		(45,057,097)	(20,572,967)
Underwriting result		19,783,405	5,736,762
Investment Income	18	3,237,591	840,181
Modarib's share		(1,295,036)	(336,072)
Surplus for the year		21,725,960	6,240,871
Revenue Account			
Operator's Fund			
Wakala fee income	19	36,453,497	17,223,710
Net Commission and other acquisition costs	20	(11,440,379)	(6,769,011)
Management expenses	21	(18,317,704)	(10,315,653)
		(29,758,083)	(17,084,664)
		6,695,414	139,046
Investment Income	18	986,299	1,807,390
Modarib's share from PTF		1,295,036	336,072
Other expenses	22	(1,062,000)	(1,150,000)
Profit for the year		7,914,749	1,132,508

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

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Karachi 26th March, 2019

Statement of Comprehensive Income

for the year ended December 31, 2018

	2018	2017 (Restated)
	Rupees	
Operator's Fund		
Profit after tax	7,914,749	1,132,508
Surplus/(Deficit) on revaluation of available for sale securities	183,646	(828,356)
Net loss transferred to profit and loss on disposal / redemption of investment	642,597	-
	826,243	(828,356)
Total comprehensive income for the period	8,740,992	304,152

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

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Karachi 26th March, 2019

Statement of Changes in Fund

for the year ended December 31, 2018

		Operator's Fund			
		Statutory Fund	Accumulated (Loss)/ Profit	Surplus/(Deficit) on revaluation of AFS investments	Total
Note		Rupees			
	Balance as originally reported	50,000,000	(1,534,899)	-	48,465,101
	Effect of restatement	3 (a)	-	8,720	8,720
	Balance as at 1st January 2017 (Restated)	50,000,000	(1,534,899)	8,720	48,473,821
	Total comprehensive income for the year ended 31 December 2017	-	1,132,508	(828,356)	304,152
	Balance as at December 31, 2017 - Restated	50,000,000	(402,391)	(819,636)	48,777,973
	Balance as at January 1, 2018 - As originally stated	50,000,000	(402,391)	-	49,597,609
	Effect of restatement	2.6 (a)	-	(819,636)	(819,636)
	Balance as at January 01, 2018	50,000,000	(402,391)	(819,636)	48,777,973
	Total comprehensive income for the year ended 31 December 2018	-	7,914,749	826,243	8,740,992
	Balance as at 31 December 2018	50,000,000	7,512,358	6,607	57,518,965
		Participants Takaful Fund			
		Ceded money	Accumulated (Loss)/ Profit	Surplus/(Deficit) on revaluation of AFS investments	Total
		Rupees			
	Balance as at 1st January 2017	500,000	3,971,191	-	4,471,191
	Surplus for the year ended 31 December, 2017	-	6,240,871	-	6,240,871
	Balance as at December 31, 2017	500,000	10,212,062	-	10,712,062
	Balance as at January 01, 2018	500,000	10,212,062	-	10,712,062
	Surplus for the year ended 31 December, 2018	-	21,725,960	-	21,725,960
	Balance as at December 31, 2018	500,000	31,938,022	-	32,438,022

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

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Karachi 26th March, 2019

Cash Flow Statement

for the year ended December 31, 2018

	2018			2017
	Operator's Fund"	Participants Takaful Fund	Aggregate	Aggregate Restated
Rupees				
Operating Cash Flows				
a) Takaful activities				
Contribution received	-	104,318,576	104,318,576	79,055,731
Re-takaful contribution paid	-	(28,301,822)	(28,301,822)	(27,776,888)
Claims paid	-	(18,092,019)	(18,092,019)	(8,427,525)
Re-takaful and other recoveries received	-	7,167,438	7,167,438	4,002,988
Commission paid	(12,584,770)	-	(12,584,770)	(10,176,079)
Management expenses	(18,955,954)	(98,966)	(19,054,920)	(11,586,453)
Re-takaful rebate received	-	5,306,488	5,306,488	4,721,850
Wakala fee received / (paid)	43,975,888	(43,975,888)	-	-
Net cash flow from takaful activities	12,435,164	26,323,807	38,758,971	29,813,624
b) Other operating activities				
Income tax paid	(445,081)	-	(445,081)	(273,936)
Other payments on operating assets	(505,461)	-	(505,461)	(1,834,279)
Other receipts in respect of operating assets	-	305,037	305,037	1,262,859
Net cash flow from other operating activities	(950,542)	305,037	(645,505)	(845,356)
Total cash flow from all operating activities	11,484,622	26,628,844	38,113,466	28,968,268
Investment activities				
Increase in investments	-	-	-	(60,008)
Modaraba shares received / (paid)	1,295,036	(1,295,036)	-	-
Realized loss on sale of investments	642,597	-	642,597	-
Profit received	879,329	2,928,880	3,808,209	2,619,333
Total cash flow from investing activities	2,816,962	1,633,844	4,450,806	2,559,325
Net cash flow from all activities	14,301,584	28,262,688	42,564,272	31,527,593
Cash and cash equivalent at the beginning of the year	37,543,133	38,875,556	76,418,689	44,891,096
Cash and cash equivalent at the end of the year	51,844,717	67,138,244	118,982,961	76,418,689
Reconciliation to profit and loss Account				
Operating cash flows	11,484,622	26,628,844	38,113,466	28,968,268
Increase in assets other than cash	(2,594,752)	(1,156,204)	(3,750,956)	33,972,958
Increase in liabilities other than running finance	(3,256,456)	(5,689,235)	(8,945,691)	(58,215,418)
Investment income	2,281,335	1,942,555	4,223,890	2,647,571
Surplus for the year	7,914,749	21,725,960	29,640,709	7,373,379

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



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Director



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Director



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A. Razak Ahmed
Chief Executive & Managing Director

Karachi 26th March, 2019

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

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

2. BASIS OF PREPARATION AND 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 Standards Board (IASB) as are notified under the Companies Act, 2017, and

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

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

These financial statements have been prepared in line with format issued by SECP through Insurance Rules, 2017, and SECP circular No.25 of 2015 dated 9 July 2015.

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

2.1 Basis of measurement

These financial statements have been prepared on the historical cost basis except otherwise stated in these financial statements. No adjustment for the effect of inflation has been accounted for in the financial statements.

2.2 Functional and presentation currency

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

2.3 Accounting Standards, IFRIC Interpretations and amendments that are effective for the current year.

During the year following new rules, regulations and accounting standards have become effective for the period beginning from January 01, 2018:

a) The Securities and Exchange Commission of Pakistan (SECP) through S.R.O.89(1)/2017 notified Insurance Rules, 2017 (Rules) and in addition new Accounting Regulations 2017 (Regulations) has also been notified by SECP. These rules and regulations have become effective for the current accounting year and the Company has adopted these. These rules and regulations required changes in format of financial statements and changes in accounting policy as disclosed in detail in note 3. In addition to this the Companies Act, 2017 have also become effective.

b) There are certain other new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2018 but are considered not to be relevant or do not have any significant effect on the Company's operations hence not enlisted in these financial statements.

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

2.4 Accounting Standards, IFRIC interpretations and amendments that are not yet effective at year end.

The following revised standards, amendments and interpretations with respect to the accounting and reporting standards would be effective from the dates mentioned below against the respective standards, amendments or interpretations;

		Effective for the period
IAS-1	Presentation of Financial Statements (amendments)	January 01, 2020
IAS-8	"Accounting policies, change in accounting estimates and errors (amendments)"	January 01, 2020
IAS-12	Income Taxes (amendment)	January 01, 2019
IAS-19	Employee Benefits (amendments)	January 01, 2019
IAS-28	Long-term Interests in Associates and Joint Ventures (Amendments)	January 01, 2019
IFRS-3	Business Combinations (amendments)	January 01, 2020
IFRS-9	Financial Instruments	July 01, 2019
IFRS-15	Revenue from contracts with customers (with amendments)	July 01, 2018
IFRS-16	Leases	January 01, 2019
IFRIC-23	Uncertainty over Income Tax Treatments	January 01, 2019

IFRS 9: "Financial Instruments" has replaced IAS 39: "Financial Instruments: Recognition and Measurement". The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. With the adoption of this standard the Operator will have to change accounting policy related to Available for sale investments particularly with respect to their impairment and realized gains or losses. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'expected credit losses' (ECL) approach rather than 'incurred credit losses' approach as currently followed. The impact of the adoption of this standard including ECL is currently being assessed by the Operator.

IFRS 15 'Revenue from Contracts with customers' applies to all revenue arising from contracts with customers, unless those contracts are not in the scope of other standards and it has superseded IAS 11 "Construction Contracts", IAS 18 "Revenue" and related interpretations. The new standard establishes a five-step model to account for revenue arising from contracts with customers based on the principle that an entity should recognize revenue representing the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Operator is in the process of assessing the full impact of this standard.

IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC-15 'Operating Leases' Incentive and SIC-27 'Evaluating the Substance of Transactions Involving the legal form of a Lease'. IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term lease 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. On adoption of IFRS 16, the Operator shall recognize a 'right to use asset' with a corresponding liability for lease payments. The operator is in the process of assessing the full impact of this standard.

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

2.5 New Standards issued by IASB but not yet notified by SECP

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

International Financial Reporting Standards (IFRSs)

**IASB effective date annual periods
beginning on or after**

IFRS -1 - First time adoption of IFRS	January 01, 2004
IFRS -14 - Regulatory Deferral Accounts	January 01, 2016
IFRS -17 - Insurance Contracts	January 01, 2021

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

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

3. Effect of Insurance Rules 2017 and Insurance Accounting Regulations 2017

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

a. Change in Accounting Policy

According to S.R.O 89(1)/2017, the new Insurance Rules, 2017 have been notified. The new rules require application of IAS 39 (Financial instruments- Recognition and Measurement in respect of the available for sale investments in the format prescribed in the Insurance Rules 2017. IAS 39 - (Financial Instruments - Recognition and Measurements) have become applicable to the Operator which resulted in change in accounting policy in respect of subsequent measurement, impairment and recognition of available for sale investments.

Previously investments in available for sale securities were stated at lower of cost or market value, if the decline in the market value was other than temporary (i.e. impaired). A fall in market value of a security is treated as "other than temporary (i.e. impaired)", if there was a significant or prolonged decline in fair value of security below its cost.

IAS 39 requires available for sale investments to be subsequently measured at fair value and any changes therein, other than impairment losses are recognized in other comprehensive income and presented in the surplus / (deficit) on revaluation of available for sale investments in equity. When an investment is derecognized, the gain and loss accumulated in equity is reclassified to profit and loss account.

This change in accounting policy was applied retrospectively in accordance with the requirements of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. Effect of deferred tax is immaterial and is not considered.

Effect of the retrospective application of change in accounting policy are as follows:

Statement of financial position and statement of changes in fund	As originally reported	Effect of Restatement	As restated
As at December 31, 2016			
Available for sale investment	10,000,000	8,720	10,008,720
Surplus on revaluation of available for sale investment	-	8,720	8,720
As at December 31, 2017			
Available for sale investment	10,060,008	(819,636)	9,240,372
Deficit on revaluation of available for sale investments	-	(819,636)	(819,636)
Statement of Comprehensive Income For the year ended December 31, 2017			
Other comprehensive loss	-	(828,356)	(828,356)
There is no impact on comparative figures of profit and loss account			

b. Certain changes have been made to the presentation of the financial statements which include the following:

Changes in the sequence of assets/liabilities in the statement of financial position.

Discontinuation of separate statements of contribution, claims, expenses and investment income which are now presented (on aggregate basis) into the notes of the financial statements (notes 13, 14, 15, 16, 18, 21, and 22).

Underwriting results in relation to various classes of business which were previously presented on the face of the profit and loss account are now presented in a separate note (note 25)

Addition of statement of solvency as part of the financial statements (note 28)

Placement of claim development table (note 15.1)

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

3.1 TAKAFUL CONTRACTS

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

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

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

a Fire and property

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

b Marine, aviation and transport

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

c Motor

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

d Miscellaneous

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

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

3.2 Deferred Commission expense / Acquisition cost

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

3.3 Unearned contribution

The portion of contribution written relating to the unexpired period of coverage is recognized as unearned contribution by the Company. The unearned portion of contribution income is recognized as a liability. The liability is calculated by applying 1/24 method as specified in the Insurance Accounting Regulations, 2017.

3.4 Contribution deficiency reserve

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

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

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 Re-takaful contracts

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

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

3.6 Receivables and payables related to takaful contracts

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

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

3.6.1 Takaful / Re-takaful receivables

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

3.6.2 Re-takaful recoveries against outstanding claims

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

3.7 Segment reporting

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

The Operator presents segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000, Takaful Rules, 2012 and Insurance Rules, 2017. The reported segments are also consistent with the internal reporting provided to Strategy Committee and Board of Directors which are responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

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

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

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

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

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

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

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

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

3.8 Cash and cash equivalents

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

3.9 Revenue recognition

a Contribution

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

Provision for unearned Wakala fee

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

Modarib Fee

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

b Rebate from Re-takaful Operators

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

c Investment Income

Profit on bank accounts and deposits is recognised on accrual basis. profit and loss on sale of investments is recognised at the time of sale.

d Dividend Income

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

3.10 Investments

3.10.1 Initial Recognition

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

In equity securities
In debt securities
In term deposits

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

3.10.2 Subsequent Measurement

3.10.2.1 In equity securities

a) Available for sale

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

Subsequent to initial measurement, these are remeasured at fair value. Surplus / (deficit) on revaluation from one reporting date to other is taken to other comprehensive income in the statement of comprehensive income. On derecognition or impairment of available for sale investments, the cumulative gain or loss previously reported in other comprehensive income is transferred to profit and loss account for period within statement of comprehensive income.

These are reviewed for impairment periodically and any losses arising from impairment, based on management estimates, in values are charged to the profit and loss account.

b) Investment at fair value through profit and loss - held for trading

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

3.10.2.2 In debt securities

Investments in debt securities, deposits and instruments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held to maturity. Subsequently, these are measured at amortized cost less provision for impairment, if any. Any premium paid or discount availed on acquisition of held to maturity investment is deferred and amortised over the term of investment using the effective yield.

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

3.10.2.3 In term deposits

Investment in term deposits with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity and are initially measured at cost. At subsequent reporting dates, these are measured at amortized cost using the effective yield method.

3.11 Offsetting of financial assets and liabilities

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

3.12 Provisions

Claims incurred but not reported (IBNR)

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

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

3.13 Impairment of assets

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

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

3.14 Management expenses

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

3.14.1 Claims expense

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

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

3.15 Creditors, accruals and provisions

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

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

3.16 Takaful surplus

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

3.17 Qard-e-Hasna

Qard-e-Hasna is provided by OPF to PTF in case of deficit or to fulfill cash flow requirements.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

The estimates / 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 this financial information, or judgments were exercised in application of accounting policies are as follows:

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

	Note
- Classification of Takaful Contracts	3.1
- Unearned contribution	3.3
- Contribution deficiency reserve	3.4
- Takaful / Re-takaful receivables	3.6.1
- Outstanding claims including IBNR and re-takaful recoveries there against.	3.12 & 3.6.2
- Segment reporting	3.7
- Provision for unearned wakala fee	3.9 a
- Classification of Investments	3.10
- Taxation	3.13
- Impairment	3.14
- Allocation of management expenses	3.15

5. EQUITY SECURITIES -OPF	2018	2017
	Rupees	
Available for sale Mutual funds	9,424,018	9,240,372

	2018				2017			
	Cost	Impairment/ provision	Revaluation surplus/(deficit)	Carrying Value	Cost	Impairment/ provision	Revaluation surplus/(deficit)	Carrying Value
Available for sale Mutual funds								
Al-Hamra Islamic Active Allocation Fund	-	-	-	-	10,060,008	-	(819,636)	9,240,372
Al-Hamra Islamic Income fund	9,417,410	-	6,607	9,424,017	-	-	-	-
	9,417,410	-	6,607	9,424,017	10,060,008	-	(819,636)	9,240,372

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

6. LOANS AND OTHER RECEIVABLES

	OPF		PTF	
	2018	2017	2018	2017
	—Rupees—			
Wakala and mudarib fees receivable	8,908,496	12,668,970	-	-
Advance Income Tax	936,931	491,850	-	-
Accrued investment income	224,334	117,364	426,239	117,528
	10,069,761	13,278,184	426,239	117,528

7. TAKAFUL RE-TAKAFUL RECEIVABLES

Contribution due but unpaid - considered good	-	-	1,795,849	5,575,893
Amount due from other takaful / re-takaful operators - considered good	-	-	4,495,649	2,207,777
	-	-	6,291,498	7,783,670

8. PREPAYMENTS

Prepaid re-takaful contribution ceded	-	-	9,700,554	8,848,312
Prepaid expenses	-	423,750	-	-
	-	423,750	9,700,554	8,848,212

9. CASH AND BANK

Cash and other equivalents

Stamps in hand	-	-	19,900	23,840
Cash at bank				
Saving accounts	51,844,717	37,543,133	67,118,344	38,851,716
	51,844,717	37,543,133	67,138,244	38,875,556

10. RE-TAKAFUL OPERATORS PAYABLE - PTF

Due to other takaful / re-takaful operators			5,551,739	4,420,208
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11. OTHER CREDITORS AND ACCRUALS

Audit Fee Payable	100,000	100,000	-	-
Accrued Expenses	423,750	-	-	-
Other payables	201,810	1,131,021	1,573,299	1,268,262
	725,560	1,231,021	1,573,299	1,268,262

12. Contingencies and Commitments

There were no contingencies and commitments as at December 31, 2018.

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

	PTF	
	2018	2017
	Rupees	
13. NET CONTRIBUTION REVENUE		
Written Gross Contributions	100,538,532	74,773,888
Add: Unearned contributions reserve opening	37,302,496	6,902,482
Less: Unearned contributions reserve closing	(46,707,287)	(37,302,496)
Contributions earned	91,133,741	44,373,874
Less: Re-takaful contributions ceded	27,145,481	23,762,030
Add: Prepaid re-takaful contributions opening	8,848,312	3,150,427
Less: Prepaid re-takaful contributions closing	(9,700,554)	(8,848,312)
Re-takaful expense	26,293,239	18,064,145
Net contributions revenue	64,840,502	26,309,729
14. WAKALA EXPENSE		
Gross Wakala fee	40,215,414	29,909,555
Add: Deferred wakala fee opening	14,920,998	2,235,153
Less: Deferred wakala fee closing	(18,682,915)	(14,920,998)
Wakala expense	36,453,497	17,223,710
15. NET TAKAFUL CLAIMS EXPENSE		
	PTF	
	2018	2017
	Rupees	
Claims Paid	18,092,019	8,427,525
Add: Outstanding claims including IBNR closing	5,824,170	7,444,085
Less: Outstanding claims including IBNR opening	(7,444,085)	(2,200,000)
Claims expense	16,472,104	13,671,610
Less: Re-takaful and other recoveries received	7,167,438	4,002,988
Add: Re-takaful and other recoveries in respect of outstanding claims net of impairment (if any) closing	566,671	4,844,862
Less: Re-takaful and other recoveries in respect of outstanding claims net of impairment (if any) opening	(4,844,862)	(2,045,500)
Re-takaful and other recoveries revenue	2,889,247	6,802,350
Net claims expenses	13,582,857	6,869,260

15.1 Claim Development

Accident year	2016	2017	2018	Total
	Rupees			
Estimate of ultimate claims cost:				
At the end of accident year	2,200	6,203	4,295	12,698
One year later	100	1,529	-	1,629
Two years later	-	-	-	-
Current estimate of cumulative claims	58	8,288	15,570	23,916
Cumulative payment to date	(58)	(6,759)	(11,275)	(18,092)
Liability recognised in the financial position	-	1,529	4,295	5,824

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

16. DIRECT EXPENSES

	PTF	
	2018	2017
	Rupees	
Fire and property damage	5,847	10,301
Marine, Aviation and Transport	3,924	32,419
Motor	86,866	76,283
Miscellaneous	2,329	1,797
	<u>98,966</u>	<u>120,800</u>

16.1 These expenses represent bank and service charges directly incurred in PTF.

	OPF		PTF	
	2018	2017	2018	2017
	Rupees			
17. RE-TAKAFUL REBATE				
Gross rebate from re-takaful operators			5,306,488	4,721,850
Add: Unearned re-takaful rebate opening			1,574,843	493,796
Less: Unearned re-takaful rebate Closing			(1,803,108)	(1,574,843)
			<u>5,078,223</u>	<u>3,640,803</u>
18. INVESTMENT INCOME				
Profit on bank deposits	1,628,896	1,807,390	3,237,591	840,181
Net realised (loss) on investments	(642,597)	-	-	-
Total investment income	<u>986,299</u>	<u>1,807,390</u>	<u>3,237,591</u>	<u>840,181</u>
19. WAKALA FEE INCOME				
Gross wakala fee	40,215,414	29,909,555		
Add: Unearned wakala fee opening	14,920,998	2,235,153		
Less: Unearned wakala fee closing	(18,682,915)	(14,920,998)		
Wakala income	<u>36,453,497</u>	<u>17,223,710</u>		
20. NET COMMISSION AND OTHER ACQUISITION COSTS				
Commission paid or payable	12,584,770	10,176,079		
Add: Deferred commission expense opening	4,444,553	1,037,485		
Less: Deferred commission expense closing	(5,588,944)	(4,444,553)		
Commission expenses	<u>11,440,379</u>	<u>6,769,011</u>		
21. MANAGEMENT EXPENSES				
Employee benefit cost	21.1	4,554,004	2,451,216	
Printing and stationery		23,200	59,750	
Vehicle running expenses		300,000	309,500	
Computer software maintenance		1,695,000	1,743,750	
Bank charges		896	745	
Others		11,744,604	5,750,692	
		<u>18,317,704</u>	<u>10,315,653</u>	
21.1 Employee benefit cost				
Salaries, allowances and other benefits		4,523,500	2,443,590	
Charges for post employment benefit		30,504	7,626	
		<u>4,554,004</u>	<u>2,451,216</u>	
22. OTHER EXPENSES				
Employee benefit cost		900,000	900,000	
Auditors' remuneration	22.1	108,000	108,000	
Subscription		54,000	142,000	
		<u>1,062,000</u>	<u>1,150,000</u>	
22.1 Auditors' remuneration				
Audit fee		100,000	100,000	
Sindh sales tax on services		8,000	8,000	
		<u>108,000</u>	<u>108,000</u>	

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

23. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Director		Executives	
	2018	2017	2018	2017	2018	2017
	Rupees					
Managerial remuneration	-	-	-	-	1,800,000	1,800,000
	-	-	-	-	1,800,000	1,800,000
Number of person	-	-	-	-	1	1

24. RELATED PARTY TRANSACTIONS

Related parties comprise companies having common directorship, group companies, directors, key management personnel and retirement benefit funds. Remuneration to the key management personnel are included in note 23 to these financial statements and are determined in accordance with the terms of their appointment.

Relation with the Company	Nature of transaction	Note	2018	2017
			Rupees	
Transactions during the year				
Associated companies	Contribution underwritten		4,286,498	-
	Contribution collected		4,114,748	-
Key management personnel	Remuneration and other benefits	23	1,800,000	1,800,000
Staff retirement benefits	Contribution to provident fund		30,504	7,626
Balances as at the year end				
Associated companies	Contribution due but unpaid		626,290	-

25. SEGMENT INFORMATION

	2018				
	Fire & property damage	Marine aviation & transport	Motor	Miscellaneous	Total
	Rupees				
Gross Contributions (inclusive of Administrative surcharge)	16,733,500	10,568,367	68,227,301	5,009,364	100,538,532
Contributions earned	14,670,087	10,116,762	60,391,570	5,955,322	91,133,741
Takaful contributions ceded to re-takaful operators	(10,839,148)	(7,545,947)	(3,479,001)	(4,429,143)	(26,293,239)
Net contribution	3,830,939	2,570,815	56,912,569	1,526,179	64,840,502
Rebate from re-takaful	2,390,794	1,735,164	-	952,265	5,078,223
Net revenue	6,221,733	4,305,979	56,912,569	2,478,444	69,918,725
Takaful claims	(1,798,233)	(983,481)	(13,690,390)	-	(16,472,104)
Takaful claims recovered from re-takaful operators	1,702,053	907,023	280,171	-	2,889,247
Net claims	(96,180)	(76,458)	(13,410,219)	-	(13,582,857)
Wakala expense	(5,868,033)	(4,046,706)	(24,156,628)	(2,382,130)	(36,453,497)
Direct expense	(5,847)	(3,924)	(86,866)	(2,329)	(98,966)
Net takaful claims & expenses	(5,970,060)	(4,127,088)	(37,653,713)	(2,384,459)	(50,135,320)
Underwriting result	251,673	178,891	19,258,856	93,985	19,783,405
Net Investment income					3,237,591
Modarib's shares					(1,295,036)
Surplus for the period					21,725,960

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

	2018				
	Fire & property damage	Marine aviation & transport	Motor	Miscellaneous	Total
	Rupees				
Segment assets - PTF	2,082,164	1,397,271	30,932,706	829,498	35,241,638
Unallocated assets - PTF					67,564,483
Unallocated assets - OPF					76,927,440
					<u>179,733,561</u>
Segment liabilities - PTF	4,157,523	2,789,975	61,764,317	1,656,284	70,368,099
Unallocated liabilities - OPF					19,408,475
Consolidated total Liabilities					<u>89,776,574</u>

	2017				
	Fire & property damage	Marine aviation & transport	Motor	Miscellaneous	Total
	Rupees				
Gross written contributions	11,031,135	16,351,436	43,466,083	3,925,234	74,773,888
(inclusive of Administrative surcharge)	7,569,178	16,637,057	18,641,918	1,525,721	44,373,874
Contributions earned					
Takaful contributions ceded to re-takaful operators	(5,325,589)	(9,576,401)	(2,027,724)	(1,134,431)	(18,064,145)
Net takaful contributions	2,243,589	7,060,656	16,614,194	391,290	26,309,729
Rebate from re-takaful	1,194,328	2,202,572	-	243,903	3,640,803
Net revenue	3,437,917	9,263,228	16,614,194	635,193	29,950,532
Takaful claims	(955,500)	(10,892,807)	(1,823,303)	-	(13,671,610)
Takaful claims recovered	750,162	6,052,188	-	-	6,802,350
from re-takaful operators	(205,338)	(4,840,619)	(1,823,303)	-	(6,869,260)
Net claims	(2,912,837)	(6,596,383)	(7,148,521)	(565,969)	(17,223,710)
Wakala expense	(10,301)	(32,419)	(76,283)	(1,797)	(120,800)
Direct expense	(3,128,476)	(11,469,421)	(9,048,107)	(567,766)	(24,213,770)
Net takaful claims & expenses	309,441	(2,206,193)	7,566,087	67,427	5,736,762
Underwriting result					840,181
Net Investment income					(336,072)
Modarib's shares					6,240,871
Surplus for the period					
December 31, 2017 (Restated)	3,103,863	9,767,970	22,984,684	541,325	36,397,842
Segment assets - PTF					38,993,084
Unallocated assets - PTF					64,929,992
Unallocated assets - OPF					140,320,918
Consolidated total assets					
Segment liabilities - PTF	5,515,556	17,357,655	40,843,720	961,933	64,678,864
Unallocated liabilities - OPF					16,152,019
Consolidated total Liabilities					<u>80,830,883</u>

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

26. MOVEMENT IN INVESTMENTS

	Held to maturity	Available for sale	Fair value through P & L	Total 2018
	Rupees			
As at 1st January, 2017	-	10,008,720	-	10,008,720
Additions	-	60,008	-	60,008
Fair value net gains/loss (excluding net realised gains)	-	(828,356)	-	(828,356)
As at 31 December 2017	-	9,240,372	-	9,240,372
Fair value net gains/loss (excluding net realised gains)	-	183,646	-	183,646
As at 31 December 2018	-	9,424,018	-	9,424,018

27. MANAGEMENT OF TAKAFUL RISK AND FINANCIAL RISK

27.1 Takaful risk management

27.1.1 Takaful risk

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

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

27.1.2 Frequency and severity of claims

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

The Operator class wise major risk exposure is as follows:

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

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

27.1.3 Uncertainty in the estimation of future claims payment

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

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

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

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

27.1.4 Key assumptions

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

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Operator, in which case information about the claim event is available. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of re-takaful recoveries. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

The details of estimation of outstanding claims (including IBNR) are given under note 15.1

27.1.5 Sensitivity analysis

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

The claim liabilities are sensitive to the incidence of covered events and severity / size of claims. As the Operator enters into short term takaful contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on profit of PTF net of re-takaful.:

10% increase in loss

Net

Fire & property damage
Marine
Motor
Miscellaneous
Total

Underwriting results		Participants' takaful fund	
2018	2017	2018	2017
Rupees			
(9,618)	(20,534)	(9,618)	(20,534)
(7,646)	(484,062)	(7,646)	(484,062)
(1,341,022)	(182,330)	(1,341,022)	(182,330)
-	-	-	-
(1,358,286)	(686,926)	(1,358,286)	(686,926)

10% decrease in loss

Net

Fire & property damage
Marine
Motor
Miscellaneous
Total

Underwriting results		Participants' takaful fund	
2018	2017	2018	2017
Rupees			
9,618	20,534	9,618	20,534
7,646	484,062	7,646	484,062
1,341,022	182,330	1,341,022	182,330
-	-	-	-
1,358,286	686,926	1,358,286	686,926

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

27.1.6 Concentration of risk

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

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

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

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

The Operator minimises its exposure to significant losses by obtaining re-takaful arrangements from a number of re-takaful 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		Re-takaful		Net	
	2018	2017	2018	2017	2018	2017
	Rupees					
Fire and property	11,643,879	9,229,303	8,041,460	7,481,029	3,602,419	1,748,274
Marine, aviation and transport	10,911,973	10,495,242	8,795,728	6,771,306	2,116,245	3,723,936
Motor	2,020,047	1,578,423	-	-	2,020,047	1,578,423
Miscellaneous	72,503	88,950	54,378	66,713	18,125	22,237
	24,648,402	21,391,918	16,891,566	14,319,048	7,756,836	7,072,870

27.2 Financial risk

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

- 27.2.1 - Market risk
- 27.2.2 - Liquidity risk
- 27.2.3 - Credit risk

27.2.1 Market risk

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

27.2.1.1 Foreign Currency risk

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

27.2.1.2 Other price risk

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

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

27.2.1.3 Financial instruments

Maturity profile of financial assets and liabilities of Operators fund and Participants fund

Operators fund and Participants fund		2018					
		Interest / mark-up bearing			Non interest-markup bearing		
Maturity within one year	Maturity after one year	Sub Total	Maturity within one year	Maturity after one year	Sub Total		
Rupees							
Financial assets							
Investment equity securities	-	-	-	9,424,018	-	9,424,018	9,424,018
Loans and other receivables	-	-	-	9,559,069	-	9,559,069	9,559,069
Takaful / Re-takaful receivables	-	-	-	6,291,498	-	6,291,498	6,291,498
Re-takaful recoveries against outstanding claims	-	-	-	566,671	-	566,671	566,671
Cash and bank deposits	118,982,961	-	118,982,961	-	-	-	118,982,961
	<u>118,982,961</u>	<u>-</u>	<u>118,982,961</u>	<u>25,841,256</u>	<u>-</u>	<u>25,841,256</u>	<u>144,824,217</u>
Financial liabilities							
Provision for outstanding claims (including IBNR)	-	-	-	5,824,170	-	5,824,170	5,824,170
Takaful / Re-takaful Payables	-	-	-	5,551,739	-	5,551,739	5,551,739
Other Creditors and Accruals	-	-	-	2,298,859	-	2,298,859	2,298,859
	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,674,768</u>	<u>-</u>	<u>13,674,768</u>	<u>13,674,768</u>
Operators fund and Participants fund		2017					
		Interest / mark-up bearing			Non interest-markup bearing		
Maturity within one year	Maturity after one year	Sub Total	Maturity within one year	Maturity after one year	Sub Total		
Rupees							
Financial assets							
Investment equity securities	-	-	-	9,240,372	-	9,240,372	9,240,372
Loans and other receivables	-	-	-	12,903,862	-	12,903,862	12,903,862
Takaful / Re-takaful receivables	-	-	-	7,783,670	-	7,783,670	7,783,670
Re-takaful recoveries against outstanding claims	-	-	-	4,844,862	-	4,844,862	4,844,862
Cash and bank deposits	76,418,689	-	76,418,689	-	-	-	76,418,689
	<u>76,418,689</u>	<u>-</u>	<u>76,418,689</u>	<u>34,772,766</u>	<u>-</u>	<u>34,772,766</u>	<u>111,191,455</u>
Financial liabilities							
Provision for outstanding claims(including IBNR)	-	-	-	7,444,085	-	7,444,085	7,444,085
Takaful / Re-takaful Payables	-	-	-	4,420,208	-	4,420,208	4,420,208
Other Creditors and Accruals	-	-	-	2,499,283	-	2,499,283	2,499,283
	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,363,576</u>	<u>-</u>	<u>14,363,576</u>	<u>14,363,576</u>

a. Sensitivity analysis - interest rate risk

Profit rate risk is the risk that the value of a financial instrument will fluctuate due to change in the market profit rate. The profit based assets as on the statement of financial position date aggregates to Rs. 118.963 million (2017: Rs. 76.395 million) as disclosed in note 27.2.1.3 above. There are no fixed rate financial instruments as on the balance sheet date. An increase or decrease in profit rates by 100 basis points has the effect of Rs. 1.190 million (2017: Rs. 0.764 million) on profit.

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

27.2.2 Liquidity risk

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

2018			
Within one year	Over one year to five years	Over five years	Total
Rupees			
Financial liabilities			
Outstanding claims including IBNR	5,824,170	-	5,824,170
Other creditors and accruals	2,298,859	-	2,298,859
	<u>8,123,029</u>	<u>-</u>	<u>8,123,029</u>

2017			
Within one year	Over one year to five years	Over five years	Total
Rupees			
Financial liabilities			
Outstanding claims including IBNR	7,444,085	-	7,444,085
Other creditors and accruals	2,499,283	-	2,499,283
	<u>9,943,368</u>	<u>-</u>	<u>9,943,368</u>

27.2.3 Credit risk

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

Concentration of credit risk

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

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

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

Exposure to credit risk

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

	2018	2017
	Rupees	
Investments	9,424,018	9,240,372
Loans and other receivables	9,559,069	12,903,862
Takaful / Re-takaful receivable	6,291,498	7,783,670
Re-takaful recoveries against outstanding claims	566,671	4,844,862
Cash & Bank	118,963,061	76,394,849
	<u>144,804,317</u>	<u>111,167,615</u>

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

Rating		Rating agency
Short term	Long term	

Banks

Meezan Bank Limited	A-1 +	AA+	JCR-VIS
MCB Islamic Bank Limited	A1	A	PACRA
Dubai Islamic Bank Pakistan Limited	A-1	AA-	JCR-VIS

27.2.3.1 Re-takaful Risk

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

To minimise its exposure to significant losses from re-takaful companies insolvencies, the Operator obtains re-takaful Companies ratings from a number of re-takaful operators, who are dispersed over several geographical regions.

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

Rating	Takaful / Re-takaful receivables	Re-takaful recoveries against outstanding claims	Prepaid re-takaful contribution ceded	2018	2017
	Rupees				
A or above	6,291,498	538,337	9,215,526	16,045,361	20,792,844
BBB	-	28,334	485,028	513,362	684,000
	<u>6,291,498</u>	<u>566,671</u>	<u>9,700,554</u>	<u>16,558,723</u>	<u>21,476,844</u>

27.3 FUND MANAGEMENT

The operator's objectives when managing capital or to safeguard operator's ability to continue as going concern in order to provide returns for operator or participants and to offer benefits 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 amount of return paid to operators or to participants may be adjusted.

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

27.4 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

As at December 31, 2018	Level 1	Level 2	Level 3
Rupees			
Financial assets measured at fair value			
Available for sale investments	9,424,018	9,424,018	-
	9,424,018	9,424,018	-

As at December 31, 2017	Level 1	Level 2	Level 3
Rupees			
Financial assets measured at fair value			
Available for sale investments	9,240,372	9,240,372	-
	9,240,372	9,240,372	-

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

28. STATEMENT OF SOLVENCY - PTF

2018

— Rupees —

Assets

Investment

Equity securities

-

Loans and other receivables

426,239

Takaful / Re-takaful receivables

6,291,498

Re-takaful recoveries against outstanding claims

566,671

Prepayments

9,700,554

Deferred Wakala fee

18,682,915

Cash & Bank

67,138,244

Total Assets (A)

102,806,121

In-admissible assets as per following clauses of section 32(2) of the Insurance Ordinance, 2000

Clause (h) Takaful / Re-takaful receivable

626,298

Clause (q) Investment in equity securities

-

Total of in-admissible assets (B)

626,298

Total Admissible Assets (C=A-B)

102,179,823

Total Liabilities

Underwriting provisions

Outstanding claims including IBNR

5,824,170

Unearned contribution

46,707,287

Unearned re-takaful rebate

1,803,108

Takaful / Re-takaful payable

5,551,739

Other Creditors and Accruals

10,481,795

Total Liabilities (D)

70,368,099

Total Net Admissible Assets (E=C-D)

31,811,724

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2018

29. CORRESPONDING FIGURES

As a result of adoption of Insurance Rules, 2017 and Insurance Accounting Regulations, 2017 (note (3) (a) corresponding figures have been rearranged wherever necessary, for the purpose of comparison. There were no material reclassification to report except as follows:

Nature	Note	Transfer from	Transfer to	Amount
Wakala and mudarib fees receivable	6	Wakala and mudarib fees receivable	Loan and other receivables	12,668,970
Advance Income Tax	6	Advance Income Tax	Loan and other receivables	491,850
Accrued investment income	6	Accrued investment income	Loan and other receivables	117,364
Accrued investment income	6	Accrued investment income	Loan and other receivables	117,528
Due from takaful contract holders	7	Contribution due but unpaid	Takaful / Re-takaful receivables	5,575,893
Due from takaful / re-takaful operators	7	Amounts due from other takaful / re-takaful operators	Takaful / Re-takaful receivables	2,207,777
Prepaid re-takaful contribution ceded	8	Prepaid re-takaful contribution ceded	Prepayments	8,848,312
Due to Re-takaful operators	10	Amount due to other takaful /re-takaful operators	Re-takaful operators payable	4,420,208
Other expenses	22	General and administrative expenses	Other expenses	1,150,000

30. DATE OF AUTHORIZATION FOR ISSUE

These financial statement have been authorized for issue on 26th March 2019 by the Board of Directors of the Operator.

31. GENERAL

Figures have been rounded off to the nearest rupee.

Ismail H. Zakaria
Chairman

A. Aziz Ayoob
Director

Mohammad Omar Bawany
Director

Haroon A. Shakoor
Chief Accountant and
Company Secretary

A. Razak Ahmed
Chief Executive & Managing Director

Karachi 26th March, 2019

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Company Secretary

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Head of Takaful

Direct : 34557079
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Shariah Compliance Officer

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Mr. Muhammad Masood Ali
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






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