SINDH INSURANCE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

BDO

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SINDH INSURANCE LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **SINDH INSURANCE LIMITED**, (the Company), which comprise the statement of financial position as at December 31, 2019, and profit and loss account, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity 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, profit and loss account, the statement of comprehensive income; the statement of cash flows and the statement of changes in equity 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 the Company's affairs as at December 31, 2019 and of the profit, total comprehensive income, the changes in equity its cash flows and for the year then ended.

Basis for Opinion

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

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

Board of directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

b) the statement of financial position, profit and loss account, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and 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).

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Other matter

The financial statements of the Company for the year ended December 31, 2018, were audited by another firm of chartered accountants who had expressed an unmodified opinion thereon vide their report dated April 16, 2019.

The engagement partner on the audit resulting in this independent auditor's report is Zulfikar Ali Causer.

KARACHI

DATED: 06 MAY 2020

BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

SINDH INSURANCE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	Note	2019	2018
		Rupees	
ASSETS			
Property and equipment	8	27,412,082	18,229,032
Intangible assets	9	2,694,276	1,070,781
Investments			
Debt securities	10	2,900,226,190	279,915,200
Term deposits	11	396,000,000	2,827,101,841
		3,296,226,190	3,107,017,041
Loans and other receivables	12	79,782,914	63,316,123
Insurance / reinsurance receivables	13	784,409,117	409,851,141
Re-insurance recoveries against outstanding claims	25	33,671,939	56,158,251
Deferred commission expense	26	40,969	119,779
Deferred taxation	21	-	8,231,479
Prepayments	14	281,744,747	79,910,167
Cash and bank	15	66,870,278	53,916,001
		4,572,852,512	3,797,819,795
Total assets of takaful operations		67,525,420	62,187,100
TOTAL ASSETS		4,640,377,932	3,860,006,895
EQUITY AND LIABILITIES			
Capital and reserves attributable to Company's equity holders			
Ordinary share capital	16	1,000,000,000	1,000,000,000
Revaluation reserve on available for sale investments		13,562,528	-
Unappropriated profit		805,182,302	479,355,722
TOTAL EQUITY		1,818,744,830	1,479,355,722
LIABILITIES			
Underwriting provisions			
Outstanding claims including IBNR	25	2,018,435,227	1,935,311,565
Unearned premium reserves	24	508,573,604	271,787,924
Premium deficiency reserves		25,120,906	29,176,346
Unearned reinsurance commission	26	6,544,444	7,157,807
		2,558,674,181	2,243,433,642
Premium received in advance	17	3,145,329	1,851,899
Insurance / reinsurance payables	18	219,575,469	88,486,754
Other creditors and accruals	19	15,147,380	27,341,591
Lease liabilities	20	3,281,886	-
Deferred taxation	21	5,407,282	-
Taxation - net	22	6,103,613	10,725,322
TOTAL LIABILITIES		2,811,335,140	2,371,839,208
Total liabilities of takaful operations		10,297,962	8,811,965
TOTAL EQUITY AND LIABILITIES		4,640,377,932	3,860,006,895
CONTINGENCIES AND COMMITMENTS	23		

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

CHAIRMAN **CHIEF EXECUTIVE OFFICER** **DIRECTOR** **DIRECTOR**

SINDH INSURANCE LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019	2018
		----Rupees----	
Net insurance premium	24	377,973,119	358,774,796
Net insurance claims	25	(205,447,851)	(801,910,153)
Reversal / deficiency of premium		4,055,440	(22,054,554)
Net commission	26	(55,396,987)	558,225,599
Insurance claims and acquisition expenses		(256,789,398)	(265,739,108)
Management expenses	27	(65,193,665)	(87,054,886)
Underwriting results		55,990,057	5,980,802
Investment income	28	360,059,551	258,479,051
Other income	29	43,088,977	13,891,508
Other expenses	30	(4,140,125)	(2,276,352)
Results of operating activities		454,998,460	276,075,009
Finance cost	31	(356,134)	-
Profit before taxation from window takaful operations - Operator's Fund		3,852,323	2,749,551
Profit before taxation		458,494,648	278,824,560
Income tax expense	32	(132,668,068)	(80,395,133)
Profit after taxation		325,826,580	198,429,427
Earnings per share - basic and diluted	33	3.26	1.98

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

CHAIRMAN **CHIEF EXECUTIVE OFFICER** **DIRECTOR** **DIRECTOR**

SINDH INSURANCE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019	2018
		Rupees	
Profit after taxation		325,826,580	198,429,427
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss account			
Unrealised gain on available for sale investments		19,102,152	-
Deferred tax on available for sale investments		(5,539,624)	-
		13,562,528	-
Net unrealised gain / (loss) from window takaful operations - Operator's Fund (net of deferred tax)		1,104,851	(552,888)
Total comprehensive income for the year		340,493,959	197,876,539

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

CHAIRMAN CHIEF EXECUTIVE OFFICER DIRECTOR DIRECTOR

SINDH INSURANCE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019

	Share capital: Issued, subscribed and paid-up capital	Revaluation reserve on available for sale investments	Unappropriated profit	Total
	-----	----- Rupees -----	-----	-----
Balance as at January 01, 2018	1,000,000,000	552,888	280,926,295	1,281,479,183
Total comprehensive income for the year				
Profit after taxation	-	-	198,429,427	198,429,427
Other comprehensive loss	-	(552,888)	-	(552,888)
	-	(552,888)	198,429,427	197,876,539
Balance as at December 31, 2018	1,000,000,000	-	479,355,722	1,479,355,722
Total comprehensive income for the year				
Profit after taxation	-	-	325,826,580	325,826,580
Other comprehensive income	-	13,562,528	-	13,562,528
	-	13,562,528	325,826,580	339,389,108
Balance as at December 31, 2019	1,000,000,000	13,562,528	805,182,302	1,818,744,830

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

CHAIRMAN CHIEF EXECUTIVE OFFICER DIRECTOR DIRECTOR

SINDH INSURANCE LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019	2018
		---------- Rupees ----------	
OPERATING CASH FLOWS			
a) Underwriting activities			
Premium received		505,504,133	128,282,959
Reinsurance premium ceded		(370,258,530)	(67,938,273)
Claims paid		(151,173,775)	(110,220,378)
Reinsurance and other recoveries received		51,335,898	12,637,237
Commission paid		(831,630)	(502,028)
Commission received		14,254,622	14,755,199
Underwriting payments		(4,140,125)	(49,637,209)
Net cash generated from / (used in) underwriting activities		44,690,593	(72,622,493)
b) Other operating activities			
Income tax paid		(129,190,640)	(69,590,642)
Management and administrative expenses paid		(73,965,503)	(2,276,352)
Compensated absences paid		(63,928)	(764,960)
Other operating payments		(3,492,896)	(8,535,911)
Net cash used in other operating activities		(206,712,968)	(81,167,865)
Net cash used in from all operating activities		(162,022,375)	(153,790,358)
INVESTING ACTIVITIES			
Profit / return received on investment		336,165,121	253,080,057
Other income received		11,495,442	13,519,808
Payments for investments		(3,848,763,473)	(417,884,325)
Proceeds from disposal of investment		1,258,475,170	268,654,185
Fixed capital expenditures		(14,106,583)	(480,484)
Proceeds from disposal of fixed assets		1,459,000	760,000
Net cash (used in) / generated from investing activities		(2,255,275,323)	117,649,241
FINANCING ACTIVITIES			
Principal repayment of lease liabilities		(849,866)	-
Net cash used in financing activities		(849,866)	-
Net cash decrease in cash and cash equivalents		(2,418,147,564)	(36,141,117)
Cash and cash equivalents at beginning of the year		2,881,017,842	2,917,158,959
Cash and cash equivalents at end of the year		462,870,278	2,881,017,842
Reconciliation to profit and loss account			
Operating cash flows		(162,022,375)	(153,790,358)
Depreciation expense		(5,695,382)	(4,735,006)
Amortisation of intangibles		(649,736)	(1,102,915)
Bad and doubtful debts		-	(31,486,545)
Income tax paid		129,190,640	69,590,642
Increase in assets other than cash		527,319,783	275,248,466
Decrease in operating liabilities		(436,649,133)	(150,019,834)
Investment income		360,059,551	258,479,051
Profit before taxation from window takaful		3,852,323	2,749,551
Other income		43,088,977	13,891,508
Profit before taxation		458,494,648	278,824,560

SINDH INSURANCE LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	Rupees 2019	Rupees 2018
CASH AND CASH EQUIVALENTS			
Cash for the purpose of statement of cash flows consist of:			
Cash and other equivalents		750,965	859,070
Saving accounts		66,119,313	53,056,931
Deposits maturing within 12 months		396,000,000	2,827,101,841
		462,870,278	2,881,017,842

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

CHAIRMAN CHIEF EXECUTIVE OFFICER DIRECTOR DIRECTOR

SINDH INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 Sindh Insurance Limited (the Company) was incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) as an unlisted public company on December 20, 2013 and obtained the certificate of commencement of business on September 22, 2014. All shares of the Company are held beneficially by Government of Sindh, directly and through nominee directors. The Company is engaged in the non-life insurance business comprising of fire, marine, motor, aviation, engineering, transportation, accidental and health etc.

1.2 The Company was granted authorisation on September 22, 2016 under Rule 6 of the Takaful Rules, 2012 to undertake Takaful Window Operations (WTO) in respect of general takaful products by Securities and Exchange Commission of Pakistan (SECP) and, subsequently, the Company commenced Window Takaful Operations.

1.3 SECP carried out an onsite inspection of the Company under Section 59A of the Insurance Ordinance, 2000. Based on the inspection, SECP highlighted various non-compliances with the insurance Ordinance, 2000 and various SROs of SECP in its letter of findings of the Company dated January 4, 2019. These non-compliances (among other compliance, risk management and internal control issues) mainly pertain to accounting treatment of Universal Accident Insurance and Social Benefit Scheme (the Scheme) of the Government of Sindh (GoS). Whereby, the recognition and measurement of premium, claims and commission relating to the Scheme under the Insurance Contract has been challenged on account of the immunity given by GoS to the Company where the Company will not suffer any loss under the Scheme if claims and other related expenditures exceed the revenue of the Company from the Scheme. The management of the Company vide its letter to SECP dated February 4, 2019 conveyed that the said accounting treatment was adopted based on a legal opinion and strongly believes that the adopted treatment is in line with the Insurance Ordinance, 2000. SECP issued inspection report, ref. ID/SD/IW/SIL/332 dated July 5, 2019, in which the aforementioned non compliances are reported. Many of such non compliances are already complied with, and the Company is committed to ensure the compliance with rest of non compliances in due course.

2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The registered office and principal place of business of the Company is situated at 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi.

3 BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements are 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, as are notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017 and the Insurance Accounting Regulations, 2017.

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

3.2 Functional and presentation currency

This financial statements has been prepared and presented in Pakistan Rupees, which is the Company's functional and presentation currency.

3.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except that certain investments are stated at their fair values.

The financial statements have been prepared following the accrual basis of accounting except for the cash flow information.

4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

4.1 Standards / amendments that are effective in current year and relevant to the Company

The Company has adopted the amendments to the following approved accounting and reporting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

4.1.1 IFRS 9 - Financial Instruments and Amendment to IFRS 4 'Insurance Contracts-Applying IFRS 9 'Financial Instruments with IFRS 4

IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan through its S.R.O. 229 (I)/2019 and is effective for accounting period / year ending on or after June 30, 2019.

IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

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

Temporary Exemption from Application of IFRS 9

To determine the appropriate classification of financial assets under IFRS 9, an entity would need to assess the contractual cash flows characteristics of any financial asset. Indeed, the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") i.e. *cash flows that are consistent with a basic lending arrangement. In a* basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest.

IFRS 9 defines the terms "principal" as being the fair value of the financial asset at initial recognition, and the "interest" as being compensation for (i) the time value of money, and (ii) the credit risk associated with the principal amount outstanding during a particular period of time.

The tables below set out the fair values as at the end of reporting period and the amount of change in the fair value during that period for the following two groups of financial assets separately:

a) financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading in IFRS 9, or that is managed and whose performance is evaluated on a fair value basis, and

b) all other financial assets

	December 31, 2019			
	Fail the SPPI test		Pass the SPPI test	
	Fair value	Change in unrealised gain	Fair value	Change in unrealised gain
	Rupees			
Financial assets				
Investments				
Debt securities *	-	-	2,900,226,190	19,102,152
Term deposits *	-	-	396,000,000	-
Loans and other receivable *	-	-	79,782,914	-
Insurance / reinsurance receivables *	-	-	784,409,117	-
Cash at bank *	-	-	66,870,278	-
	-	-	4,227,288,499	19,102,152

* The carrying amounts of these financial assets measured applying IAS 39 are a reasonable approximation of their fair value.

When adopted, IFRS 9 replaces the existing IAS 39, 'Financial Instruments - Recognition and Measurement' and will affect the following two areas.

Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit and loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of financial assets and financial liabilities.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
			Rupees	
Financial assets				
Debt securities	Held to maturity	Amortised cost	657,596,769	657,596,769
Debt securities	Available for sale	Amortised cost	2,242,629,421	2,242,629,421
Term deposits	Loans and receivables	Amortised cost	396,000,000	396,000,000
Loan and other receivables	Loans and receivables	Amortised cost	79,782,914	79,782,914
Insurance / reinsurance receivables	Loans and receivables	Amortised cost	784,409,117	784,409,117
Cash at bank	Loans and receivables	Amortised cost	66,870,278	66,870,278
Financial Liabilities				
Other creditors and accruals	Other financial liabilities	Amortised cost	15,147,380	15,147,380
Insurance / reinsurance payables	Other financial liabilities	Amortised cost	219,575,469	219,575,469

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss (ECL) model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. The ECL model involves significant judgments and estimation processes. The company is currently in the process of analysing the potential impact of expected credit loss model upon adoption of IFRS 9.

4.1.2 IFRS 16 - Leases

IFRS 16 'Leases' was issued on January 01, 2016. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective for accounting periods beginning on or after January 1, 2019. IFRS 16 replaced IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease'. The Company applied IFRS 16 with a date of initial application of January 01, 2019.

Transition method and practical expedients utilised

The Company applied IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (January 01, 2019), without restatement of comparative figures.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- applied a single discount rate to a portfolio of leases with similar characteristics

- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

On adoption of IFRS 16, the Company recognised a right-of-use asset and lease liability at the commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of cost to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company used its incremental borrowing rate as the discount rate as at January 01, 2019.

The right-of-use asset is subsequently depreciated using straight line method from the date of recognition to the earlier of the end of useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by the impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

Subsequently, the lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in the rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in statement of profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

On transition to IFRS 16, the Company recognised right-of-use assets and lease liabilities on the date of initial application as follows;

	January 1, 2019 Rupees
Property and equipment	
Right of use assets	4,131,752

	January 1, 2019 Rupees
Lease liabilities	
Non current	3,281,886
Current	849,866
	4,131,752

		Effective date (annual periods beginning on or after)
Conceptual Framework for Financial Reporting 2018 - Original Issue		March 01, 2018
IFRS 16	Original issue	January 01, 2019
IAS 19	Employee benefits - amendments regarding plan amendments, curtailments or settlements	January 01, 2019

4.2 Standards / amendments that are effective in current year and not relevant to the Company

The Company has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standards which are not relevant to the company:

IFRS 5	Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	July 01, 2018
IFRS 7	Financial Instruments : Disclosures - additional hedge accounting disclosures(and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	July 01, 2018
IFRS 9	Financial Instruments - reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9	July 01, 2018

		Effective date (annual periods beginning on or after)
IFRS 9	Financial Instruments - finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	July 01, 2018
IFRS 15	Original issue	July 01, 2018
IFRS 15	Clarifications to IFRS 15	July 01, 2018
IFRS 16	Leases	January 01, 2019
IAS 39	Financial Instruments: Recognition and Measurements- amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	July 01, 2018
IFRS 8	Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 9	Financial Instruments - amendments regarding prepayment features with negative compensation and modifications of financial liabilities negative compensation and modifications of financial liabilities	January 01, 2019
IAS 28	Investments in Associates and Joint Ventures - amendments regarding long-term interests in associates and joint ventures	January 01, 2019

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

Annual improvements to IFRSs (2015 – 2017) Cycle:

IFRS 3	Business Combinations	January 01, 2019
IFRS 11	Joint Arrangements	January 01, 2019
IAS 12	Income Taxes	January 01, 2019
IAS 23	Borrowing Costs	January 01, 2019

		Effective date (annual periods beginning on or after)

4.3 Standards / amendments not yet effective

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

		Effective date (annual periods beginning on or after)
Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38,IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.		January 01, 2020
IFRS 3	Business Combinations - amendments to clarify the definition of a business	January 01, 2020
IFRS 14	Regulatory Deferral Accounts	July 01, 2019
IAS 1	Presentation of Financial Statements - amendments regarding the definition of materiality	January 01, 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - amendments regarding the definition of materiality	January 01, 2020
IAS 39	Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020

4.4 *Standards or interpretations not yet effective*

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 17	Insurance Contracts

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

5 Use of judgments and estimates

The preparation of financial statements in conformity with the requirements of accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and associated assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The judgments, estimates and associated 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 an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the revision and future periods, if the revision affects both current and future periods.

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

	Note
- Provision for unearned premiums	6.4.2
- Premium due but unpaid - net	6.4.3
- Provision for outstanding claims (includin	6.5.1
- Premium deficiency reserve	6.4.4
- Taxation (current and deferred)	7.16
- Impairment in the value of investment	7.19
- Reinsurance recoveries against outstandin	6.5.2
- Commission Income unearned	6.6.2
- Prepaid reinsurance premium ceded	6.4.8
- Deferred commission expense	6.6.1

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

6.1 Property and equipment

Owned fixed assets are stated at cost, signifying historical cost, less accumulated depreciation and any provision for accumulated impairment. Cost of an item of fixed assets consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying asset directly attributable cost of bringing the asset to working condition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit and loss account.

Depreciation is calculated on straight line basis at the rates specified in note 8 to the financial statements. Depreciation on additions is charged from the month the assets are available for use while on disposals, depreciation is charged up to the month in which the assets are disposed off.

The carrying value of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indications exist and where the carrying value exceed the estimated recoverable amounts, the assets are written down to their recoverable amount. The useful life and depreciation method are reviewed and adjusted, if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing process with the carrying amount of the assets disposed of. There are taken to profit and loss account.

Depreciation/amortization is charged to profit and loss account on reducing balance method using the following rates:

Leasehold Improvements	5%
Furniture and fixture	10%
Office equipment	10%-20%
Computers	33%
Vehicles	20%

6.2 Intangible assets

These are stated at cost less accumulated amortization and provision for accumulated impairment, if any.

Amortisation is calculated from the month the assets are available for use using the straight-line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortization methods are reviewed and adjusted if appropriate, at each reporting date.

Software development costs are only capitalized to the extent that future economic benefits are expected to be derived by the Company.

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

6.3 Insurance contracts

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

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

- Fire and property damage
- Marine, aviation and transport
- Motor
- Accidental and health
- Engineering
- Miscellaneous

a) Fire and property damage

Fire and property insurance contracts mainly compensate the customers for damage suffered to their property. Customers 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 (business interruption cover).

b) Marine, aviation and transport

Marine, aviation and transport class of business provides coverage against loss and damage to goods in transit by any means of conveyance, physical loss or damage to aircraft, ships, and against liabilities to third parties and passengers arising from their use.

c) Motor

Motor insurance contracts cover physical loss or damage to the vehicle and liabilities to third parties as provided under the requirements of the Motor Vehicle Ordinance, 1965.

d) Accident and health

Accident and health insurance contracts mainly compensate hospitalization and patient medical coverage to the insured and indemnity for the death as result of an accident. These contracts are generally one year contracts.

e) **Engineering**

Engineering insurance covers contractor's all risk, and compensate against damage of machinery, electronic equipment etc.

f) **Miscellaneous**

All other insurance contracts like machinery breakdown, bonds, cash in hand, cash in transit, personal accident, public liabilities, health, crop, livestock, travel, bankers and other financial institutions packages, product liabilities, professional indemnity, workers compensation etc. are included under miscellaneous insurance cover.

6.4 Premium

6.4.1 Premium income

Premium written (direct or facultative) under a policy is recognised as income over the period of insurance from the date of issue of the policy to which it relates to its expiry as follows:

a) for direct business, evenly over the period of the policy;
b) for proportional reinsurance business, evenly over the period of underlying reinsurance policies; and
c) for non-proportional reinsurance business, on inception of the reinsurance contract in accordance with the pattern of reinsurance service.

Where the pattern of incidence of risk varies over the period of the policy, premium is recognised as revenue in accordance with the pattern of incidence of risk.

Where premiums for a policy are payable in installments, full premium for the duration of the policy is recognised as income at the inception of the policy and a related asset is set up in respect of the premium receivable at a later date. Premium is stated gross of commission payable to intermediaries and exclusive of taxes and duties levied on premium.

6.4.2 Provision for unearned premiums

Provision for unearned premiums represents the portion of premium written relating to the unexpired period of coverage, and is recognised as a liability. The liability is calculated as follows:

a) in the case of marine, aviation and transport business, as a ratio of unexpired period to the total period of the policy applied on the gross premium written.
b) for the other classes / line of business, by applying the twenty-fourth method as specified in the Insurance Rules, 2017, as majority of the remaining policies are issued for a period of one year.

6.4.3 Premiums due but unpaid - net

Premiums due but unpaid is recorded as receivable when it is due, at the fair value of consideration receivable less provision for doubtful debts, if any. If there is objective evidence that receivable is impaired, the Company reduces the carrying amount of the receivable accordingly and recognises that impairment loss in profit and loss account.

6.4.4 Premium deficiency reserve - (*liability adequacy test*)

At each reporting date, liability adequacy tests are performed separately for each class of business under the Insurance Accounting Regulations, 2017 to ensure the adequacy of the unearned premium liability for that class. It is performed by comparing the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after reporting date in respect of policies in force at reporting date with the carrying amount of unearned premium liability.

The movement in the premium deficiency reserve is recorded as an expense / income in profit and loss account for the year.

The requirement for additional provision for unexpired risks is determined on the basis of an actuarial valuation. The latest valuation was carried out as of December 31, 2019. The actuary determines adequacy of liability of premium deficiency by multiplying unearned premium with the difference between excess of combined ratio over 100%. PDR is required if Loss Ratio exceeds 100% i.e. unearned premium reserve is not enough to cover for future claims and other expenses.

The loss ratios estimated on these basis for the unexpired portion are as follows

	2019	2018
Fire and property damage	62%	66%
Marine, aviation and transport	61%	55%
Motor	91%	66%
Accidental and health	147%	205%
Engineering	61%	53%
Miscellaneous	61%	53%

6.4.5 Reinsurance contracts held

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

6.4.6 Reinsurance ceded

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or accepted reinsurance business being reinsured.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the provision for outstanding claims or settled claims associated with the reinsurance policies and are in accordance with the related reinsurance contract.

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

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

The Company assesses its reinsurance assets for impairment on reporting 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 recognises the impairment loss in the profit and loss account.

The portion of reinsurance premium not recognised as an expense is shown as a prepayment.

6.4.7 Receivables and payables related to insurance contracts

Receivables and payables, other than claim payables, relating to insurance contracts are recognised when due. The claim payable is recorded when intimation is received. These include premiums due but unpaid, premium received in advance, premiums due and claims payable to insurance contract holders. These are recognised 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 recognises the loss in statement of comprehensive income.

6.4.8 Prepaid reinsurance premium ceded

The portion of reinsurance premium ceded not recognised as an expense as at year end is recognised as prepaid reinsurance premium ceded. Unrecognised portion is determined in the same manner as for provision for unearned premiums.

6.5 Claims expense

General insurance claims include all claims occurring during the year, whether reported or not, including external claims handling costs that are directly related to the processing and settlement of claims, reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years. Claims are charged to profit and loss account as incurred based on estimated liability for compensation owed under the insurance contracts.

6.5.1 Provision for outstanding claims including IBNR

A liability for outstanding claims is recognised in respect of all claims incurred as at the reporting date which represents the estimates of the claims intimated or assessed before the end of the reporting period and measured at the undiscounted value of expected future payments. Provision for outstanding claims include amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Provision for liability relating to unpaid reported claims is made on basis of individual case estimates.

The Company takes advice from actuary for the determination of IBNR claims. Provision for IBNR claims have been estimated based on Expected Loss Ratio (ELR) method except for health business, where a mix of ELR and Chain Ladder (CL) method is used. CL method is not completely used since portfolio experience of the Company in health business is small due to long period of claims development, volatility and credibility of experience. Accordingly, provision has been made based on IBNR factors applied on incurred claims determined by the actuary.

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

6.5.2 Reinsurance recoveries against outstanding claims

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

6.6 Commission

6.6.1 Commission expense

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

6.6.2 Commission income

Commission and other forms of revenue (apart from recoveries) from reinsurers are deferred and recognised as liability and recognised in the profit and loss account as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates.

6.7 Investments

All investments are initially recognised at cost, being the fair value of the consideration given and include transaction costs, except for held for trading, in which case transaction costs are charged to profit and loss account. Subsequently, these are recognised and classified into the following categories:

6.7.1 Held-to-maturity

Investments with fixed maturity and fixed income investments, where management has both the intent and the ability to hold to maturity, are classified as held-to-maturity. After initial recognition, these are carried at amortised cost.

6.7.2 Available-for-sale

The financial assets that are intended to be held for an indefinite period of time and may be sold in response to the need for liquidity are classified as available-for-sale.

Subsequent to the initial recognition at cost, these are valued at market values and any unrealized gains / (losses) are taken to other comprehensive income.

6.7.3 Held for trading

Investments which are acquired with the intention to trade by taking advantage of short term market / interest rate movements are considered as held for trading. After initial recognition, these are measured at fair values with any resulting gains or losses recognised directly in the profit and loss account, for the period in which it arises. Subsequent to initial recognition these are measured at fair value by reference to quoted market prices.

a) Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Company. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market place.

b) **Derecognition**

All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

c) **Impairment**

Available-for-sale

The Company considers that available-for-sale investments is impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

6.8 **Employee benefits**

a) **Defined contribution plan**

The Company operates an approved provident fund scheme for all its permanent employees. Equal monthly contributions are made, both by the Company and its employees, to the fund at the rate of 10% of basic salary of the employees.

b) **Employees' compensated absence**

The Company accounts for the liability in respect of eligible employees' compensated absences in the period in which they are earned.

6.9 ***Cash and cash equivalent***

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash and bank deposits and exclude bank balances held under lien.

7.10 ***Creditors, accruals and provisions***

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

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

7.11 Investment and other income

7.11.1 Dividend income and bonus shares

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

Entitlement of bonus shares is recognised when the right to receive the same is established.

7.11.2 Interest income

Interest income is recognised on time proportion basis that takes into account effective yield on the assets.

7.11.3 Rental income

Rental income on investment properties is recognised as income on accrual basis.

7.12 Segment reporting

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

The Company has five major segments namely fire and property damage, marine, aviation and transport, motor, accident and health, engineering and miscellaneous.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them while the carrying amounts of certain assets used jointly by two or more segments have been allocated to segments on a reasonable basis. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

7.13 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on the derecognition of the financial assets and liabilities is included in the profit and loss account for the period in which it arises.

Financial instruments carried in the balance-sheet include investments, loan and other receivables, insurance / reinsurance receivables, reinsurance recoveries against outstanding claims, cash and bank, provision for outstanding claims, insurance / reinsurance payables, other creditors and accruals.

7.14 Off setting of financial asset and financial liabilities

Financial assets and financial liabilities are off-set and the net amount is reported in the financial statements when there is a legally enforceable right to set-off the recognised amount and the Company intends either to settle on net basis, or realize the assets and to settle the liabilities simultaneously.

7.15 Related party transactions

All transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes, as admissible, except in extremely rare circumstances where, subject to the approval of the board of directors, it is in the interest of the Company to do so.

7.16 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

7.16.1 Current

Provision for current taxation is based on taxable income determined in accordance with the prevailing law for taxation of income and is calculated using enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for the current taxation also includes adjustments where considered necessary, relating to prior years which arise from assessments framed / finalised during the year or required by any other reason.

7.16.2 Deferred

Deferred tax is recognised using the balance sheet liability method for all temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted at the date of statement of financial position.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

7.17 Foreign currencies

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

Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rate of exchange prevailing at the reporting date. Exchange difference are taken to profit and loss account.

7.18 Management expenses

Management expenses are allocated to all classes of business in proportion to the net premium income of the year. Underwriting expenses have been allocated to various classes of business on a basis deemed equitable by the management. Provision for bad debts is based on review of outstanding amounts as at reporting date. Bad debts are written off to the profit and loss account when identified. Expenses not allowable to the underwriting business are charged to other expenses.

7.19 Impairment

The carrying amounts of the Company's assets are reviewed annually to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and impairment losses are recognised in the profit and loss account.

7.20 Earnings per share

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

7.21 Dividend and bonus shares

Dividend to shareholders is recognised as liability in the year in which it is approved. Similarly, reserve for issue of bonus shares is recognised in the year in which such issue is approved.

7.22 Fair value

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

7.23 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

7.24 Window Takaful Operations

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

8 PROPERTY AND EQUIPMENT

Particulars	2019									
	Cost				Depreciation				Written down value as at December 31, 2019	Depreciation rate (% per annum)
	As at January 01, 2019	Additions	Disposals	As at December 31, 2019	As at January 01, 2019	Depreciation for the year	Disposals	As at December 31, 2019		
	Rupees									
Owned										
Leasehold improvements	12,161,075	-	-	12,161,075	2,678,350	617,156	24,716	3,320,222	8,840,854	5%
Furniture and fixture	3,049,753	15,000	-	3,064,753	1,127,955	321,443	-	1,449,398	1,615,355	10%
Office equipment	8,695,355	486,900	-	9,182,255	3,727,767	1,576,765	-	5,304,532	3,877,721	10%-20%
Computers	2,505,986	2,206,692	-	4,712,678	2,046,198	697,730	-	2,743,928	1,968,750	33.33%
Vehicles	5,549,513	8,824,760	(5,506,015)	8,868,258	4,152,380	1,343,383	(4,744,058)	751,705	8,116,554	20%
Right of use assets										
Office premises	4,131,752	-	-	4,131,752	-	1,138,904	-	1,138,904	2,992,848	20%-15%
	36,093,434	11,533,352	(5,506,015)	42,120,771	13,732,650	5,695,382	(4,719,342)	14,708,689	27,412,082	

Particulars	2018									
	Cost				Depreciation				Written down value as at December 31, 2018	Depreciation rate (% per annum)
	As at January 01, 2018	Additions	Disposals	As at December 31, 2018	As at January 01, 2018	Depreciation for the year	Disposals	As at December 31, 2018		
	Rupees									
Owned										
Leasehold improvements	12,161,075	-	-	12,161,075	2,085,909	592,441	-	2,678,350	9,482,725	5%
Furniture and fixture	2,956,553	93,200	-	3,049,753	812,063	315,892	-	1,127,955	1,921,798	10%
Office equipment	8,433,821	261,534	-	8,695,355	1,971,472	1,756,295	-	3,727,767	4,967,588	10%-20%
Computers	2,380,236	125,750	-	2,505,986	1,211,315	834,883	-	2,046,198	459,788	33.33%
Vehicles	6,608,513	-	(1,059,000)	5,549,513	3,587,585	1,235,495	(670,700)	4,152,380	1,397,133	20%
	32,540,198	480,484	(1,059,000)	31,961,682	9,668,344	4,735,006	(670,700)	13,732,650	18,229,032	

8.1 Detail of disposal of fixed assets

Details of operating assets that have been acquired and disposed of during the year are as follows:

Details of asset disposed	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Name of buyer	CNIC Number
	Rupees							
Vehicles								
Toyota Corolla XLI	1,722,515	1,125,016	597,499	1,294,000	696,501	Auction	Zahid Qadri	42101-1674749-5
Honda Civic VTI Prosmatic	2,156,000	2,048,200	107,800	85,000	(22,800)	Employee car scheme	Muhammad Faisal Siddique	42101-1539592-1
Honda City Prosmatic	1,627,500	1,546,126	81,375	80,000	(1,375)	Employee car scheme	Nadeem Akhter	42201-7986785-3
2019	5,506,015	4,719,342	786,674	1,459,000	672,327			
2018	1,059,000	670,700	388,300	760,000	371,700			

9 INTANGIBLE ASSETS

Particulars	2019 Cost: As at January 01, 2019	Cost: Additions	Cost: Disposals	Cost: As at December 31, 2019	Amortisation: As at January 01, 2019	Amortisation: Amortisation for the year	Amortisation: Disposals	Amortisation: As at December 31, 2019	Written down value as at December 31, 2019	Amortization rate (%)
	Rupees									
Computer softwares	5,532,091	2,273,231	-	7,805,322	4,461,310	649,736	-	5,111,046	2,694,276	33.33%
	5,532,091	2,273,231		7,805,322	4,461,310	649,736	-	5,111,046	2,694,276	

Particulars	2018 Cost: As at January 01, 2018	Cost: Additions	Cost: Disposals	Cost: As at December 31, 2018	Amortisation: As at January 01, 2018	Amortisation: Amortisation for the year	Amortisation: Disposals	Amortisation: As at December 31, 2018	Written down value as at December 31, 2018	Amortization rate (%)
	Rupees									
Computer softwares	4,591,446	940,871	(226)	5,532,091	3,358,394	1,102,915	-	4,461,310	1,070,781	33.33%
	4,591,446	940,871	(226)	5,532,091	3,358,394	1,102,915	-	4,461,310	1,070,781	

10 INVESTMENTS IN DEBT SECURITIES

	2019				2018			
	Cost	Impairment / provision	Surplus on revaluation	Carrying value	Cost	Impairment / Provision	Surplus on revaluation	Carrying value
	Rupees							
Held to maturity (note 10.1)								
Government securities								
Pakistan Investment Bonds	109,689,379	-	-	109,689,379	-	-	-	-
Treasury Bills (note 10.2)	529,157,390	-	-	529,157,390	254,915,200	-	-	254,915,200
	638,846,769	-	-	638,846,769	254,915,200	-	-	254,915,200
Others								
Corporate Sukuk (note 10.3)								
TPL Trakker Limited	18,750,000	-	-	18,750,000	25,000,000	-	-	25,000,000
	657,596,769	-	-	657,596,769	279,915,200	-	-	279,915,200
Available for sale (note 10.1)								
Government securities								
Pakistan Investment Bonds	1,648,527,269	-	19,102,152	1,667,629,421	-	-	-	-
Others								
Term Finance Certificate - Unquoted (note 10.3)								
Meezan Bank Limited	143,000,000	-	-	143,000,000	-	-	-	-
Bank Al Habib Limited	132,000,000	-	-	132,000,000	-	-	-	-
Soneri Bank Limited	150,000,000	-	-	150,000,000	-	-	-	-
United Bank Limited	150,000,000	-	-	150,000,000	-	-	-	-
	575,000,000	-	-	575,000,000	-	-	-	-
	2,223,527,269	-	19,102,152	2,242,629,421	-	-	-	-
	2,881,124,038	-	19,102,152	2,900,226,190	279,915,200	-	-	279,915,200

10.1 Investments in debt securities - held to maturity and available for sale

Investment in debt securities - government securities

Name of investment	Maturity year	Effective yield %	Profit Payment	Face Value	December 31, 2019
Held to maturity					
Government securities					
Pakistan Investment Bonds					
10 Years Pakistan Investment Bond	2028	13.10%	Half yearly	37,500,000	29,259,311
10 Years Pakistan Investment Bond	2028	12.55%	Half yearly	100,000,000	80,430,068
					109,689,379
Treasury Bills					
12 Months Treasury Bill	2020	12.84%	On maturity	150,000,000	132,759,450
12 Months Treasury Bill	2020	12.42%	On maturity	50,000,000	44,392,900
9 Months Treasury Bill	2020	12.77%	On maturity	280,000,000	254,533,440
3 Months Treasury Bill	2020	12.79%	On maturity	100,000,000	97,471,600
Others					529,157,390
Corporate Sukuk					
TPL Trakker Limited	Perpetuity	(KIBOR+3%)	Quarterly	18,750,000	18,750,000
					657,596,769
Available for sale					
Government securities					
Pakistan Investment Bonds					
5 Years Pakistan Investment Bond	2024	11.38%	Half yearly	375,000,000	354,695,615
5 Years Pakistan Investment Bond	2024	11.38%	Half yearly	400,000,000	378,341,990
5 Years Pakistan Investment Bond	2024	11.38%	Half yearly	200,000,000	189,170,995
3 Years Pakistan Investment Bond	2021	13.49%	Half yearly	450,000,000	417,520,813
3 Years Pakistan Investment Bond	2022	11.62%	Half yearly	200,000,000	187,371,433
3 Years Pakistan Investment Bond	2022	12.20%	Half yearly	150,000,000	140,528,575
					1,667,629,421
Others					
Term Finance Certificates					
Meezan Bank Limited	2038	(KIBOR+1.75%)	Monthly	143,000,000	143,000,000
Bank Al Habib Limited	2037	(KIBOR+1.50%)	Half yearly	132,000,000	132,000,000
Soneri Bank Limited	2038	(KIBOR+2.00%)	Half yearly	150,000,000	150,000,000
United Bank Limited	2039	(KIBOR+1.55%)	Quarterly	150,000,000	150,000,000
					575,000,000
					2,242,629,421
					2,900,226,190
Held to maturity					
Government securities					
Treasury Bills					
3 Months Treasury Bill	2019	8.38%	On maturity	110,000,000	107,914,180
3 Months Treasury Bill	2019	10.11%	On maturity	105,000,000	102,580,275
2 Months Treasury Bill	2019	10.15%	On maturity	25,000,000	24,570,525
1 Months Treasury Bill	2019	10.06%	On maturity	20,000,000	19,850,220
					254,915,200
Others					
Corporate Sukuks					
TPL Trakker Limited	Perpetuity	(KIBOR+3%)	Quarterly	25,000,000	25,000,000
					279,915,200

10.2 These include PIB's amounting to Rs. 109.689 million (2018: T - Bill's amounting to Rs. 107.914 million), which are pledged with State Bank of Pakistan under section 29 of the Insurance Ordinance, 2000.

10.3 Term Finance Certificate

	No. of certificates		Face value	Value of certificate	
	2019	2018		2019	2018
Meezan Bank Limited	143	-	1,000,000	143,000,000	-
Bank Al Habib Limited	26,400	-	5,000	132,000,000	-
Soneri Bank Limited	30,000	-	5,000	150,000,000	-
United Bank Limited	30,000	-	5,000	150,000,000	-
TPL Trakker Limited	18.75	25	1,000,000	18,750,000	25,000,000
	86,562	25		593,750,000	25,000,000

	Note	2019	2018
		---Rupees---	
11 INVESTMENT IN TERM DEPOSITS			
Deposits maturing within 12 months - local currency		200,000,000	2,827,101,841
Deposits maturing within 36 months - local currency		196,000,000	-
	11.1	396,000,000	2,827,101,841

11.1 These represents Term Deposit Receipts (TDRs) with commercial banks carrying markup ranging from 13.30% to 14.25% (2018: 8% to 9.90%).

	Note	2019	2018
12 LOANS AND OTHER RECEIVABLES			
Unsecured - considered good			
Accrued investment income		68,827,063	52,000,845
Loans to employees	12.1	717,891	329,423
Other receivables	12.2	10,237,960	10,985,855
		79,782,914	63,316,123

12.1 This represents loans provided to employees for domestic purposes which do not carry any interest / markup.

12.2 This includes Rs. 0.218 million (2018: Rs. 0.218 million) receivable from Sindh Modarba Management Limited against payment of expenses on its behalf.

	Note	2019	2018
		---------Rupees---------	

13 INSURANCE / REINSURANCE RECEIVABLES

	Note	2019	2018
(Unsecured - considered good)			
Due from insurance contract holders	13.1	722,168,467	400,285,275
Provision for impairment of receivables from insurance contract holders	13.2	-	(31,486,545)
		722,168,467	368,798,730
Due from other insurers / reinsurers		62,240,650	41,052,411
		784,409,117	409,851,141

13.1 Due from insurance contract holders includes Rs. 612.472 million due from related parties (2018: 364.357 million).

13.2 Movement of provision for impairment of receivables from insurance contract holders

	2019	2018
Opening balance	31,486,545	-
Charge during the year	-	31,486,545
Written off during the year	(8,069,503)	-
Reversal during the year	(23,417,042)	-
	-	31,486,545

14 PREPAYMENTS

	2019	2018
Prepaid reinsurance premium ceded	276,803,366	77,784,627
Prepaid rent	882,998	811,153
Prepaid insurance expense	2,181,473	885,606
Others	1,876,910	428,781
	281,744,747	79,910,167

15 CASH AND BANK

	Note	2019	2018
Cash and cash equivalents			
Cash in hand		17,733	26,451
Policy stamps		733,232	832,619
Cash at bank			
Savings accounts	15.1	66,119,313	53,056,931
		66,870,278	53,916,001

15.1 This represents interest bearing accounts carrying interest rates ranging from 8% to 11.30% (2018: 8% to 10.25%) per annum.

		Note	2019	2018
			--------Rupees--------	

16 ORDINARY SHARE CAPITAL

16.1 Authorized share capital

2019	2018			
-------Number of shares-------				
150,000,000	150,000,000	Ordinary shares of Rupees 10 each	1,500,000,000	1,500,000,000

16.2 Issued, subscribed and paid up share capital

2019	2018			
-------Number of shares-------				
100,000,000	100,000,000	Ordinary shares of Rupees 10 each fully paid in cash	1,000,000,000	1,000,000,000

16.3 As at December 31, 2019, all the shares are beneficially held by Government of Sindh directly and through nominee directors.

17 PREMIUM RECEIVED IN ADVANCE

		2019	2018
Premium received in advance		3,145,329	1,851,899

18 INSURANCE / REINSURANCE PAYABLES

		2019	2018
Due to other insurers / reinsurers			
Foreign		140,402,992	34,086,240
Local		79,172,477	54,400,514
		219,575,469	88,486,754

19 OTHER CREDITORS AND ACCRUALS

	Note	2019	2018
Agent commission payable		150,099	600,738
Federal excise duty / sales tax		448,067	17,116,673
Federal insurance fee		38,280	61,972
Accrued expenses		8,035,407	6,627,269
Other tax payables		476,905	433,272
Provision for compensated leave absences	19.1	2,202,001	2,000,592
Auditors' remuneration		306,875	501,075
Provision for gratuity		3,489,746	-
		15,147,380	27,341,591

	Note	2019	2018
		--Rupees--	

19.1 Provision for compensated leave absences

Opening balance	2,000,592	2,566,770
Provision for the year	265,337	198,782
Payments made during the year	(63,928)	(764,960)
Closing balance	2,202,001	2,000,592

20 LEASE LIABILITIES

Lease liabilities recongnized as on January 1	4,131,752	-
Interest accrued	356,134	-
Less: Repayment of lease liabilities	(1,206,000)	-
	3,281,886	-

20.1 Break up of lease liabilities

Lease liabilities	3,281,886	-
Less: Current portion	(85,631)	-
	3,196,255	-

Maturity analysis - contractual undiscounted cash flows:

Less than one year	1,282,500	-
One to five year	2,705,625	-
Total undiscounted lease liability	3,988,125	-

20.2 When measuring lease liabilities, the Company discounted lease payments using incremental borrowing rate which is 10.51%.

21 DEFERRED TAXATION

Deferred tax liability / (asset) arising in respect of:		
Provision for compensated leave absences	(638,580)	(580,172)
Provision for impairment of receivables from insurance contract holders	-	(8,816,233)
Provision for gratuity	(1,012,026)	-
Accelerated tax depreciation	2,470,011	1,164,926
Lease liabilities	(951,747)	-
Unrealised gain on available for sale investments	5,539,624	-
	5,407,282	(8,231,479)

22 TAXATION - NET

Advance tax	(129,190,642)	(79,790,833)
Less: Provision for income tax	135,294,255	90,516,155
	6,103,613	10,725,322

	Note	2019	2018
		----------------Rupees----------------	

23 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at statement of financial position date (2018: Nil).

24 *NET INSURANCE PREMIUM*

	Note	2019	2018
Written gross premium		895,899,066	426,426,907
Unearned premium reserve - opening		271,787,924	360,660,322
Unearned premium reserve - closing		(508,573,604)	(271,787,924)
Premium earned		659,113,386	515,299,305
Less: Reinsurance premium ceded		480,159,006	75,065,054
Prepaid reinsurance premium ceded - opening		77,784,627	159,244,082
Prepaid reinsurance premium ceded - closing		(276,803,366)	(77,784,627)
Reinsurance expense		281,140,267	156,524,509
		377,973,119	358,774,796

25 NET INSURANCE CLAIMS EXPENSE

	Note	2019	2018
Claim paid		151,173,775	110,220,378
Outstanding claims including IBNR - opening		(1,935,311,565)	(1,191,759,126)
Outstanding claims including IBNR - closing	25.1	2,018,435,227	1,935,311,565
Claim expense		234,297,437	853,772,817
Less: Reinsurance and other recoveries received		51,335,898	12,637,237
Reinsurance and other recoveries in respect of outstanding claims - opening		(56,158,251)	(16,932,824)
Reinsurance and other recoveries in respect of outstanding claims - closing		33,671,939	56,158,251
Reinsurance and other recoveries revenue		28,849,586	51,862,664
		205,447,851	801,910,153

25.1 This includes provision for incurred but not reported (IBNR) amounting to Rs. 1,930.588 million (2018: Rs. 1,812.952 million).

25.2 Claim development

The Company maintains adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year. The following table shows the development of the claims over a year of time. All amounts are presented in gross numbers before reinsurance:

Accident year	2015	2016	2017	2018	2019	Total
	Rupees					
Estimate of ultimate claims cost:						
At the end of accident year	14,899,401	52,880,255	124,067,148	165,813,645	174,823,399	517,584,447
One year later	14,112,005	45,832,284	117,965,262	138,715,124	-	302,512,670
Two years later	14,185,778	45,217,338	118,940,068	-	-	164,157,406
Three years later	-	48,637,565	-	-	-	48,637,565
Current estimate of cumulative claims	14,185,778	48,637,565	118,940,068	138,715,124	174,823,399	481,116,156
Cumulative payment to date	(14,185,778)	(48,636,065)	(113,913,968)	(122,621,975)	(108,097,349)	(393,269,357)
Liability recognized in statement of *financial position*	-	1,500	5,026,100	16,093,149	66,726,050	87,846,799

	Note	2019	2018
		Rupees	
26 NET COMMISSION EXPENSE			
Commission paid or payable		70,186,162	(545,991,746)
Deferred commission expense - opening		119,779	1,980,048
Deferred commission expense - closing		(40,969)	(119,779)
Net commission		70,264,972	(544,131,477)
Less: Commission received or recoverable		(14,254,622)	(14,755,199)
Unearned reinsurance commission - opening		(7,157,807)	(6,496,730)
Unearned reinsurance commission - closing		6,544,444	7,157,807
Commission from reinsurers		(14,867,985)	(14,094,122)
		55,396,987	(558,225,599)
27 MANAGEMENT EXPENSES			
Salaries, allowance and other benefits	27.1	32,828,100	29,482,653
Gratuity expense		3,489,746	-
Travelling expense		1,749,433	195,159
Advertisement and sales promotion		595,849	809,235
Printing and stationery		850,254	857,403
Depreciation	8	5,695,382	4,735,006
Amortisation	9	649,736	1,102,915
Rent, rates and taxes		3,996,859	3,907,496
Legal and professional charges		1,589,929	1,063,915
Electricity, gas and water		1,254,498	1,454,530
Entertainment		933,986	735,328
Vehicle running expense		107,798	17,240
Office repairs and maintenance		1,600,377	1,033,851
Insurance expense		1,268,226	1,001,089
Office expense		705,090	669,952
Bank charges		512,864	96,035
Postage, telegrams and telephones		1,029,306	1,035,002

	Note	2019	2018
		-----Rupees-----	
Annual supervision fee SECP		840,392	768,884
Bad and doubtful debts	13.2	-	31,486,545
Service charges (Health Econnex)		4,063,840	6,107,012
Miscellaneous		1,432,000	495,636
		65,193,665	87,054,886

27.1 These include Rs. 1.182 million (2018: 1.089 million) being contribution for employees' provident fund.

27.2 Employees' provident fund

	2019	2018
Size of the fund	10,119,366	7,310,280
Number of members	17	20
Cost of investment made	8,459,481	6,100,000
Percentage of investment made	84%	83%
Fair value of investment	8,459,481	6,100,000

27.3 The Company has contributory provident fund scheme of all its permanent employees. The fund is maintained by the Trustees and all decisions regarding investments and distribution of income etc. are made by the Trustees. The investments by the fund have been made in accordance with the conditions specified in section 218 of the Companies Act 2017 and rules specified thereunder.

28 INVESTMENT INCOME

	2019	2018
Income from debt securities		
Available for sale		
Return on debt securities	46,006,858	-
Held to maturity		
Return on debt securities	32,418,664	12,058,456
Income from term deposits		
Return on deposit	281,634,029	246,420,595
Total investment income	360,059,551	258,479,051

29 OTHER INCOME

	Note	2019	2018
Profit on bank deposit		17,563,183	6,778,298
Income on generator sharing		436,860	436,860
Other	29.1	25,088,934	6,676,350
		43,088,977	13,891,508

29.1 This amount includes Rs. 16.325 million which the Company recorded against Sindh Sales Tax (SST) on group health business in pursuance of notification SRB-3-4/3/2017 of Sindh Revenue Board (SRB) dated March 04, 2017. However, during the reporting year, SRB through notification dated May 08, 2019 has exempted SST on group health business. Accordingly, the Company has reversed the provision in respect of SST on group health business amounting to Rs. 16.325 million.

		Note	2019	2018
			------Rupees------	
30	**OTHER EXPENSES**			
	Auditors' remuneration	30.1	415,125	542,075
	Legal and professional charges		-	709,277
	Directors' remuneration	34	3,725,000	1,025,000
			4,140,125	2,276,352
30.1	**Auditors' remuneration**			
	Audit fee		186,875	110,208
	Half yearly review fee		97,500	220,417
	Special certifications and sundry advisory services		120,000	185,000
	Out-of-pocket expenses		10,750	26,450
			415,125	542,075
31	**FINANCE COST**			
	Finance cost on lease liability		356,134	-
32	**TAXATION**			
	For the year			
	Current	32.1	124,568,934	90,516,155
	Deferred		8,099,134	(10,121,022)
			132,668,068	80,395,133
32.1	**Relationship between accounting profit and tax expense is as follows**			
	Accounting profit before tax		458,494,648	278,824,560
	Tax @ 29%		132,963,448	80,859,122
	Effect of income not allowed		(295,381)	(463,989)
	Provision for taxation		132,668,067	80,395,133

	Note	2019	2018
		Rupees	

33 EARNINGS PER SHARE - BASIC AND DILUTED

	Note	2019	2018
Profit after tax for the year		325,826,580	198,429,427
Weighted average number of ordinary shares outstanding (Numbers)		100,000,000	100,000,000
Earnings per share (Rupees)	33.1	3.26	1.98

33.1 There is no dilution effect on the basic earnings per share as the Company has no convertible dilutive potential ordinary shares outstanding at the year end; consequently, the reported basic earnings per share is also the diluted earnings per share.

34 REMUNERATION OF DIRECTORS AND EXECUTIVES

	Chief Executive Officer		Directors		Executives	
	2019	2018	2019	2018	2019	2018
	Rupees					
Meeting fee	-	-	3,725,000	1,025,000	-	-
Managerial remuneration	4,829,988	4,024,992	-	-	3,439,416	2,979,913
Rent and house maintenance	2,173,500	1,811,244	-	-	1,547,724	1,293,563
Utilities	483,000	402,504	-	-	343,956	287,476
Medical	483,000	402,504	-	-	343,956	287,476
Bonus	1,469,122	670,832	-	-	573,236	244,634
Others	1,308,520	1,106,369	-	-	1,164,999	738,918
	10,747,130	8,418,445	3,725,000	1,025,000	7,413,287	5,831,980
Number of persons	1	1	7	7	4	3

34.1 In addition to the above, the Chief Executive and Executives of the Company are provided with company maintained cars and medical reimbursement as per the Company's policy.

35 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated companies, entities under common control, entities with common directors, major shareholders and key management personnel of the Company. Transactions with related parties are carried out at arm's length prices determined under "comparable controlled price method". Transactions and balances with related parties have been disclosed in relevant notes to the financial statements. Other transactions and balances not elsewhere disclosed are summarized as follows:

Name of related party	Nature of relationship	Nature of transaction	2019	2018
			Rupees	
Sindh Bank Limited	Companies having common directorship	Income on savings accounts	17,144,765	4,600,725
		Premium written	78,612,503	71,926,167
		Claims paid	53,735,013	33,996,842
Sindh Modarba Management Limited	Companies having common directorship	Premium written	389,638	309,480
		Claims paid	291,060	40,779
		Income on sharing of generator	436,860	436,860
Sindh Leasing Company Limited	Companies having common directorship	Premium written	1,052,570	641,524
		Claims paid	287,954	375,994
Sindh Microfinance Bank Limited	Companies having common directorship	Premium written	3,085,623	2,608,184
		Claims paid	2,358,417	314,222
Directors	Directors	Premium written	429,195	432,737
		Claims paid	102,979	228,934
		Remuneration paid	3,725,000	1,025,000
Provident fund	Employees' fund	Contribution to provident fund	1,182,595	1,089,010
Shareholder	Government of Sindh	Premium written	263,157,851	263,157,851
		Claims paid	51,343,390	51,306,695
Balances outstanding				
Sindh Bank Limited	Companies having common directorship	Bank accounts	65,211,761	51,088,754
		Due from insurance contract holder	49,708,336	30,514,149
		Claims payable	14,864,180	15,157,481
		Payable to Sindh Bank Limited	135,000	143,734
Sindh Modarba Management Limited	Companies having common directorship	Claims payable	-	-
		Amount receivable for sharing of generator	218,430	218,430
Sindh Leasing Company Limited	Companies having common directorship	Due from insurance contract holder	-	219
		Claims payable	165,000	90,130
Sindh Microfinance Bank Limited	Companies having common directorship	Due from insurance contract holder	49,826	1,354,836
		Claims payable	104,412	32,802
Directors	Directors	Claims payable	45,000	60,000

36 SEGMENT REPORTING

Following are the segment assets, liabilities, revenue and expenses of the Company:

Segment current year	Fire and property damage	Marine, aviation & transport	Motor	Accident and health	Engineering	Miscellaneous	Treaty	Total
	2019							
	Rupees							
Premium receivable (inclusive of federal excise duty, federal insurance fee and administrative surcharge)	50,377,260	54,493,184	53,480,227	352,328,979	448,709,227	34,182,861	-	993,571,738
Less: Federal exercise duty	(4,425,292)	(635,702)	(6,059,725)	(34,675,825)	(39,064,574)	(3,406,613)	-	(88,267,731)
Federal insurance fee	(465,819)	(531,693)	(466,135)	(3,161,754)	(4,464,573)	(314,967)	-	(9,404,941)
Written gross premium including administrative surcharge	45,486,149	53,325,789	46,954,367	314,491,400	405,180,080	30,461,281	-	895,899,066
Gross direct premium	44,318,201	53,138,018	45,445,101	314,478,400	405,329,588	30,317,427	-	893,026,735
Facultative inward premium	1,093,346	156,338	880,243	-	(170,337)	10,160	-	1,969,750
Administrative surcharge	74,602	31,433	629,023	13,000	20,829	133,694	-	902,581
	45,486,149	53,325,789	46,954,367	314,491,400	405,180,080	30,461,281	-	895,899,066
Premium earned	23,611,841	28,680,545	48,243,112	312,156,820	218,166,280	28,254,788	-	659,113,386
Reinsurance expense	(20,823,061)	(23,860,057)	(25,517,470)	-	(195,116,543)	(15,823,136)	-	(281,140,267)
Net insurance premium	2,788,780	4,820,488	22,725,642	312,156,820	23,049,737	12,431,652	-	377,973,119
Commission income	2,830,235	674,439	7,050,197	-	2,620,825	1,692,289	-	14,867,985
Net underwriting income	5,619,015	5,494,927	29,775,839	312,156,820	25,670,562	14,123,941	-	392,841,104
Insurance claims	(1,034,743)	16,317,495	(28,614,245)	(197,520,555)	2,786,750	(26,232,137)	-	(234,297,435)
Insurance claims recovered from reinsurers	1,011,699	(14,626,733)	31,759,660	-	(3,150,237)	13,855,195	-	28,849,584
Net claims	(23,044)	1,690,762	3,145,415	(197,520,555)	(363,487)	(12,376,942)	-	(205,447,851)
Commission expense	(315,215)	(51,093)	(87,237)	(69,805,171)	(2,539)	(3,717)	-	(70,264,972)
Management expense	(2,999,983)	(3,517,036)	(3,096,817)	(26,847,640)	(26,723,153)	(2,009,036)	-	(65,193,665)
Premium deficiency (expense) / income	-	(1,565,862)	-	15,072,196	-	(9,450,894)	-	4,055,440
Net insurance claims and expenses	(3,338,242)	(3,443,229)	(38,639)	(279,101,170)	(27,089,179)	(23,840,589)	-	(336,851,048)
Underwriting result	2,280,773	2,051,698	29,737,200	33,055,650	(1,418,617)	(9,716,648)	-	55,990,056
Net investment income								360,059,551
Other income								43,088,977
Other expenses								(4,140,125)
Finance costs								(356,134)
Profit from Window Takaful Operation								3,852,323
Profit before tax								458,494,648
Segment assets	59,121,918	69,311,714	61,030,277	408,769,159	526,644,356	39,592,918	-	1,164,470,342
Un-allocated assets								3,475,907,590
Total assets								4,640,377,932
Segment liabilities	140,532,245	164,753,293	145,068,394	971,640,452	1,251,828,687	94,111,994	-	2,767,935,065
Un-allocated liabilities								53,698,037
Total liabilities								2,821,633,102

Segment prior year	Fire and property damage	Marine, aviation & transport	Motor	Accident and health	Engineering	Miscellaneous	Treaty	Total
	2018							
	Rupees							
Premium receivable (inclusive of federal excise duty, federal insurance fee and administrative surcharge)	13,824,943	7,868,049	46,149,233	346,239,613	35,815,985	30,159,834	-	480,057,657
Less: Federal exercise duty	1,525,603	955,410	5,239,060	34,688,718	4,083,471	2,863,370	-	49,355,632
Federal insurance fee	112,339	68,444	402,429	3,107,277	314,111	270,518	-	4,275,118
Written gross premium including administrative surcharge	12,187,001	6,844,195	40,507,744	308,443,618	31,418,403	27,025,946	-	426,426,907
Gross direct premium	11,137,512	6,705,772	39,386,097	308,423,618	31,396,301	26,717,649	-	423,766,949
Facultative inward premium	953,745	18,271	361,526	-	7,106	2,463	-	1,343,111
Administrative surcharge	95,744	120,152	760,121	20,000	14,996	305,834	-	1,316,847
	12,187,001	6,844,195	40,507,744	308,443,618	31,418,403	27,025,946	-	426,426,907
Insurance premium earned	23,227,557	29,509,387	40,262,927	307,376,422	86,702,379	28,220,633	-	515,299,305
Insurance premium ceded to reinsurers	20,807,520	25,405,705	17,642,069	-	79,055,734	13,613,482	-	156,524,509
Net insurance premium	2,420,037	4,103,682	22,620,858	307,376,422	7,646,645	14,607,151	-	358,774,796
Commission income	3,842,175	850,255	5,846,550	-	5,059,271	(1,504,129)	-	14,094,122
Net underwriting income	6,262,212	4,953,937	28,467,408	307,376,422	12,705,916	13,103,022	-	372,868,918
Insurance claims	2,749,957	32,913,866	18,214,554	781,478,960	11,290,846	7,124,633	-	853,772,817
Insurance claims recovered from reinsurers	2,041,684	31,251,421	7,202,040	-	10,245,899	1,121,620	-	51,862,664
Net claims	708,273	1,662,445	11,012,514	781,478,960	1,044,947	6,003,013	-	801,910,154
Commission expense	1,853,671	339,850	227,344	(546,664,657)	13,517	98,798	-	(544,131,477)
Management expense	2,324,784	1,305,594	7,727,228	64,548,479	5,993,352	5,155,450	-	87,054,886
Premium deficiency expense	(1,342,774)	-	-	23,397,328	-	-	-	22,054,554
Net insurance claims and expenses	3,543,954	3,307,889	18,967,086	322,760,111	7,051,816	11,257,261	-	366,888,116
Underwriting result	2,718,258	1,646,049	9,500,323	(15,383,689)	5,654,100	1,845,761	-	5,980,802
Net investment income								258,479,051
Other income								13,891,508
Other expenses								(2,276,352)
Profit from Window Takaful Operation								2,749,551
Profit before tax								278,824,560
Segment assets	18,254,097	10,251,464	60,673,852	461,997,155	47,059,534	40,480,364	-	638,716,466
Un-allocated assets								3,221,290,429
Total assets								3,860,006,895
Segment liabilities	65,881,008	36,998,640	218,978,483	1,667,397,612	169,842,938	146,098,006	-	2,305,196,687
Un-allocated liabilities								75,454,486
Total liabilities								2,380,651,173

37 MOVEMENT IN INVESTMENTS

	Held to Maturity	Available for sale	Total
	Rupees		
As at January 01, 2018	130,487,997	-	130,487,997
Additions	417,884,325	-	417,884,325
Disposals (sale and redemptions)	(268,457,122)	-	(268,457,122)
As at December 31, 2018	279,915,200	-	279,915,200
Additions	1,636,156,739	2,223,527,269	3,859,684,008
Disposals (sale and redemptions)	(1,258,475,170)	-	(1,258,475,170)
Fair value net gains (excluding net realised gains)	-	19,102,152	19,102,152
	377,681,569	2,242,629,421	2,620,310,990
As at December 31, 2019	657,596,769	2,242,629,421	2,900,226,190

38 MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

The Company's activities expose it to a variety of insurance and financial risks: credit risk, liquidity risk and market risk (including interest / mark-up rate risk, price risk and currency risk). The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to insurance and financial risk without any material change from previous year in the manner described in notes below. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing the Company's risk management policies.

38.1 Insurance risk

The principal risk that the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities. The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims and similar procedures are put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. Reinsurance policies are written with approved reinsurers on either a proportionate basis or non-proportionate basis. The reinsurers are carefully selected and approved and are dispersed over several geographical regions.

Experience shows that larger the portfolio is in similar insurance contracts, smaller will be the relative variability about the expected outcome. In addition, a more diversified portfolio is less likely to be affected across the board 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.

The Company principally issues the general insurance contracts. Risks under these policies usually cover twelve month or lesser duration. For general insurance contracts, the most significant risks arise from accidental fire, atmospheric disaster and terrorist activities.

38.1.1 Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like political violence, environmental and economical factors, atmospheric disturbances, natural disasters, concentration of risks, civil riots etc. The Company manages these risk through the measures described above.

The Company monitors concentration of insurance risks primarily by class of business. The table below sets out the concentration of the claims and premium liabilities (in percentage terms) by class of business as at the reporting date:

Class of business	2019				2018			
	Gross claims liability	Net claims liability	Gross premium liability	Net premium liability	Gross claims liability	Net claims liability	Gross premium liability	Net premium liability
	%	%	%	%	%	%	%	%
Fire and property damage	0.14%	0.04%	6%	1%	0%	0%	3%	0%
Marine, aviation and transport	0.09%	0.10%	7%	4%	2%	0%	4%	1%
Motor	1%	0.29%	4%	4%	1%	1%	7%	5%
Accident and health	96%	98.04%	34%	75%	95%	98%	63%	88%
Engineering	0.13%	0.01%	46%	14%	1%	0%	18%	2%
Miscellaneous	2%	1.51%	3%	2%	1%	1%	5%	4%
Total	100%	100%	100%	100%	100%	100%	100%	100%

38.1.2 Geographical concentration of insurance risk

In order 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.

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated primarily with the commercial / industrial occupation of the insured. Details regarding the fire separation / segregation with respect to the manufacturing processes, storage, utilities, etc. are extracted from the layout plan of the insured facility. Such details are formed part of the reports which are made available to the underwriters / reinsurers for their evaluation. Reference is made to the standard construction specifications laid down by Insurance Association of Pakistan (IAP). For fire and property risk, a particular building and neighboring buildings, which could be affected by a single claim incident, are considered as a single location. For earthquake risk, a complete city is classified as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk. The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

A risk management solution is implemented to help assess and plan for risk in catastrophic scenarios. It provides a way to better visualize the risk exposure of the Company and to determine the appropriate amount of reinsurance coverage to protect the business portfolio.

38.1.3 Reinsurance arrangements

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

In compliance with regulatory requirements, the reinsurance agreements are duly submitted to the SECP on an annual basis.

The Company's class wise risk exposure (based on maximum loss coverage in a single policy is as follows):

Class	Gross sum insured	Reinsurance	Net exposure of risk	Net exposure of risk
			2019	2018
	Rupees			
Fire and property damage	387,948,489	372,948,489	15,000,000	32,000,000
Marine, aviation and transport	4,050,000,000	3,847,500,000	202,500,000	166,716,000
Motor	53,050,000	50,132,250	2,917,750	3,850,000
Accident and health	4,270,500	3,416,400	854,100	1,000,000
Engineering	80,224,012,800	80,183,900,793	40,112,007	35,000,000
Miscellaneous	4,500,000,000	4,497,750,000	2,250,000	108,300,000
	89,219,281,789	88,955,647,932	263,633,857	346,866,000

38.1.4 Uncertainty in the estimation of future claims payment

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

An estimated amount of the claim is recorded immediately on the intimation to the Company. The estimation of the amount is based on management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims. For the estimation of provision of claims IBNR, the Company follows the recommendation of actuary.

There are several variable factors which affect the amount and timing of recognized claim liabilities. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be significantly different from initial recognized amount. Similarly, the provision for IBNR is based on historic reporting pattern of the claims other than exceptional losses. Hence, actual amount of IBNR may differ from the amount estimated.

38.1.5 Key assumptions

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

38.1.6 Sensitivity analysis

The insurance claim liabilities are sensitive to the incidence of insured events and severity / size of claims. The impact on the before tax and shareholders's equity of the changes in the claim liabilities net of reinsurance is analyzed below, the sensitivity to changes in claim liabilities net of reinsurance is determined separately for each class of business while keeping all the other assumptions constant.

	Pre-tax profit 2019	Pre-tax profit 2018	Shareholders' equity 2019	Shareholders' equity 2018
	---Rupees---		---Rupees---	
10% increase in loss				
Fire and property damage	(2,304)	(70,827)	(1,636)	(50,287)
Marine, aviation and transport	169,076	(166,245)	120,044	(118,034)
Motor	314,542	(1,101,251)	223,324	(781,888)
Accident and health	(19,752,056)	(78,147,896)	(14,023,959)	(55,485,006)
Engineering	(36,349)	(104,494)	(25,808)	(74,191)
Miscellaneous	(1,237,694)	(704,796)	(878,763)	(500,405)
	(20,544,785)	(80,295,509)	(14,586,798)	(57,009,811)

	Pre-tax profit 2019	Pre-tax profit 2018	Shareholders' equity 2019	Shareholders' equity 2018
	---Rupees---		---Rupees---	
10% decrease in loss				
Fire and property damage	2,304.40	70,827	1,636	50,287
Marine, aviation and transport	(169,076.20)	166,245	(120,044)	118,034
Motor	(314,541.50)	1,101,251	(223,324)	781,888
Accident and health	19,752,056	78,147,896	14,023,959	55,485,006
Engineering	36,349	104,494	25,808	74,191
Miscellaneous	1,237,694	704,796	878,763	500,405
	20,544,785	80,295,509	14,586,798	57,009,811

38.2 Financial risk

38.2.1 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of adequate funds through committed credit facilities. The Company finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management follows an effective cash management program to mitigate the liquidity risk.

The following are the contractual maturities of financial liabilities, including estimated interest payments on an undiscounted cash flow basis:

	2019			
	Carrying amount	Contractual cash flows	Upto one year	Greater than one year
	Rupees			
Financial liabilities				
Outstanding claims including IBNR	2,018,435,227	2,018,435,227	2,029,048,661	(10,613,434)
Insurance / reinsurance payables	219,575,469	219,575,469	219,575,469	-
Other creditors and accruals	10,694,382	10,694,382	10,028,382	666,000
	2,248,705,077	2,248,705,077	2,258,652,511	(9,947,434)

	2018			
	Carrying amount	Contractual cash flows	Upto one year	Greater than one year
	Rupees			
Financial liabilities				
Outstanding claims including IBNR	1,935,311,565	1,935,311,565	-	1,935,311,565
Insurance / reinsurance payables	88,486,754	88,486,754	88,486,754	-
Other creditors and accruals	9,729,674	9,729,674	9,729,674	-
	2,033,527,992	2,033,527,992	98,216,427	1,935,311,565

38.2.2 Market risk

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The market risks associated with the Company's business activities are interest / mark-up rate risk, price risk and currency risk.

i) Interest / mark-up rate risk

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark-up rate risk arises from mismatching of financial assets and liabilities that mature or repaid in a given year. The Company manages this mismatchment through risk management strategies where significant changes in gap position can be adjusted. At the reporting date, the interest / mark-up rate profile of the Company's significant interest / mark-up bearing financial instruments was as follows:

	2019							
	Effective yield / interest rate	Interest / mark-up bearing			Non-interest bearing			Total
		Maturity upto one year	Maturity after one year	Sub total	Maturity within one year	Maturity after one year	Sub total	
		Rupees						
Financial assets								
Investments								
Debt securities	11.38% to 13.50%	-	2,371,068,800	2,371,068,800	529,157,390	-	529,157,390	2,900,226,190
Term deposits	13.30% to 14.25%	396,000,000	-	396,000,000	-	-	-	396,000,000
		396,000,000	2,371,068,800	2,767,068,800	529,157,390	-	529,157,390	3,296,226,190
Loan and other receivables		-	-	-	79,782,914	-	79,782,914	79,782,914
Insurance / reinsurance receivables		-	-	-	784,409,117	-	784,409,117	784,409,117
Reinsurance recoveries against outstanding claims		-	-	-	33,671,939	-	33,671,939	33,671,939
Cash and bank	8.00% to 11.30%	66,119,313	-	66,119,313	750,965	-	750,965	66,870,278
		462,119,313	2,371,068,800	2,833,188,113	1,427,772,325	-	1,427,772,325	4,260,960,438
Financial liabilities								
Outstanding claims including IBNR	-	-	-	-	2,018,435,227	-	2,018,435,227	2,018,435,227
Insurance / reinsurance payables	-	-	-	-	219,575,469	-	219,575,469	219,575,469
Other creditors and accruals	-	-	-	-	10,694,382	-	10,694,382	10,694,382
		-	-	-	2,248,705,077	-	2,248,705,077	2,248,705,077
On balance sheet gap (a)		462,119,313	2,371,068,800	2,833,188,113	(820,932,752)	-	(820,932,752)	2,012,255,361
Off balance sheet financial instrument		-	-	-	-	-	-	-
Off balance sheet gap (b)		-	-	-	-	-	-	-
Total interest rate sensitivity gap (a) + (b)		462,119,313	2,371,068,800	2,833,188,113				
Cumulative interest rate sensitivity gap		462,119,313	2,371,068,800					

	Effective yield / Interest rate	Interest / mark-up bearing			Non-interest bearing			Total
		2018						
		Maturity upto one year	Maturity after one year	Sub Total	Maturity within one year	Maturity after one year	Sub Total	
		Rupees						
Financial assets								
Investments								
Debt securities	8.50% to 10.29%	-	25,000,000	25,000,000	254,915,200	-	254,915,200	279,915,200
Term deposits	9.50% to 13.00%	2,827,101,841	-	2,827,101,841	-	-	-	2,827,101,841
		2,827,101,841	25,000,000	2,852,101,841	254,915,200	-	254,915,200	3,107,017,041
Loan and other receivables		-	-	-	63,316,123	-	63,316,123	63,316,123
Insurance / reinsurance receivables		-	-	-	409,851,141	-	409,851,141	409,851,141
Reinsurance recoveries against outstanding claims			-	-	56,158,251	-	56,158,251	56,158,251
Cash and bank	5.75% to 8.00%	53,056,931	-	53,056,931	859,070	-	859,070	53,916,001
		2,880,158,772	25,000,000	2,905,158,772	785,099,785	-	785,099,785	3,690,258,557
Financial liabilities								
Outstanding claims including IBNR		-	-	-	1,935,311,565	-	1,935,311,565	1,935,311,565
Insurance / reinsurance payables		-	-	-	88,486,754	-	88,486,754	88,486,754
Other creditors and accruals		-	-	-	9,729,674	-	9,729,674	9,729,674
		-	-	-	2,033,527,992	-	2,033,527,992	2,033,527,992
On balance sheet gap (a)		2,880,158,772	25,000,000	2,905,158,772	(1,248,428,208)	-	(1,248,428,208)	1,656,730,564
Off balance sheet financial instrument		-	-	-	-	-	-	-
Off balance sheet gap (b)		-	-	-	-	-	-	-
Total interest rate sensitivity gap (a) + (b)		2,880,158,772	25,000,000	2,905,158,772				
Cumulative interest rate sensitivity gap		2,880,158,772	25,000,000					

The financial instruments of the Company can be classified into fixed rate instruments and variable rate instruments as shown below:

	Carrying amount	
	2019	**2018**
	Rupees	
Fixed rate instruments		
Financial assets	2,173,318,800	2,827,101,841
Variable rate instruments		
Financial assets	659,869,313	78,056,931

Sensitivity analysis for fixed rate instruments

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

Sensitivity analysis of variable rate instruments

An increase of 100 basis points in interest rates would have increased the profit and loss account by the amounts shown below. Reduction in interest rates by 100 basis points would have an opposite impact. This analysis assumes that all variables remain constant. The analysis has been performed on the same basis for the comparative period.

	Profit before tax		Total equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
As at December 31, 2019				
Sensitivity	6,598,693	(6,598,693)	4,685,072	(4,685,072)
As at December 31, 2018				
Sensitivity	780,569	(780,569)	554,204	(554,204)

Above sensitivities are calculated on the assumption that all factors remain constant except interest rates and resulting variation in fair values of the investments and impact on the profit and loss.

The Company monitors the interest rate environment on a regular basis and alters the portfolio mix of fixed and floating rate securities. The Company's policy requires the management to manage the risk by measuring the mismatch of the interest rate sensitivity gap of financial assets and liabilities and calculating the average duration of the portfolio of fixed interest securities. The average effective duration of the Company's portfolio is a measure of the sensitivity of the fair value of the Company's fixed interest securities to the changes in market interest rates.

b) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark-up rate risk or currency risk), whether those changes are caused by factor specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instrument traded in the market. The Company is not exposed to price risk as the Company has no equity investments.

c) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is not exposed to foreign currency risk as the Company has no financial assets and financial liabilities in foreign currencies.

38.2.3 Credit risk

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

Exposure to credit risk

The maximum exposure to credit risk before any credit enhancements at December 31, 2019 is the carrying amount of the financial assets as set out below:

	2019	2018
	------Rupees------	
Nature of financial assets		
Bank balances	66,119,313	53,056,931
Investments		
Debt securities	2,900,226,190	279,915,200
Term deposits	396,000,000	2,827,101,841
	3,296,226,190	3,107,017,041
Due from insurance contract holders	722,168,467	368,798,730
Due from other insurers / reinsurers	62,240,650	41,052,411
Loans and other receivables	79,782,914	63,316,123
Reinsurance recoveries against outstanding claims	33,671,939	56,158,251
	7,442,980,810	6,676,942,154

Provision for impairment is made for doubtful receivables according to the Company's policy. The impairment provision is written off when the Company expects that it cannot recover the balance due.

The age analysis of due from insurance contract holders from other than related parties is as follows:

Upto 3 months	1,475,066	2,874,523
3 to 6 months	32,195,861	945,787
6 to 12 months	76,025,947	620,757
More than 12 months	-	-
	109,696,874	4,441,067

The age analysis of due from insurance contract holders with respect to related parties is as follows:

Upto 3 months	14,518,405	4,565,185
3 to 6 months	35,143,625	27,053,797
6 to 12 months	300,096,132	317,577,265
More than 12 months	262,713,431	15,161,416
	612,471,593	364,357,663

Concentration of credit risk

Concentration of risks arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Company's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties, thereby mitigating any significant concentration of credit risk. Provision for impairment is made for doubtful receivables according to the Company's policy. The remaining past due balances were not impaired as they relate to a number of policy holders and other insurers / reinsurers for whom there is no history of default.

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

Name of banks	Rating		Rating agency	2019	2018
	Long term	Short term			
				Rupees	
Cash at bank					
Sindh Bank Limited	A+	A-1	JCR-VIS	65,211,761	51,088,754
NRSP Microfinance Bank Limited	A	A-1	JCR-VIS	492,113	847,723
Khushali Microfinance Bank Limited	A+	A-1	JCR-VIS	105,121	96,230
Telenor Microfinance Bank Limited	A+	A-1	JCR-VIS	310,318	1,024,224
				66,119,313	53,056,931
Term deposit certificates					
Sindh Bank Limited	A+	A-1	JCR-VIS	200,000,000	-
NRSP Microfinance Bank Limited	A	A-1	JCR-VIS	196,000,000	1,572,998,270
Khushali Microfinance Bank Limited	A+	A-1	JCR-VIS	-	510,000,000
Telenor Microfinance Bank Limited	A+	A-1	JCR-VIS	-	744,103,571
				396,000,000	2,827,101,841
Investments					
Term finance certificates					
Meezan Bank Limited	AA	-	JCR-VIS	143,000,000	-
Bank Al Habib Limited	AA+	-	PACRA	132,000,000	-
Soneri Bank Limited	A	-	PACRA	150,000,000	-
United Bank Limited	AA+	-	JCR-VIS	150,000,000	-
Corporate Sukuk					
TPL Trakker Limited	A+	-	PACRA	18,750,000	25,000,000
				593,750,000	25,000,000

39 CAPITAL RISK MANAGEMENT

The Company's goals and objectives when managing capital are:

To be an appropriately capitalized institution in compliance with the paid-up capital requirement set by the SECP. The minimum paid-up capital requirement for non-life insurers is Rs. 500 million. The Company's current paid-up capital is well in excess of the limit prescribed by the SECP;

To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for the other stakeholders;

To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk;

To maintain strong ratings and to protect the Company against unexpected events / losses; and

To ensure a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

40 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Valuation techniques for which the lowest level input for which the fair value measurement is directly or indirectly observable.
Level 3: Valuation techniques for which the lowest level input for which the fair value measurement is unobservable.

The following tables show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

	2019									
	Carrying amount						Fair value			
	Held-to-maturity	Available for sale	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	(Rupees)						(Rupees)			
Financial assets measured at fair value										
Investments										
Debt securities	657,596,769	2,242,629,421	-	-	-	2,900,226,190	-	1,667,629,421	575,000,000	2,242,629,421
Financial assets not measured at fair value										
Investments										
Term deposits	-	-	-	396,000,000	-	396,000,000	-	-	-	-
Loans and other receivable*	-	-	79,782,914	-	-	79,782,914	-	-	-	-
Insurance / reinsurance receivable*	-	-	784,409,117	-	-	784,409,117	-	-	-	-
Re-insurance recoveries against outstanding claims*	-	-	33,671,939	-	-	33,671,939	-	-	-	-
Cash and bank balance*	-	-	-	66,870,278	-	66,870,278	-	-	-	-
	657,596,769	2,242,629,421	897,863,970	462,870,278	-	4,260,960,438	-	1,667,629,421	575,000,000	2,242,629,421
Financial liabilities not measured at fair value										
Outstanding claims including IBNR*	-		-	-	(2,018,435,227)	(2,018,435,227)	-	-	-	-
Insurance / reinsurance payables*	-		-	-	(219,575,469)	(219,575,469)	-	-	-	-
Other creditors and accruals*	-		-	-	(10,694,382)	(10,694,382)	-	-	-	-
	657,596,769		897,863,970	462,870,278	(2,248,705,077)	2,012,255,361	-	1,667,629,421	575,000,000	2,242,629,421

	2018									
	Carrying amount						Fair value			
	Held-to-maturity	Available for sale	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	(Rupees)						(Rupees)			
Financial assets measured at fair value										
Investments										
Debt securities	279,915,200	-	-	-	-	279,915,200	-	-	-	-
Financial assets not measured at fair value										
Investments										
Term deposits	-	-	-	2,827,101,841	-	2,827,101,841	-	-	-	-
Insurance / reinsurance receivable*	-	-	409,851,141	-	-	409,851,141	-	-	-	-
Loans and other receivable*	-	-	63,316,123			63,316,123	-	-	-	-
Re-insurance recoveries against outstanding claims*	-	-	56,158,251	-	-	56,158,251	-	-	-	-
Cash and bank balance*	-	-	-	53,916,001	-	53,916,001	-	-	-	-
	279,915,200		529,325,515	2,881,017,842	-	3,690,258,557	-	-	-	-
Financial liabilities not measured at fair value										
Outstanding claims including IBNR*	-		-	-	(1,935,311,565)	(1,935,311,565)	-	-	-	-
Insurance / reinsurance payables*	-		-	-	(88,486,754)	(88,486,754)	-	-	-	-
Other creditors and accruals*	-		-	-	(27,341,591)	(27,341,591)	-	-	-	-
	279,915,200		529,325,515	2,881,017,842	(2,051,139,909)	1,639,118,647	-	-	-	-

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

		2019	2018
41	**NUMBER OF EMPLOYEES**		
	Number of employees at the end of the year	18	19
	Average number of employees	19	21

42 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on ___________ by the Board of Directors of the Company.

43 SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organisation has declared COVID-19 (the virus) a global 'pandemic'. With the growing number of cases in Pakistan, the Provincial Governments and the Federal Government of Pakistan have provided various directions and are taking measures to respond to the virus. The ongoing situation may have an impact on the operations and financial condition of the Company. The extent of the spread of the virus and its potential impact on the Company is undeterminable at the date these financial statements were approved and authorised for issue. However, the management and the Board of Directors of the Company continue to monitor the developing situation.

44 GENERAL

i) Figures have been rounded off to the nearest Pakistan rupee unless otherwise stated.

ii) Corresponding figures have been re-arranged and re-classified, where ever necessary for the purpose of comparison, the effect of which is not material.

CHAIRMAN	CHIEF EXECUTIVE OFFICER	DIRECTOR	DIRECTOR