

IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO



POWER TO THE PEOPLE

Annual Report | 2018



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
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COMPANY INFORMATION

Board of Directors

Muhammad Bilal Shaikh (Chairman)
Najam Ahmed Shah
Syed Akhtar Ul Islam
Muhammad Aley Abid
Zahid Hussain
Raja Muhammad Abbas
Mushtaq Malik

Chief Executive Officer

Muhammad Faisal Siddiqui

Chief Financial Officer & Company Secretary

Nadeem Akhter

BOARD COMMITTEES

Audit Committee

Syed Akhtar Ul Islam
Raja Muhammad Abbas
Zahid Hussain

Risk Management Committee

Muhammad Bilal Sheikh
Muhammad Aley Abid
Zahid Hussain

Human Resources Committee

Muhammad Bilal Shaikh
Syed Akhtar Ul Islam
Muhammad Aley Abid

Procurement & Information Technology Committee

Muhammad Bilal Shaikh
Muhammad Aley Abid
Syed Akhtar Ul Islam

Nomination Committee

Secretary Finance
Muhammad Bilal Shaikh
Muhammad Aley Abid

Investment Committee

Muhammad Bilal Shaikh
Zahid Hussain
Muhammad Faisal Siddiqui
Nadeem Akhter

MANAGEMENT COMMITTEE

Underwriting Committee

Syed Akhtar Ul Islam
Muhammad Faisal Siddiqui
Nadeem Akhter

Claim Committee

Zahid Hussain
Muhammad Faisal Siddiqui
Muhammad Sarfraz Awan

Reinsurance Committee

Syed Akhtar Ul Islam
Muhammad Faisal Siddiqui
Nadeem Akhter

Risk Management & Compliance Committee

Muhammad Bilal Shaikh
Muhammad Faisal Siddiqui
Nadeem Akhter

Auditors

M/s. Riaz Ahmad & Company
Chartered Accountants

Legal Advisor

Muhammad Nadeem Khan

Bankers

Sindh Bank Limited
NRSP Microfinance Bank Limited
Telenor Microfinance Bank Limited
Khushali Microfinance Bank Limited

IFS Credit Rating

A+ (A Plus) by Pakistan Credit Rating
Agency (PACRA)

Company Incorporate Number

0086229

National Tax Number

4231500-0

Membership

The Insurance Association of Pakistan (IAP)

Registered Office/Head Office

1st Floor, Imperial Court,
Dr. Ziauddin Ahmed Road,
Karachi, Pakistan

Contact

Tel : (92-21) 35640715-17
Fax : (92-21) 35640714
Email : info@sindhinsuranceltd.com
Website : www.sindhinsuranceltd.com

Our Vision

“ Reaching everyone for insurance and to meet expectations of our customers and shareholders.



”

Our Mission



“ To provide best returns to our shareholders, job opportunities to the people and premium service at competitive price to our customers. ”

PRODUCT PORTFOLIO

Property Insurance

Fire & Explosion
 Riot Strike Damage
 Malicious Damage
 Atmospheric Disturbances
 Earthquake
 Air Craft Damage
 External Explosion
 Burglary
 Terrorism

Marine Insurance

Cargo Export
 Cargo Import
 Cargo Inland

Motor Insurance

Comprehensive Private Car
 Comprehensive Commercial Vehicle
 Comprehensive Motorcycles
 Motor Third Party Insurance

Engineering Insurance

All Risk Contractors
 Machinery Breakdown (MBD)
 Computer Equipment
 Electronic Equipment
 Boiler & Pressure Vessels
 Erection All Risk
 Third Party Liability
 Machinery Breakdown
 Contractors' Plant & Machinery
 Comprehensive Machinery Insurance

Miscellaneous Insurance

Cash in Transit
 Cash in Safe
 Fidelity Guarantee
 Mobile Phone
 All Risk
 Bond
 Bankers Blanket
 Burglary
 Product Liability
 Public Liability
 Workman Compensation
 Commercial General Liability

Accident & Health

Health Insurance
 Personal Accident Insurance

IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO



SINDH INSURANCE

Power To The People

IFS Rating By
PACRA



FIRE

Fire Insurance



MARINE

Marine Insurance



BUGLARY

Buglary Insurance



THIRD PARTY

Third Party Liability Motor Insurance



HEALTH

Health Insurance



PROPERTY

Property Insurance





Miscellaneous Insurance

CROP

Crop Insurance



BONDS

Bonds Insurance



TRAVEL

Travel Insurance



LIVE STOCK

Live Stock Insurance



BOARD OF DIRECTORS

MUHAMMAD BILAL SHEIKH

Chairman / Director

Chairman and Chief Executive Officer of Sindh Leasing Company Limited, Chairman/Director of Sindh Modaraba Management Ltd. and Director, Sindh Bank Ltd. Mr. Sheikh holds Masters degree in Commerce from Punjab University, besides being a Fellow member of the Institute of Bankers Pakistan. He is a career banker with 48 year of experience. He has been Chief Executive of various Banks and DFIs for the last over 18 years.

NAJAM AHMED SHAH

Director – Representing Government of Sindh

Najam Ahmed Shah, Secretary Finance of the Government of Sindh, is an Electrical Engineer by first degree. He holds two Masters degrees, one in Management & Engineering from Cranfield University, UK and another in Public Administration from Harvard University Kennedy School. He is also a Fulbright Scholar, an Eisenhower Fellow. Mr. Shah worked as commissioning engineer with Siemens Pakistan on various power plants e.g. HUBCO, Bin Qasim Power Plants etc. Later on, Mr. Shah joined Pakistan Administrative Service and has worked for 20 years in various assignments related to Procurement and Project Management, Planning & Development and District Administration & Coordination.

In 2013, he, as CEO of Quaid-e-Azam Solar Power Pvt. Ltd, successfully executed the first ever large scale solar power plant project of the country. Later, Najam Shah was appointed as the Secretary of Specialized Healthcare and Medical Education Department (SHC&MED), Government of the Punjab. As Secretary of the SHC&MED, Punjab, he managed a huge portfolio and led change management, completed large scale development projects and focused on operational reforms in medical education and health service delivery. In 2018, Najam Shah was appointed as Secretary Finance, Government of Sindh. His major role is to look after resource allocation, mobilization and collection for the whole province.

Throughout his journey, he has excelled in major areas of specialization e.g. Engineering, Project Management, Public Policy, Public Administration, Power Sector, Procurement. In March 2016, he received the "President's Pride of Performance Award" for his undying efforts and passionate work.

MUSHTAQ MALIK

Director

He enjoys excellent working relations with the political as well as bureaucratic elite of Pakistan. He has worked at the topmost positions in some of the important military/civil and public sector organizations of Pakistan. He headed the Board of Investment (BOI) and Pakistan Electronic and Media Regulatory Authority (PEMRA) and has represented Pakistan at various international forums. Mr. Malik has been an Economic Minister and Financial Advisor in the Embassy of Pakistan at Washington, United States of America. He holds a Master's degree in Economics from Boston University, USA. He also possesses MBA degree with specialization in International Business Management and Marketing from Boston University.

RAJA MUHAMMAD ABBAS

Director

Mr. Raja Muhammad Abbas is a retired senior bureaucrat and served in the federal and provincial governments for over two decades. He remained Secretary Board of Investment and Ministry of Interior, Chairman State Engineering Corporation and Chief Secretary Government of Sindh. He attended various seminars and training sessions regularly both local and international.

SYED AKHTAR UL ISLAM

Director

Mr. Akhtar is presently Chief Executive Officer in Meridian Aviation. Also served as Chief Operating Officer in Quality Aviation Services. He has extensive experience of cargo marketing in Pakistan International Air Lines for more than thirty years. He has graduation in Political Sciences.

MUHAMMAD ALEY ABID

Director

Mr. Abid a senior banker having a career span of over 37 years in international and domestic banking with Habib Bank. Served in domestic branches in different capacities. Has also served the bank for about 5 years in Maldives and Sri Lanka. Senior positions included Divisional Head International Division. Was instrumental in the establishment of Habib Currency Exchange, a wholly owned subsidiary of HBL and was its CEO till retirement in 2005. Has attended several international seminars and courses in Dubai, Bahrain, South Africa, Kenya and Germany. Was member of State Bank of Pakistan's Standing Committee formed in the year 2000, to review Foreign Exchange manual, notifications and circulars issued by SBP. He remained Advisor, Banking Mohtasib Pakistan, Head of PICIC Exchange Company, Head of Financial Institutions Division at Habib Bank Limited.

ZAHD HUSSAIN

Director

Mr. Hussain a seasoned banker has professional experience of around three decades in Branch Banking, Marketing, Sales, Credit, Operation, Foreign Trade and Training with a leading foreign and local banks. Designated trainer on a project and conducted training for staff in UAE, Qatar, Jordan and Bangladesh. He worked at senior-management level position in respective banks. He received his bachelors degree from University of Karachi.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of your company are pleased to present the Annual Report along with the Audited Accounts and Auditors' Report for the year ended December 31, 2018.

Country Review

This year's strong economic growth has been underpinned by supportive macroeconomic supply and demand policies, renewed confidence in the private sector and fiscal discipline. Major international evaluators anticipated that global economic growth will increase from previously subdued levels. The growth across different sectors of the economy attracted international companies towards Pakistan, where they see immense potential, a huge customer market, strategic location and macroeconomic stable environment achieved during the last five years. The IMF has also stated that Pakistan's economy is showing strong signs of rising growth and price stability. The near term outlook for economic growth is broadly favorable supported by improved power supply, investment relating to the China-Pakistan Economic Corridor (CPEC), strong consumption growth and outgoing recovery in agriculture.

The current account deficit is showing early signs of improvements. However, the near term challenges to Pakistan's economy continue to persist with rising inflation, an elevated fiscal deficit and low foreign reserves. The decline in international oil prices could potentially play a positive role in slowing down the current inflation trajectory the risks currently remain tilted towards the downside.

The increase in policy rate impacting the interest rate payments on domestic debts, in turn putting pressure on fiscal deficit. In fact, the rise in interest rates means that the user cost of capital likely rise, which will push up the cost of production, and in turn cause increase in prices. On the other hand, these increasing rates increase the average deposit of banks. The deposited money is invested by banks and they get profit, which is more than they pay back customers.

Company Performance

During the year under review it is notable to state that Sindh Insurance's profit before tax has reached to Rs 278.824 million in 2018 as compared to Rs. 178.318 million in year 2017. The earnings per share reached to 1.98.

The investment income increased to Rs. 258.479 million as compared to Rs. 181.554 million. The reason for increase that investment was made on highest rates and return on additional paid up capital of Rs.500 million.

Below are key financial figures for last two year:

	2018	2017
Gross Premium	426,426,907	403,139,827
Net Premium Revenue	358,774,796	1,618,930,064
Underwriting Results	5,980,802	(9,863,892)
Investment Income	258,479,051	181,554,857
Profit before tax	278,824,560	178,318,280
Profit after tax	198,429,427	124,875,511
Earning per share	1.98	2.43

Insurance Sector Review

The insurance industry in Pakistan is relatively small as compared to its competitors. The insurance penetration and destiny has remained very modest as compared to other regional countries. There have been many products and operational innovations because of customer needs and increased competition among the players. Although the industry faces the challenges of uncertain economic conditions, it has also benefited from the changes in the regulatory environment.

The key drivers of insurance growth in a country are typically macroeconomic factors, regulatory factors and demographics of a region. In Pakistan insurance penetration is less than 1% which is very low as compared to other countries of the region.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The insurance sector is going through a lot of changes worldwide, creating new challenges and opportunities for both the insurers and regulators. Therefore, it is essential for insurance companies to go through organizational and operational restructuring to achieve overall efficiency by avoiding financial risk and uncertainties.

Window Takaful Operations

Securities and Exchange Commission of Pakistan (SECP) granted license to the Company to act as Window Takaful Operator on September 22, 2016 under Takaful Rules, 2012. The Company commenced its Window Takaful Operation in the month of December 2016.

The contribution written upto December 31, 2018 was Rs. 13.072 million as compared to Rs. 4.356 million in the comparative year. During the year under review, Participant Takaful Fund deficit was 3.635 million and Operators Fund profit was Rs. 2.813 million. We hope that takaful business profitability will be raised in the ensuing year.

Reinsurance

During the year, Hannover Re, PRCL, GIC Re, Swiss Re and Trust Re were part of the panel of Reinsurers lead by Hanover Re. For Window Takaful Operations, Swiss Re, GIC Re and Keynya Re were part of the panel lead by Swiss Re.

Corporate and Financial Reporting Framework

The Board is aware of its responsibility under the Company law and the Public Sector Companies (Corporate Governance) Rules, 2013, and Code of Corporate Governance for Insurers 2016 issued by the Securities and Exchange Commission of Pakistan (SECP). Accordingly, the Board is pleased to state as follows:

- The Board has complied with the relevant principles of corporate governance, and has also identified the rules that have not been complied with and reasons for such non-compliance.
- The financial statements prepared by the management of the Company, presented fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The Directors recognize their responsibility to establish and maintained a sound system of internal control, which is regularly reviewed and monitored.
- International Financial Reporting Standards and International Accounting Standards, or any other regulation or law including Shariah guidelines and principles, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.
- There are no material departure from the best practices of corporate governance.
- There are no doubts upon the company's ability to continue as a going concern.
- Key operating and financial data is included in the Report.
- The appointment of Chairman and other members of Board and the terms of their appointment along with the remuneration policy are in the best interest of the Public Sector Company as well as in line with the best practices.
- The statement of shareholding in the Company as on December 31, 2018, is included in the Report.
- The value of investment in the Provident Fund as on December 31, 2018, was Rs. 6,100,000/-.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Board Meetings

During the year, four (4) meetings of the Board of Directors were held and attendance position was as under:

Serial No.	Name of Director	Number of Meetings Attended
01	Mr. Muhammad Bilal Shaikh	04
02	Dr. Noor Alam	01
03	Mr. Ahmed Salahuddin	01
04	Mr. Syed Akhter Ul Islam	03
05	Mr. Muhammad Aley Abid	04
06	Mr. Zahid Hussain	04
07	Mr. Maudood Ahmed Lodhi	01
08	Mr. Raja Muhammad Abbas	01

* Casual vacancy of Mr. Syed Hassan Naqvi was filled by Dr. Noor Alam and subsequently his casual vacancy filled by Mr. Najam Ahmed Shah. Casual vacancies of Mr. Maudood Ahmed Lodhi and Mr. Ahmed Salahuddin were filled by Mr. Raja Muhammad Abbas and Mr. Mushtaq Malik. Mr. Najam Ahmed Shah and Mr. Mustaq Malik joined the Board in the end of year and has not attended any meeting.

Leave of absence was granted to the Directors who could not attend the Board meetings.

Achievements

Your Company continued to provide accidental insurance coverage of Rs. 100,000/- to all adult residents of Sindh Province under the "Universal Accident Insurance and Social Benefit Scheme". This scheme provides social protection in the event of accidental death of a family member or bread earner.

Insurer Financial Strength (IFS) Rating

Pakistan Credit Rating Company Limited (PACRA) has maintained Insurer Financial Strength (IFS) rating of the Company at "A+" (A Plus). The rating denotes strong capacity to meet policyholders and contract obligations.

Performance Evaluation

The Board has carried out performance evaluation of its members, including the Chairman and the Chief Executive Officer, on the basis of process developed by it. The Board has also monitored and assessed the performance of senior management on annual basis.

Corporate Social Responsibility

Sindh Insurance ensures its role of a Responsible Corporate citizen by conducting business in a socially responsible and ethical manner, protecting the environment, and supporting the communities and cultures with which it works.

The employees and Sindh Insurance Limited contributed one day salary to the Diammer Basha and Mohmand Dam Fund, established by the Supreme Court of Pakistan.

Statement of Code of Conduct

The Board has adopted the statement of Code of Conduct. The code has been conveyed to all employees and directors, who have signed the same and are required to observe rules of conduct in relation to business and regulations.

Material Changes

There have been no material changes since December 31, 2018 and the Company has not entered into any commitment, which would affect its financial position at that date.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dividend

No dividend was declared in the period ended December 31, 2018.

Auditors

Messrs Riaz Ahmed & Company, Chartered Accountant, have audited the accounts for the year 2018 complete five years as Statutory Auditors of the company. The company selected through tender process M/s BDO Ebrahim & Company, Chartered Accountants. The Audit Committee has recommended the appointment and fixation of audit fee of external auditor M/s BDO Ebrahim & Company, Chartered Accountants as per regulations.

Future Outlook

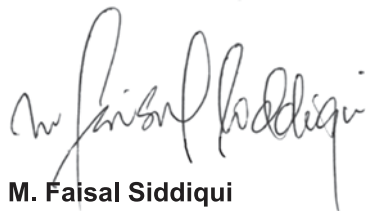
The company is working to procure captive insurance business related to un-insured properties and funds of the GOS, for which the Company has right to provide insurance coverage under "The Sindh Insurance of Public Property Act, 2015". We are already working to provide health insurance coverage to the employees of all departments of GOS. These unexplored opportunities will add strength and impact positively on the financial position of the Company.

Acknowledgement

The directors would like to take this opportunity to express their sincere gratitude to the Government of Sindh, Ministry of Commerce Government of Pakistan, Securities and Exchange Commission of Pakistan (SECP), Insurance Association of Pakistan (IAP) and Sindh Bank Limited for their continued guidance and support.

Further, the Board also wishes to record its appreciation for the staff and policyholders for their dedication and support.

For and on behalf of the Board of Directors



M. Faisal Siddiqui
Chief Executive Officer

April 03, 2019

ڈائریکٹر کی رپورٹ برائے حصص یافتگان

31 دسمبر 2018 کو اختتام پذیر سال پر آپ کی کمپنی کے ڈائریکٹر سالانہ رپورٹ بمع پڑتال شدہ گوشوارے اور آڈیٹ کی رپورٹ پیش کرتے ہوئے مسرت محسوس کرتے ہیں۔

ملکی جائزہ

اس سال کئی معیشت کی طلب اور رسد کی معاونت کرنے والی پالیسیاں، نجی شعبے پر اعتماد کی تجدید اور مالیاتی نظم و ضبط مجموعی طور پر مضبوط معاشی نمو کو تقویت پہنچانے کا باعث بنے ہیں۔ بڑے بین الاقوامی تخمینہ کاروں کا اندازہ ہے کہ عالمی معاشی نمو میں پہلے سے گری ہوئی سطح سے اضافے کا رجحان رہے گا۔ مختلف شعبہ ہائے معیشت میں نمونے بین الاقوامی کمپنیوں کو پاکستان کی طرف متوجہ کیا ہے جہاں وسیع تر امکانات، صارفین کے لئے بڑی منڈی، تزویری محل وقوع اور گزشتہ پانچ سال سے استحکام کی جانب گامزن کئی معیشت ان کی دلچسپی کا سبب بنے ہیں۔ IMF کا بھی بیان ہے کہ پاکستان کی معیشت بڑھتی ہوئی نمو اور مستحکم قیمتوں کے مضبوط اشارے دکھا رہی ہے۔ مستقبل قریب میں معاشی افزائش کا منظر نامہ واضح طور پر موافق ہے جس کی معاونت توانائی کی بہتر فراہمی، پاک چین معاشی راہداری (CPEC) سے متعلق سرمایہ کاری، مضبوط کھپت (consumption) کی نمو اور زراعت کی بحالی نے کی ہے۔

جاری کھاتے کا خسارہ بہتری کے اشارے دکھا رہا ہے۔ تاہم مستقبل قریب میں بڑھتے ہوئے افراط زر، بڑھے ہوئے مالیاتی خسارے اور غیر ملکی زرمبادلہ کے کم ذخائر کے ساتھ پاکستان کی معیشت کو مشکلات درپیش رہیں گی۔ بین الاقوامی منڈی میں تیل کی قیمتوں میں کمی، افراط زر کی رفتار کو کم کرنے میں ایک ممکنہ اہم مثبت کردار ادا کر سکتا ہے جس کے خدشات کا حالیہ جھکاؤ تنزلی کی جانب ہے۔

پالیسی نرخ میں اضافہ کے اثرات ملکی اندرونی قرضہ جات پر شرح سود کی ادائیگیوں پر ہوں گے جس کے باعث مالیاتی خسارے پر دباؤ بڑھے گا۔ درحقیقت شرح سود میں اضافے کا مطلب سرمایہ کے استعمال کی لاگت میں ممکنہ اضافہ ہے، جو بلند پیداواری لاگت اور نتیجتاً قیمتوں میں اضافے کا سبب بنے گی۔ دوسری جانب، ان نرخوں میں اضافہ، بینک کے اوسط ڈپازٹ میں اضافہ کریں گے۔ بینک جمع شدہ رقم سے سرمایہ کاری کریں گے اور منافع حاصل کریں گے جو گاہکوں کو کی جانے والی ادائیگیوں سے زیادہ ہے۔

کمپنی کی کارکردگی

یہ بات خاص طور پر بیان کرنے کی ہے کہ زیر جائزہ سال 2018 میں سندھ انشورنس کا قبل از محصول منافع 278.824 ملین روپے تک پہنچ چکا ہے جبکہ اس کے مقابلے میں سال 2017 میں یہ 178.318 ملین روپے تھا۔ جبکہ فی حصص آمدنی 1.98 روپے ہو گئی ہے۔

سرمایہ کاری سے حاصل آمدنی اس سال بڑھ کر گزشتہ سال کی 181.554 ملین روپے کے مقابلے میں 258.479 ملین روپے ہو گئی ہے۔ اس بڑھوتی کی وجہ اضافی 500 ملین روپے کے ادا شدہ سرمایہ کی بلند ترین شرح منافع پر سرمایہ کاری ہے۔

گزشتہ دو سالوں کے کلیدی مالیاتی اعداد و شمار درج ذیل ہیں:۔

2017	2018	
403,139,827	426,426,907	مجموعی پریمیم
1,618,930,064	358,774,796	خالص پریمیم آمدنی
(9,863,892)	5,980,802	انڈر رائٹنگ کے نتائج
181,554,857	258,479,051	سرمایہ کاری کی آمدنی
178,318,280	278,824,560	منافع قبل از محصول
124,875,511	198,429,427	منافع بعد از محصول
2.43	1.98	آمدنی فی حصص

انشورنس شعبے کا جائزہ

پاکستان میں انشورنس کی صنعت اس کے مسابقتین (competitors) کے مقابلے میں نسبتاً چھوٹی ہے۔ بیمہ کا دیگر علاقائی ملکوں کے مقابلے میں نفوذ اور اس کا مقام بہت معتدل رہا ہے۔ بیمہ سازوں میں بڑھی ہوئی مسابقت اور گاہکوں کے ضروریات کی وجہ سے متعدد مصنوعات اور عمل میں جدت پیدا ہو رہی ہے۔ اگرچہ صنعت کو معاشی صورتحال کی غیر یقینی کے سبب مشکلات درپیش ہیں لیکن اسے دستوری ماحول میں ہونے والی وسیع تر معاشی تبدیلیوں سے فائدہ بھی ہوا ہے۔

انشورنس کی صنعت کی نمو کے بنیادی محرکات (drivers) عام طور پر (typically) کُلّی معیشت (macroeconomic)، انضباطی عوامل اور خطے کی آبادیاتی خصوصیات (demographics) ہیں۔ پاکستان میں انشورنس کی نفوذ پذیری 1 فیصد سے کم ہے جو خطے کے دیگر ممالک کے مقابلے میں بہت کم ہے۔

بین الاقوامی طور پر بیمہ سازی کے شعبے میں بہت تبدیلیاں ہو رہی ہیں، جو بیمہ سازوں اور ضوابط کاروں (regulators) کے لئے نئے اہداف (challenges) اور مواقع پیدا کر رہی ہیں۔ اس لیے انشورنس کمپنیوں کے لیے لازمی ہے کہ وہ تنظیمی (organizational) اور عملیاتی (operational) تنظیم نو کریں تاکہ مالیاتی خطرے اور غیر یقینی صورتحال سے بچتے ہوئے مجموعی طور پر بہتر کارکردگی (efficiency) حاصل کی جا سکے۔

ونڈو تکافل آپریشنز

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) نے تکافل کے قواعد 2012 کے تحت، 22 ستمبر 2016 کو کمپنی کو ونڈو تکافل آپریٹر کے طور پر کام کرنے کا اجازت نامہ جاری کیا تھا۔ کمپنی نے ونڈو تکافل آپریشن کا آغاز دسمبر 2016 سے کیا۔

31 دسمبر 2018 تک تحریر کردہ (written) شراکت 13.072 ملین روپے تھا جبکہ اس کے مقابل سال میں 4.356 ملین روپے تھا۔ زیر جائزہ مدت کے دوران شراکت داروں کا زائد از ضرورت تکافل فنڈ میں خسارہ 3.635 تھا اور آپریٹرز فنڈ کا منافع 2.813 ملین روپے تھا۔ ہمیں امید ہے کہ تکافل کاروبار کی منافع بخشی آنے والے سالوں میں بڑھ جائے گی۔

بیمہ کا بیمہ (Reinsurance)

دوران سال ہنووری، پی آر سی ایل، جی آئی سی ری، سوئس ری اور ٹرسٹ ری ہمارے ری انشورنس پینل کا حصہ تھے جس کی قیادت ہنووری کر رہا تھا۔ کمپنی ونڈو تکافل کے لیے سوئس ری، جی آئی سی ری اور کینیڈا ری ہمارے پینل کا حصہ تھے جس کی قیادت سوئس ری کر رہا تھا۔

ادارہ جاتی اور مالیاتی رپورٹنگ ڈھانچہ

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کی جانب سے جاری کردہ کمپنی لاء اور پبلک سیکٹر کمپنیز (اداراتی نظم و ضبط) رولز 2013 اور اداراتی نظم و ضبط کے ضوابط 2016 برائے بیمہ ساز کمپنی کے تحت بورڈ اپنی ذمہ داریوں سے بخوبی آگاہ ہے۔ بورڈ درج ذیل بیان کرتے ہوئے خوش محسوس کرتا ہے:

- بورڈ نے اداراتی نظم و ضبط کے متعلقہ اصولوں کی پیروی کی ہے اور جہاں کسی قسم کی عدم پیروی ہوئی ہے اس کی نشاندہی وجوہات سمیت بیان کی ہیں۔
- کمپنی انتظامیہ کے تیار کردہ مالیاتی گوشوارے اسکے موجودہ جاری حالات، آپریشن کے نتائج، نقد بہاؤ (cash flows) اور ملکیتی سرمایہ (equity) میں تبدیلی تفصیلی طور پر پیش کرتے ہیں۔
- کمپنی کے حسابات کے کھاتے باضابطہ طور پر مرتب کئے گئے ہیں۔
- سالانہ حسابات کی تیاری کے لیے مناسب حکمت عملیاں تسلسل کے ساتھ اپنائی گئی ہیں اور مالیاتی اندازے مناسب اور محتاط روی سے اختیار کئے گئے ہیں۔
- ڈائریکٹرز ایک مضبوط داخلی نگرانی کے نظام کے قیام اور اسے برقرار رکھنے کے حوالے سے اپنی ذمہ داریوں سے مکمل طور پر آگاہ ہیں اور ان کا باقائدگی سے جائزہ لیا جاتا ہے اور نگرانی کی جاتی ہے۔
- مالیاتی گوشوارے کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ اور حساب کتاب کے معیارات، یادگیر ضوابط یا قوانین بشمول شریعہ کے رہنما اصول جو پاکستان میں مروج ہیں کو ملحوظ خاطر رکھا گیا ہے اور کسی قسم کا انحراف مناسب انداز میں وجوہات سمیت بیان کیا گیا ہے۔
- اداراتی حسن کارکردگی کی درج شدہ ضوابط برائے بہترین طریقہ کار پر عملدرآمد سے کوئی مادی انحراف نہیں کیا گیا ہے

- کمپنی کے قائم رہنے کی صلاحیت کسی شک و شبہ سے بالاتر ہے۔
- اس رپورٹ کے ساتھ اہم آپریٹنگ اور مالیاتی اعداد و شمار منسلک ہے۔
- بورڈ کے چیئرمین اور دیگر ارکان کا انتخاب، مدت انتخاب اور کے ساتھ ان کے مشاہرہ کی پالیسی پبلک سیکٹر کمپنی کے بہترین مفاد میں ہیں اور بہترین رائج طریقوں (practices) کے عین مطابق ہیں۔
- اس رپورٹ میں 31 دسمبر 2018 کے مطابق شیئر ہولڈنگ کا گوشوارہ شامل ہے۔
- 31 دسمبر 2018 کو پراویڈینٹ فنڈ میں سرمایہ کاری کی مالیت -/6,100,000 روپے تھی۔

بورڈ اجلاس

سال کے دوران بورڈ آف ڈائریکٹرز کے چار (4) اجلاس منعقد ہوئے اور ان میں شرکت کی تفصیلات درج ذیل ہے؛

نمبر شمار	ڈائریکٹر کے نام	اجلاس میں شرکت کی تعداد
01	جناب محمد بلال شیخ	04
02	ڈاکٹر نور عالم	01
03	جناب احمد صلاح الدین	01
04	سید اختر الاسلام	03
05	جناب محمد آل عابد	04
06	جناب زاہد حسین	04
07	جناب مؤدود احمد لودھی	01
08	جناب راجہ محمد عباس	01

*سید حسن نقوی کی کی عارضی آسامی (Causal) ڈاکٹر نور عالم نے پُر کی اور اس کے بعد ان کی عارضی آسامی (Causal) جناب نجم احمد شاہ نے پُر کی۔ جناب مؤدود احمد لودھی اور جناب احمد صلاح الدین کی عارضی آسامی (Causal) بالترتیب راجہ محمد عباس اور جناب مشتاق ملک نے پُر کی۔ نجم احمد شاہ اور مشتاق ملک نے سال کے آخر میں شمولیت کی اس لیے کسی اجلاس میں شرکت نہیں کی۔

اجلاس سے غیر حاضر بورڈ ارکان کی حاضری سے رخصت کی منظوری دی گئی ہے۔

کار نمایاں

آپ کی کمپنی "یونیورسل ایکسیڈنٹ انشورنس اینڈ شوئل بینیفٹ اسکیم" کے تحت صوبہ سندھ کے رہائشی تمام افراد کے لیے -/100,000 روپے کے حادثاتی بیمہ کوریج کی سہولت جاری رکھے ہوئے ہے۔ یہ اسکیم خاندان کے کسی رکن یا کمانے والے کی حادثاتی موت پر سماجی تحفظ فراہم کرتی ہے

کمپنی کی مالیاتی مضبوطی (IFS) کی درجہ بندی

پاکستان کریڈٹ ریٹنگ ایجنسی (PACRA) نے کمپنی کی "مالیاتی مضبوطی (IFS) کی درجہ بندی "A+" (مثبت A) کو برقرار رکھا۔ درجہ بندی میں یہ استحکام انشورنس کنندگان کے اعتماد اور معاہداتی ذمہ داریوں کو پورا کرنے کی مضبوط استعداد کو ظاہر کرتا ہے۔

کارکردگی کی قدر پیمائی

بورڈ اپنے ارکان بشمول چیرمین اور چیف ایگزیکٹو آفیسر اپنے وضع کردہ طریقہ کار کی بنیاد پر ان کی قدر پیمائی (evaluation) کر چکا ہے۔ بورڈ اپنی انتظامیہ کے اعلیٰ عہدے داروں کی کارکردگی کی سالانہ بنیاد پر نگرانی اور درجہ بندی کر چکا ہے۔

اداراتی سماجی ذمہ داری

سندھ انشورنس بطور اداراتی شہری کے اپنے کاروبار کے سماجی اور اخلاقی طور پر ذمہ دار کردار کو یقینی بناتی ہے تاکہ جس ماحول میں کمپنی کام کرتی ہے اس کا تحفظ اور سماجی گروہوں اور کلچر کی معاونت کرے۔ سندھ انشورنس کمپنی لمیٹڈ کے ملازمین نے عدالت عظمیٰ کے قائم کردہ ڈیامر بھاشا اور مہمند ڈیم فنڈ میں ایک دن کی تنخواہ جمع کروائی ہے۔

ضابطہ اخلاق کا بیان

بورڈ ایک ضابطہ اخلاق پر عمل پیرا ہے۔ جس کے بارے میں تمام ڈائریکٹرز اور ملازمین کو مطلع کر کے دستخط حاصل کیے جا چکے ہیں اور ان سے کاروباری اور قانونی معاملات میں مذکورہ ضابطہ اخلاق کی مکمل پاسداری مطلوب ہے۔

مادی تبدیلیاں

31 دسمبر 2018 کے بعد کسی قسم کی مادی تبدیلیاں وقوع پذیر نہیں ہوئیں ہیں اور کمپنی ایسے کسی انتظام یا معاہدے میں ملوث نہیں ہوئی جو اس تاریخ پر مالی صورتحال کو متاثر کرے۔

منقسمہ منافع

31 دسمبر 2018 کو اختتام پذیر مدت کے لیے کسی قسم کے منافع منقسمہ کا اعلان نہیں کیا گیا۔

محاسب (Auditors)

میسرز ریاض احمد اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، نے سال 2018 کو شواروں کا آڈٹ کیا ہے اور بطور قانونی بیرونی محاسب کے اپنی پانچ سالہ مدت مکمل کر چکے ہیں۔ کمپنی نے ٹینڈر کے عمل کے ذریعے سے میسرز: BDO ابراہیم اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کا انتخاب کیا ہے۔ آڈٹ کمیٹی نے میسرز: BDO ابراہیم اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کا بطور بیرونی محاسب کے تقرر اور ضابطوں کے مطابق ان کی آڈٹ فیس کے تعین کرنے کی سفارش کی ہے۔

مستقبل کا منظر نامہ

کمپنی حکومت سندھ کا غیر بیمہ شدہ جانیدار اور فنڈز سے متعلق کمیٹیو (captive) کاروبار حاصل کرنے کی بھرپور کوشش کر رہی ہے۔ جس کے لیے کمپنی کو سندھ انشورنس آف پبلک ایکٹ، 2015 کے تحت بیمہ خدمات فراہم کرنے کا اختیار حاصل ہے۔ ہم سندھ گورنمنٹ کے تمام شعبہ جات کے ملازمین کو بیمہ خدمات کی فراہمی پر کام کر رہے ہیں۔ یہ غیر دریافت شدہ (unexplored) مواقع کمپنی کو استحکام فراہم کریں گے اور کمپنی کی مالی صورت حال پر مثبت اثرات ڈالیں گے۔

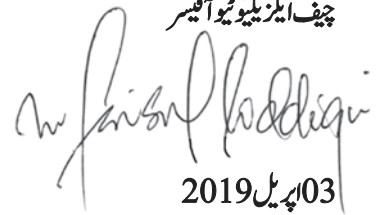
اظہارِ تشکر

اس موقع پر ڈائریکٹرز حکومت سندھ، وزارت تجارت، حکومت پاکستان، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP)، انشورنس ایسوسی ایشن آف پاکستان (IAP) اور سندھ بینک لمیٹڈ کے مسلسل تعاون اور سرپرستی پر سب کے لیے اپنے مخلصانہ جذباتِ ممنونیت کا اظہار کرنا چاہتے ہیں۔ مزید یہ کہ بورڈ اپنے ملازمین اور پالیسی کنندگان کی وابستگی اور حمایت کا تہہ دل سے شکر گزار ہے۔

برائے و منجانب بورڈ آف ڈائریکٹرز

ایم۔ فیصل صدیقی

چیف ایگزیکٹو آفیسر



03 اپریل 2019

KEY FINANCIAL DATA

	2018	2017	2016	2015	2014
Written Premium	426,426,907	403,139,827	2,408,853,887	73,994,813	2,319,819
Earned Premium	515,299,305	1,759,779,309	735,953,844	31,684,584	230,287
Net Premium Revenue	358,774,796	1,618,930,064	640,424,652	20,508,168	(458,499)
Underwriting Result	5,980,802	(9,066,177)	31,460,337	(15,784,898)	(6,389,734)
Investment & Other Income	272,370,559	188,202,805	76,164,891	129,542,800	61,538,068
Profit / (Loss) before tax	278,824,560	178,318,280	82,574,027	97,162,681	47,798,630
Profit / (Loss) after tax	198,429,427	124,875,511	56,706,735	67,318,967	32,025,082
Paid-up Capital	1,000,000,000	1,000,000,000	500,000,000	500,000,000	500,000,000
Shareholders' Equity	1,479,355,722	1,281,479,183	658,577,412	599,344,049	532,025,082
Breakup Value per Share (RS.)	14.79	12.81	13.17	11.99	10.64
Investment & properties	279,915,200	130,487,997	894,925,867	526,309,909	355,227,003
Cash & Bank Balances	2,881,017,842	2,917,158,959	1,650,625,692	53,336,642	135,337,879
Total Assets Book Value	3,860,006,895	3,478,610,266	2,989,421,120	676,773,510	543,789,965

NOTICE OF THE FIFTH ANNUAL GENERAL MEETING

Notice is hereby given that the Fifth Annual General Meeting of the shareholders of Sindh Insurance Limited will be held on Tuesday, April 30, 2019 at 10:45 am at the registered office of the Company at 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi, to transact the following business:

ORDINARY BUSINESS

1. To confirm minutes of the Fourth Annual General Meeting held on April 26, 2018.
2. To receive, consider and adopt the Audited Annual Accounts for the year ended December 31, 2018 along with Directors' and Auditors' Report thereon.
3. To appoint Auditors for the year 2019 and fix their remuneration.
4. To transact any other business that may be placed before the meeting with the permission of the Chair.



**By Order of the Board
Nadeem Akhter
Company Secretary**

Karachi
April 09, 2019

NOTES:

- 1) A member entitled to attend and vote is entitled to appoint another member/any other person as his/her proxy to attend and vote.
- 2) Duly completed instrument of proxy, and the other authority under which it is signed, must be lodged with the Company Secretary at the company's registered office 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi, at least 48 hours before the time of the meeting.
- 3) Share Transfer Books of the Company will remain closed from April 30, 2019 to May 06, 2019 (both days inclusive).
- 4) Any change of address of Member should be immediately notified to the company's registered office 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi.
- 5) The CDC account holder will further have to follow the under-mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

A. For attending the meeting:

- i. In Case of individuals, the account holder or sub-accounts holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original computerized national identity card (CNIC) or original passport at the time of attending the meeting.
- ii. In case of corporate entity the Board of Directors resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

B. For appointing proxies:

- i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per account and their registration details are uploaded as per the regulations, shall submit the proxy form accordingly.
- ii. The proxy form shall be witnessed by two persons whose names, address and CNIC numbers shall be mentioned on the form.
- iii. Attested copies of CNIC or the passport
- iv. The proxy shall produce his/her original CNIC or original passport at the time of meeting.
- v. In Case of Corporate entity, the board of Director's resolution / power of attorney with specimen signature shall be submitted along with proxy form to the company.

STATEMENT OF COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013 AND CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2016

Name of Company: SINDH INSURANCE LIMITED

Name of the line ministry: Ministry of Finance, Government of Sindh

For the period ended: 31 December 2018

- I. This statement is being presented to comply with the Public Sector Companies (Corporate Governance) Rules, 2013 and Code of Corporate Governance for Insurers, 2016 (hereinafter collectively called "the Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance.
- II. The Company has complied with the provisions of the Public Sector Companies (Corporate Governance) Rules, 2013 in the following manner:

S. No.	Provision of the Rules	Rule no.	Y	N																						
			Tick the relevant box																							
1.	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	✓																							
2.	<div>The Board has at least one-third of its total members as independent directors. At present Board includes:</div> <table><tr><th>Category</th><th>Names</th><th>Date of Appointment</th></tr><tr><td rowspan="4">Independent Directors</td><td>Syed Akhtar Ul Islam</td><td>30-01-2017</td></tr><tr><td>Muhammad Aley Abid</td><td>30-01-2017</td></tr><tr><td>Syed Zahid Hussain</td><td>30-01-2017</td></tr><tr><td>Mushtaq Malik</td><td>17-10-2018</td></tr><tr><td>Executive Director</td><td>Muhammad Faisal Siddiqui</td><td>28-04-2015</td></tr><tr><td rowspan="3">Non-Executive Directors</td><td>Muhammad Bilal Sheikh</td><td>28-04-2015</td></tr><tr><td>Najam Ahmed Shah</td><td>01-11-2018</td></tr><tr><td>Raja Muhammad Abbas</td><td>26-04-2018</td></tr></table>	Category	Names	Date of Appointment	Independent Directors	Syed Akhtar Ul Islam	30-01-2017	Muhammad Aley Abid	30-01-2017	Syed Zahid Hussain	30-01-2017	Mushtaq Malik	17-10-2018	Executive Director	Muhammad Faisal Siddiqui	28-04-2015	Non-Executive Directors	Muhammad Bilal Sheikh	28-04-2015	Najam Ahmed Shah	01-11-2018	Raja Muhammad Abbas	26-04-2018	3(2)	✓	
Category	Names	Date of Appointment																								
Independent Directors	Syed Akhtar Ul Islam	30-01-2017																								
	Muhammad Aley Abid	30-01-2017																								
	Syed Zahid Hussain	30-01-2017																								
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Non-Executive Directors	Muhammad Bilal Sheikh	28-04-2015																								
	Najam Ahmed Shah	01-11-2018																								
	Raja Muhammad Abbas	26-04-2018																								
3.	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	3(5)		✓																						
4.	The appointing authorities have applied the fit and proper criteria given in the Annexure in making nominations of the persons for election as Board members under the provisions of the Act.	3(7)	✓																							
5.	The chairman of the Board is working separately from the chief executive of the Company.	4(1)	✓																							
6.	The chairman has been elected by the Board of directors except where Chairman of the Board has been appointed by the Government.	4(4)	✓																							
7.	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the commission.	5(2)	✓																							
8.	<div>(a) The Company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place.</div> <div>(b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures, including posting the same on the Company's website. (www.sindhinsuranceld.com)</div> <div>(c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.</div>	5(4)	✓																							

S. No.	Provision of the Rules	Rule no.	Y	N
			Tick the relevant box	
9.	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	✓	
10.	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interest, and the procedure for disclosing such interest.	5(5)(b)(ii)	✓	
11.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the Company.	5(5)(b)(vi)	✓	
12.	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service	5(5)(c)(ii)	✓	
13.	The Board has ensured compliance with the law as well as the Company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5)(c)(iii)	✓	
14.	The Board has developed a vision or mission statement and corporate strategy of the Company.	5(6)	✓	
15.	The Board has developed significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended, has been maintained.	5(7)	✓	
16.	The board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation, and have submitted its request for appropriate compensation to the Government for consideration.	5(8)	N/A	
17.	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)	✓	
18.	(a) The Board has met at least four times during the period. (b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings, (c) The minutes of the meetings were appropriately recorded and circulated.	6(1) 6(2) 6(3)	✓	
19.	The Board has monitored and assessed the performance of senior management on annual basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8(2)	✓	
20.	The Board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	✓	
21.	(a) The Board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the period as well as financial period end.	10(a)	✓	
22.	(b) In case if listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors.	10(b)	N/A	
23.	(c) The Board has placed the annual financial statements on the Company's website.	10(c)	✓	
24.	All the Board members underwent an orientation course arranged by the Company to apprise them of the material developments and information as specified in the Rules.	11	✓	
25.	(a) The Board has formed the requisite committees, as specified in the Rules. (b) The Committees were provided with written term of reference defining their duties, authorities and composition. (c) The minutes of the meetings of the committees were circulated to all the Board members. (d) The committees were chaired by the following non-executive directors:	12	✓	

S. No.	Provision of the Rules			Rule no.	Y	N																	
					Tick the relevant box																		
	<table><tr><th>Committee</th><th>Number of members</th><th>Name of Chair</th></tr><tr><td>Audit Committee</td><td>3</td><td>Syed Akhtar UI Islam</td></tr><tr><td>Risk Management Committee</td><td>3</td><td>Muhammad Bilal Sheikh</td></tr><tr><td>Human Resources Committee</td><td>3</td><td>Muhammad Bilal Sheikh</td></tr><tr><td>Procurement Committee</td><td>3</td><td>Muhammad Bilal Sheikh</td></tr><tr><td>Nomination Committee</td><td>3</td><td>Najam Ahmed Shah</td></tr></table>	Committee	Number of members	Name of Chair	Audit Committee	3	Syed Akhtar UI Islam	Risk Management Committee	3	Muhammad Bilal Sheikh	Human Resources Committee	3	Muhammad Bilal Sheikh	Procurement Committee	3	Muhammad Bilal Sheikh	Nomination Committee	3	Najam Ahmed Shah				
Committee	Number of members	Name of Chair																					
Audit Committee	3	Syed Akhtar UI Islam																					
Risk Management Committee	3	Muhammad Bilal Sheikh																					
Human Resources Committee	3	Muhammad Bilal Sheikh																					
Procurement Committee	3	Muhammad Bilal Sheikh																					
Nomination Committee	3	Najam Ahmed Shah																					
26.	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, by whatever name called, with their remuneration and terms and conditions of employment.			13	✓																		
27.	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rule			14	✓																		
28.	The Company has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of section 225 of the Act.			16	✓																		
29.	The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes salient matters required to be disclosed.			17	✓																		
30.	The directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the Company except those disclosed to the Company.			18	✓																		
31.	(a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration.			19	Only the CEO is being paid. Other directors are entitled to meeting fee only.																		
32.	(b) The annual report of the Company contains criteria and details of remuneration of each director				✓																		
33.	The financial statements of the Company were duly endorsed by the chief executive and chief financial officer before consideration and approval of the audit committee and the Board.			20	✓																		
34.	The Board has formed an audit committee, with defined and written terms of reference, and having the following members:			21(1) and 21(2)	✓																		
	<table><tr><th>Name of Member</th><th>Category</th><th>Professional Background</th></tr><tr><td>Syed Akhtar UI Islam</td><td>Independent</td><td>Businessman</td></tr><tr><td>Raja Muhammad Abbas</td><td>Non-Executive</td><td>Ex - Government Servant</td></tr><tr><td>Zahid Hussain</td><td>Independent</td><td>Banker</td></tr></table>						Name of Member	Category	Professional Background	Syed Akhtar UI Islam	Independent	Businessman	Raja Muhammad Abbas	Non-Executive	Ex - Government Servant	Zahid Hussain	Independent	Banker					
	Name of Member	Category	Professional Background																				
	Syed Akhtar UI Islam	Independent	Businessman																				
	Raja Muhammad Abbas	Non-Executive	Ex - Government Servant																				
Zahid Hussain	Independent	Banker																					
The chief executive and chairman of the Board are not members of the audit committee.																							
35.	(a) The chief financial officer, the chief internal auditor, and a representative of the external auditors attended all meetings of the audit committee at which issues relating to accounts and audit were discussed.			21(3)	✓																		
	(b) The audit committee met the external auditors, at least once a year, without the presence of the chief financial officer, the chief internal auditor and other executives.				✓																		
	(c) The audit committee met the chief internal auditor and other members of the internal audit function, at least once a year, without the presence of chief financial officer and the external auditors.				✓																		

S. No.	Provision of the Rules	Rule no.	Y	N
			Tick the relevant box	
36.	(a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee. (b) The chief internal auditor has requisite qualification and experience prescribed in the Rules. (c) The internal audit reports have been provided to the external auditors for their review.	22	✓	
37.	The external auditors of the Company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	23(4)	✓	
38.	The Auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	23(5)	✓	

III. The Company has complied with the additional provisions of Code of Corporate Governance for Insurers, 2016 in the following manner:

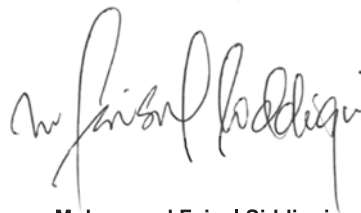
S. No.	Provision of the Rules	Rule no.	Y	N								
			Tick the relevant box									
39.	<p>The Board has formed the following management committee:</p> <p>Underwriting Committee:</p> <table><tr><th>Name of the member</th><th>Category</th></tr><tr><td>Syed Akhtar UI Islam</td><td>Independent Director</td></tr><tr><td>Muhammad Faisal Siddiqui</td><td>Executive Director</td></tr><tr><td>Nadeem Akhter</td><td>Management</td></tr></table>	Name of the member	Category	Syed Akhtar UI Islam	Independent Director	Muhammad Faisal Siddiqui	Executive Director	Nadeem Akhter	Management	xxxvi	✓	
Name of the member	Category											
Syed Akhtar UI Islam	Independent Director											
Muhammad Faisal Siddiqui	Executive Director											
Nadeem Akhter	Management											
	<p>Claim Committee:</p> <table><tr><th>Name of the member</th><th>Category</th></tr><tr><td>Zahid Hussain</td><td>Independent Director</td></tr><tr><td>Muhammad Faisal Siddiqui</td><td>Executive Director</td></tr><tr><td>Muhammad Sarfraz Awan</td><td>Management</td></tr></table>	Name of the member	Category	Zahid Hussain	Independent Director	Muhammad Faisal Siddiqui	Executive Director	Muhammad Sarfraz Awan	Management	xxxvii	✓	
Name of the member	Category											
Zahid Hussain	Independent Director											
Muhammad Faisal Siddiqui	Executive Director											
Muhammad Sarfraz Awan	Management											
	<p>Reinsurance & Co-insurance Committee:</p> <table><tr><th>Name of the member</th><th>Category</th></tr><tr><td>Syed Akhtar UI Islam</td><td>Independent Director</td></tr><tr><td>Muhammad Faisal Siddiqui</td><td>Executive Director</td></tr><tr><td>Nadeem Akhter</td><td>Management</td></tr></table>	Name of the member	Category	Syed Akhtar UI Islam	Independent Director	Muhammad Faisal Siddiqui	Executive Director	Nadeem Akhter	Management	xxxviii	✓	
Name of the member	Category											
Syed Akhtar UI Islam	Independent Director											
Muhammad Faisal Siddiqui	Executive Director											
Nadeem Akhter	Management											
	<p>Risk Management & Compliance Committee:</p> <table><tr><th>Name of the member</th><th>Category</th></tr><tr><td>Muhammad Bilal Sheikh</td><td>Non-Executive Director</td></tr><tr><td>Muhammad Faisal Siddiqui</td><td>Executive Director</td></tr><tr><td>Nadeem Akhter</td><td>Management</td></tr></table>	Name of the member	Category	Muhammad Bilal Sheikh	Non-Executive Director	Muhammad Faisal Siddiqui	Executive Director	Nadeem Akhter	Management	xxxix	✓	
Name of the member	Category											
Muhammad Bilal Sheikh	Non-Executive Director											
Muhammad Faisal Siddiqui	Executive Director											
Nadeem Akhter	Management											

S. No.	Provision of the Rules	Rule no.	Y	N										
			Tick the relevant box											
40.	<p>The Board has formed the following Board Committees:</p> <p>Human Resource Committee:</p> <table><tr><th>Name of the member</th><th>Category</th></tr><tr><td>Muhammad Bilal Sheikh</td><td>Non Executive Director</td></tr><tr><td>Syed Akhtar UI Islam</td><td>Independent Director</td></tr><tr><td>Muhammad Aley Abid</td><td>Independent Director</td></tr></table>	Name of the member	Category	Muhammad Bilal Sheikh	Non Executive Director	Syed Akhtar UI Islam	Independent Director	Muhammad Aley Abid	Independent Director	xli	✓			
Name of the member	Category													
Muhammad Bilal Sheikh	Non Executive Director													
Syed Akhtar UI Islam	Independent Director													
Muhammad Aley Abid	Independent Director													
	<p>Procurement & Information Technology Committee:</p> <table><tr><th>Name of the member</th><th>Category</th></tr><tr><td>Muhammad Bilal Sheikh</td><td>Non Executive Director</td></tr><tr><td>Syed Akhtar UI Islam</td><td>Independent Director</td></tr><tr><td>Muhammad Aley Abid</td><td>Independent Director</td></tr></table>	Name of the member	Category	Muhammad Bilal Sheikh	Non Executive Director	Syed Akhtar UI Islam	Independent Director	Muhammad Aley Abid	Independent Director		✓			
Name of the member	Category													
Muhammad Bilal Sheikh	Non Executive Director													
Syed Akhtar UI Islam	Independent Director													
Muhammad Aley Abid	Independent Director													
	<p>Nomination Committee:</p> <table><tr><th>Name of the member</th><th>Category</th></tr><tr><td>Secretary Finance</td><td>Non-Executive Director</td></tr><tr><td>Muhammad Bilal Sheikh</td><td>Non-Executive Director</td></tr><tr><td>Muhammad Aley Abid</td><td>Independent Director</td></tr></table>	Name of the member	Category	Secretary Finance	Non-Executive Director	Muhammad Bilal Sheikh	Non-Executive Director	Muhammad Aley Abid	Independent Director	xli	✓			
Name of the member	Category													
Secretary Finance	Non-Executive Director													
Muhammad Bilal Sheikh	Non-Executive Director													
Muhammad Aley Abid	Independent Director													
	<p>Risk management Committee:</p> <table><tr><th>Name of the member</th><th>Category</th></tr><tr><td>Muhammad Bilal Sheikh</td><td>Non-Executive Director</td></tr><tr><td>Muhammad Aley Abid</td><td>Independent Director</td></tr><tr><td>Zahid Hussain</td><td>Independent Director</td></tr></table>	Name of the member	Category	Muhammad Bilal Sheikh	Non-Executive Director	Muhammad Aley Abid	Independent Director	Zahid Hussain	Independent Director					
Name of the member	Category													
Muhammad Bilal Sheikh	Non-Executive Director													
Muhammad Aley Abid	Independent Director													
Zahid Hussain	Independent Director													
	<p>Investment Committee:</p> <table><tr><th>Name of the member</th><th>Category</th></tr><tr><td>Muhammad Bilal Shaikh</td><td>Non Executive Director</td></tr><tr><td>Zahid Hussain</td><td>Independent Director</td></tr><tr><td>Muhammad Faisal Siddiqui</td><td>Chief Executive Officer</td></tr><tr><td>Nadeem Akhter</td><td>Chief Finance Officer</td></tr></table>	Name of the member	Category	Muhammad Bilal Shaikh	Non Executive Director	Zahid Hussain	Independent Director	Muhammad Faisal Siddiqui	Chief Executive Officer	Nadeem Akhter	Chief Finance Officer	xliv	✓	
Name of the member	Category													
Muhammad Bilal Shaikh	Non Executive Director													
Zahid Hussain	Independent Director													
Muhammad Faisal Siddiqui	Chief Executive Officer													
Nadeem Akhter	Chief Finance Officer													
41.	<p>The Chief Executive Officer, Chief Finance Officer, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under the code of Corporate Governance for Insurer, 2016. The Appointed Actuary of the Company (if any) also meets the conditions as laid down in the said code. Moreover, the person heading the underwriter, claim, reinsurance, risk management, and grievance function / departments possess qualification and experience of direct relevance to their respective function, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No XXXIX of 2000)</p>	xxi, xxiii, xxxii, lxxiii	✓											

S. No.	Provision of the Rules	Rule no.	Y	N																				
			Tick the relevant box																					
	<table><tr><th>Name of the member</th><th>Category</th></tr><tr><td>Muhammad Faisal Siddiqui</td><td>Chief Executive Officer</td></tr><tr><td>Nadeem Akhter</td><td>Chief Finance Officer/ Company Secretary</td></tr><tr><td>Imtiaz Ali</td><td>Compliance Officer</td></tr><tr><td>Ali Raza Zardari</td><td>Chief Internal Auditor</td></tr><tr><td>Farhan Naseem Siddiqui</td><td>Head of Underwriter</td></tr><tr><td>Syed Adil Hussain</td><td>Head of Claim</td></tr><tr><td>Muhammad Irfan</td><td>Head of Reinsurance</td></tr><tr><td>Muhammad Faisal Siddiqui</td><td>Head of Risk Management</td></tr><tr><td>Muhammad Sarfraz Awan</td><td>Head of Grievance Department</td></tr></table>	Name of the member	Category	Muhammad Faisal Siddiqui	Chief Executive Officer	Nadeem Akhter	Chief Finance Officer/ Company Secretary	Imtiaz Ali	Compliance Officer	Ali Raza Zardari	Chief Internal Auditor	Farhan Naseem Siddiqui	Head of Underwriter	Syed Adil Hussain	Head of Claim	Muhammad Irfan	Head of Reinsurance	Muhammad Faisal Siddiqui	Head of Risk Management	Muhammad Sarfraz Awan	Head of Grievance Department			
	Name of the member	Category																						
	Muhammad Faisal Siddiqui	Chief Executive Officer																						
	Nadeem Akhter	Chief Finance Officer/ Company Secretary																						
	Imtiaz Ali	Compliance Officer																						
	Ali Raza Zardari	Chief Internal Auditor																						
	Farhan Naseem Siddiqui	Head of Underwriter																						
	Syed Adil Hussain	Head of Claim																						
	Muhammad Irfan	Head of Reinsurance																						
	Muhammad Faisal Siddiqui	Head of Risk Management																						
	Muhammad Sarfraz Awan	Head of Grievance Department																						
42.	The Board has set up a grievance department/ function, which fully complies with the requirement of the code of corporate governance for insurers, 2016.	Ixxiv	✓																					



Muhammad Bilal Shaikh
Chairman



Muhammad Faisal Siddiqui
Chief Executive Officer

SCHEDULE II
SEE Paragraph 2(3)

**Explanation for Non-Compliance with the
Public Sector Companies (Corporate Governance) Rules, 2013**

We confirm that all other material requirements envisaged in the Rules have been complied with except for the following, toward which reasonable progress is being made by the Company to seek compliance by the end of next accounting year.

Sr. No.	Rule/sub-rule no.	Reason for non-compliance	Future Course of Action
1.	3(5)	Only one of the directors, Mr. Najam Ahmed Shah is director in more than 5 companies, who is a Government Nominee and currently is Finance Secretary, Government of Sindh.	SECP has granted relaxation from the said rule to Secretary Finance, Government of Sindh.



Muhammad Bilal Shaikh
Chairman



Muhammad Faisal Siddiqui
Chief Executive Officer

**REVIEW REPORT TO THE MEMBERS
ON THE STATEMENTS OF COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES
(CORPORATE GOVERNANCE) RULES, 2013 AND CODE OF CORPORATE
GOVERNANCE FOR INSURERS, 2016**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules), and Code of Corporate Governance for Insurers, 2016 (both herein referred to as 'Codes') prepared by the Board of Directors of SINDH INSURANCE LIMITED (the Company) for the year ended 31 December 2018.

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

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

The Codes require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not. Moreover, the Public Sector Companies (Corporate Governance) Rules, 2013 also require the Board to ensure compliance with the law as well as Company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with supplier of goods and services. Compliance with above stated requirements has been checked, on a test basis as part of the audit of financial statements of the Company for the purpose of expressing an opinion on those financial statements.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Codes as applicable to the Company for the year ended 31 December 2018.



RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Muhammad Waqas

KARACHI
Date: 16 April, 2019

INDEPENDENT AUDITORS' 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 31 December 2018, and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Company's affairs as at 31 December 2018 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

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

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company for 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 material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the requirements of 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 the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XIX of 2017), and are in agreement with the books of account;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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



RIAZ AHMAD & COMPANY
Chartered Accountants

Karachi
Date: 16 April 2019

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	31 December 2018 Rupees	31 December 2017 Rupees Restated	31 December 2016 Rupees Restated
Assets				
Property and equipment	5	18,229,032	22,871,854	23,707,208
Intangible assets	6	1,070,781	1,233,052	2,379,026
Investments				
Equity securities		-	-	461,579,965
Debt securities	7	279,915,200	130,487,997	435,415,173
Term deposits	8	2,827,101,841	2,864,811,730	1,580,816,263
Loans and other receivable	9	63,316,123	49,775,344	26,527,202
Insurance / reinsurance receivables	10	409,851,141	112,754,142	80,791,479
Re-insurance recoveries against outstanding claims		56,158,251	16,932,824	6,372,999
Deferred commission expense / acquisition cost		119,779	1,980,048	1,896,084
Deferred taxation	11	8,231,479	-	-
Taxation - payment less provisions		-	10,200,191	3,222,839
Prepayments	12	79,910,167	161,791,115	244,848,894
Cash and bank	13	53,916,001	52,347,229	69,809,429
		3,797,819,795	3,425,185,526	2,937,366,561
Total assets of Window Takaful Operations - Operator's Fund		62,187,100	53,424,740	52,054,559
Total Assets		3,860,006,895	3,478,610,266	2,989,421,120
Equity and Liabilities				
Capital and reserves attributable to Company's equity holders				
Ordinary share capital	14	1,000,000,000	1,000,000,000	500,000,000
Reserves				
Capital reserves - Available for sale investment revaluation reserve		-	552,888	2,526,628
Revenue reserves - Unappropriate profit		479,355,722	280,926,295	156,050,784
Total Equity		1,479,355,722	1,281,479,183	658,577,412
Liabilities				
Underwriting Provisions				
Outstanding claims including IBNR		1,935,311,565	1,191,759,126	492,762,702
Unearned premium reserves		271,787,924	360,660,322	1,717,299,804
Premium deficiency reserves		29,176,346	7,121,792	627,816
Unearned reinsurance commission		7,157,807	6,496,730	5,155,112
Deferred taxation	11	-	1,889,543	2,544,592
Premium received in advance		1,851,899	514,640,636	57,160,428
Insurance / reinsurance payables	15	88,486,754	84,840,808	40,430,817
Other creditors and accruals	16	27,341,591	27,475,858	13,111,733
Taxation - payment less provisions		10,725,322	-	-
Total liabilities		2,371,839,208	2,194,884,815	2,329,093,004
Total liabilities of Window Takaful Operations - Operator's Fund		8,811,965	2,246,268	1,750,704
Total Equity and Liabilities		3,860,006,895	3,478,610,266	2,989,421,120
Contingencies and commitments				
	17			

The annexed notes from 1 to 35 form an integral part of these financial statements.



Chairman



Director



Director



Chief Executive Officer

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	31 December 2018 Rupees	31 December 2017 Rupees Restated
Net insurance premium	18	358,774,796	1,618,930,064
Net insurance claims	19	(801,910,153)	(763,597,706)
Premium deficiency		(22,054,554)	(6,493,976)
Net commission and other acquisition cost	20	558,225,599	(751,888,130)
Insurance claims and acquisition expenses		(265,739,108)	(1,521,979,812)
Management expenses	21	(87,054,886)	(106,016,429)
Underwriting results		5,980,802	(9,066,177)
Investment income	22	258,479,051	181,554,857
Other income	23	13,891,508	6,647,948
Other expenses	24	(2,276,352)	(2,218,215)
Results of operating activities		276,075,009	176,918,413
Profit from Window Takaful Operations		2,749,551	1,399,867
Profit before tax		278,824,560	178,318,280
Income tax expense	25	(80,395,133)	(53,442,769)
Profit after tax		198,429,427	124,875,511
Other comprehensive income:			
Items that will be reclassified subsequently to profit and loss account			
- Fair value adjustment on remeasurement of available for sale investments - net of deferred tax		-	-
- Fair value reserve reclassified to profit and loss account on disposal of available for sale investments - net of deferred tax		-	(1,448,490)
- Other comprehensive income from Window Takaful Operations		(552,888)	(525,250)
Items that will not be reclassified subsequently to profit and loss account			
		-	-
		(552,888)	(1,973,740)
Total comprehensive income for the year		197,876,539	122,901,771
Earnings (after tax) per share - basic & diluted	26	1.98	2.43

The annexed notes from 1 to 35 form an integral part of these financial statements.



Chairman



Director



Director



Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Attributable to equity holders of the Company			
	Capital reserve		Revenue reserve	Total
	Share capital	Available for sale investment revaluation reserve	Unappropriated profit	
	Rupees	Rupees	Rupees	Rupees
Balance as at 31 December 2016	500,000,000	-	156,050,784	656,050,784
Restatement due to change in accounting policy	-	2,526,628	-	2,526,628
Balance as at 31 December 2016 - restated	500,000,000	2,526,628	156,050,784	658,577,412
Profit for the year ended 31 December 2017	-	-	124,875,511	124,875,511
Other comprehensive income	-	(1,973,740)	-	(1,973,740)
Total comprehensive income	-	(1,973,740)	124,875,511	122,901,771
Transaction with owners recorded directly in equity				
Issuance of share capital	500,000,000	-	-	500,000,000
Balance as at 31 December 2017 - restated	1,000,000,000	552,888	280,926,295	1,281,479,183
Profit for the year ended 31 December 2018	-	-	198,429,427	198,429,427
Other comprehensive income	-	(552,888)	-	(552,888)
Total comprehensive income	-	(552,888)	198,429,427	197,876,539
Balance as at 31 December 2018	1,000,000,000	-	479,355,722	1,479,355,722

The annexed notes from 1 to 35 form an integral part of these financial statements.



Chairman



Director



Director



Chief Executive Officer

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	31 December 2018 Rupees	31 December 2017 Rupees Restated
OPERATING ACTIVITIES			
<i>a) Underwriting activities</i>			
Insurance premiums received		128,282,959	106,190,835
Reinsurance premiums paid		(67,938,273)	(47,518,409)
Claims paid		(110,220,378)	(96,404,748)
Reinsurance and other recoveries received		12,637,237	21,243,641
Commissions paid		(502,028)	(4,685,322)
Commissions received		14,755,199	11,389,881
Other underwriting payments		(49,637,209)	(63,472,786)
Net cash flows used in underwriting activities		(72,622,493)	(73,256,908)
<i>b) Other operating activities</i>			
Income tax paid		(69,590,642)	(60,454,389)
Management and administrative expenses paid		(2,276,352)	(26,162,253)
Compensated absences paid		(764,960)	(390,969)
Other operating payments		(8,535,911)	7,919,413
Net cash used in other operating activities		(81,167,865)	(79,088,198)
Net cash used in operating activities		(153,790,358)	(152,345,106)
INVESTMENT ACTIVITIES			
Profit / return received on investment		253,080,057	144,005,400
Other income received		13,519,808	6,647,949
Payments for investments		(417,884,325)	(105,293,247)
Proceeds from disposal of investments		268,654,185	876,113,016
Proceeds from disposal of fixed assets		760,000	-
Fixed capital expenditure		(480,484)	(2,594,745)
Net cash flows from investing activities		117,649,241	918,878,373
FINANCING ACTIVITIES			
Issuance of share capital		-	500,000,000
Net cash flows from financing activities		-	500,000,000
Net cash (used in) / flows from all activities		(36,141,117)	1,266,533,267
Cash and cash equivalents at the beginning of year		2,917,158,959	1,650,625,692
Cash and cash equivalents at end of the year	13.1	2,881,017,842	2,917,158,959
Reconciliation to profit and loss account			
Operating cash flows		(153,790,358)	(152,345,106)
Depreciation on fixed assets		(4,735,006)	(3,130,099)
Amortization of intangibles		(1,102,915)	(1,445,974)
Bad and doubtful debts		(31,486,545)	-
Income tax paid		69,590,642	60,454,389
Increase / decrease in assets other than cash		275,248,466	(48,370,740)
Increase / decrease in liabilities		(150,019,834)	133,553,138
Investment income		258,479,051	181,554,857
Profit from Window Takaful Operations		2,749,551	1,399,867
Other income		13,891,508	6,647,948
Profit before taxation		278,824,560	178,318,280

The annexed notes from 1 to 35 form an integral part of these financial statements.



Chairman



Director



Director



Chief Executive Officer

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1. Sindh Insurance Limited (the Company) was incorporated under the Companies Ordinance, 1984, (now Companies Act, 2017) as a Public Limited Company on 20 December 2013 and obtained the certificate of commencement of business on 22 September 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. The registered office and principal place of business of the Company is situated at 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi.
- 1.2. The Company was granted authorization on 22 September 2016 under Rule 6 of the Takaful Rules, 2012 to undertake Takaful Window Operations in respect of general takaful products by Securities and Exchange Commission of Pakistan (SECP) and subsequently the Company commenced Window Takaful Operations.
- 1.3. During the year 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 to the Company dated 04 January 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 04 February 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. Further, the management assured in its response that most of the issues highlighted by SECP have been complied whereas the management is fully committed to ensure compliance with rest of the non-compliances in due course. No further correspondence has been made by SECP in this regard.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These financial statements are prepared in accordance with approved accounting and reporting standards as applicable in Pakistan. Approved accounting and reporting standards comprise of such 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, the Insurance Accounting Regulations, 2017 and Takaful Rules, 2012. In case requirements differ, the provisions or directives of the Companies Act, 2017, Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017 and Takaful Rules, 2012 shall prevail.

Change in the presentation of financial statements

During the year, Companies Act, 2017, Insurance Accounting Regulations, 2017 and Insurance Rules, 2017 have been implemented. The SECP has prescribed format for presentation of annual financial statements for general insurance companies in Insurance Rules, 2017 issued vide S.R.O. 89(I)/2017 dated 09 February 2017. Accordingly, these financial statements have been prepared in accordance with the format prescribed by SECP. Previously, the financial statements were being prepared following the format prescribed by SECP through Securities and Exchange Commission (Insurance) Rules, 2002 {SEC (Insurance) Rules, 2002}, vide S.R.O. 938 dated 12 December 2002 and the provisions of or directives issued under the Companies Ordinance, 1984. Following major changes have been made in the presentation format as prescribed by the new Rules and Regulations:

- Nomenclature of balance sheet changed to statement of financial position. Furthermore, previously separately presented profit and loss account and statement of comprehensive income have been presented in a single statement of comprehensive income, the option adopted by the Company.
- Changes in sequence of assets / liabilities in the statement of financial position.
- Discontinuation of separate statements of premiums, claims, expenses and investment income, which are now presented separately on aggregate basis in to the notes to the financial statements (note 18, 19, and 20).
- Underwriting results in relation to various classes of business which were previously presented on the face of the profit and loss account are now presented separately (note 29).
- Corresponding figures have been reclassified / rearranged for the purpose of comparison where necessary to ensure compliance with new format for reporting issued by SECP.

Total assets, total liabilities and comprehensive income of Window Takaful Operations (WTO) of the Company referred to as Operator's Fund have been presented in these financial statements in accordance with requirements of Circular No. 25 of 2015. Separate set of financial statements of Window Takaful Operations of the Company has been annexed to these financial statements as per requirements of the Takaful Rules, 2012.

2.1 BASIS OF MEASUREMENT

a) Accounting convention

These financial statements have been prepared under the historical cost convention except certain investments that have been measured at fair value. Accrual basis of accounting has been used except for cash flow information.

b) Functional and Presentation Currency

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

c) Application of new and revised International Financial Reporting Standards (IFRSs)

i) New and amended standards and interpretations became effective during the year

The following amendments to published approved standards and interpretation are mandatory for the Company's accounting periods beginning on or after 01 January 2018:

- IFRS 2 (Amendments) - Classification and Measurement of Share-based Payment Transactions.
- IAS 40 (Amendments) - Investment Property

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

ii) Standards, interpretations and amendments to published approved accounting standards those are not yet effective

The following standards, amendments and interpretation of approved accounting standards will be effective for the accounting periods beginning on or after 01 January 2019 or later periods:

	Effective date (accounting periods beginning on or after)
- IFRIC 23 - Uncertainty over Income Tax Treatments	01 January 2019
- IFRS 4 (Amendments) - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4	01 July 2018
- IFRS 9 - Financial Instruments (For Insurers)	01 January 2021
- IFRS 15 - Revenue from Contracts with Customers	01 July 2018
- IFRS 16 - Leases	01 January 2019
- IAS 28 (Amendments) - Investments in Associates & Joint Ventures	01 January 2019
- IFRS 17 - Insurance Contracts	01 January 2021
- IAS 19 (Amendments) - Employee Benefits	01 January 2019
- IFRS 3 (Amendments) - Business Combinations	01 January 2020
- IAS 1 (Amendments) - Presentation of Financial Statements	01 January 2020
- IAS 8 (Amendments) - Accounting Policies, Changes in Accounting Policies	01 January 2020
- IAS 12 (Amendments regarding income tax consequences of dividends) - Income Taxes	01 January 2019

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods (except for IFRS 4, IFRS 9 and IFRS 17), will have no material impact on the financial statements other than in presentation / disclosures. However, in case of IFRS 4, IFRS 9 and IFRS 17, the Company is assessing the potential impact on its financial statements resulting from the application of such standards / amendments which are generally expected to have a significant impact on the financial statements of insurance businesses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies are consistently applied except for the change in accounting policy for investments as stated below:

Change in accounting policy

Up to previous year, investments classified as 'available for sale (AFS)' was previously being stated at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) subsequent to initial recognition at cost following the requirements under the repealed Securities and Exchange Commission (Insurance) Rules, 2002 (the SEC Rules, 2002). The resultant impairment loss, if any, was being charged to profit and loss account.

The accounting treatment of AFS investments prescribed in the SEC Rules, 2002 stands repealed on implementation of Insurance Rules, 2017 and Insurance Accounting Regulations, 2017 during the year. Following the Insurance Rules, 2017 and Insurance Accounting Regulations, 2017, investments classified as AFS have been accounted for in these financial statements following the treatment prescribed in International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement". Under IAS 39, the quoted AFS investments are valued at market value and any unrealized gains or losses arising on revaluation of AFS investments are taken to other comprehensive income and transferred to revaluation reserves, whereas unquoted AFS investments are valued at cost less impairment in value, if any. On derecognition or impairment of AFS investments, the cumulative gains or losses previously reported in revaluation reserves are reclassified to profit or loss account for the year. This change in accounting policy has been applied retrospectively in accordance with the requirements of IAS 8 "Accounting policy, change in accounting estimates and errors" and corresponding figures have been restated to conform to the changed policy as follows:

31 December 2017			
Impact on statement of financial position	Balance previously reported	Adjustment	Balance restated
	Rupees	Rupees	Rupees
Assets:			
Investments	-	-	-
Equity securities	-	-	-
Debt securities	130,487,997	-	130,487,997
Total assets of Window Takaful Operations -Operator's Fund	52,634,900	789,840	53,424,740
Liabilities:			
Total liabilities of Window Takaful Operations - Operator's Fund	2,009,316	236,952	2,246,268
Deferred taxation	1,889,543	-	1,889,543
Capital and reserves attributable to Company's equity holders:			
Available for sale investment revaluation reserve	-	552,888	552,888
31 December 2016			
	Balance previously reported	Adjustment	Balance restated
	Rupees	Rupees	Rupees
Assets:			
Investments	-	-	-
Equity securities	460,034,004	1,545,961	461,579,965
Debt securities	434,891,863	523,310	435,415,173
Total assets of Window Takaful Operations -Operator's Fund	50,514,362	1,540,197	52,054,559
Liabilities:			
Total liabilities of Window Takaful Operations - Operator's Fund	1,288,645	462,059	1,750,704
Deferred taxation	1,923,811	620,781	2,544,592
Capital and reserves attributable to Company's equity holders:			
Available for sale investment revaluation reserve	-	2,526,628	2,526,628
Impact on statement of comprehensive income			
	31 December 2017	31 December 2016	
	Rupees	Rupees	
Other comprehensive income:			
Fair value adjustment on remeasurement of available for sale investments - net of deferred tax	(1,448,490)	1,448,490	
Other comprehensive income of Window Takaful Operations - Operator's Fund	(525,250)	1,078,138	
	(1,973,740)	2,526,628	

There was no impact on cash flows and segment reporting as a result of the change in accounting policy.

Had the accounting policy not been changed, available-for sale investments, reserves, deferred taxation, total assets of window takaful operations - operators fund, and total liabilities of window takaful operations - operator's fund would have been lower by Rupees Nil, Rupees Nil, Rupees Nil, Rupees Nil and Rupees Nil (31 December 2017: Rupees Nil, Rupees 552,888, Rupees Nil, Rupees 789,840 and Rupees 236,952) respectively.

3.1 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 recognized 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 or loss as and when incurred.

During the year the Company has moved to straight line method of depreciation from reducing balance method effective from 01 January 2018 in order to reflect the pattern flow of economic benefits from the assets in more effective manner. This change in accounting estimate has been applied prospectively in line with the requirements of the International Accounting Standard - 8 "Accounting Policies, Changes in Accounting Estimates and Errors" which sets out that the effect of a change in an accounting estimate shall be recognized prospectively. Had the Company been continued to apply reducing balance method for the calculation of depreciation, the depreciation charge for the year would have been lower by Rupees 2,676,644.

Depreciation is calculated by using the remaining useful life as disclosed in note 5 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 values 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 values 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 proceeds with the carrying amount of the assets disposed of. These are taken to profit and loss account.

3.2 Intangible assets

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

Amortization 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.

3.3 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 changes significantly during this period, unless all rights and obligations are extinguished or expire.

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

a) Fire and property insurance

Fire and property insurance contracts generally cover the assets of the policy holders against damages by fire, earthquake, riots and strike, explosion, atmospheric disturbance, flood, electric fluctuation and impact, burglary, loss of profit followed by the incident of fire, contractor's all risk, erecting all risk, machinery breakdown and boiler damage etc.

b) Marine aviation and transport insurance

Marine aviation and transport insurance contracts generally provide cover for loss or damage to cargo while in transit to and from foreign land and inland transit due to various insured perils including loss of or damage to carrying vessel etc.

c) Motor insurance

Motor insurance contracts provide indemnity for accidental damage to or loss of insured vehicle including loss of or damage to third party and other comprehensive car coverage.

d) Accident and Health insurance

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) Miscellaneous insurance

Miscellaneous insurance contracts provide variety of coverage including cover against burglary, loss of cash in safe, cash in transit and cash on counter, fidelity guarantee, workmen compensation, travel and crop etc.

In addition to direct insurance, the Company also participates in risks under co-insurance contracts from other companies and also accepts risks through re-insurance inward by way of facultative acceptance on case to case basis provided such risks are within the underwriting policies of the Company. The nature of the risks undertaken under such arrangement is consistent with the risks in each class of business as stated above.

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

3.4 Unearned premium

The provision for unearned portion of premium is calculated by applying twenty fourths' method as prescribed by Insurance Accounting Regulations, 2017. The deferred portion of reinsurance premium is recognized as a prepayment. The deferred portion of reinsurance premium ceded is calculated by using twenty fourths' method.

3.5 Premium deficiency reserve

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 or loss 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 31 December 2018. 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 gross combined ratios and net combined ratios are as follows:

	Gross combined ratio	Net combined ratio
- Fire and property damage	66%	70%
- Marine, aviation and transport	55%	53%
- Motor	66%	58%
- Accidental and health	205%	205%
- Miscellaneous	53%	75%

3.6 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 recognizes the entitled benefits under the contracts as various reinsurance assets.

3.7 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 derecognized 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 recognizes the impairment loss in the profit and loss account.

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

3.8 Receivables and payables related to insurance contracts

Receivables and payables, other than claim payables, relating to insurance contracts are recognized 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 recognized at cost, which is the fair value of the consideration given less provision for impairment, if any. If there is an objective evidence that any premium due but unpaid is impaired, the Company reduces the carrying amount of that insurance receivable and recognizes the loss in statement of comprehensive income.

3.9 Provision for outstanding claims including IBNR

A liability for outstanding claims is recognized 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 Expected Loss Ratio (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 recognized as an asset and measured at the amount expected to be received.

3.10 Reinsurance recoveries against outstanding claims

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

3.11 Commission expense and other acquisition costs

Commission expense incurred in obtaining and recording policies is deferred and recognized as an expense in accordance with pattern of recognition of premium revenue. Other acquisition costs are charged to profit or loss at the time the policies are accepted.

3.12 EMPLOYEES BENEFITS

a) Defined contribution plan

The Company operates a contributory provident fund scheme for all its eligible employees. For this purpose, the Company has established a separate Staff Provident Fund. Equal monthly contributions to the fund are made by the Company and the employees at the rate of 10% of basic salary.

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.

3.13 CREDITORS, ACCRUALS AND PROVISIONS

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

Provisions are recognized 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.

3.14 CASH AND CASH EQUIVALENTS

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

3.15 INVESTMENTS

All investments are initially recognized at cost being the fair value of the consideration given and include any transaction costs. All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investment.

These investments are classified as 'held-to-maturity' and 'available-for-sale'.

Held-to-maturity

Investments with fixed maturity, where management has both the intent and ability to hold to maturity, are classified as 'held-to-maturity'.

Subsequently, these are measured at amortized cost less provision for impairment, if any. Any premium paid or discount availed on acquisition of 'held-to-maturity' investments is deferred and amortized over the term of investment using the effective yield.

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

Available-for-sale

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

Subsequent to initial recognition at cost, these are stated at fair value as per the requirements of the Financial Reporting Standards, IAS-39 "Financial Instruments: Recognition and Measurement" as required under Insurance Accounting Regulations, 2017. Previously, these are stated at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of the repealed SEC (Insurance) Rules, 2002. The Company uses quotations of Pakistan Stock Exchange at the reporting date to determine the market value of its quoted investments. The Company uses appropriate valuation techniques to estimate the fair value of unquoted investments in unlisted securities. If such estimated fair value is lesser than the cost, the Company recognizes the impairment adjustments.

In case of fixed income securities redeemable at a given date where the cost is different from the redemption value, such difference is amortized uniformly over the period between the acquisition date and the date of maturity in determining 'cost' at which these investments are stated as per the requirements of the repealed Insurance Rules, 2017.

3.16 TAXATION

Current

Provision for current taxation is based on taxable income for the period determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the period, if enacted.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to statement of comprehensive income in which case it is included in statement of comprehensive income.

3.17 REVENUE RECOGNITION

a) Premiums

Premium income under a policy is recognized over the period of insurance from inception to expiry by using twenty fourths' method as allowed in the Insurance Accounting Regulations, 2017.

b) Commission income

Commission income from reinsurers is recognized at the time of issuance of underlying insurance policy by the Company. This income is deferred and recognized as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit commission, if any which the Company may be entitled to, under the terms of reinsurance, is recognized on accrual basis.

c) Investment income**- Return on fixed income securities**

Return on fixed income securities is recognized on a time proportion basis.

- Gain / loss on sale of available-for-sale investments

Gain / loss on sale of available-for-sale investments is recognized in profit and loss account in the year of sale.

d) Dividend

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

3.18 COMMISSION

Commission expense incurred in obtaining and recording policies is deferred and recognized as an expense in accordance with pattern of recognition of premium revenue.

3.19 MANAGEMENT EXPENSES

Management expenses have been allocated to various classes of business as deemed equitable by management. Expenses not allocable to the underwriting business are charged under other expenses.

3.20 FOREIGN CURRENCIES

Transactions in foreign currencies are accounted for in Pak Rupees at the rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the reporting date. Exchange differences are taken to the profit and loss account currently.

3.21 FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and de-recognized 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 de-recognition of the financial assets and liabilities is included in the profit and loss account.

Financial instruments carried on the balance sheet include cash and bank, investments, premium due but unpaid, amounts due from other insurers / reinsurers, accrued investment income, loan to employees, sundry receivables, total assets of Window Takaful Operations - Operator's Fund, amounts due to other insurers / reinsurers, other creditors and accruals and total liabilities of Window Takaful Operations - Operator's Fund. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.22 DIVIDEND AND OTHER APPROPRIATIONS

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the shareholders and other appropriations are recognized in the period in which these are approved by the Board of Directors.

3.23 OFF SETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet when the Company has a legally enforceable right to set-off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.24 EARNINGS PER SHARE

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated if there is any potential dilutive effect on the Company's reported net profits.

3.25 IMPAIRMENT**Financial assets**

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available-for-sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

3.26 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the board of directors) who is responsible for allocating resources and assessing performance of the operating segments.

The Company accounts for segment reporting using the classes of business as specified under the Insurance Ordinance, 2000 and the Insurance Rules, 2017 as the primary reporting format based on the Company's practice of reporting to the management on the same basis.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them while the carrying amount 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.

3.27 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.

3.28 WINDOW TAKAFUL OPERATIONS

The accounting policies adopted for window Takaful Operations are stated in the annexed financial statements of Window Takaful Operation for the year ended 31 December 2018.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from period of revision.

In particular, information about judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements, and estimates that have a significant risk of resulting in a material adjustment in the subsequent years is included in following notes:

- i. residual values and useful lives of property and equipment and intangibles (note 3.1 and 3.2);
- ii. classification of insurance contracts (note 3.3);
- iii. provision for premium due but unpaid and amount due from other insurers/reinsurers (note 3.8);
- iv. unearned premium (note 3.4);
- v. provision for outstanding claims (including IBNR) and reinsurance recoveries there against (note 3.9 to 3.10);
- vi. premium deficiency reserve (note 3.5);
- vii. employees benefits (note 3.12);
- viii. classification of investments (note 3.15);
- ix. taxation (note 3.16);
- x. impairment (note 3.25); and
- xi. segment reporting (note 3.26).

5. PROPERTY AND EQUIPMENT

2018

Particulars	Cost			Depreciation			Net book value as at 31 December	Depreciation rate
	As at 1 January	Additions / (Disposals)	Adjustments	For the year	Adjustments	As at 31 December		
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Leasehold Improvements	12,161,075	-	-	592,441	-	2,678,350	9,482,725	5%
Furniture and fixture	2,956,553	93,200	-	315,892	-	1,127,955	1,921,798	10%
Office equipment	8,433,821	261,534	-	1,756,295	-	3,727,767	4,967,588	10%-20%
Computers	2,380,236	125,750	-	834,883	-	2,046,198	459,788	33.33%
Vehicles	6,608,513	(1,059,000)	-	1,235,495	(670,700)	4,152,380	1,397,133	20%
	32,540,198	(578,516)	-	4,735,006	(670,700)	13,732,650	18,229,032	

2017

Particulars	Cost			Depreciation			Net book value as at 31 December	Depreciation rate
	As at 1 January	Additions / (Disposals)	Adjustments	For the year	Adjustments	As at 31 December		
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Leasehold Improvements	12,161,075	-	-	530,272	-	2,085,909	10,075,166	5%
Furniture and fixture	2,839,753	116,800	-	233,429	-	812,063	2,144,490	10%
Office equipment	6,821,226	1,612,595	-	540,394	-	1,971,472	6,462,349	10%
Computers	1,814,886	565,350	-	504,363	-	1,211,315	1,168,921	33.33%
Vehicles	6,608,513	-	-	1,321,641	-	3,587,585	3,020,928	20%
	30,245,453	2,294,745	-	3,130,099	-	9,668,344	22,871,854	

5.1 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	Book value	Sale proceed	Gain / (loss)	Mode of disposal	Name of purchaser	CNIC Number
Suzuki Cultus Reg No. BCX-618	1,059,000	388,300	760,000	371,700	Auction	Mr. Moinuddin	42101-1623783-5

6. INTANGIBLE ASSETS

Particulars	Cost			Amortization			Net book value as at 31 December	Amortization rate
	As at 1 January	Additions / (Disposals)	Adjustments	For the year	Adjustments	As at 31 December		
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Computer Softwares	4,567,446	940,871	(226)	1,102,747	-	4,437,310	1,070,781	33.33%
Website	24,000	-	-	168	-	24,000	-	33.33%
2018	4,591,446	940,871	(226)	1,102,915	-	4,461,310	1,070,781	
2017	4,291,446	300,000	-	1,445,975	-	3,358,394	1,233,052	

7. INVESTMENTS IN DEBT SECURITIES

Note	31 December 2018		
	Amortized cost	Impairment / provision	Carrying value
	Rupees	Rupees	Rupees
Held To Maturity			
Government securities:	7.1		
Pakistan Investment Bonds	-	-	-
Treasury Bills	254,915,200	-	254,915,200
Others:			
Sukuk	25,000,000	-	25,000,000
	<u>279,915,200</u>	<u>-</u>	<u>279,915,200</u>
Note	31 December 2017		
	Amortized cost	Impairment / provision	Carrying value
	Rupees	Rupees	Rupees
Held To Maturity			
Government securities:	7.1		
Pakistan Investment Bonds	51,802,937	-	51,802,937
Treasury Bills	53,685,060	-	53,685,060
Others:			
Sukuk	25,000,000	-	25,000,000
	<u>130,487,997</u>	<u>-</u>	<u>130,487,997</u>

7.1 Of these securities, Treasury bills and PIBs having carrying value of Rupees 107,914,180 (2017: 105,487,997) is pledged with State Bank of Pakistan under provisions of the Insurance Ordinance, 2000 (XXXIX of 2000).

	Note	31 December 2018 Rupees	31 December 2017 Rupees
8. INVESTMENT IN TERM DEPOSITS			
Deposits maturing within 12 months - local currency		<u>2,827,101,841</u>	<u>2,864,811,730</u>
These represents term deposits with different microfinance banks and carry markup ranging from 9.50% to 13.00% (2017: 8% to 9.90%).			
9. LOANS AND OTHER RECEIVABLES - Considered good			
Accrued investment income		52,000,845	46,995,977
Loans to employees		329,423	372,631
Other receivable		10,985,855	2,406,736
		<u>63,316,123</u>	<u>49,775,344</u>
10. INSURANCE / REINSURANCE RECEIVABLES - Unsecured and considered good			
Due from insurance contract holders		400,285,275	68,220,897
Less: provision for impairment of receivables from Insurance contract holders		(31,486,545)	-
Due from other Insurers / reinsurers		41,052,411	44,533,245
Less: provision for impairment of due from other Insurers / reinsurers		-	-
		<u>409,851,141</u>	<u>112,754,142</u>
10.1 Due from insurance contract holders includes Rupees 31,869,204 due from related parties (2017: Rupees 39,987,077).			
11. DEFERRED TAXATION			
Deferred debits arising in respect of			
Provision for compensated leave absences		580,172	-
provision for impairment of receivables from Insurance contract holders		8,950,128	-
Deferred credits arising in respect of			
accelerated depreciation		(1,164,926)	(1,889,543)
		<u>8,365,374</u>	<u>(1,889,543)</u>

	Note	31 December 2018 Rupees	31 December 2017 Rupees
12. PREPAYMENTS			
Prepaid reinsurance premium ceded		77,784,627	159,244,082
Prepaid rent		811,153	1,852,957
Prepaid insurance expense		885,606	662,226
Prepaid miscellaneous expense		428,781	31,850
		<u>79,910,167</u>	<u>161,791,115</u>
13. CASH AND BANK DEPOSITS			
Cash and cash equivalents			
Cash in hand		26,451	21,451
Policy stamps		832,619	848,663
Cash at bank			
Saving accounts	13.2	<u>53,056,931</u>	<u>51,477,115</u>
		<u>53,916,001</u>	<u>52,347,229</u>
13.1 Cash and cash equivalent include the following for the purpose of Cash Flow Statement:			
Cash And Bank Deposits		53,916,001	52,347,229
Term deposits		<u>2,827,101,841</u>	<u>2,864,811,730</u>
		<u>2,881,017,842</u>	<u>2,917,158,959</u>
13.2 The rate of return on these accounts ranges from 5.75% to 8% (2017: 2.73% to 5.8%).			
14. SHARE CAPITAL			
14.1 Authorized share capital			
2018	2017		
<u>150,000,000</u>	<u>150,000,000</u>	Ordinary shares of Rupees 10 each	<u>1,500,000,000</u>
			<u>1,500,000,000</u>
14.2 Issued, subscribed and paid up share capital			
2018	2017		
<u>100,000,000</u>	<u>100,000,000</u>	Ordinary shares of Rupees 10 each fully paid in cash	<u>1,000,000,000</u>
			<u>1,000,000,000</u>
As at 31 December 2018, all the shares are beneficially held by Government of Sindh directly and through nominee directors.			
15. INSURANCE / REINSURANCE PAYABLES			
Due to insurance contract holders		-	-
Due to other insurers / reinsurers		88,486,754	84,840,808
		<u>88,486,754</u>	<u>84,840,808</u>
Due to other insurers / reinsurers			
Considered good			
- Foreign		34,086,240	13,889,386
- Local		54,400,514	70,951,422
		<u>88,486,754</u>	<u>84,840,808</u>
16. OTHER CREDITORS AND ACCRUALS			
Agent commission payable		600,738	385,344
Provincial sales tax	21.1	17,116,673	1,318,669
Federal insurance fee		61,972	2,690,241
Accrued expenses		6,627,269	19,463,557
Other tax payables		433,272	595,777
Provision for compensated leave absences	16.1	2,000,592	2,566,770
Auditors' remuneration		501,075	455,500
		<u>27,341,591</u>	<u>27,475,858</u>
16.1 Provision for compensated leave absences			
Opening balance		2,566,770	2,144,650
Provision for the year		198,782	813,089
Payments made during the year		(764,960)	(390,969)
Closing balance		<u>2,000,592</u>	<u>2,566,770</u>
17. CONTINGENCIES AND COMMITMENTS			
There were no contingencies or commitments as at the reporting date (2017: Nil).			

	Note	31 December 2018 Rupees	31 December 2017 Rupees
18. NET INSURANCE PREMIUM			
Written gross premium		426,426,907	403,139,827
Add: Unearned premium reserve opening		360,660,322	1,717,299,804
Less: Unearned premium reserve closing		(271,787,924)	(360,660,322)
Premium earned		515,299,305	1,759,779,309
Less :Reinsurance premium ceded		(75,065,054)	(56,988,695)
Less:Prepaid reinsurance premium opening		(159,244,082)	(243,104,632)
Add:Prepaid reinsurance premium closing		77,784,627	159,244,082
Reinsurance expense		(156,524,509)	(140,849,245)
		358,774,796	1,618,930,064
19. NET INSURANCE CLAIMS EXPENSE			
Claim paid		110,220,378	96,404,748
Add: Outstanding claims including IBNR closing	19.1	1,935,311,565	1,191,759,126
Less: Outstanding claims including IBNR opening		(1,191,759,126)	(492,762,702)
Claim expense		853,772,817	795,401,172
Reinsurance and other recoveries received		(12,637,237)	(21,243,641)
Add: Reinsurance and other recoveries in respect of outstanding claims (opening)		16,932,824	6,372,999
Less: Reinsurance and other recoveries in respect of outstanding claims (closing)		(56,158,251)	(16,932,824)
Reinsurance and other recoveries revenue		(51,862,664)	(31,803,466)
		801,910,153	763,597,706

19.1 This includes Provision for incurred but not reported (IBNR) amounting to Rupees 1,812,952,188 (2017: 1,148,649,763).

19.2 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 Rupees	2016 Rupees	2017 Rupees	2018 Rupees	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	357,660,449
One year later	14,112,005	45,832,284	117,965,262	-	177,909,551
Two years later	14,185,778	45,217,338	-	-	59,403,116
Three years later	-	-	-	-	-
	14,185,778	45,217,338	117,965,262	165,813,645	343,182,023
Cumulative payment	(14,185,778)	(45,208,238)	(105,114,142)	(87,037,375)	(251,545,533)
Liability recognized in statement of financial position	-	9,100	12,851,120	78,776,270	91,636,490

20. NET COMMISSION EXPENSE / ACQUISITION COST

Commission paid or payable	(545,991,746)	762,020,357
Add: Deferred commission expense opening	1,980,048	1,896,084
Less: Deferred commission expense closing	(119,779)	(1,980,048)
Net commission	(544,131,477)	761,936,393
Less: Commission received or recoverable	(14,755,199)	(11,389,881)
Add: Unearned reinsurance commission	7,157,807	6,496,730
Less: Unearned reinsurance commission	(6,496,730)	(5,155,112)
Commission from reinsurers	(14,094,122)	(10,048,263)
	(558,225,599)	751,888,130

	Note	31 December 2018 Rupees	31 December 2017 Rupees
21. MANAGEMENT EXPENSES			
Salaries, allowance and other benefits		29,482,653	36,064,292
Travelling expense		195,159	1,326,954
Advertisement and sales promotion		809,235	44,133,460
Printing and stationery		857,403	772,633
Depreciation		4,735,006	3,130,099
Amortization		1,102,915	1,445,975
Rent, rates and taxes		3,907,496	3,309,721
Legal and professional charges		1,063,915	1,226,572
Electricity, gas and water		1,454,530	1,684,426
Entertainment		735,328	679,676
Vehicle running expense		17,240	28,816
Office repair, maintenance and Insurance		2,034,940	825,372
Office expense		669,952	1,710,877
Bank charges		96,035	43,310
Postage, telegrams and telephones		1,035,002	517,235
Annual supervision fee SECP		768,884	4,706,573
Bad and doubtful debts	21.1	31,486,545	-
Service charges (Health Econnex)		6,107,012	2,056,950
Miscellaneous		495,636	2,353,488
		87,054,886	106,016,429

21.1 Bad and doubtful debts

This includes amount of Rupees 16,803,332 being sales tax on group health business imposed by Sindh Revenue Board through its notification SRB-3-4/3/2017 effective from 01 July 2016. Insurance Association of Pakistan via their consultant has approached the Honourable Chief Minister of Sindh to exempt the health insurance business (including group health insurance) from the levy of Sindh Sales Tax on Services. The matter is currently pending for final decision. However, the Company, on prudent basis, has recognised sales tax receivable from policy holders that would have been charged on the group health insurance policies at the time of issuance to comply with the said notification of SRB. Since the recoverability of this receivable is not confirmed, therefore the Company has made provision for doubtful debts against this receivable.

22. INVESTMENT INCOME

Income from equity securities

Available for sale

- Dividend income	-	2,967,383
- Capital gain	-	13,232,538
	-	16,199,921

Income from debt securities

Available for sale

- Return on debt securities	-	26,004,121
- Amortisation of premium on PIBs	-	(7,212,136)
	-	18,791,985

Held to maturity

- Return on debt securities	11,861,393	6,785,183
- Discount on purchase of PIBs	197,063	361,500
	12,058,456	7,146,683

Income from term deposits

- Return on deposit	246,420,595	139,416,268
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Total investment income	258,479,051	181,554,857
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Less: Impairment in value of available for sale securities

- Equity securities	-	-
	258,479,051	181,554,857

23. OTHER INCOME

Profit on bank deposit	6,778,298	5,720,370
Income on generator sharing	436,860	436,860
Liabilities no more payable	4,304,501	-
Other	2,371,849	490,718
	13,891,508	6,647,948

	Note	31 December 2018 Rupees	31 December 2017 Rupees
24. OTHER EXPENSES			
Auditors' remuneration	24.1	542,075	700,500
Legal and professional charges		709,277	817,715
Others		1,025,000	700,000
		<u>2,276,352</u>	<u>2,218,215</u>

24.1 Auditors' remuneration

Audit fee		330,625	287,500
Special certifications and sundry advisory services		185,000	390,000
Out-of-pocket expenses		26,450	23,000
		<u>542,075</u>	<u>700,500</u>

25. TAXATION

For Current year			
Current	25.1	90,516,155	53,477,037
Deferred		(10,121,022)	(34,268)
		<u>80,395,133</u>	<u>53,442,769</u>
For Prior year(s)			
Current		-	-
Deferred		-	-
		<u>-</u>	<u>-</u>

25.1 Relationship between tax expense and accounting profit

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

Accounting profit before tax		278,824,560	178,318,280
Tax @ 29%		80,859,122	53,495,484
Effect of (taxable) / deductible temporary differences on account of:			
- depreciation allowance		696,025	(27,792)
- provision for leave encashment		(164,192)	9,345
- gain on disposal		(5,899)	-
- provision for impairment of receivables from Insurance contract holders		9,131,098	-
		<u>90,516,155</u>	<u>53,477,037</u>

26. EARNINGS (AFTER TAX) PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share which is based on:

Net profit after tax for the period - Rupees		198,429,427	124,875,511
Weighted average number of ordinary shares-Number		100,000,000	51,369,863
Basic earnings per share - Rupees		1.98	2.43

27. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE OFFICER AND EXECUTIVES

	Chief Executive Officer		Directors		Executives	
	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year
Meeting fee	-	-	1,025,000	700,000	-	-
Managerial remuneration	4,024,992	4,024,992	-	-	2,979,913	4,994,932
Rent and house maintenance	1,811,244	1,811,244	-	-	1,293,563	2,247,703
Utilities	402,504	402,504	-	-	287,476	499,496
Medical	402,504	402,504	-	-	287,476	499,496
Conveyance	-	-	-	-	-	104,171
Bonus	670,832	670,832	-	-	244,634	799,843
Others	1,106,369	1,244,004	-	-	738,918	1,111,167
	<u>8,418,445</u>	<u>8,556,080</u>	<u>1,025,000</u>	<u>700,000</u>	<u>5,831,980</u>	<u>10,256,808</u>
	1	1	7	3	3	4

28. 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:

	31 December 2018 Rupees	31 December 2017 Rupees
Companies having common directorship		
Sindh Bank Limited (SBL)		
Income on saving accounts	4,600,725	5,720,370
Premium written	71,926,167	66,623,958
Claim paid	33,996,842	35,777,090
Sindh Modarba Management Limited (SMML)		
Premium written	309,480	506,767
Claim paid	40,779	184,116
Income on sharing of generator	436,860	436,860
Sindh Leasing Company Limited (SLCL)		
Premium written	641,524	1,597,545
Claim paid	375,994	263,681
Sindh Microfinance Bank Limited		
Premium written	2,608,184	1,372,682
Claim paid	314,222	249,497
Health Econnex (Private) Limited		
Health claims paid on behalf of Company	30,914,378	35,503,674
Service charges	5,007,719	4,174,113
Directors		
Premium written	432,737	293,372
Claim paid	228,934	205,255
Meeting Fee	1,025,000	700,000
Employees' fund		
Contribution to provident fund	1,089,010	945,034
Government of Sindh - Shareholder		
Premium written	263,157,851	263,157,851
Claims paid	51,306,695	26,400,000
	Balance as on 31 December 2018	Balance as on 31 December 2017
Balances		
Companies having common directorship		
Sindh Bank Limited (SBL)		
Bank accounts	51,088,754	51,477,115
Due from insurance contract holder	30,514,149	39,084,464
Claim payable	15,157,481	13,696,901
Payable to Sindh Bank Limited	143,734	6,286,423
Sindh Modarba Management Limited (SMML)		
Premium received in advance	-	(23,943)
Claim payable	-	30,000
Amount receivable for sharing of generator	218,430	-
Sindh Leasing Company Limited (SLCL)		
Premium received in advance/Due from insurance	-	(24,192)
Due from insurance contract holder	219	(10,389)
Claim payable	90,130	351,880
Payable to Sindh Leasing Company Limited	-	1,592,595
Sindh Micro Finance Bank Limited		
Due from insurance contract holder	1,354,836	913,002
Claim (receivable) / payable	32,802	150,310
Health Econnex (Private) Limited		
Advance for health claim expense	3,000,000	1,094,653
Directors		
Claim payable	60,000	175,000
Receivable From Sindh Insurance Limited - Window Takaful Operations	5,981,116	(110,247)

29. OPERATING SEGMENTS

Segment results	Fire and Property Damage		Marine, Aviation & Transport		Motor		Accident and health		Miscellaneous		Treaty		Total
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Premium receivable	13,824,943	22,298,107	7,868,049	4,875,586	46,149,233	49,316,638	346,239,613	345,413,807	65,975,819	30,058,213	-	-	451,962,351
Less: Federal exercise duty	1,525,603	2,003,330	955,410	607,513	5,239,060	5,544,067	34,688,718	34,210,521	6,946,841	2,479,312	-	-	44,844,743
Federal insurance fee	112,339	144,821	68,444	42,049	402,429	424,729	3,107,277	3,090,816	584,629	275,366	-	-	3,977,781
Gross written premium	12,187,001	20,149,956	6,844,195	4,226,024	40,517,744	43,347,842	308,443,618	308,112,470	58,444,349	27,303,535	-	-	403,139,827
Direct premium earned	19,461,808	19,599,794	29,368,172	26,948,504	39,326,606	36,608,728	307,353,714	1,569,025,949	114,505,356	100,056,119	-	-	1,752,239,094
Facultative inward premium earned	3,682,480	3,985,584	-	-	483,101	2,226,228	-	-	85,772	268,818	-	-	6,480,630
Administrative surcharge earned	83,269	107,250	141,215	165,936	453,220	500,785	22,708	23,875	331,884	261,739	-	-	1,059,585
Insurance premium earned	23,227,557	23,692,628	29,509,387	27,114,440	40,262,927	39,335,741	307,376,422	1,569,049,824	114,923,012	100,586,676	-	-	1,759,779,309
Insurance premium ceded to reinsurers	20,807,520	21,428,130	25,405,705	23,017,023	17,642,069	10,279,213	-	-	92,669,216	86,124,879	-	-	140,849,245
Net insurance premium	2,420,037	2,264,498	4,103,682	4,097,417	22,620,858	29,056,528	307,376,422	1,569,049,824	22,253,796	14,461,797	-	-	1,618,930,064
Commission income	3,842,175	4,113,150	850,255	612,500	5,846,550	3,454,998	-	-	3,555,142	1,867,615	-	-	10,048,263
Net underwriting income	6,262,212	6,377,648	4,953,937	4,709,917	28,467,408	32,511,526	307,376,422	1,569,049,824	25,808,938	16,329,412	-	-	1,629,978,327
Insurance claims	2,749,957	5,853,310	32,913,866	2,123,842	18,214,554	26,877,450	781,478,960	734,935,823	18,415,479	25,610,747	-	-	795,401,172
Insurance claims recovered from reinsurers	2,041,684	5,377,833	31,251,421	563,224	7,202,040	6,895,844	-	-	11,367,519	18,966,565	-	-	31,803,466
Net claims	708,273	475,477	1,662,445	1,560,618	11,012,514	19,981,606	781,478,960	734,935,823	7,047,960	6,644,182	-	-	763,597,706
Commission expense	1,853,671	2,529,765	339,850	622,485	227,344	1,050,727	(546,664,657)	757,406,193	112,315	327,223	-	-	761,936,393
Management expense	2,324,784	5,298,971	1,305,594	1,111,346	7,727,228	11,399,478	64,548,479	81,026,437	11,148,802	7,180,197	-	-	106,016,429
Premium deficiency expense	(1,342,774)	1,342,774	-	(627,816)	-	-	23,397,328	5,779,018	-	-	-	-	6,493,976
Net insurance claims and expenses	3,543,954	9,646,987	3,307,889	2,666,633	18,967,086	32,431,811	322,760,111	1,579,147,471	18,309,077	14,151,602	-	-	1,638,044,504
Underwriting result	2,718,259	(3,269,339)	1,646,049	2,043,284	9,500,322	79,715	(15,383,689)	(10,097,647)	7,499,861	2,177,810	-	-	(9,066,177)
Net investment income													181,554,857
Other income													6,647,948
Other expenses													(2,218,215)
Profit from Window Takatuf Operation													1,399,867
Profit before tax													178,318,280
Segment assets	18,254,097	16,149,434	10,251,464	3,387,000	60,673,852	34,741,669	461,997,155	246,940,582	87,539,898	21,882,759	-	-	323,101,443
Un-allocated assets													3,155,508,823
Segment liabilities	65,881,008	106,870,906	36,998,640	22,413,896	218,978,483	229,907,358	1,667,397,612	1,634,160,336	315,940,944	144,811,906	-	-	3,478,610,266
Un-allocated liabilities													58,966,681
													2,197,131,083

30. MOVEMENT IN INVESTMENT

	Held to Maturity	Available for sale	Fair Value through Profit and loss	Total
	Rupees	Rupees	Rupees	Rupees
As at 31 December 2017 (restated)	120,887,713	776,107,425	-	896,995,138
Additions	105,293,247	-	-	105,293,247
Disposals (sale and redemptions)	(95,692,963)	(776,107,425)	-	(871,800,388)
Fair value net gains (excluding net realised gains)	-	-	-	-
As at 31 December 2017	130,487,997	-	-	130,487,997
As at 31 December 2018	130,487,997	-	-	130,487,997
Additions	417,884,325	-	-	417,884,325
Disposals (sale and redemptions)	(268,457,122)	-	-	(268,457,122)
Fair value net gains (excluding net realised gains)	-	-	-	-
As at 31 December 2018	279,915,200	-	-	279,915,200

31. 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 Company's risk management framework. The Board is also responsible for developing the Company's risk management policies.

31.1 Insurance risk

The principal risk 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 e.g. marine and aviation, property, motor and general accidents. Risks under non-life insurance 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. Insurance contracts at times also cover risk for single incidents that expose the Company to multiple insurance risks.

a) Geographical concentration of insurance risk

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.

b) 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 Securities and Exchange Commission of Pakistan 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
	Rupees	Rupees	2018 Rupees	2017 Rupees
Fire and property damage	487,469,880	455,469,880	32,000,000	21,270,287
Marine, aviation and transport	3,334,320,000	3,167,604,000	166,716,000	65,000,000
Motor	19,499,000	15,649,000	3,850,000	3,850,000
Accident and Health	1,000,000	-	1,000,000	1,000,000
Miscellaneous	2,166,000,000	2,057,700,000	108,300,000	90,000,000
	6,008,288,880	5,696,422,880	311,866,000	181,120,287

c) 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.

d) 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 e.g. treatment of one-off occurrence claims, changes in market factors, economic conditions, etc. The internal factors such as portfolio mix, policy conditions and claim handling procedures are further used in this regard.

e) Sensitivity analysis

The insurance claim liabilities are sensitive to the incidence of insured events and severity / size of claims. The impact of variation in incidence of insured events on gross claim liabilities, net claim liabilities, profit before tax and equity is as follows:

	Pre-tax profit		Shareholders' equity	
	2018 Rupees	2017 Rupees	2018 Rupees	2017 Rupees
10% increase in loss				
Fire and property damage	70,827	47,548	50,287	33,283
Marine, aviation and transport	166,245	156,062	118,034	109,243
Motor	1,101,251	1,998,161	781,888	1,398,712
Accident and Health	78,147,896	73,493,582	55,485,006	51,445,508
Miscellaneous	704,796	664,418	500,405	465,093
	80,191,015	76,359,771	56,935,620	53,451,839

	Pre-tax profit		Shareholders' equity	
	2018 Rupees	2017 Rupees	2018 Rupees	2017 Rupees
10% decrease in loss				
Fire and property damage	(70,827)	(47,548)	(50,287)	(33,283)
Marine, aviation and transport	(166,245)	(156,062)	(118,034)	(109,243)
Motor	(1,101,251)	(1,998,161)	(781,888)	(1,398,712)
Accident and Health	(78,147,896)	(73,493,582)	(55,485,006)	(51,445,508)
Miscellaneous	(704,796)	(664,418)	(500,405)	(465,093)
	(80,191,015)	(76,359,771)	(56,935,620)	(53,451,839)

31.2 Financial risk / 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:

	2018				
	Carrying amount	Contractual cash flow	Upto one year	More than one year	More than five year
	Rupees	Rupees	Rupees	Rupees	Rupees
Financial liabilities					
Premium received in advance	1,851,899	1,851,899	1,851,899	-	-
Provision for outstanding claims	1,935,311,565	1,935,311,565	1,935,311,565	-	-
Amount due to insurers / reinsurers	88,486,754	88,486,754	88,486,754	-	-
Other creditors and accruals	27,341,591	27,341,591	27,341,591	-	-
Liabilities of Window Takaful Operations - Operator's Fund	8,811,965	8,811,965	8,811,965	-	-
	2,061,803,774	2,061,803,774	2,061,803,774	-	-

	2017				
	Carrying amount	Contractual cash flow	Upto one year	More than one year	More than five year
	Rupees	Rupees	Rupees	Rupees	Rupees
Financial liabilities					
Premium received in advance	514,640,636	514,640,636	514,640,636	-	-
Provision for outstanding claims	1,191,759,126	1,191,759,126	1,191,759,126	-	-
Amount due to insurers / reinsurers	84,840,808	84,840,808	84,840,808	-	-
Other creditors and accruals	27,475,858	27,475,858	27,475,858	-	-
Liabilities of Window Takaful Operations - Operator's Fund	2,009,316	2,009,316	2,009,316	-	-
	1,820,725,744	1,820,725,744	1,820,725,744	-	-

31.3 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.

a) 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:

	2018		2017	
	Effective interest rate (%age)	Rupees	Effective interest rate (%age)	Rupees
Fixed rate financial instruments				
Financial assets				
Investments-PIBs		-	11.50%	51,802,937
Investments-T-Bills	8.50% to 10.29%	254,915,200	6.00%	53,685,060
Bank deposits	5.75% to 8.00%	53,056,931	2.73% to 5.8%	51,477,115
Term deposit receipts	9.50% to 13.00%	2,827,101,841	8% to 8.5%	2,864,811,730
Floating rate financial instruments				
Financial assets				
Investments - Sukuk	9.48% to 9.89%	25,000,000	9.48% to 9.66%	25,000,000
Financial liabilities		-		-

Cash flow sensitivity analysis of variable rate instruments

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax and equity based upon average balances and rates:

	Increase / (decrease) in interest rate	Effect on profit before tax Rupees	Effect on equity Rupees
31 December 2018	1%	24,439	17,351
31 December 2017	1%	23,826	16,440

Fair value sensitivity analysis for fixed rate instruments

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

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.

31.4 Credit risk and concentration of 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.

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result any change in economic, political or other conditions would affect their ability to meet contractual obligations in similar manner. The Company's credit risk exposure is not significantly different from that reflected in these financial statements. The management monitors and limits the Company's exposure and makes conservative estimates of provisions for doubtful assets, if any. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in entities of sound financial standing, covering various industrial sectors.

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

	31 December 2018 Rupees	31 December 2017 Rupees
Bank balances	53,056,931	51,477,115
Investments	3,107,017,041	2,995,299,727
Due from insurance contract holders	368,798,730	68,220,897
Loan to employees	329,423	372,631
Due from other Insurers / reinsurers	41,052,411	44,533,245
Accrued investment income	52,000,845	46,995,977
Other receivable	10,985,855	2,406,736
Assets of Window Takaful Operations - Operator's Fund	62,187,100	53,424,740
	3,695,428,336	3,262,731,068

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 other Insurers / reinsurers from other than related parties is as follows:

Upto 3 months	2,874,523	10,996,554
3 to 6 months	945,787	5,773,565
6 to 12 months	620,757	10,603,450
More than 12 months	15,131,269	509,921
	19,572,336	27,883,490

31 December
2018
Rupees

31 December
2017
Rupees

The age analysis of premium due but unpaid from related parties is as follows:

Upto 3 months	4,565,185	8,364,587
3 to 6 months	27,053,797	29,021,063
6 to 12 months	220,075	1,464,540
More than 12 months	30,147	1,487,217
	31,869,204	40,337,407

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

	Rating		Rating Agency		
	Short term	Long term			
Saving accounts					
Sindh Bank Limited	A-1+	AA	JCR-VIS	53,056,931	51,477,115
Term deposit certificates					
Khushali Micro Finance Bank Limited	A-1	A+	JCR-VIS	510,000,000	261,402,585
National Rural Support Program Micro Finance Bank	A-1	A	JCR-VIS	1,572,998,270	1,448,796,645
Telenor Microfinance Bank Limited - formerly Tameer Microfinance Bank Limited	A-1	A+	JCR-VIS	744,103,571	1,154,612,500
				2,880,158,772	2,916,288,845

The credit quality of investments can be assessed with reference to external credit rating as follows:

	Rating	Rating Agency		
	Unrated	Unrated		
Government Securities			254,915,200	105,487,997
A or above			91,350	670,195
Unrated			40,961,061	43,863,050
Total			41,052,411	44,533,245

32. 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. Minimum paid-up capital requirement for non-life insurers is Rupees 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.

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

Assets and liabilities are classified in their entirety into only one of the three levels.

The fair value hierarchy has the following levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

As at 31 December 2018

	Carrying amount			Fair Value		
	Held-to-maturity	Loans and Receivables	Other Financial Assets	Other Financial Liabilities	Total	Total
Financial Assets Measured At Fair Value						
Investments						
- Debt securities	279,915,200	-	-	-	279,915,200	279,915,200
- Term deposits	2,827,101,841	-	-	-	2,827,101,841	-
Financial assets not measured at fair value						
Loans and other receivable*	-	63,316,123	-	-	63,316,123	-
Insurance / reinsurance receivable*	-	409,851,141	-	-	409,851,141	-
Re-insurance recoveries- outstanding claims*	-	56,158,251	-	-	56,158,251	-
Deferred commission expense*	-	119,779	-	-	119,779	-
Prepayments*	-	79,910,167	-	-	79,910,167	-
Cash and bank*	-	53,916,001	-	-	53,916,001	-
Window Takaful Operations - Operator's Fund*	-	62,187,100	-	-	62,187,100	-
	3,107,017,041	671,542,561	53,916,001	-	3,832,475,603	279,915,200
Financial Liabilities Not Measured At Fair Value						
Outstanding claims including IBNR*	-	-	-	(1,935,311,565)	(1,935,311,565)	-
Unearned premium reserves*	-	-	-	(271,787,924)	(271,787,924)	-
Premium deficiency reserves*	-	-	-	(29,176,346)	(29,176,346)	-
Unearned reinsurance commission*	-	-	-	(7,157,807)	(7,157,807)	-
Premium received in advance*	-	-	-	(1,851,899)	(1,851,899)	-
Insurance / reinsurance payables*	-	-	-	(88,486,754)	(88,486,754)	-
Other creditors and accruals*	-	-	-	(27,341,591)	(27,341,591)	-
Window Takaful Operations - Operator's Fund*	-	-	-	(8,811,965)	(8,811,965)	-
	3,107,017,041	671,542,561	53,916,001	(2,369,925,851)	1,462,549,752	279,915,200

As at 31 December 2017

	Carrying amount			Fair Value		
	Held-to-maturity	Loans and Receivables	Other Financial Assets	Other Financial Liabilities	Total	Total
Financial Assets Measured At Fair Value						
Investments						
- Debt securities	130,487,997	-	-	-	130,487,997	130,487,997
- Term deposits	2,864,811,730	-	-	-	2,864,811,730	-
Financial assets not measured at fair value						
Loans and other receivable*	-	49,775,344	-	-	49,775,344	-
Insurance / reinsurance receivable*	-	112,754,142	-	-	112,754,142	-
Re-insurance recoveries - outstanding claims*	-	16,932,824	-	-	16,932,824	-
Deferred commission expense*	-	1,980,048	-	-	1,980,048	-
Prepayments*	-	161,791,115	-	-	161,791,115	-
Cash and bank*	-	52,347,229	-	-	52,347,229	-
Window Takaful Operations - Operator's Fund*	-	53,424,740	-	-	53,424,740	-
	2,995,299,727	396,658,213	52,347,229	-	3,444,305,169	183,912,737
Financial Liabilities Not Measured At Fair Value						
Outstanding claims including IBNR*	-	-	-	(1,191,759,126)	(1,191,759,126)	-
Unearned premium reserves*	-	-	-	(360,660,322)	(360,660,322)	-
Premium deficiency reserves*	-	-	-	(7,121,792)	(7,121,792)	-
Unearned reinsurance commission*	-	-	-	(6,496,730)	(6,496,730)	-
Premium received in advance*	-	-	-	(514,640,636)	(514,640,636)	-
Insurance / reinsurance payables*	-	-	-	(84,840,808)	(84,840,808)	-
Other creditors and accruals*	-	-	-	(27,475,858)	(27,475,858)	-
Window Takaful Operations - Operator's Fund*	-	-	-	(2,246,268)	(2,246,268)	-
	2,995,299,727	396,658,213	52,347,229	(2,195,241,540)	1,249,063,629	183,912,737

* 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.

34. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issue on 03 April 2019 by the Board of Directors of the Company.

35. GENERAL

35.1 Figures in these financial statements have been rounded to the nearest Rupees, unless otherwise stated.



Chairman



Director



Director



Chief Executive Officer

Window Takaful

**Financial Statements With
Accompanying Information**

**For the Year Ended
31 December 2018**

SINDH INSURANCE LTD



TRAVEL COMFORT

SHARIA ADVISOR'S PROFILE

Mufti Muhammad Adnan is a recognised Shariah Scholar in the field of Islamic Finance and Takaful. Have completed his Darse Nizami (Masters in Quran and Sunnah) and "Takhassus Fil Ifta" (Specialisation in Islamic Jurisprudence and Ifta) from Jamia Darul Uloom Karachi under the supervision of Mufti Muhammad Taqi Usmani. He is also a member of Darul Ifta, Jamiah Darul Uloom Karachi since year 2006. He has written more than Two thousand Fatawa's on different topics.

He is also working as teacher in Darul Uloom Karachi and Faculty member of Centre for Islamic Economics (C.I.E) and Commecs Institute of Business Emerging Sciences.

Mufti Muhammad Adnan is serving as the Shariah Advisor of "Sindh Insurance Limited-Window Takaful Operations" from last two years. He has special interest in the promotion of Islamic Finance particularly in the facilitation of conversion of conventional setups into Shariah-based organizations.

SHARIAH ADVISOR'S REPORT TO THE BOARD OF DIRECTORS FOR THE YEAR ENDED DECEMBER 31, 2018

By the Grace of Almighty Allah, Sindh Insurance Limited has continued Window Takaful Operations in year 2018.

Shariah Advisor's report is prepared with aim to provide information about Window Takaful Operation transitions undertaken during the period are in compliance with Shariah Guidelines, includes to provide opinion of Shariah Advisor about transactions with consideration of their tactically and operational nature.

In my opinion and to the best of my understanding based on the provided information and explanation:

1. Transactions made by the Takaful Operator were in accordance with shariah guidelines issued by Shariah Advisor and requirements under Takaful Rules 2012.
2. The transactions and activities of Window Takaful Operations are in accordance with Shariah principles in respect of the Participants Takaful Fund (Waqf Fund) and Operator's Fund.
3. The investments have been made into Shariah Compliant avenues with shariah approval. All bank accounts related to Window Takaful Operations have been opened in Islamic banking Institutions with prior Shariah approval and these are separate from the conventional insurance business.
4. As per Clause 10(1)(k) of the Takaful Rules, 2012, which requires that there is in each Participant Takaful Fund, at all times, a surplus of admissible assets over liabilities. However, as at 31 December 2018, the liabilities of the Participant Takaful Fund of the Company exceed its assets, due to small business volume in takaful operations. As at 31 December 2018 deficit was funded by way of actual transfer of funds as qard e hasna.

I pray that Window Takaful Operations of the Company be blessed by the Allah Almighty and takaful operations will flow with great success for achievement of the goals of the Company.



Mufti Muhammad Adnan
Shariah Advisor
Sindh Insurance Limited – Window Takaful Operation

April 03, 2019
Karachi

STATEMENT OF COMPLIANCE OF WINDOW TAKAFUL OPERATIONS

The Sindh Insurance Limited – Window Takaful Operations entered in financial engagements and transactions for the period ended December 31, 2018 are in compliance with the Takaful Rules, 2012.

We affirm the following statements:

1. The Company has developed and implemented all the policies and procedures in accordance with the Takaful Rules, 2012 and guidelines of the Shariah Advisor. The company has also implemented governance arrangements including the reporting to the Audit Committee/ Shariah Advisor and the Board of Directors;
2. All the products and policies have been approved by Shariah Advisor and the financial arrangements including investments made, policies, contracts and transactions entered into by Window Takaful Operations are in compliance with the polices approved by Shariah Advisor;
3. The assets and liabilities of Window Takaful Operations of Participant Takaful Fund and Operator's fund are separated from each other, at all times in accordance with the provisions of the Takaful Rules, 2012;
4. As per Clause 10(1)(k) of the Takaful Rules, 2012, which requires that there is in each Participant Takaful Fund, at all times, a surplus of admissible assets over liabilities. However, as at 31 December 2018, the liabilities of the Participant Takaful Fund of the Company exceed its assets, due to small business volume in takaful operations. As at 31 December 2018 deficit was funded by way of actual transfer of funds as qard e hasna; and
5. Training of CFO and Head of Window Takaful Operations has been conducted during the year as per requirement of Rule 28 of the Takaful Rules, 2012. Management intends to conduct further training to other personnel in near future.

Above statements have been duly endorsed by the Shariah Advisor of the Company.



Muhammad Faisal Siddiqui
Chief Executive Officer

April 03, 2019
Karachi

INDEPENDENT REASONABLE ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF SINDH INSURANCE LIMITED ON STATEMENTS OF COMPLIANCE WITH THE SHARIAH RULES AND PRINCIPLES

We were engaged by the Board of Directors of SINDH INSURANCE LIMITED (“the Company”) to report on the management’s assessment of compliance of the Window Takaful Operations (“Takaful Operations”) of the Company, as set out in the annexed statement prepared by the management for the year ended 31 December 2018, with the Takaful Rules, 2012, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of compliance of the Operations with the Takaful Rules, 2012, in all material respects.

MANAGEMENT'S RESPONSIBILITY

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

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

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

OUR RESPONSIBILITY

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

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

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

The procedures performed included:

- a) Evaluate the systems, procedures and practices in place with respect to the Takaful operations against the Takaful Rules, 2012 and Shariah advisor's guidelines;
- b) Evaluating the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee/ Shariah Advisor and the board of directors;
- c) Test for a sample of transactions relating to Takaful Operations to ensure that these are carried out in accordance with the laid down procedures and practices including the regulations relating to Takaful Operations as laid down in Takaful Rules, 2012; and
- d) Review the statement of management's assessment of compliance of the Takaful transactions during the period from 01 January 2018 to 31 December 2018 with the Takaful Rules, 2012.

Conclusion

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

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

Emphasis of Matter

We draw attention to point 5 of the annexed statement which states that management will arrange the required training to its remaining staff members in near future as per requirements of rule 28 of the Takaful Rules, 2012.

Our opinion is not modified in respect of the above matter.



RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Muhammad Waqas

KARACHI
Date: 16 April, 2019

INDEPENDENT AUDITORS' 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 – WINDOW TAKAFUL OPERATIONS (the Company), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, the statement of changes in fund and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of comprehensive income, the statement of changes in fund and the cash flow statement together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Company's affairs as at 31 December 2018 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis 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 of the Company and our auditor's report thereon.

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

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company for our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the requirements of 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 the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of comprehensive income, the statement of changes in fund and the cash flow statement together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XIX of 2017), and are in agreement with the books of account;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) No Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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



RIAZ AHMAD & COMPANY
Chartered Accountants

Karachi
Date: 16 April 2019

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

Note	31 December 2018			31 December 2017	31 December 2016	
	Operator's Fund	Participants' Takaful Fund	Aggregate	Aggregate	Aggregate	
	Rupees			Rupees Restated	Rupees Restated	
ASSETS						
Qard-e-hasna to Participant Takaful Fund	11,000,000	-	11,000,000	-	-	
Property and equipment	5	58,228	-	58,228	77,584	82,993
Intangible assets	6	1,388,944	-	1,388,944	28,778	-
Investments						
Equity securities	7	-	1,551,927	1,551,927	51,859,447	51,575,949
Debt Securities		-	-	-	-	-
Term Deposits	8	40,000,000	19,900,000	59,900,000	-	-
Loans and other receivable	9	1,969,390	572,771	2,542,161	685,001	5,700
Takaful / retakaful receivable	10	-	1,328,310	1,328,310	3,785,805	326,931
Deferred commission expense	18	19,569	-	19,569	323,237	6,319
Wakala and modarib fee receivable		4,397,296	-	4,397,296	5,334	98,974
Deferred wakala fee expense		-	2,830,891	2,830,891	709,798	93,762
Taxation - payment less provision		-	24,622	24,622	5,550	3,784
Prepayments	11	76,261	522,208	598,469	1,550,150	33,274
Cash and bank	12	3,277,412	1,538,264	4,815,676	2,383,608	909,848
		51,187,100	28,268,993	79,456,093	61,414,292	53,137,534
TOTAL ASSETS		62,187,100	28,268,993	90,456,093	61,414,292	53,137,534

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



Chairman



Director



Director



Chief Executive Officer

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

Note	31 December 2018			31 December 2017	31 December 2016
	Operator's Fund	Participants' Takaful Fund	Aggregate	Aggregate	Aggregate
	Rupees			Rupees	Rupees
				Restated	Restated
EQUITY AND LIABILITIES					
OPERATOR'S FUND					
Statutory fund	50,000,000	-	50,000,000	50,000,000	50,000,000
Capital reserve-Available for sale investment revaluation reserve	-	-	-	552,888	1,078,138
Revenue reserve - Accumulated profit	3,375,135	-	3,375,135	625,584	(774,283)
	53,375,135	-	53,375,135	51,178,472	50,303,855
WAQF / PARTICIPANTS' TAKAFUL FUND					
Ceded money	-	500,000	500,000	500,000	500,000
Capital reserve-Available for sale investment revaluation reserve	-	30,074	30,074	-	-
Revenue reserve - Accumulated deficit	-	(3,543,480)	(3,543,480)	(57,353)	(700,751)
	-	(3,013,406)	(3,013,406)	442,647	(200,751)
LIABILITIES					
Qard-e-hasna from Operator's Fund	-	11,000,000	11,000,000	-	-
Underwriting provisions					
Outstanding claims including IBNR	17	-	907,918	199,170	-
Unearned contribution reserve	16	-	8,619,640	2,553,329	286,511
Unearned re-takaful rebate	18	-	104,883	367,099	6,056
Provision for unearned wakala fee	19	2,830,891	-	709,798	93,762
Deferred taxation		5,777	12,284	236,952	462,059
Contribution received in advance		-	-	403,204	62,056
Takaful / re-takaful payables	13	-	3,355,782	3,367,809	743,471
Wakala and modarib fee payable		-	4,397,296	5,334	98,974
Other creditors and accruals	14	5,354,646	2,884,596	1,355,447	1,281,541
Taxation - provision less payment		620,651	-	595,031	-
		8,811,965	20,282,399	9,793,173	3,034,430
TOTAL LIABILITIES		8,811,965	31,282,399	9,793,173	3,034,430
TOTAL FUND AND LIABILITIES		62,187,100	28,268,993	61,414,292	53,137,534

CONTINGENCIES AND COMMITMENTS 15

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

Chairman

Director

Director

Chief Executive Officer

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	31 December 2018 Rupees	31 December 2017 Rupees Restated
Participants' Takaful Fund - revenue account			
Net contribution revenue	16	338,255	1,341,697
Wakala fee expense	19	(2,124,632)	(632,361)
Net claims	17	(2,137,972)	(285,015)
Rebate on retakaful	18	345,791	169,832
		(3,916,813)	(747,544)
Underwriting results		(3,578,558)	594,153
Direct expenses		(538,854)	-
Investment Income	20	606,282	44,403
Other Income		25,003	4,842
(Deficit) / surplus for the year		(3,486,127)	643,398
Other comprehensive income:			
Items that will be reclassified subsequently to revenue account			
Fair value adjustment on remeasurement of 'available for sale' investments		30,074	-
Total comprehensive (loss) / income for the year		(3,456,053)	643,398
Operator's Fund - revenue account			
Wakala fee	19	2,124,632	632,361
Commission expense	18	(230,540)	(130,043)
Management expenses	21	(2,541,345)	(1,223,586)
		(647,253)	(721,268)
Modarib's share of PTF investment income	20.1	151,571	11,100
Net investment income	20.2	3,949,271	3,105,142
Other income		500	-
		3,454,089	2,394,974
Other expenses	22	(535,352)	(392,948)
Profit before tax		2,918,737	2,002,026
Taxation	23	(169,186)	(602,159)
Profit after tax		2,749,551	1,399,867
Other comprehensive income:			
Items that will be reclassified subsequently to revenue account			
Fair value adjustment on remeasurement of 'available for sale' investments - net of deferred tax		-	(525,250)
Fair value reserve reclassified to profit and loss account on disposal of available for sale investments - net of deferred tax		(552,888)	-
		(552,888)	(525,250)
Total comprehensive income for the year		2,196,663	874,617

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



Chairman



Director



Director



Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Operator's Funds			
		Capital reserve	Revenue reserve	
	Statutory fund	Available for sale investment revaluation reserve	Accumulated losses	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at 31 December 2016	50,000,000	-	(774,283)	49,225,717
Effect of restatement on remeasurement of available for sale investment	-	1,078,138	-	1,078,138
Balance as at 31 December 2016 - restated	50,000,000	1,078,138	(774,283)	50,303,855
Profit for the year ended 31 December 2017	-	-	1,399,867	1,399,867
Other comprehensive income	-	(525,250)	-	(525,250)
Total comprehensive income	-	(525,250)	1,399,867	874,617
Balance as at 31 December 2017 - restated	50,000,000	552,888	625,584	51,178,472
Profit for the year ended 31 December 2018	-	-	2,749,551	2,749,551
Other comprehensive income	-	(552,888)	-	(552,888)
Total comprehensive income	-	(552,888)	2,749,551	2,196,663
Balance as at 31 December 2018	50,000,000	-	3,375,135	53,375,135

	Participants' Takaful Fund			Total
		Capital reserve	Revenue reserve	
	Ceded Money	Available for sale investment revaluation reserve	Accumulated profit	
	Rupees	Rupees	Rupees	Rupees
Balance as at 31 December 2016	500,000	-	(700,751)	(200,751)
Surplus for the year ended 31 December 2017	-	-	643,398	643,398
Other comprehensive income	-	-	-	-
	-	-	643,398	643,398
Balance as at 31 December 2017	500,000	-	(57,353)	442,647
Deficit for the year ended 31 December 2018	-	-	(3,486,127)	(3,486,127)
Other comprehensive income	-	30,074	-	30,074
	-	30,074	(3,486,127)	(3,456,053)
Balance as at 31 December 2018	500,000	30,074	(3,543,480)	(3,013,406)

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



Chairman



Director



Director



Chief Executive Officer

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

Note	2018			2017
	Operator's Fund	Participants' Takaful Fund	Aggregate	Aggregate
	Rupees	Rupees	Rupees	Rupees
OPERATING CASH FLOWS				
a) Takaful activities				
Contribution received	-	13,840,334	13,840,334	2,557,894
Retakaful contribution paid	-	(4,365,562)	(4,365,562)	(953,324)
Wakala fee received / (paid)	5,334	(5,334)	-	-
Claims paid	-	(1,432,974)	(1,432,974)	(85,845)
Commissions paid	73,128	-	73,128	(453,280)
Rebate received	-	83,575	83,575	530,875
Retakaful and other recoveries in respect of outstanding claims	-	3,750	3,750	-
Other underwriting payments	1,214,990	-	1,214,990	(299,742)
Net cash (used in) / flows from takaful activities	1,293,452	8,123,789	9,417,241	1,296,578
b) Other operating activities				
Income tax paid	(137,789)	(19,072)	(156,861)	(8,894)
General, administration and management expenses paid	-	-	-	(2,435,228)
Ceded money to participants' takaful fund	-	-	-	-
Direct Expense	-	(538,854)	(538,854)	-
Other operating payment	(535,352)	(550,407)	(1,085,759)	-
Other operating receipts	-	2,233,636	2,233,636	547,272
Net cash flows from / (used in) other operating activities	(673,141)	1,125,303	452,162	(1,896,850)
Net cash (used in) / flows from operating activities	620,311	9,249,092	9,869,403	(600,272)
INVESTMENT ACTIVITIES				
Profit / return received on investment	3,129,438	782,856	3,912,294	115,690
Other income receipt	-	-	-	4,842
Payment for investment	-	(1,509,569)	(1,509,569)	-
Proceeds from disposal of investments	51,889,940	-	51,889,940	2,000,000
Modarib fee received / (paid)	-	-	-	-
Fixed capital expenditure	(1,830,000)	-	(1,830,000)	(46,500)
Net cash (used in) / flows from investing activities	53,189,378	(726,713)	52,462,665	2,074,032
FINANCING ACTIVITIES				
Contribution to operator's fund	-	-	-	-
Ceded money	-	-	-	-
Inter fund Qarz-e-Hasna Transfer	(11,000,000)	11,000,000	-	-
Net cash flows from financing activities	(11,000,000)	11,000,000	-	-
Net cash (used in) / flows from all activities	42,809,689	19,522,379	62,332,068	1,473,760
Cash and cash equivalents at the beginning of year	467,723	1,915,885	2,383,608	909,848
Cash and cash equivalents at end of the year	43,277,412	21,438,264	64,715,676	2,383,608
Reconciliation to profit and loss account				
Operating cash flows	620,311	9,249,092	9,869,403	(600,272)
Depreciation	(19,092)	-	(19,092)	(23,131)
Amortization	(469,834)	-	(469,834)	-
Income tax paid	137,789	19,072	156,861	8,894
Other income	152,071	25,003	177,074	-
Increase/(decrease) in assets other than cash	5,319,737	(813,834)	4,505,903	7,099,301
(Increase) / decrease in liabilities	(6,771,516)	(12,571,742)	(19,343,258)	(7,004,855)
Investment income	3,949,271	606,282	4,555,553	3,149,545
Loss / deficit before taxation for the year	2,918,737	(3,486,127)	(567,390)	2,629,482

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



Chairman



Director



Director



Chief Executive Officer

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1. Sindh Insurance Limited (the Operator) was incorporated under the Companies Ordinance, 1984, (now Companies Act, 2017) as a Public Limited Company on 20 December 2013 and obtained the certificate of commencement of business on 22 September 2014. All shares of the Operator are held beneficially by Government of Sindh, directly and through nominee directors. The Operator is engaged in the non-life takaful business comprising of fire, marine, motor, aviation, engineering, transportation, health etc. The registered office and principal place of business of the Operator is situated at 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi.
- 1.2. The Operator was granted authorization on 22 September 2016 under Rule 6 of the Takaful Rules, 2012 to undertake Takaful Window Operations (the operations) in respect of general takaful products by Securities and Exchange Commission of Pakistan (SECP) and subsequently the Operator commenced Window Takaful Operations.
- 1.3. The Operator transferred statutory fund of Rupees 50 million in a separate Islamic bank account for the window takaful operations as per the requirement of circular 8 of 2014. Thereafter, the Operator has formed a Waqf for Participants' Fund (PTF) by executing the Waqf deed dated 24 June 2016 by investing a ceded money of Rupees 0.5 million. The ceded money is required to be invested in shariah compliant investments and any profit thereon can be utilized only to pay benefits to participants or defray PTF expenses. Waqf Deed governs the relationship of operator and participants for management of takaful operations, investments of participants' funds and investments of the Operator's funds approved by the shariah advisor of the Operator. The Operator commenced Operations on 22 September 2016.
- 1.4. During the year SECP carried out an onsite inspection of the Operator under section 59A of the Insurance Ordinance, 2000. Based on the inspection, SECP sought response of the Operator on various non-compliances with the Insurance Ordinance, 2000 and various SROs of SECP in its letter of findings to the Operator dated 04 January 2019. The matters highlighted by SECP mainly pertains to compliance, risk management and internal control issues. The Operator vide its letter to SECP dated 04 February 2019 assured that most of the issues highlighted by SECP have been complied with, whereas the management is fully committed to ensure compliance with rest of the non-compliances in due course. No further correspondence has been made by SECP in this regard.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These financial statements are prepared in accordance with approved accounting and reporting standards as applicable in Pakistan. Approved accounting and reporting standards comprise of such 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, the Insurance Accounting Regulations, 2017 and Takaful Rules, 2012. In case requirements differ, the provisions or directives of the Companies Act, 2017, Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017 and Takaful Rules, 2012 shall prevail.

Change in the presentation of financial statements

During the year, the Companies Act, 2017, Insurance Accounting Regulations, 2017 and Insurance Rules, 2017 have been implemented. The SECP has prescribed format for presentation of annual financial statements for general insurance companies in Insurance Rules, 2017 issued vide S.R.O. 89(I)/2017 dated 09 February 2017. Accordingly, these financial statements have been prepared in accordance with the format prescribed by SECP. Previously, the financial statements were being prepared following the format prescribed by SECP through Securities and Exchange Commission (Insurance) Rules, 2002 {SEC (Insurance) Rules, 2002}, vide S.R.O. 938 dated 12 December 2002 and the provisions of or directives issued under the Companies Ordinance, 1984. Following major changes have been made in the presentation format as prescribed by the new Rules and Regulations:

- Nomenclature of balance sheet changed to statement of financial position. Furthermore, previously separately presented profit and loss account and statement of comprehensive income have been presented in a single statement of comprehensive income, the option adopted by the Operator.
- Changes in sequence of assets / liabilities in the statement of financial position.
- Discontinuation of separate statements of contributions, claims, expenses and investment income, which are now presented separately on aggregate basis in to the notes to the financial statements (note 16,17,18 and 20).
- Underwriting results in relation to various classes of business which were previously presented on the face of the profit and loss account are now presented separately (note 25).
- Corresponding figures have been reclassified / rearranged for the purpose of comparison where necessary to ensure compliance with new format for reporting issued by SECP.

2.1 BASIS OF MEASUREMENT

a) Accounting convention

These financial statements have been prepared under the historical cost convention except certain investments that have been measured at fair value. Accrual basis of accounting has been used except for cash flow information.

b) Functional and Presentation Currency

Items included in these financial statements are measured using the currency of primary economic environment in which the Operator operates. These financial statements are presented in Pakistani Rupees, which is the Operator's functional and presentation currency.

c) Application of new and revised International Financial Reporting Standards (IFRSs)

i) New and amended standards and interpretations became effective during the year

The following amendments to published approved standards and interpretation are mandatory for the Company's accounting periods beginning on or after 01 January 2018:

- IFRS 2 (Amendments) - Classification and Measurement of Share-based Payment Transactions.
- IAS 40 (Amendments) - Investment Property

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

ii) Standards, interpretations and amendments to published approved accounting standards those are not yet effective

The following standards, amendments and interpretation of approved accounting standards will be effective for the accounting periods beginning on or after 01 January 2019 or later periods:

	Effective date (accounting periods beginning on or after)
- IFRIC 23 - Uncertainty over Income Tax Treatments	01 January 2019
- IFRS 4 (Amendments) - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4	01 July 2018
- IFRS 9 - Financial Instruments (For Insurers)	01 January 2021
- IFRS 15 - Revenue from Contracts with Customers	01 July 2018
- IFRS 16 - Leases	01 January 2019
- IAS 28 (Amendments) - Investments in Associates & Joint Ventures	01 January 2019
- IFRS 17 - Insurance Contracts	01 January 2021
- IAS 19 (Amendments) - Employee Benefits	01 January 2019
- IFRS 3 (Amendments) - Business Combinations	01 January 2020
- IAS 1 (Amendments) - Presentation of Financial Statements	01 January 2020
- IAS 8 (Amendments) - Accounting Policies, Changes in Accounting Policies	01 January 2020
- IAS 12 (Amendments regarding income tax consequences of dividends) - Income Taxes	01 January 2019

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods (except for IFRS 4, IFRS 9 and IFRS 17), will have no material impact on the financial statements other than in presentation / disclosures. However, in case of IFRS 4, IFRS 9 and IFRS 17, the Operator is assessing the potential impact on its financial statements resulting from the application of such standards / amendments which are generally expected to have a significant impact on the financial statements of insurance businesses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies are consistently applied except for the change in accounting policy for investments as stated below:

Change in accounting policy

Up to previous year, investments classified as 'available for sale (AFS)' was previously being stated at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) subsequent to initial recognition at cost following the requirements under the repealed Securities and Exchange Commission (Insurance) Rules, 2002 (the SEC Rules, 2002). The resultant impairment loss, if any, was being charged to profit and loss account.

The accounting treatment of AFS investments prescribed in the SEC Rules, 2002 stands repealed on implementation of Insurance Rules, 2017 and Insurance Accounting Regulations, 2017 during the year. Following the Insurance Rules, 2017 and Insurance Accounting Regulations, 2017, investments classified as AFS have been accounted for in these financial statements following the treatment prescribed in International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement". Under IAS 39, the quoted AFS investments are valued at market value and any unrealized gains or losses arising on revaluation of AFS investments are taken to other comprehensive income and transferred to revaluation reserves, whereas unquoted AFS investments are valued at cost less impairment in value, if any. On de-recognition or impairment of AFS investments, the cumulative gains or losses previously reported in revaluation reserves are reclassified to profit or loss account for the year. This change in accounting policy has been applied retrospectively in accordance with the requirements of IAS 8 "Accounting policy, change in accounting estimates and errors" and corresponding figures have been restated to conform to the changed policy as follows:

Impact on statement of financial position	31 December 2017		
	Balance previously reported	Adjustment	Balance restated
	Rupees	Rupees	Rupees
Assets:			
Investments			
Equity securities	51,069,607	789,840	51,859,447
Liabilities:			
Deferred taxation	-	236,952	236,952
Capital and reserves attributable to Operator:			
Available for sale investment revaluation reserve	-	552,888	552,888

	31 December 2016		
	Balance previously reported	Adjustment	Balance restated
	Rupees	Rupees	Rupees
Assets:			
Investments			
Equity securities	50,035,752	1,540,197	51,575,949
Liabilities:			
Deferred taxation	-	462,059	462,059
Capital and reserves attributable to Operator:			
Available for sale investment revaluation reserve	-	1,078,138	1,078,138

	31 December 2017 Rupees	31 December 2016 Rupees
Impact on statement of comprehensive income-Operator's fund		
Capital and reserves attributable to Operator:		
Fair value adjustment on re-measurement of available		
for sale investments - net of deferred tax	(525,250)	1,078,138
	<u>(525,250)</u>	<u>1,078,138</u>

There was no impact on cash flows and segment reporting as a result of the change in accounting policy.

Had the accounting policy not been changed, available-for sale investments, reserves, deferred taxation, would have been lower by Rupees 42,358, Rupees 30,074, Rupees 12,284, (31 December 2017: Rupees 789,840, Rupees 552,888, Rupees 236,952) respectively.

3.1 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 recognized as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Operator and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss as and when incurred.

During the year the Operator has moved to straight line method of depreciation from reducing balance method effective from 01 January 2018 in order to reflect the pattern flow of economic benefits from the assets in more effective manner. This change in accounting estimate has been applied prospectively in line with the requirements of the International Accounting Standard - 8 "Accounting Policies, Changes in Accounting Estimates and Errors" which sets out that the effect of a change in an accounting estimate shall be recognized prospectively. Had the Operator been continued to apply reducing balance method for the calculation of depreciation, the depreciation charge for the year would have been lower by Rupees 4,798.

Depreciation is calculated by using the remaining useful life as disclosed in note 5 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 values 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 values 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 proceeds with the carrying amount of the assets disposed of. These are taken to profit and loss account.

3.2 Intangible assets

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

Amortization 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 Operator. 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 Operator.

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.

3.3 TAKAFUL CONTRACTS

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

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

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

a) Fire and property takaful

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

b) Marine aviation and transport takaful

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

c) Motor takaful

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

d) Accident and Health takaful

Accident and health takaful contract mainly compensate hospitalization, outpatient medical coverage to the participant and personal accident. These contracts are generally one year contracts.

e) Miscellaneous takaful

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

3.3.1 Re-takaful contracts held

These are contracts entered into by the Operation with re-takaful operators for compensation of losses suffered on takaful contracts issued. These re-takaful contracts include both facultative and treaty arrangement contracts and are classified in same categories of takaful contracts for the purpose of these financial statements. The PTF recognizes the entitled benefits under the contracts as various re-takaful assets.

3.3.2 Provision for unearned contribution

The provision for unearned portion of contributions is calculated by applying twenty fourths' method as prescribed by Insurance Accounting Regulations, 2017. The deferred portion of re-takaful contributions is recognized as a prepayment. The deferred portion of re-takaful contributions ceded is calculated by using twenty fourths' method.

3.3.3 Receivables and payables related to takaful contracts

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

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

3.3.4 Provision for outstanding claims including IBNR

A liability for outstanding claims is recognized 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 in respect of unpaid reported claims is made on the basis of individual case estimates.

Provision for IBNR is made for the cost of settling claims incurred but not reported at the reporting date, on the basis of management's judgment and the Operator's prior experience.

The Operator takes advice from actuary for the determination of IBNR claims at the year end. The "expected loss ratio and claims Method" is used for determination of month wise factor for each class of business. Accordingly, provision has been made based on IBNR factors applied on incurred claims recommended by the actuary.

Re-takaful recoveries against outstanding claims and salvage recoveries are recognized as an asset and measured at the amount expected to be received.

3.3.5 Contribution deficiency reserve

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

The movement in the contribution deficiency reserve is recorded as an expense / income in profit or 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 31 December 2018. No Contribution deficiency reserve is required as at 31 December 2018 as determined by actuary.

3.4 TAKAFUL SURPLUS

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

3.5 WAKALA FEE

The Operator manages the general takaful operations for the participants and charges wakala fee to PTF on gross contributions recognized for each class of business to meet the general and administrative expenses of the Operator including commissions to agents at following rates:

Class	Percentage
Fire and property damage	25.00%
Marine, aviation and transport	25.00%
Motor	35.00%
Health	25.00%
Miscellaneous	22.50%

Wakala fee is recognized as income in Operator's Fund on the same basis on which the related contribution revenue is recognized. Unearned portion of wakala fee is recognized as a liability of Operator's Fund.

3.6 MODARIB'S FEE

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

3.7 QARD-E-HASNA

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

3.8 CASH AND CASH EQUIVALENTS

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

3.9 INVESTMENTS

All investments are initially recognized at cost being the fair value of the consideration given and include any transaction costs. All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Operator commits to purchase or sell the investment.

These investments are classified as 'held-to-maturity' and 'available-for-sale'.

Held-to-maturity

Investments with fixed maturity, where management has both the intent and ability to hold to maturity, are classified as 'held-to-maturity'.

Subsequently, these are measured at amortized cost less provision for impairment, if any. Any premium paid or discount availed on acquisition of 'held-to-maturity' investments is deferred and amortized over the term of investment using the effective yield.

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

Available-for-sale

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

Subsequent to initial recognition at cost, these are stated at fair value as per the requirements of the Financial Reporting Standards, IAS-39 "Financial Instruments: Recognition and Measurement" as required under Insurance Accounting Regulations, 2017. Previously, these were stated at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of the repealed SEC (Insurance) Rules, 2002. The Operator uses quotations of Pakistan Stock Exchange at the reporting date to determine the market value of its quoted investments. The Operator uses appropriate valuation techniques to estimate the fair value of unquoted investments in unlisted securities. If such estimated fair value is lesser than the cost, the Operator recognizes the impairment adjustments.

In case of fixed income securities redeemable at a given date where the cost is different from the redemption value, such difference is amortized uniformly over the period between the acquisition date and the date of maturity in determining 'cost' at which these investments are stated.

3.10 TAXATION

Current

Provision for current taxation is based on taxable income for the period determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the period, if enacted.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to statement of comprehensive income in which case it is included in statement of comprehensive income.

3.11 REVENUE RECOGNITION

a) Contribution Income

Contribution income under a policy is recognized over the period of takaful from inception to expiry by using twenty fourths' method as allowed in the Insurance Accounting Regulations, 2017.

b) Rebate income

Rebate income from re-takaful is recognized at the time of issuance of underlying takaful policy. This income is deferred and recognized as revenue in accordance with the pattern of recognition of the re-takaful contribution to which it relates. Profit rebate, if any which the Operator may be entitled to, under the terms of re-takaful, is recognized on accrual basis.

c) Investment income

- **Return on fixed income securities**
Return on fixed income securities is recognized on a time proportion basis.
- **Gain / loss on sale of available-for-sale investments**
Gain / loss on sale of available-for-sale investments is recognized in profit or loss in the year of sale.

d) Dividend

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

3.12 COMMISSION

Commission expense incurred in obtaining and recording policies is deferred and recognized as an expense in accordance with pattern of recognition of contribution revenue.

3.13 MANAGEMENT EXPENSES

Management expenses have been allocated to various classes of business as deemed equitable by management. Expenses not allocable to the underwriting business are charged under other expenses.

3.14 FOREIGN CURRENCIES

Transactions in foreign currencies are accounted for in Pak Rupees at the rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the reporting date. Exchange differences are taken to the profit and loss account currently.

3.15 FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognized at the time when the Operator becomes a party to the contractual provisions of the instrument and de-recognized when the Operator 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 de-recognition of the financial assets and liabilities is included in the profit and loss account.

Financial instruments carried on the balance sheet include cash and bank, investments, contribution due but unpaid, amounts due from other takaful / re-takaful operators, accrued investment income, loan to employees, sundry receivables, total assets of Window Takaful Operations - Operator's Fund, amounts due to other takaful / re-takaful operators, other creditors and accruals and total liabilities of Window Takaful Operations - Operator's Fund. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.16 OFF SETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet when the Operator has a legally enforceable right to set-off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.17 IMPAIRMENT

Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available-for-sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Non-financial assets

The carrying amounts of the Operator's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

3.18 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the board of directors) who is responsible for allocating resources and assessing performance of the operating segments.

The Operator accounts for segment reporting using the classes of business as specified under the Insurance Ordinance, 2000 and the Insurance Rules, 2017 as the primary reporting format based on the Operator's practice of reporting to the management on the same basis.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them while the carrying amount 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from period of revision.

In particular, information about judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements, and estimates that have a significant risk of resulting in a material adjustment in the subsequent years is included in following notes:

- (i) classification of takaful contracts (note 3.3);
- (ii) provision for unearned contribution (note 3.3.2);
- (iii) provision for contribution due but unpaid and amount due from other takaful / re-takaful operators (note 3.3.3);
- (iv) provision for outstanding claims and re-takaful recoveries there against (note 3.3.4);
- (v) contribution deficiency reserve (note 3.3.5);
- (vi) provision for unearned wakala fee (note 3.5);
- (vii) classification of investments (note 3.9);
- (viii) taxation (note 3.10);
- (ix) residual values and useful lives of property and equipment and intangibles (note 3.1 and 3.2);
- (x) allocation of management expenses (note 3.13);
- (xi) impairment (note 3.17); and
- (xii) segment reporting (note 3.18).

5. PROPERTY AND EQUIPMENT

	2018					
	Cost		Depreciation		Written down value	Depreciation rate %
	As at 1 January	Addition/ (disposals)	As at 31 December	As at 1 January	For the year/ (disposals)	As at 31 December
Tangible						
Furniture & Fixture	56,062	-	56,062	6,868	5,622	12,490
Computer equipments	39,500	-	39,500	11,374	13,470	24,844
Total	95,562	-	95,562	18,242	19,092	37,334
						58,228
	2017					
	Cost		Depreciation		Written down value	Depreciation rate %
	As at 1 January	Addition/ (disposals)	As at 31 December	As at 1 January	For the year/ (disposals)	As at 31 December
Tangible						
Furniture & Fixture	56,062	-	56,062	1,402	5,466	6,868
Computer equipments	30,000	9,500	39,500	1,667	9,443	11,110
Total	86,062	9,500	95,562	3,069	14,909	17,978
						77,584

6. INTANGIBLE ASSETS

	2018					
	Cost		Depreciation		Written down value	Depreciation rate %
	As at 1 January	Addition/ (disposals)	As at 31 December	As at 1 January	For the year/ (disposals)	As at 31 December
Computer Software	37,000	1,830,000	1,867,000	8,222	469,834	478,056
	37,000	1,830,000	1,867,000	8,222	469,834	478,056
2017	-	37,000	37,000	-	8,222	8,222
						28,778

7. INVESTMENTS IN EQUITY SECURITIES

2018			2017		
Cost	Fair value adjustment	Carrying market value	Cost	Fair value adjustment	Carrying market value
Rupees	Rupees	Rupees	Rupees	Rupees	Rupees

AVAILABLE FOR SALE

Operator's Fund

Others - mutual fund

Meezan Sovereign Fund	-	-	-	51,069,607	789,840	51,859,447
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Participants' Takaful Fund

Others - mutual fund

Meezan Sovereign Fund	1,509,569	42,358	1,551,927	-	-	-
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8. INVESTMENTS IN TERM DEPOSITS

	2018		2017	
	Cost	Impairment/ Provision	Carrying value	Carrying value
	Rupees	Rupees	Rupees	Rupees
Held to maturity				
Operator's Fund				
Deposits maturing within 12 months - local currency	40,000,000	-	40,000,000	-
Participants' Takaful Fund				
Deposits maturing within 12 months - local currency	19,900,000	-	19,900,000	-

8.1 These represents term deposits with different microfinance banks and carry mark-up ranging from 9.50% to 13.00%.

9. LOANS AND OTHER RECEIVABLES-Considered good

	2018			2017
	Operator's Fund	Participants' Takaful Fund	Aggregate	Aggregate
	Rupees			Rupees
Advance against bonus	3,031	-	3,031	-
Accrued investment income	1,779,824	572,771	2,352,595	-
Sales tax on services refund	52,131	-	52,131	37,229
Receivable from Sindh Insurance Limited	-	-	-	117,297
Receivable from Participant Takaful Fund	119,282	-	119,282	530,475
Other receivable	15,122	-	15,122	-
	1,969,390	572,771	2,542,161	685,001

10. TAKAFUL / RE-TAKAFUL RECEIVABLES - Unsecured and considered good

	2018 Rupees	2017 Rupees
Due from Takaful contract holders	1,722,247	2,356,323
Less: provision for impairment of receivables from Takaful contract holders	(536,717)	-
	1,185,530	2,356,323
Due from other takaful / re-takaful companies	142,780	1,429,482
Less: provision for impairment of due from other takaful / re-takaful companies	-	-
	142,780	1,429,482
	1,328,310	3,785,805

10.1 Due from takaful contract holders includes Rupees 894,750 due from related parties (2017: Rupees 572,224).

11. PREPAYMENTS

Prepaid expenses	76,261	-	76,261	-
Prepaid re-takaful contribution ceded	-	522,208	522,208	1,550,150
	76,261	522,208	598,469	1,550,150

12. CASH AND BANK

	2018			2017
	Operator's Fund	Participants' Takaful Fund	Aggregate	Aggregate
	Rupees			Rupees
Cash at bank				
Saving accounts	3,277,412	1,538,264	4,815,676	2,383,608

12.1 Saving accounts carry expected profit ranging from 2.25% to 5.73% per annum (2016: 2.40% to 2.50%) per annum.

12.2 Cash and cash equivalent include the following for the purpose of Cash Flow Statement:

Cash at bank	3,277,412	1,538,264	4,815,676	2,383,608
Term Deposits	40,000,000	19,900,000	59,900,000	-
	43,277,412	21,438,264	64,715,676	2,383,608

13. TAKAFUL / RETAKAFUL PAYABLE

Due to takaful contract holders	-	-	-	-
Due to other takaful / re-takaful	-	3,355,782	3,355,782	3,367,809
	-	3,355,782	3,355,782	3,367,809

14. OTHER CREDITORS AND ACCRUALS

Provincial sales tax on services	-	1,128,473	1,128,473	5,262
Federal insurance fee	-	13,537	13,537	1,139
Tax deducted / collected at source	-	-	-	39,540
Commission payable	229,648	-	229,648	376,382
Payable to Sindh Insurance Limited	4,727,107	1,254,010	5,981,117	5,249
Payable to Shareholders' Fund	-	119,282	119,282	530,475
Sundry creditors	8,427	369,294	377,721	266,403
Accrued expenses	389,464	-	389,464	130,997
	5,354,646	2,884,596	8,239,242	1,355,447

15. CONTINGENCIES AND COMMITMENTS

There were no contingencies or commitments as at the reporting date. (2017: NIL)

	2018 Rupees	2017 Rupees
16. NET CONTRIBUTION REVENUE		
Written Gross Contribution	13,072,745	4,346,146
Add: Unearned Contribution reserve opening	2,553,329	286,511
Less: Unearned Contribution reserve closing	(8,619,640)	(2,553,329)
Contribution Earned	7,006,434	2,079,328
Less :Re-takaful contribution ceded	(5,640,237)	(2,254,507)
Less: Prepaid Re-takaful contribution ceded opening	(1,550,150)	(33,274)
Add: Prepaid Re-takaful contribution ceded closing	522,208	1,550,150
Re-takaful contribution expense	(6,668,179)	(737,631)
	338,255	1,341,697
17. NET TAKAFUL CLAIMS EXPENSE		
Claim paid	1,432,974	85,845
Add: Outstanding claims including IBNR closing	907,918	199,170
Less: Outstanding claims including IBNR Opening	(199,170)	-
Claim expense	2,141,722	285,015
Re-takaful and other recoveries received	-	-
Add: Re-takaful and other recoveries in respect of outstanding claims (Opening)	-	-
Less: Re-takaful and other recoveries in respect of outstanding claims (closing)	(3,750)	-
Re-takaful and other recoveries revenue	(3,750)	-
	2,137,972	285,015

17.1 This includes Provision for incurred but not reported (IBNR) amounting to Rupees 394,418 (2017: 134,170).

17.2 Claim Development

The Company maintains adequate reserves in respect of its takaful 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 re-takaful:

	2016 Rupees	2017 Rupees	2018 Rupees	Total Rupees
Accident year				
Estimate of ultimate claims cost:				
At the end of accident year	-	150,845	1,845,753	1,996,598
One year later	-	186,566	-	186,566
Two years later	-	-	-	-
Current estimate of Cumulative claims	-	186,566	1,845,753	2,032,319
Cumulative payment to date	-	(186,566)	(1,332,253)	(1,518,819)
Liability recognized in balance sheet	-	-	513,500	513,500

	2018 Rupees	2017 Rupees
18. NET COMMISSION EXPENSE / ACQUISITION COST		
Commission paid or payable	(73,128)	453,280
Add: Deferred Commission expense opening	323,237	-
Less: Deferred Commission expense closing	(19,569)	(323,237)
Net commission	230,540	130,043
Retakaful rebate received or recoverable	608,007	(191,211)
Add: Unearned retakaful rebate closing	104,883	367,099
Less: Unearned retakaful rebate opening	(367,099)	(6,056)
Rebate on retakaful	345,791	169,832
	(115,251)	(39,789)
19. WAKALA FEE EXPENSE/INCOME		
Gross wakala fee	4,245,725	1,248,397
Add: Deferred/unearned wakala fee opening	709,798	93,762
Add: Deferred/unearned wakala fee closing	(2,830,891)	(709,798)
Net Wakala Expense/ Income	2,124,632	632,361
20. INVESTMENT INCOME		
20.1 Participants' Takaful fund		
Income from equity securities-Available for Sale		
Dividend Income on Meezan Sovereign Fund	11,258	-
Income from term deposits		
Return on term deposits	572,771	-
Profit on bank deposit	173,824	55,503
	757,853	55,503
Less: modarib's fee	151,571	11,100
Less: Impairment	-	-
	606,282	44,403
20.2 Operator's Fund		
Income from equity securities-Available for Sale		
Realized Gain on Equity Securities	820,333	3,033,855
Income from term deposits		
Profit on bank deposit	1,349,114	71,287
Income on term deposit	1,779,824	-
Total Investment Income	3,949,271	3,105,142
Less: Impairment	-	-
	3,949,271	3,105,142

	Note	2018 Rupees	2017 Rupees
21. MANAGEMENT EXPENSES			
Employee benefit cost	21.1	1,886,480	1,134,364
Printing and stationary expenses		84,600	15,125
Depreciation		19,092	14,909
Amortization		469,834	8,222
Miscellaneous		80,704	36,901
Advertising		-	2,000
Other charges		635	12,065
		<u>2,541,345</u>	<u>1,223,586</u>
21.1 Employee Benefit cost			
Salaries, allowance and other benefits		1,791,764	1,134,364
Charges for post employment benefit		94,716	-
		<u>1,886,480</u>	<u>1,134,364</u>
22. OTHER EXPENSES			
Auditors' Remuneration	22.1	242,350	210,750
Bonus		139,236	108,406
Compensated leave absences		153,766	73,792
		<u>535,352</u>	<u>392,948</u>
22.1 Auditor's Remuneration			
Annual audit fee		126,375	109,250
Half yearly review		57,000	50,000
Other certification		40,000	40,000
Out of pocket		18,975	11,500
		<u>242,350</u>	<u>210,750</u>
23. TAXATION			
Current		163,409	602,159
Deferred		5,777	-
		<u>169,186</u>	<u>602,159</u>
23.1 Relationship between tax expense and accounting profit			
The relationship between tax expense and accounting profit is as follows:			
Accounting profit before tax		<u>(567,390)</u>	<u>2,002,026</u>
Tax @ 29%		-	602,159
Effect of taxable temporary differences on account of:			
- depreciation allowance		5,777	-
Effect of turnover tax u/s 113		163,409	-
		<u>169,186</u>	<u>602,159</u>
24. TRANSACTIONS WITH RELATED PARTIES			
Related parties comprise the Operator, associated companies, companies under common control, companies with common directors, major shareholders, employees' retirement benefit plans, directors and key management personnel of the management. All transactions involving related parties arising in the normal course of business are conducted at commercial terms and conditions. Transactions with the key management personnel are made under their terms of employment / entitlements. Balances and transaction with related party are disclosed in relevant notes to these condensed financial information.			
Transactions			
Common Directorship			
Sindh Bank Limited (SBL)			
Income on saving accounts		1,151,059	71,287
Net Contribution		3,042,149	441,600
Gross Contribution		2,605,165	240,525
Claim paid		1,089,166	-

	2018 Rupees	2017 Rupees
Sindh Modarba		
Net Contribution	180,588	259,118
Gross Contribution	521,423	244,921
Claim paid	67,761	-
Balances		
Common Directorship		
Sindh Bank Limited (SBL)		
Bank accounts	2,542,161	2,383,608
Due from takaful contract holder	889,702	263,227
Claim payable	148,000	-
Sindh Modarba		
Due from takaful contract holder	5,048	308,997
Claim payable	25,000	

25. OPERATING SEGMENTS

Segment results	Fire and Property Damage		Marine, Aviation & Transport		Motor		Accident and health		Miscellaneous		Treaty		Total
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Contribution receivable	(36,710)	2,140,456	118,628	29,160	11,597,062	2,185,396	2,655,744	-	398,642	389,259	-	-	4,744,271
Less: Federal exercise duty	52,738	62,909	272	3,329	1,334,481	260,266	93,041	-	45,459	44,390	-	-	370,894
Federal insurance fee	4,062	4,529	20	225	101,675	19,062	25,375	-	3,498	3,415	-	-	27,231
Gross written contribution	(93,510)	2,073,018	118,336	25,606	10,160,906	1,906,068	2,537,328	-	349,685	341,454	-	-	4,346,146
Direct contribution earned	385,969	228,452	18,968	7,001	3,999,873	1,263,978	1,401,210	-	355,480	171,461	-	-	1,670,892
Facultative inward contribution earned	661,244	363,931	104,263	-	-	-	-	-	-	-	-	-	363,931
Administrative surcharge earned	8,847	6,861	949	350	58,358	34,140	6,875	-	4,398	3,154	-	-	44,505
Contribution earned	1,056,060	599,244	124,180	7,351	4,058,231	1,298,118	1,408,085	-	359,878	174,615	-	-	2,079,328
Re-takaful expense	(966,571)	(540,821)	(110,908)	(6,305)	(5,309,940)	(56,085)	-	-	(280,760)	(134,420)	-	-	(737,631)
Net contribution earned	89,489	58,423	13,272	1,046	(1,251,709)	1,242,033	1,408,085	-	79,118	40,195	-	-	1,341,697
Rebate from re-takaful operators	208,352	116,904	25,510	1,449	47,358	25,385	-	-	64,571	26,094	-	-	169,832
Net underwriting income	297,841	175,327	38,782	2,495	(1,204,351)	1,267,418	1,408,085	-	143,689	66,289	-	-	1,511,529
Takaful claims	(3,107)	(5,842)	(1,222)	(105)	(755,526)	(275,048)	(1,377,975)	-	(3,892)	(4,020)	-	-	(285,015)
Re-takaful and other recoveries	-	-	-	-	(3,750)	-	-	-	-	-	-	-	-
Net claims	(3,107)	(5,842)	(1,222)	(105)	(751,776)	(275,048)	(1,377,975)	-	(3,892)	(4,020)	-	-	(285,015)
Wakala expense	(260,966)	(148,939)	(30,809)	(1,751)	(1,400,371)	(441,960)	-	-	(432,486)	(39,711)	-	-	(632,361)
Underwriting result	33,768	20,546	6,751	639	(3,356,498)	550,410	30,110	-	(292,689)	22,558	-	-	594,153
Direct expenses													-
Investment Income													44,403
Other Income													4,842
(Deficit) / surplus for the period	(191,206)	3,599,711	241,970	44,464	20,776,694	3,309,809	5,188,246	-	715,025	592,921	-	-	7,546,905
Segment assets													
Un-allocated assets													-
- Participant Takaful fund													44,403
- Operator's Fund													4,842
													643,398
													7,546,905
Segment liabilities													
Un-allocated liabilities													442,647
- Participant Takaful fund													53,424,740
- Operator's Fund													61,414,292
													90,456,093
Segment liabilities													7,546,905
Un-allocated liabilities													2,246,268
- Operator's Fund													9,793,173
													8,811,965
													40,094,364

26. MOVEMENT IN INVESTMENT

	Held to Maturity	Available for sale	Fair Value Through P&L	Total
	Rupees	Rupees	Rupees	Rupees
26.1 Operator's Fund				
Balance as at 31 December 2016 (restated)	-	51,575,949	-	51,575,949
Additions	-	26,580,188	-	26,580,188
Disposals	-	(26,214,146)	-	(26,214,146)
Fair Value net loss	-	(82,545)	-	(82,545)
Balance as at 31 December 2017 (restated)	-	51,859,446	-	51,859,446
Additions	-	-	-	-
Disposals	-	(51,859,446)	-	(51,859,446)
Fair Value net loss	-	-	-	-
Balance as at 31 December 2018	-	-	-	-
26.2 Participants' Takaful fund				
Balance as at 31 December 2016	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Fair Value net loss	-	-	-	-
Balance as at 31 December 2017	-	-	-	-
Additions	-	1,509,569	-	1,509,569
Disposals	-	-	-	-
Fair Value net loss	-	42,358	-	42,358
Balance as at 31 December 2018	-	1,551,927	-	1,551,927

27. MANAGEMENT OF TAKAFUL RISK AND FINANCIAL RISK**27.1 TAKAFUL RISK**

The risk under any takaful contract is the possibility that the covered event occurs and uncertainty in the amount of compensation to the participant. Generally, most takaful contracts carry takaful risk for a period of one year (refer note 3.3).

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

Frequency and severity of claims

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

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

Class	Maximum gross risk exposure	Maximum gross risk exposure
	2018	2017
Fire and Property	52,895,000	195,773,149
Marine, Aviation & Transport	48,974,780	9,172,295
Motor	15,000,000	9,690,000
Accident and health	500,000	-
Miscellaneous	3,000,000	3,000,000
	120,369,780	217,635,444

Uncertainty in the estimation of future claims payment

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

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

27.2 RE-TAKAFUL RISK

Re-takaful ceded does not relieve the PTF from its obligation towards participants and, as a result, the PTF remains liable for the portion of outstanding claims covered through re-takaful to the extent that re-takaful operators fails to meet the obligation under the re-takaful agreements.

To minimize its exposure to significant losses from re-takaful operators' insolvencies, the operations obtain re-takaful rating from a number of re-takaful operators, who are dispersed over several geographical regions.

An analysis of all re-takaful assets recognised by the rating of the entity from which it is due is as follows:

	Amount due from other takaful / re-takaful operators	Re-takaful recoveries against outstanding claims	Other re-takaful assets	2018
Rating	Rupees	Rupees	Rupees	Rupees
A or above including Pakistan				
Unrated	142,780	3,750	-	146,530

	Amount due from other takaful / re-takaful operators	Re-takaful recoveries against outstanding claims	Other re-takaful assets	2017
Rating	Rupees	Rupees	Rupees	Rupees
Unrated	1,429,482	-	-	1,429,482

27.3 Financial risk management objective and policies

The operations has exposure to the following risks from its use of financial instruments:

- Market risk
- Liquidity risk
- Credit risk

27.3.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise of interest rate risk, foreign currency risk and other price risk. The objective of market risk management is to manage and control market risk Exposures within an acceptable range.

Profit rate risk

Profit rate risk is the risk that the value of a financial instrument will fluctuate due to change in the market profit rate.

Foreign Currency risk

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

Other price risk

Other price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar Financial instruments traded in the market. The Operations at present, is not materially exposed to other price risk.

27.3.2 Liquidity risk

Liquidity risk is the risk that the Operations will not be able to meet its financial obligations as they fall due. The Operations' approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the operation's reputation. The following are the contractual maturities of financial liabilities based on the remaining period at the reporting date to maturity date.

	2018			
	Within one year	Over one year to five years	Over five years	Total
	Rupees	Rupees	Rupees	Rupees
Financial Liabilities - Participants' Takaful Fund				
Contribution received in advance	-	-	-	-
Amounts due to other takaful / re-takaful operators	3,355,782	-	-	3,355,782
Wakala and modarib fee payable	4,397,296	-	-	4,397,296
Other creditors and accruals	2,884,596	-	-	2,884,596
	10,637,674	-	-	10,637,674

Financial Liabilities - Operator's Fund

Other creditors and accruals

2018			
Within one year	Over one year to five years	Over five years	Total
Rupees	Rupees	Rupees	Rupees
5,354,646	-	-	5,354,646

Financial Liabilities - Participants' Takaful Fund

Contribution received in advance	403,204	-	-	403,204
Amounts due to other takaful / re-takaful operators	3,367,809	-	-	3,367,809
Wakala and modarib fee payable	5,334	-	-	5,334
Other creditors and accruals	650,960	-	-	650,960
	4,427,307	-	-	4,427,307

Financial Liabilities - Operator's Fund

Other creditors and accruals

2017			
Within one year	Over one year to five years	Over five years	Total
Rupees	Rupees	Rupees	Rupees
704,487	-	-	704,487

27.3.3 Credit risk

Credit risk is the risk, which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The management monitors exposure to credit risk through regular review of credit exposure, undertaking transactions with a large number of counter parties in various industries and by continually assessing the credit worthiness of counter parties.

Concentration of credit risk arises when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would affect their ability to meet contractual obligations in similar manner. Due to the nature of financial assets, the Operator believes it is not exposed to any major concentration of credit risk.

The carrying amounts of the following financial assets represent the Operator's maximum exposure to credit risk:

	2018		
	Operator's Fund	Participants' Takaful Fund	Aggregate
Current and other accounts	3,277,412	1,538,264	4,815,676
Investments	40,000,000	21,451,927	61,451,927
Contribution due but unpaid	-	1,185,530	1,185,530
Wakala and modarib fee receivable	4,397,296	-	4,397,296
Amounts due from other takaful/ re-takaful operators	-	142,780	142,780
Sundry receivables	1,969,390	572,771	2,542,161
	49,644,098	24,891,272	74,535,370

	2017		
	Operator's Fund	Participants' Takaful Fund	Aggregate
Current and other accounts	467,723	1,915,885	2,383,608
Investments	51,069,607	-	51,069,607
Contribution due but unpaid	-	2,356,323	2,356,323
Wakala and modarib fee receivable	5,334	-	5,334
Amounts due from other takaful/ re-takaful operators	-	1,429,482	1,429,482
Sundry receivables	662,637	22,364	685,001
	52,205,301	5,724,054	57,929,355

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

	Rating		Rating Agency	2018 Rupees	2017 Rupees
	Short term	Long term			
Saving accounts					
Sindh Bank Limited - Operator's Fund	A-1+	AA	JCR-VIS	3,277,412	467,723
Sindh Bank Limited - Participants' Takaful Fund	A-1+	AA	JCR-VIS	1,538,264	1,915,885

The credit quality of investments can be assessed with reference to external credit rating as follows:

	Rating	Rating Agency	2018 Rupees	2017 Rupees
Operator's Fund				
Meezan Sovereign Fund	AA-(f)	JCR-VIS	-	51,069,607
NRSP Microfinance Bank Ltd	A1	PACRA	40,000,000	-
			<u>40,000,000</u>	<u>51,069,607</u>
Participants' Takaful Fund				
Meezan Sovereign Fund	AA-(f)	JCR-VIS	1,551,927	-
NRSP Microfinance Bank Ltd	A	PACRA	19,900,000	-
			<u>21,451,927</u>	<u>-</u>

28. FINANCIAL INSTRUMENT BY CATEGORIES

	Loans and receivables	Held-to-maturity	Available-for-sale	Total
	Rupees	Rupees	Rupees	Rupees
As at 31 December 2018				
Financial assets - Participants' Takaful Fund				
Cash and bank balances	1,538,264	-	-	1,538,264
Investments	-	19,900,000	1,551,927	21,451,927
Contribution due but unpaid	1,185,530	-	-	1,185,530
Amounts due from other takaful/ re-takaful operators	142,780	-	-	142,780
Sundry receivables	572,771	-	-	572,771
	<u>3,439,345</u>	<u>19,900,000</u>	<u>1,551,927</u>	<u>24,891,272</u>
Financial assets - Operator's Fund				
Cash and bank balances	3,277,412	-	-	3,277,412
Investments	-	40,000,000	-	40,000,000
Wakala and modarib fee receivable	4,397,296	-	-	4,397,296
Sundry receivables	1,969,390	-	-	1,969,390
	<u>9,644,098</u>	<u>40,000,000</u>	<u>-</u>	<u>49,644,098</u>

	At amortized cost	
	Participants' Takaful Fund	Operator's Fund
	Rupees	Rupees
As at 31 December 2018		
Financial liabilities		
Contribution received in advance	-	-
Amounts due to other takaful / re-takaful operators	3,355,782	-
Wakala and modarib fee payable	4,397,296	-
Other creditors and accruals	2,884,596	5,354,646
	<u>10,637,674</u>	<u>5,354,646</u>

	Loans and receivables	Held-to-maturity	Available-for-sale	Total
	Rupees	Rupees	Rupees	Rupees
As at 31 December 2017				
Financial assets - Participants' Takaful Fund				
Cash and bank balances	1,915,885	-	-	1,915,885
Contribution due but unpaid	2,356,323	-	-	2,356,323
Amounts due from other takaful/ re-takaful operators	1,429,482	-	-	1,429,482
Sundry receivables	22,364	-	-	22,364
	<u>5,724,054</u>	<u>-</u>	<u>-</u>	<u>5,724,054</u>
Financial assets - Operator's Fund				
Cash and bank balances	467,723	-	-	467,723
Investments	-	-	51,859,447	51,859,447
Wakala and modarib fee receivable	5,334	-	-	5,334
Sundry receivables	662,637	-	-	662,637
	<u>1,135,694</u>	<u>-</u>	<u>51,859,447</u>	<u>52,995,141</u>

	At amortized cost	
	Participants' Takaful Fund	Operator's Fund
	Rupees	Rupees
As at 31 December 2017		
Financial liabilities		
Contribution received in advance	403,204	-
Amounts due to other takaful / re-takaful operators	3,367,809	-
Wakala and modarib fee payable	5,334	-
Other creditors and accruals	650,960	704,487
	<u>4,427,307</u>	<u>704,487</u>

29. DATE OF AUTHORISATION FOR ISSUE

These financial statements were approved and authorized for issue on 03 April 2019 by the Board of Directors of the Company.

30. CORRESPONDING FIGURES

Corresponding figures have been changed wherever necessary to in line with the changes enacted through Insurance Rules, 2017.

31. GENERAL

Figures have been rounded to the nearest Rupee.



Chairman



Director



Director



Chief Executive Officer

BRANCHES

Our Branches

North Region Branch:

Escort Bank Building
Davis Road, Lahore.
Ph: 042-36297709

Interior Sindh:

Naudero Branch
Larkana Road, Naudero
Ph: 74-4047528

Hyderabad Region:

Block - D, Unit No. 07
Latifabad, Hyderabad.
Ph: 022-3821758



**PATTERN OF SHAREHOLDINGS
HELD BY THE SHAREHOLDERS OF SINDH INSURANCE LIMITED
AS AT DECEMBER 31, 2018**

Number of Shareholders	Shareholding		Shares Held	Percentage
	From	To		
1	From 1	To 49,999,993	49,999,993	49.999993
7	From 49,999,994	To 50,000,000	7	0.000007
1	From 50,000,001	To 100,000,000	50,000,000	50.000000
8			100,000,000	100.0000

Categories of Shareholders	Shareholders	Shares Held	Percentage
Associated Company	-	-	-
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful Companies and Modarabas	-	-	-
Mutual Funds	-	-	-
Other Companies	-	-	-
Shareholding Above 5%			
Governament of Sindh	1	99,999,993	99.999993
Directors, CEO, Executives and their Spouses and Minor Childrens			
Muhammad Bilal Sheikh	1	1	0.000001
Najam Ahmed Shah	1	1	0.000001
Mushtaq Malik	1	1	0.000001
Syed Akhtar Ul Islam	1	1	0.000001
Muhammad Aley Abid	1	1	0.000001
Zahid Hussain	1	1	0.000001
Raja Muhammad Abbas	1	1	0.000001
Individuals	-	-	-
Total	8	100,000,000	100.000000

FORM OF PROXY

Quote Folio No. _____

Fifth Annual General Meeting

I/We _____ of _____ being a member of **Sindh Insurance Limited** and holder of _____ ordinary shares, hereby appoint _____ of _____ or failing him _____ of _____ who are also members of Sindh Insurance Limited as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the Fifth Annual General Meeting to be held on Tuesday, April 30, 2019 at 10:45 am at 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi and at any adjournment thereof.

Signed this _____ day of _____ 2019

1. Witness:

Signature _____

Name _____

Address _____

CNIC No. _____

Passport No. _____

Please affix
Rupees Five
Revenue
Stamp

2. Witness:

Signature _____

Name _____

Address _____

CNIC No. _____

Passport No. _____

Signature of Member

Important: This instrument appointing a proxy, duly completed, must be received by the Company Secretary at the Company's Head Office/Registered Office, 1st Floor, Imperial Court, Dr. Ziauddin Amed Road, Karachi., not later than 48 hours before the time of holding the meeting.

پانچواں سالانہ عام اجلاس

میں / ہم ----- ساکن ----- بحیثیت رکن سندھ انشورنس لمیٹڈ اور حامل

عام حصص، اس دستاویز کے ذریعے

ساکن

یا ان کی عدم دستیابی کی صورت میں۔۔۔۔۔ ساکن

جیسا کہ وہ بھی سندھ انشورنس لمیٹڈ کے رکن ہیں کو بطور میرے / ہمارے مختار، جو کہ میری / ہماری غیر موجودگی کی صورت میں پانچواں سالانہ عام اجلاس منعقدہ منگل 30 اپریل 2019، بجے صبح، بمقام پہلی منزل امپیریل کورٹ، ڈاکٹر ضیاء الدین احمد روڈ، کراچی یا کسی بھی دیگر صورت میں شرکت کرنے اور میرے / ہمارے لئے حق رائے دہی استعمال کر سکے، مقرر کرتے ہیں

دستخط _____ مورخه _____ 2019

۱- گواه

..... دستخط:

نام: _____

قومی شناختی کارڈ نمبر:-----

پاسپورٹ نمبر: _____

برائے مہربانی پانچ روپے
کے رسیدی ٹکٹ چسپاں
کریں۔

۲۔ گواہ

----- دستخط:

نام: _____

قومی شناختی کارڈ نمبر:-----

پاسپورٹ نمبر: _____

اہم ترین:

یہ دستاویز ایک مختیار کار کی تقرری ہے جو کہ مکمل کر کے اجلاس شروع کرنے کے 48 گھنٹے پہلے کمپنی سیکریٹری کو درج ذیل پتہ پر موصول ہونا ضروری ہے۔

پہلی منزل امپیریل کورٹ، ڈاکٹر ضیاء الدین احمد روڈ، کراچی۔

IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO



Registered / Head Office:

1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi - Pakistan.
Tel: +92-21-3564 0715 - 17 Fax: +92-21-3564 0714 Web: www.sindhinsuranceltd.com