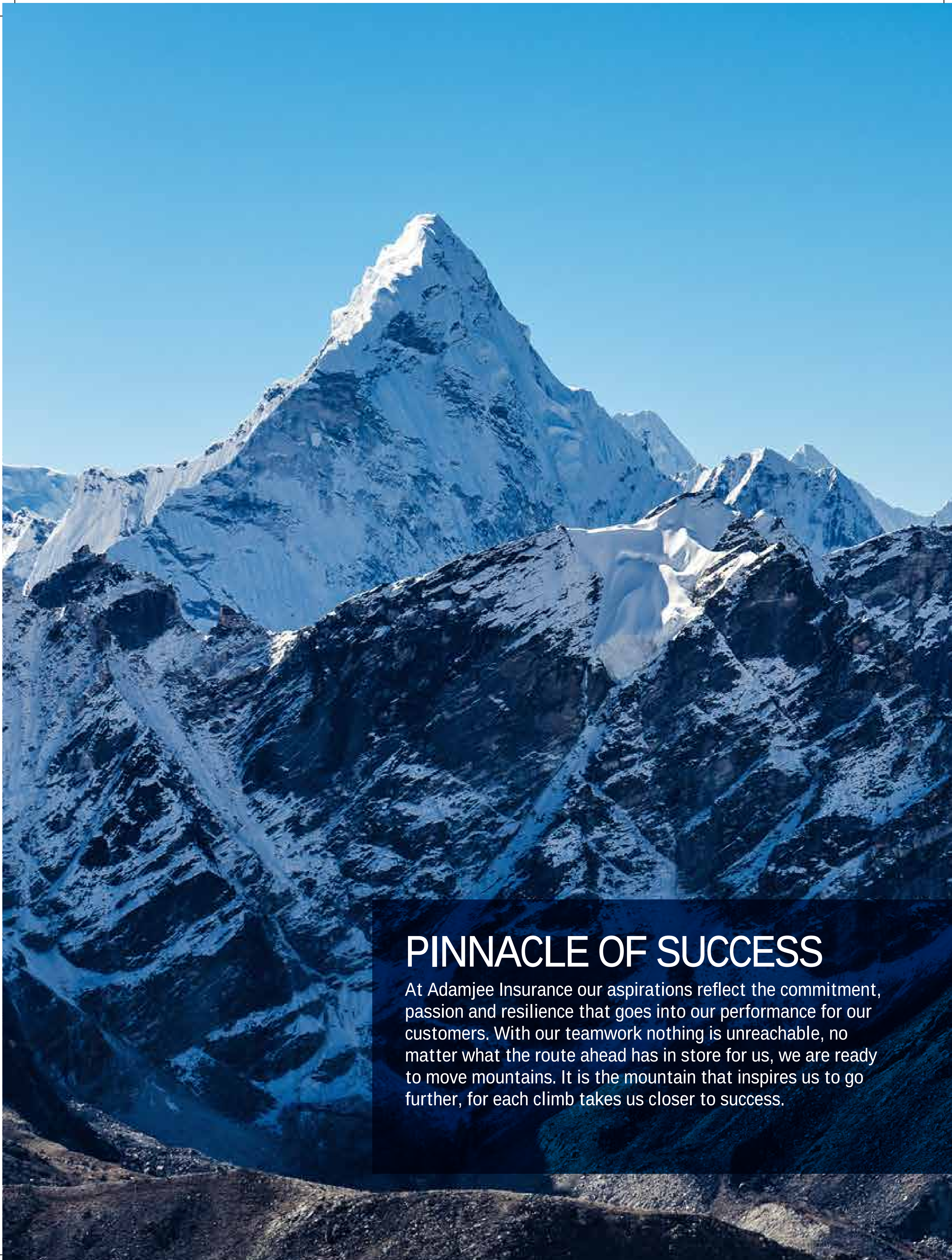
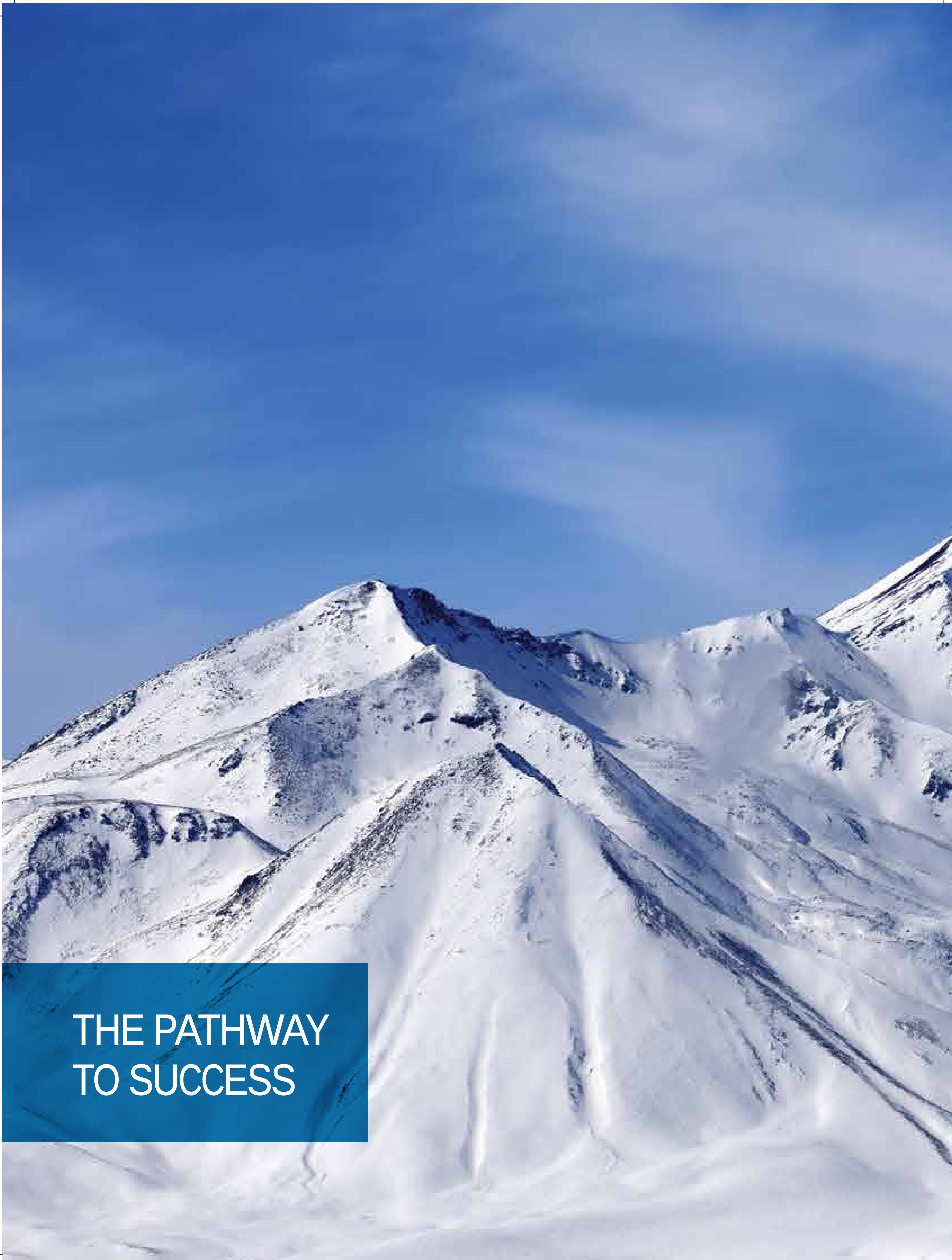


PINNACLE OF SUCCESS

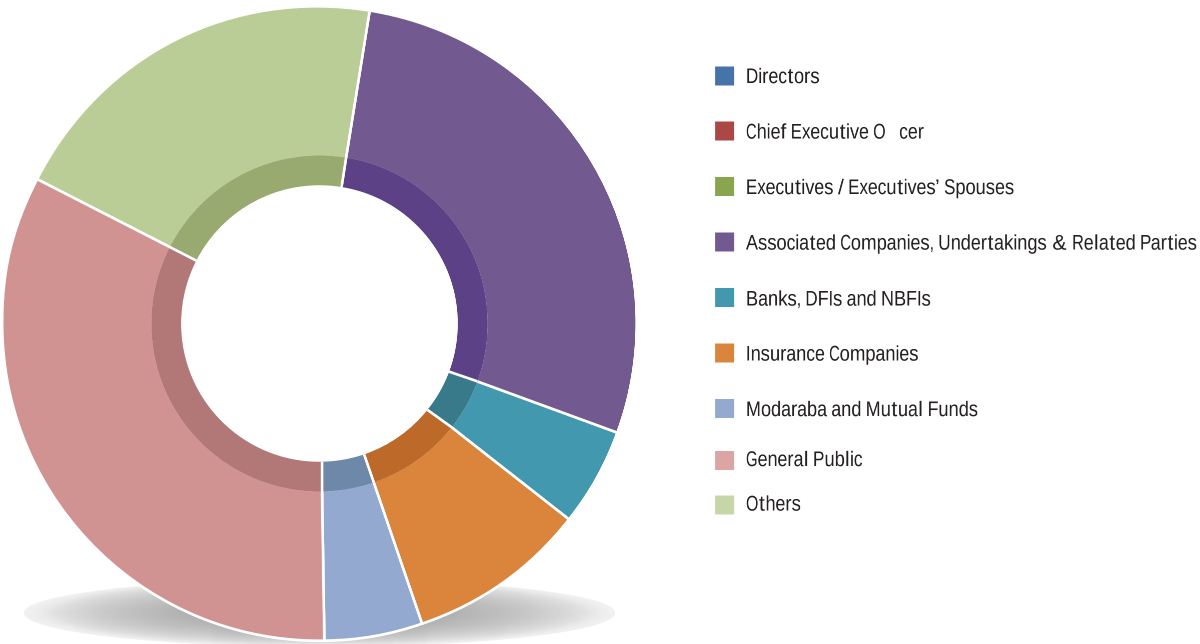
At Adamjee Insurance our aspirations reflect the commitment, passion and resilience that goes into our performance for our customers. With our teamwork nothing is unreachable, no matter what the route ahead has in store for us, we are ready to move mountains. It is the mountain that inspires us to go further, for each climb takes us closer to success.



THE PATHWAY TO SUCCESS

CONTENTS

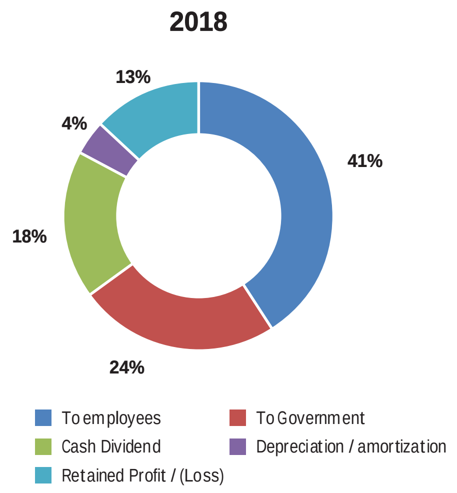
CATEGORIES OF SHAREHOLDERS

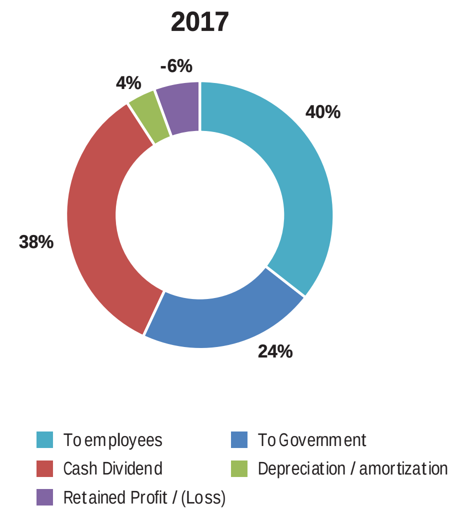


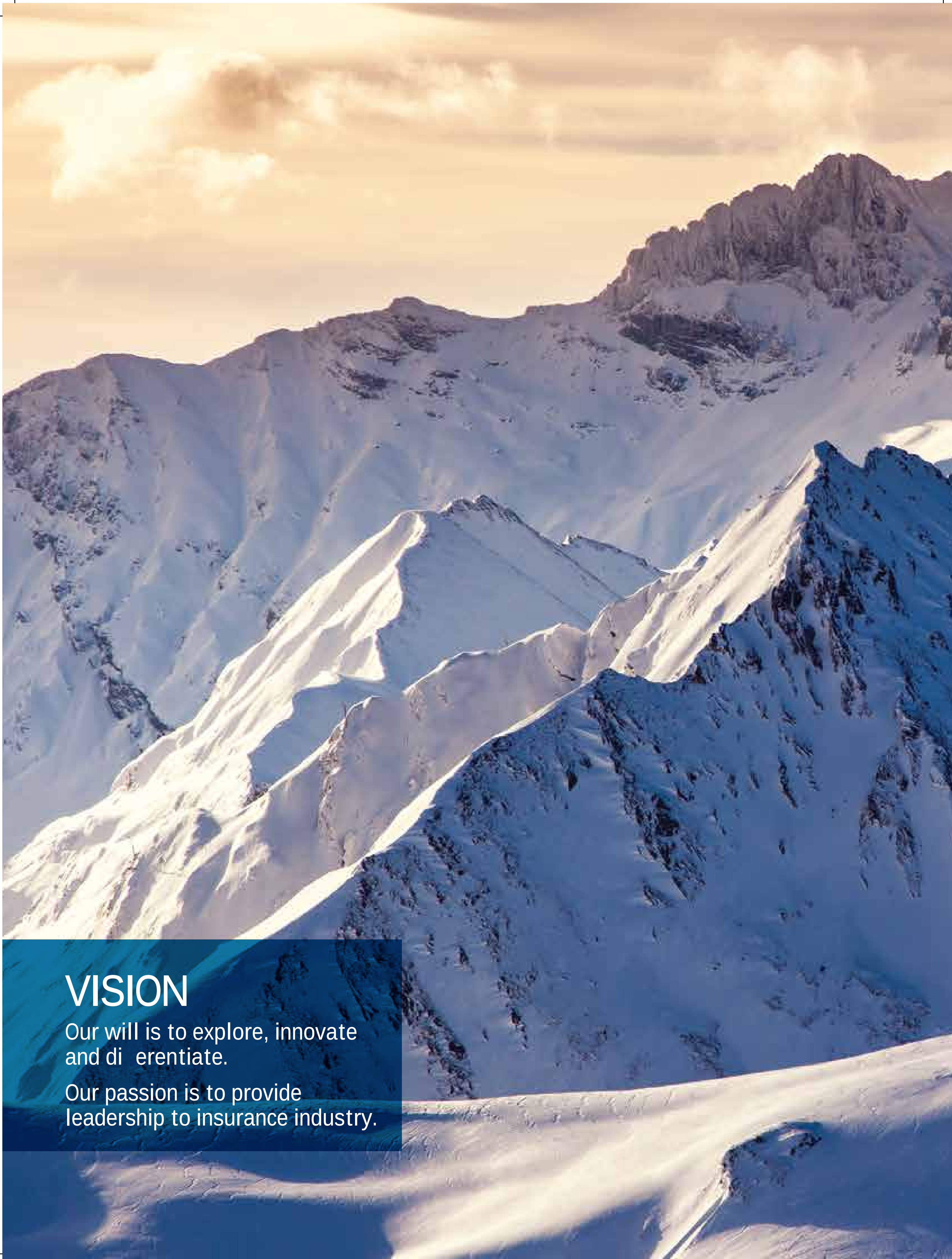
CATEGORIES OF SHAREHOLDERS	Number of Shares	Stake %
Directors	152,278	0.044
Chief Executive O cer	7,073	0.002
Executives / Executives' Spouses	104	-
Associated Companies, Undertakings & Related Parties	98,193,285	28.055
Banks, DFIs and NBFIs	18,512,046	5.289
Insurance Companies	31,339,709	8.954
Modaraba and Mutual Funds	18,871,451	5.392
General Public	113,804,599	32.516
Others	69,119,455	19.748
	350,000,000	100.000

STATEMENT OF VALUE ADDITION AND ITS DISTRIBUTION

WEALTH GENERATED	2018 (Rupees in '000')	2018 %	2017 (Rupees in '000')	2017 %
Gross premium earned	20,151,264		17,146,020	
Investment and other income	1,465,284		1,665,641	
	21,616,548		18,811,661	
Management and other expenses	(17,681,325)		(15,128,621)	
	3,935,223	100.00	3,683,040	100.00
WEALTH DISTRIBUTED				
To employees	1,636,314	41.58	1,473,500	40.01
To government	934,500	23.75	899,678	24.43
	2,570,814		2,373,178	64.44
To share holders				
Cash dividend	700,000	17.79	1,400,000	38.01
Retained in business				
Depreciation and amortization	149,215	3.79	139,667	3.79
Retained profit / (Loss)	515,194	13.09	(229,805)	(6.24)
	664,409		(90,138)	(2.45)
	3,935,223	100.00	3,683,040	100.00



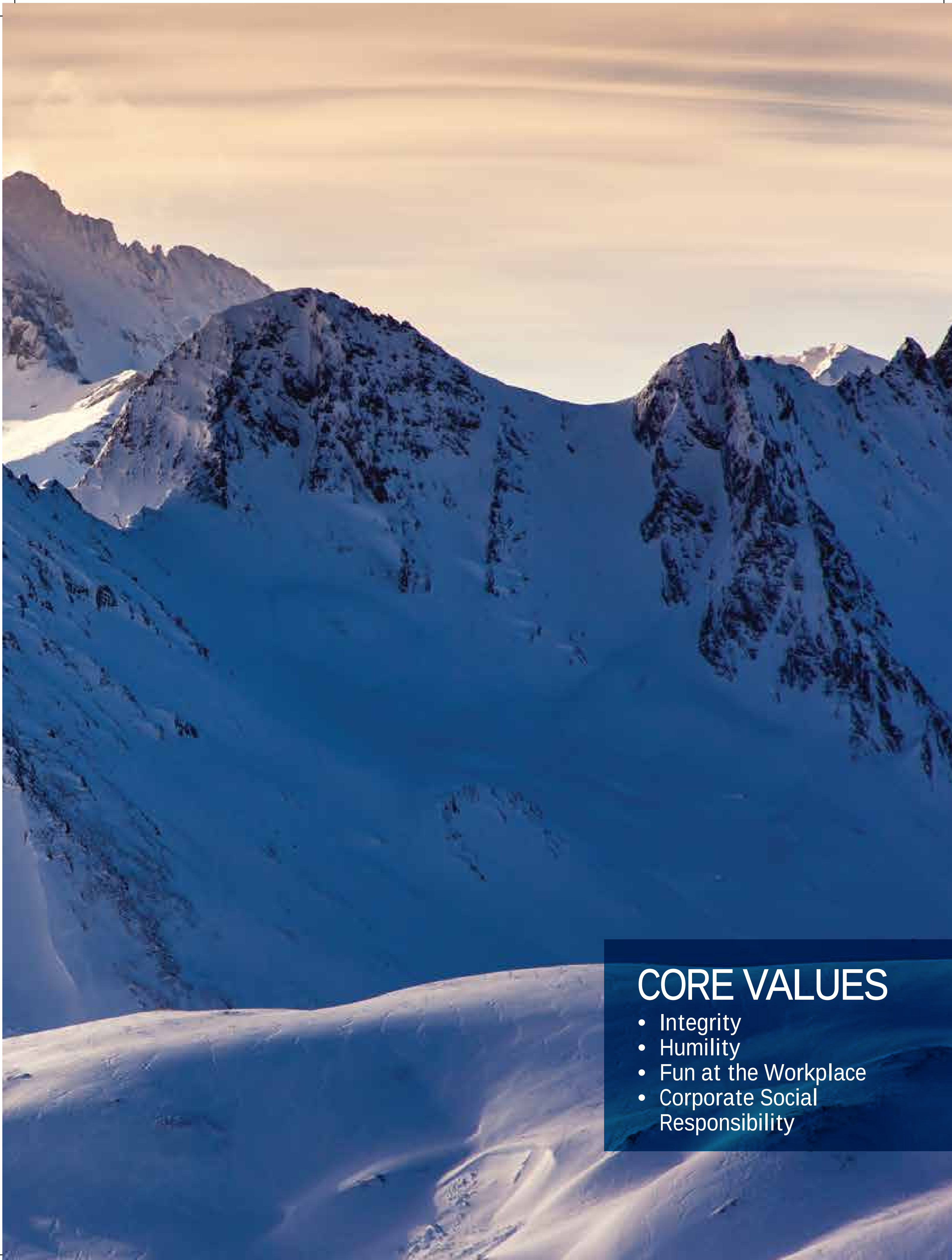




VISION

Our will is to explore, innovate and differentiate.

Our passion is to provide leadership to insurance industry.



CORE VALUES

- Integrity
- Humility
- Fun at the Workplace
- Corporate Social Responsibility

COMPANY INFORMATION

BOARD OF DIRECTORS

Umer Mansha	Chairman
Ibrahim Shamsi	Director
Imran Maqbool	Director
Muhammad Anees	Director
Muhammad Arif Hameed	Director
Muhammad Umar Virk	Director
Shaikh Muhammad Jawed	Director
Muhammad Ali Zeb	Managing Director & Chief Executive Officer

ADVISOR

Mian Muhammad Mansha

AUDIT COMMITTEE

Muhammad Anees	Chairman
Ibrahim Shamsi	Member
Shaikh Muhammad Jawed	Member
Umer Mansha	Member

ETHICS, HUMAN RESOURCE AND REMUNERATION COMMITTEE

Muhammad Anees	Chairman
Ibrahim Shamsi	Member
Muhammad Ali Zeb	Member
Umer Mansha	Member

INVESTMENT COMMITTEE

Umer Mansha	Chairman
Imran Maqbool	Member
Muhammad Ali Zeb	Member
Muhammad Asim Nagi	Member

COMPANY SECRETARY

Tameez ul Haque, F.C.A

CHIEF FINANCIAL OFFICER

Muhammad Asim Nagi, A.C.A

EXECUTIVE MANAGEMNT TEAM
Muhammad Ali Zeb
Muhammad Asim Nagi
Adnan Ahmad Chaudhry
Asif Jabbar
Muhammad Salim Iqbal

AUDITORS
M/s KPMG Taseer Hadi & Company
Chartered Accountants
351, Shadman – 1, Main Jail Road,
Lahore -54000, Pakistan

SHARIAH ADVISOR
Mu i Muhammad Hassan Kaleem

SHARE REGISTRAR
Central Depository Company of Pakistan Ltd
CDC House, 99-B, Block-B, S.M.C.H.S.,
Main Shahra-e-Faisal, Karachi-74400
Ph: (92-21) 111-111-500
Fax (92-21) - 34326031

BANKERS
Askari Bank Limited
Abu Dhabi Commercial Bank, U.A.E
Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Bank Islami Pakistan Limited
Dubai Islamic Bank Pakistan Limited
Emirates Islamic Bank, U.A.E
FINCA Microfinance Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Khushali Bank Limited
MCB Bank Limited
MCB Islamic Bank Limited
Meezan Bank Limited
Mobilink Microfinance Bank Limited
National Bank of Pakistan
Samba Bank Limited
Soneri Bank Limited
The Punjab Provincial Cooperative Bank Limited
United Bank Limited
Zarai Taraqiati Bank Limited

REGISTERED OFFICE
4th Floor, 27-C-III, Tanveer Building, M.M. Alam
Road, Gulberg-III, Lahore- 54000, Pakistan.
Phone: (92-42) 35772960-79
Fax (92-42) – 35772868
Email: info@adamjeeinsurance.com
Web: www.adamjeeinsurance.com

NOTICE OF 58TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 58th Annual General Meeting (AGM) of Adamjee Insurance Company Limited (the “Company”) will be held at The Nishat Hotel, Trade and Finance Centre Block, Near Expo Centre, Abdul Haq Road, Johar Town, Lahore on Monday, 29th April, 2019 at 11:00 a.m. to transact the following business:

ORDINARY

1. To receive, consider and adopt the Standalone and Consolidated Audited Financial Statements of the Company for the year ended December 31, 2018, Directors’ and Auditors’ reports thereon and the Chairman’s Review Report.
2. To declare and approve, as recommended by the directors, the payment of final cash dividend of Rs. 1.50 per share i.e. @ 15% in addition to 10% interim cash dividend already declared and paid i.e., total 25% for the year ended December 31, 2018.
3. To appoint auditors and fix their remuneration. The members are hereby notified that the Board of Directors and the Audit Committee have recommended the name of M/s Deloitte Yousuf Adil Chartered Accountants for appointment as auditors of the Company in place of retiring auditors, M/s KPMG Taseer Hadi & Co. Chartered Accountants a er completion of five years.

SPECIAL

4. To consider and if thought fit, to pass the following resolution as special resolution with or without modification(s), addition(s) or deletion(s).

   RESOLVED THAT “the validity of special resolution passed in the Extraordinary General Meeting of the Company held on May 28, 2016 for investment of up to Rs. 625 million for purchase of 5,000,000 ordinary shares of Nishat Mills Limited, an associated company be and is hereby extended for further three years till May 28, 2022 to allow the Company to make balance investment till May 28, 2022 with other terms and conditions of the investment to remain unchanged”.

   RESOLVED FURTHER THAT “the Chief Executive and/or Company Secretary (the "Authorized O cers") of the Company be and are hereby authorized and empowered on behalf of the Company to take all steps and actions necessary, ancillary and incidental for making the investment(s) in Nishat Mills Limited and sign, execute and amend such documents, papers, instruments, etc., as may be necessary or expedient for the purpose of giving e ect to the spirit and intent of the aforesaid resolution”.

By Order of the Board
Tameez-ul-Haque
Secretary

08 April, 2019

NOTES:

1. The financial statements and reports have been placed on the website of the Company www.adamjeeinsurance.com.
2. The share transfer books of the Company will remain closed from 19 April, 2019 to 29 April, 2019 (both days inclusive). Transfers received in order at the o ce of the Company’s Independent Share Registrar, M/s Central Depository Company of Pakistan Ltd., CDC House, 99- B, S.M.C.H.S, Main Shahrah e Faisal, Karachi by the close of business (5:00 PM) on 18 April, 2019 will be treated in time for the purposes of entitlement of members to the final cash dividend and for attending and voting at the Annual General Meeting.
3. A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote. The Instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarial attested copy of the power of attorney must be deposited at the registered o ce of the Company at least 48 hours before the time of the meeting. A proxy must be a member of the company. A Company or a Corporation being a member of the Company may appoint a representative through a resolution of board of directors for attending and voting at the meeting.
4. Members, who have deposited their shares into Central Depositary Company of Pakistan Limited, are being advised to bring their original National Identity Cards along with CDC Participant ID and account number at the meeting venue.
5. Members who have deposited their shares into Central Depository Company of Pakistan Limited (“CDC”) will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan in Circular No 1 of 2000.

A. For Attending the Meeting

a. In case of Individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original CNIC or, original Passport at the time of attending the Meeting.

b. In case of corporate entity, the Board’s resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies

a. In case of individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.

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

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

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

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

6. Members are requested to timely notify any change in their addresses.

7. Notice to Shareholders who have not provided CNIC:
The shareholders who have not yet provided their CNICs are once again advised to provide the attested copies of their CNICs (if not already provided) directly to our Independent Share Registrar at the address given hereina er without any further delay.

8. Payment of Cash Dividend Electronically:
Under the provision of Section 242 of Companies Act, 2017 and Companies (Distribution of Dividends) Regulations, 2017, it is mandatory for a listed company to pay cash dividend to their shareholders only through electronic mode directly into the bank account designated by the entitled shareholders instead of issuing physical dividend warrant.

In order to receive cash dividend directly into the designated bank account shareholders are requested to fill and sign the "Mandate Form for e-dividend" available on the Company's website link: http://www.adamjeeinsurance.com/pak/investors/downloads/share-holder_useful_documents/Mandate_for_e_dividend.pdf, and send to the relevant Broker/Participants/Investor Account Services of the CDC/Share Registrar of the Company (as the case may be) before April 19, 2019 along with a copy of their valid CNICs. The aforesaid form is also available at the end of Annual Report of the Company. The form has also been provided with CDs to the shareholders.

In case of non-receipt or incorrect International Bank Account Number (IBAN) with other related details or non-availability of CNICs, the Company will withhold cash dividend of such members in terms of Section 242 of the Companies Act, 2017.

9. Circulation of Annual Financials through E-mail:
Section 223 of the Companies Act, 2017 allows the companies to send the audited financial statements together with the reports electronically. The Securities and Exchange Commission of Pakistan vide SRO 787(1)/2014 dated September 08 2014 has allowed companies to circulate annual balance sheet, profit & loss account, auditors report and directors report along with notice of Annual General Meeting to its members through email.

The Company has also placed the Audited Financial Statements for the year ended December 31, 2018 along with Chairman's review report, Directors and Auditors Reports thereon on its website: http://www.adamjeeinsurance.com/

10. Deduction of Withholding Tax on the amount of Dividend:

Pursuant to Circular No.19/2014 dated October 24, 2014, SECP has directed all companies to inform shareholders about changes made in the Section 150 of the Income Tax Ordinance, 2001. The Company, hereby advise to its shareholders, the important amendments, as under:

The Government of Pakistan through Finance Act, 2017 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby di erent rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:

a.	For filers of income tax returns	15%
b.	For non-filers of income tax returns	20%

To enable the company to make tax deduction on the amount of cash dividend @ 15% instead of 20%, all the shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of Federal Board of Revenue, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date for payment of the cash dividend otherwise tax on their cash dividend will be deducted @ 20% instead @ 15%.

In the case of shares registered in the name of two or more shareholders, each joint-holder is to be treated individually as either a filer or non-filer and tax will be deducted by the Company on the basis of shareholding of each joint-holder as may be notified to the Company in writing. The joint-holders are, therefore, requested to submit their shareholdings otherwise each joint holder shall be presumed to have an equal number of shares.

The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or its Independent Share Registrar at the below mentioned address. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

11. Consent for Video-Link Facilities:

Pursuant to the provisions of the Companies Act, 2017, the shareholders residing in a city and holding at least 10% of the total paid up share capital may demand the Company to provide the facility of video-link for participating in the meeting. The demand for video-link facility shall be received by the Share Registrar at the address given herein blow at least 7 (seven) days prior to the date of the meeting on the Standard Form which can be downloaded from the company's website: www.adamjeeinsurance.com

Address of Independent Share Registrar of the Company:
Name : Central Depository Company of Pakistan Ltd.
Address: CDC House, 99- B, S.M.C.H.S, Main Shahrah e Faisal, Karachi
Phone: +92-21-111-111-500

Statement under Section 134(3) of The Companies Act 2017

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company to be held on April 29, 2019.

Item 4 of agenda: Revalidation of period of investment in Nishat Mills Limited

The members of the Company in their Extraordinary General Meeting held on 28 May 2016 had approved investment in the shares of Nishat Mills Limited, an associated company up to an amount of Rs.625 million for the purchase of up to 5 million shares. The company has so far invested only Rs. 161.053 million.

Regulation 6 of Companies (Investment in Associated Companies or Associated Undertakings) Regulation 2017 issued vide SRO 1240 (1)/2017 dated 6 December 2017 requires that special resolution authorizing investment in associated companies or undertakings shall be valid for a period of twelve months unless specifically authorized by the members in the general meeting.

The members in Extraordinary General Meeting of the Company held on 28 May, 2016 approved the investment to be made up to 28 May 2019. It is now proposed to further extend the period of investment for three years up to 28 May 2022. Section 199 of the Companies Act 2017 requires that no change in the terms and conditions of the investment shall be made except under the authority of a special resolution. Accordingly, the change in the period of investment is being presented to the shareholders for approval through passing of special resolution.

Adamjee Insurance Co. Limited is an associated company of Nishat Mills Limited due to common directorship of Mr. Umer Mansha.

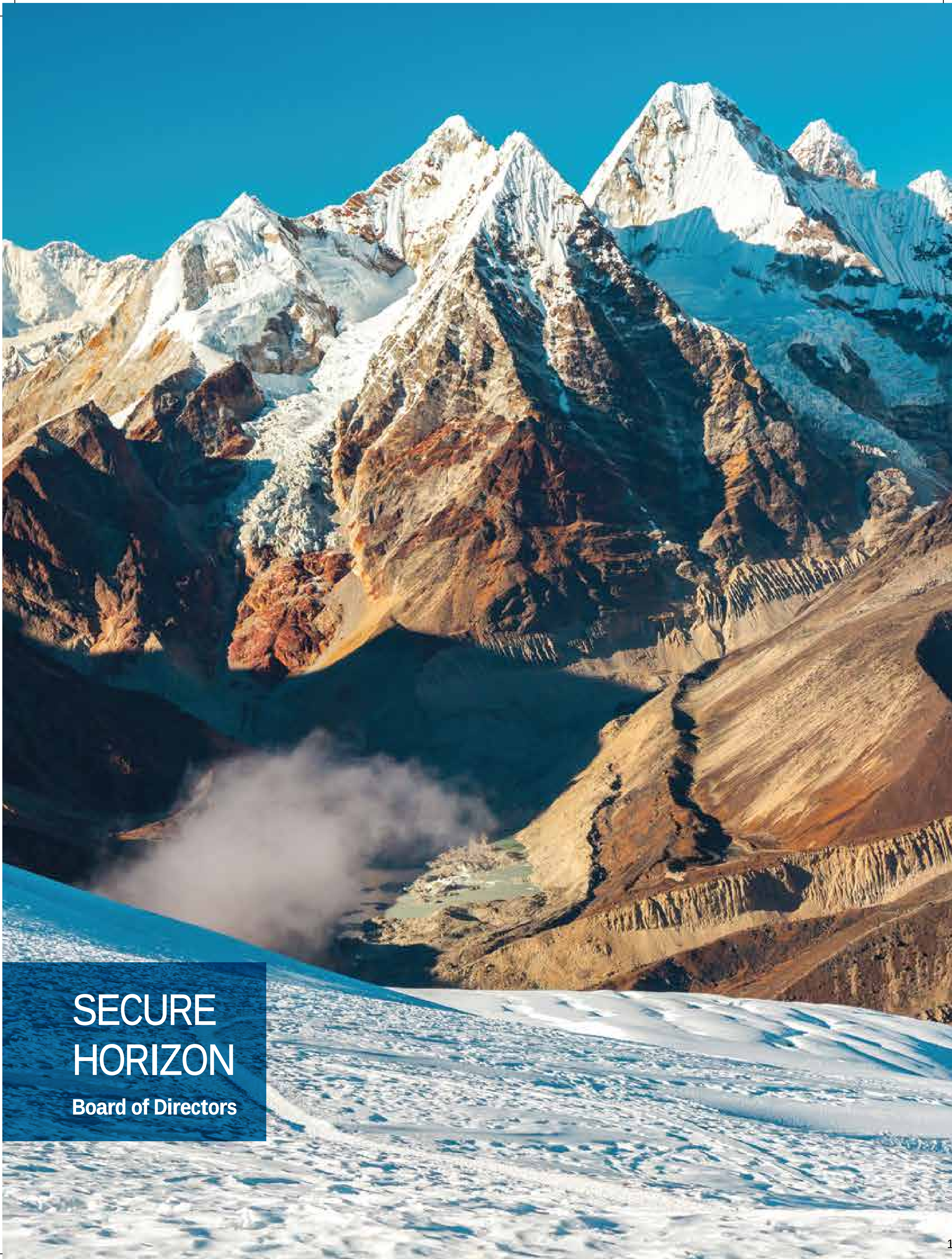
The directors of the Company are not directly or indirectly concerned or interested in the aforesaid business except to the extent of Mr. Umer Mansha who holds 12.60% shareholding in Nishat Mills Limited.

STATUS OF INVESTMENT UNDER REGULATION 4 (2) OF THE COMPANIES (INVESTMENT IN ASSOCIATED COMPANIES OR ASSOCIATED UNDERTAKINGS) REGULATIONS, 2017:

Description	Nishat Hotels & Properties Ltd	Nishat Mills Ltd	Hyundai Nishat Motors (Pvt) Ltd
Date of approval	April 28, 2014	May 28, 2016	March 26, 2018
Total Investment	Rs 500 million	Rs 625 million	Rs. 850 million
Amount of Investment made up to March 31, 2019	-	Rs 161.053 million	Rs. 400 million
Reasons for deviation from the approved timeline of investment, when investment decision was to be implemented in stipulated time	The special resolution is valid for 6 years.	The special resolution is valid for 3 years.	The special resolution is valid for 4 years.
Material changes in financial statement since date of resolution passed			
a. Breakup value	Jun 2013 Rs 12.26 Jun 2018 Rs 8.64	Jun 2015 Rs 216.56 Jun 2018 Rs 215.34	Dec 2017 Rs. 4.85 Dec 2018 Rs. 9.03
b. Earnings/(loss) per share	Jun 2013 Rs (0.37) Jun 2018 Rs (0.96)	Jun 2015 Rs 11.13 Jun 2018 Rs 11.65	Dec 2017 Rs. (5.74) Dec 2018 Rs. (1.44)
c. Balance Sheet footing	Jun 2013 Rs 2.86 billion Jun 2018 Rs 27.36 billion	Jun 2015 Rs101.14 billion Jun 2018 Rs102.74 billion	Dec 2017 Rs.170.73 million Dec 2018 Rs. 2,936.96 million

Inspection:

The copies of special resolution and terms and conditions of the investment approved by the members in their meeting held on 28 May, 2016 have been kept at the Registered O ce of the Company which can be inspected during business hours before the date of annual general meeting. The same shall also be available for inspection at the time of annual general meeting.



SECURE HORIZON

Board of Directors

BOARD OF DIRECTORS

Umer Mansha

Chairman

Umer Mansha holds a Bachelor's degree in Business Administration from USA. He has been serving on the Board of Directors of various listed companies for more than 21 years. He also serves on the Board of MCB Bank Limited, Adamjee Life Assurance Company Limited, Nishat Dairy (Private) Limited, Nishat Hotels and Properties Limited, Nishat (Aziz Avenue) Hotels and Properties Limited, Nishat (Raiwind) Hotels and Properties Limited, Nishat (Gulberg) Hotels and Properties Limited, Nishat Developers (Private) Limited, Nishat Agriculture Farming (Private) Limited, Hyundai Nishat Motor (Private) Limited and Nishat Agrotech Farm (Private) Limited.

Ibrahim Shamsi

Director

Ibrahim Shamsi is the Chief Executive of Joyland Limited and AA Joyland (Pvt.) Ltd. and is the Chairman of Cotton Web (Pvt.) Ltd.. Ibrahim earned his MBA from the Lahore University of Management Sciences (LUMS). He has done Advance Management Program from Harvard University, USA. He serves as the Director of Dupak Group of Companies involved in real estate development in Pakistan. He also serves on the board of Siddiqsons Ltd., Siddiqsons Tin Plate Ltd., Siddiqsons Energy Ltd. and MCB Islamic Bank Ltd..

Imran Maqbool

Director

Imran Maqbool serves as President & Chief Executive O cer of MCB Bank Limited. He is a seasoned professional with over three decades of diverse, international banking experience. Prior to his current role, he was the Head of Commercial Branch Banking Group, where he successfully managed the largest group of the Bank in terms of market diversity, size of the workforce, number of branches, on a countrywide basis and diversified spectrum of products. His earlier, multi-faceted assignments included heading Wholesale Banking Group–North, Special Assets Management and Islamic Banking. He was also posted as Country Head, MCB Sri Lanka. Before joining MCB Bank in 2002, Imran was associated with local banking operations of Bank of America and Citi Bank for over seventeen years where he worked in various senior management roles in respective banks. He holds an MBA degree from the Institute of Business Administration (IBA-Karachi) as well as an MS in Management from Sloan School of Management (Massachusetts Institute of Technology) in the USA.

He also serves on the board of MNETServices (Pvt.) Limited, MCB Financial Services Limited, MCB Employees Foundation, Pakistan Tobacco Company Limited and Adamjee Life Assurance Company Limited.

Muhammad Anees

Director

Muhammad Anees is a director in Mahmood Group based out of Multan. He joined the group in 2003. His expertise in financial risk management has helped the group grow manifolds in the last decade and a half and it's amongst the top 10 exporters of Pakistan. Under his leadership the group has managed to be in the top 5 largest groups of the country and is considered as one of the most technologically e cient textile house. With his diversified experience, he has been able to diversify the group into various other businesses like food & fruits, hospitality, real estate, leather tanning and energy. He is also one of the largest private solar energy producers in Pakistan. He completed his bachelors and master's degree in Business Administration from Bahauddin Zakariya University, Multan. He also attended Wharton Business School, USA to study financial management & risk analysis and Harvard Business School, USA for strategic management. He also attended London School of Economics, UK and London Business School, UK for personal development and entrepreneurial growth. Previously, he served as a President D.G.Khan Chamber, SVC APTMA, President APBUMA, Director MEPCO and Director of the Multan Industrial Estate Board. Presently, he is serving as a Board member of MSWMC (Multan Solid Waste), Incharge South Punjab for APTMA and APBF, Member of Pakistan Businessmen Council (PBC) and Director PIE (Punjab Industrial Board).

Mohammad Arif Hameed

Director

Mohammad Arif Hameed is a former Managing Director of Sui Northern Gas Pipelines Ltd., a company he served for 37 years. He has vast managerial experience in Gas Distribution, Sales, Billing, Logistics Support, Procurement, and Legal. He has served as Director on the Boards of Sui Southern Gas Company Ltd., Inter State Gas System (Pvt.) Ltd., Petroleum Institute of Pakistan and LUMS. Presently, he is serving as Director on the Board of DG Khan Cement Limited. He is a Mechanical Engineer by profession, and is registered with the Pakistan Engineering Council (PEC). He also holds a Masters in Administrative Sciences and is a Law Graduate from University of the Punjab, Lahore.

Muhammad Umar Virk

Director

Muhammad Umar Virk is the Chairman of Hira Terry Mills Ltd. and also holds the position as Director of Trade Development Authority of Pakistan. He is a qualified and professional Textile Engineer and did his graduation in Textile Engineering in 1976.

Muhammad Umar Virk, founded Hira Terry Mills in late 2006-early 2007 near Lahore. He has over 30 years vast experience of Textile Industry and knowledge of Yarn & Towels Manufacturing.

Shaikh Muhammad Jawed

Director

Shaikh Muhammad Jawed was the Director of Din Leather (Pvt.) Ltd. and has a vast experience in running a modern tannery. Due to his technical expertise, Din Leather has received several export performance awards, merits as well as best export performance trophies for the export of Finished Leather from Pakistan and the Company's contribution is earning valuable foreign exchange for the country. Due to excellence in quality and supply, the Company has also received a Gold Medallion Award from the International Export Association, UK. Shaikh Muhammad Jawed has received technical education in Leather Technology from Leather Sellers College, UK. He also serves as a Director of Adamjee Life Assurance Company Ltd.

Muhammad Ali Zeb

Managing Director & Chief Executive Officer

Muhammad Ali Zeb is a fellow member of the Institute of Chartered Accountants of Pakistan and has over 23 years of diverse experience in the Manufacturing, Financial and Insurance sectors. He started his professional career from Nishat Mills in 1995 and joined Adamjee Insurance as Chief Financial Officer in 2005 where he was promoted to Executive Director Finance. He was appointed as Chief Executive Officer in 2008 and remained in this position until March, 2011. He has also served as the Chief Financial Officer at City School (Pvt.) Ltd. before rejoining Adamjee Insurance as the Chief Executive Officer in June 2013. He has served as the Chairman, Insurance Association of Pakistan in 2014. He also serves on the Boards of MCB Bank Ltd, Adamjee Life Assurance Company Ltd and Nishat Chunian Ltd.

MANAGEMENT TEAM

Muhammad Ali Zeb

Managing Director & Chief Executive Officer

Muhammad Ali Zeb is a fellow member of the Institute of Chartered Accountants of Pakistan and has over 23 years of diverse experience in the Manufacturing, Financial and Insurance sectors. He started his professional career from Nishat Mills in 1995 and joined Adamjee Insurance as Chief Financial Officer in 2005 where he was promoted to Executive Director Finance. He was appointed as Chief Executive Officer in 2008 and remained in this position until March, 2011. He has also served as the Chief Financial Officer at City School (Pvt.) Ltd. before rejoining Adamjee Insurance as the Chief Executive Officer in June 2013.

He has served as the Chairman, Insurance Association of Pakistan in 2014. He also serves on the Boards of MCB Bank Ltd, Adamjee Life Assurance Company Ltd, Nishat Chunian Ltd and Nishat Chunian Power Ltd.

Muhammad Asim Nagi

Executive Director Finance & Chief Financial Officer

Muhammad Asim Nagi has over 20 years of experience in Accounting, Audit and Finance. He is an Economics graduate from University College London and is a qualified Chartered Accountant from the Institute of Chartered Accountants in England & Wales. Asim is also a member of the Institute of Chartered Accountants of Pakistan and a fellow of the Association of Chartered Certified Accountants in United Kingdom. He has worked with a number of organizations at the management level in the UK, including Ernst & Young LLP and UHY Hacker Young LLP in London. His experience in UK comprised assurance and transaction advisory, in particular, IPOs, stock exchange flotations & reverse takeovers. He has also worked with A.F. Ferguson & Co., Chartered Accountants and has headed the Internal Audit function at DH Corporation Limited. Asim joined Adamjee Insurance Company Limited in 2011 and is currently serving as the Executive Director Finance and Chief Financial Officer of the company.

Adnan Ahmad Chaudhry

Executive Director Commercial

Adnan Ahmad Chaudhry has over 25 years of combined experience in Engineering, Manufacturing & Insurance sectors. He started his career in 1993 from Arden Engineering & Automation after which he moved to ALSTOM in 1995. He served as Senior Sales Engineer (Abu Dhabi Branch) at Al Hassan Group Companies in 2000 and as General Manager Sales & Operations as Classic Needs Pakistan (Pvt.) Ltd. from 2003. In 2008, Adnan joined Adamjee Insurance as the Head of Motor Department and became General Manager Operations in 2010. He is currently the Executive Director Commercial. He was also the Chairman Lahore Insurance Institute in 2015.

Asif Jabbar

Executive Director Technical

Asif Jabbar has over 25 years of insurance experience in the areas of Underwriting, Operations and Sales. He started his career in 1993 with Adamjee Insurance Company Limited where he held di erent leadership roles. In 2012 he moved to Marsh Operations in Pakistan with Unique Insurance Brokers as a Chief Operating O cer. As an insurance broker his areas of specialty were Energy and Downstream Property plus Business Interruption. In 2013 Asif rejoined Adamjee Insurance Company limited as an Executive Director Technical. He holds a Bachelor's degree in Commerce and Economics and is an Associate of Chartered Insurance Institute, London. He is also a Chartered Insurer from Chartered Insurance Institute, London.

Muhammad Salim Iqbal

Executive Director Reinsurance

Muhammad Salim Iqbal has over 30 years of experience in the Insurance & Reinsurance sector. Salim started his career in 1987 from Wahidis Associates (Pvt.) Ltd. He then joined Adamjee Insurance in 1989 as Probationary O cer and was progressively promoted to the position of Deputy Chief Manager - Engineering Dept. in 1994, after which he joined Al-Dhafra Insurance Company, Abu Dhabi in 1995 as Manager Marine Aviation and Reinsurance. Salim returned to Pakistan in 2005 and joined New Jubilee Insurance Company as Head of Reinsurance. He later joined Adamjee Insurance Company Ltd. in 2006 as Deputy General Manager, Reinsurance. He moved on to IGI Insurance Limited in 2009 as Head of Underwriting and rejoined Adamjee Insurance in 2010 as General Manager Technical. Salim is currently serving as Executive Director Reinsurance. He is a Chartered Insurer and Life member of Pakistan Engineering Council.

Muhammad Salim Iqbal is a qualified engineer B.E. (Civil Engg.) and Fellow of Chartered Insurance Institute (FCII). He served as member of IAP's Fire Section Committee & Engineering Insurance Sub-committee in 2009-10 and was also a member of Marine Technical Committee of Emirates Insurance Association from 1997 till 2005.

CHAIRMAN'S REVIEW

It is a matter of great pride for me to present this year's Annual Report of your Company.

I pledged to uphold the values and foundations of this worthy Company when I was entrusted with the Chairmanship of the Board of Directors of Adamjee Insurance.

I am pleased to announce that once again we have witnessed one of the highest growths in written premiums in the industry, taking Adamjee Insurance at Rs. 21.4 billion including Takaful business. The growth was observed in most of the areas including conventional insurance business, Window Takaful Operations and foreign operations. The underwriting profit increased to Rs. 816 million while profit after tax stood at at Rs. 1.239 billion.

With sound governance from the Board of Directors throughout the year, the Company has managed to instill a singular direction in all affairs helping it achieve the bigger picture. At the beginning of the year, we created new benchmarks, and through challenging times we have not strayed from achieving them.

Adamjee Insurance has always adhered to the principles dictated by integrity, reliability, and professionalism. It is these ideologies that have helped us maintain individual and strategic collaborations with clients as well as other reliable partners.

With emerging necessities that stem from an evolving landscape in the insurance industry we have employed diversity in methods and approach when it comes to developing insurance products and how we communicate and gauge potential business prospects.

Adamjee Insurance has always been at the forefront of pioneering new trends in international and domestic markets by developing innovative solutions and effective interventions, where necessary. As we welcome a new financial year, under the able leadership of our Board of Directors and the management team, we are well equipped to revolutionize the customer experience by addressing challenges and demands of this new age.

As always, it has been our privilege to serve our valuable customers, with whom we have gained experience and learnt new ways to service them better. I would not miss this opportunity to appreciate our employees without whom we would not have reached this unassailable landmark. I would also like to thank our stakeholders, business partners, reinsurers and The Securities and Exchange Commission of Pakistan for their support and guidance that has facilitated Adamjee Insurance to regain its leading status in Pakistan.

Umer Mansha
Chairman

Lahore: 03 April, 2019

چیئرمین کا جائزہ

یہ میرے لیے انتہائی فخر کی بات ہے کہ میں آپ کے ادارے کی اِس سال کی سالانہ رپورٹ پیش کر رہا ہوں۔

جب مجھے آدمجی انشورنس کے بورڈ آف ڈائریکٹرز کی چیئرمین شپ تفویض کی گئی تو میرا آپ سے وعدہ تھا کہ میں اِس باوقار ادارے کی اقدار اور بنیادوں کا تحفظ کروں گا۔

مجھے یہ اعلان کرتے ہوئے خوشی ہورہی ہے کہ ہم نے ایک بار پھر اِس صنعت میں تحریرشدہ پریمیمز میں بلند ترین نمو حاصل کرتے ہوئے آدمجی انشورنس کو 21.4 بلین روپے تک پہنچادیا ہے جس میں تکافل کا کاروبار بھی شامل ہے۔تقریباً سب ہی شعبہ جات میں نمو حاصل کیا گیا ہے جس میں روایتی کاروبارِ بیمہ، دریچۂ تکافل اُمورِ کار (ونڈو تکافل آپریشنز) اور بیرون ملکی اُمورِ کار بھی شامل ہیں۔انڈر رائٹنگ (ضمانتوں) کا منافع 816 ملین روپے تک بڑھ گیا ہے جبکہ منافع بعداز ٹیکس 1.239 بلین روپے تک رہا۔

پورے سال بورڈ آف ڈائریکٹرز کی جانب سے مستحکم نظم ونسق کے ساتھ اِس ادارے نے تمام ہی اُمورِ کار میں یکسوئی کو برقرار رکھتے ہوئے ایک عظیم تر صورت حاصل کرلی ہے ۔اس سال کے آغاز پر ہم نے نئے اہداف مقرر کیے اور مشکلات کے باوجود بھی ہم اُنھیں حاصل کرنے سے ہرگز غافل نہیں ہوئے۔

آدمجی انشورنس ہمیشہ اُن اصولوں سے وابستہ ہے جو سچائی، اعتماد اور پیشہ ورانہ مہارت سے عبارت ہیں۔ یہ وہی نظریات ہیں کہ جس نے ہمیں صارفین کے ساتھ ساتھ دیگر بااعتماد پارٹنرز کے ساتھ انفرادی اور باحکمت اشتراکاتِ باہمی کو برقرار رکھنے میں مدد فراہم کی ہے۔

صنعتِ بیمہ میں ارتقاپذیر منظرنامے سے تشکیل پذیر ابھرتی ضروریات کے پیشِ نظر ہم نے نئی مصنوعات کے فروغ اور مستقبل کے لیے کاروبار کے امکانات کی ترویج واشاعت اور قیاس کی صورت میں ہمیشہ طریقہ کار اور سوچ میں تنوع کو مدِ نظر رکھا ہے۔

آدمجی انشورنس نے جہاں بھی ضروری ہوتی ہے، جدّت طراز حل اور مؤثر اختراعات کی نشو ونما سے بین الاقوامی اور ملکی مارکیٹس میں نئے رجحانات کی تشکیل کے محاذ پر ہمیشہ سب کی رہنمائی کی ہے۔ جیسا کہ ہم نئے مالی سال کا خیر مقدم اپنی مینجمنٹ ٹیم اور بورڈ آف ڈائریکٹرز کی اہل قیادت کی زیرِ نگرانی کررہے ہیں اور اس نئے دور کے تقاضوں اور مشکلات کو مدِ نظر رکھتے ہوئے صارفین کی خدمت کے لیے آراستہ ہیں۔

ہمارے لیے اعزاز ہے کہ ہم ہمیشہ کی طرح اپنے قابلِ قدر صارفین کی خدمت کرتے رہیں کہ جن کے ساتھ ہم نے تجربہ حاصل کیا اور خدمت کو بہتر سے بہتر بنانے کے نئے طریقے سیکھے۔ میں اس موقع کو ہرگز ضائع نہیں کروں گا کہ میں اپنے ملازمین کی خدمات کا اعتراف کروں اور انھیں دادِ تحسین دوں جن کے بغیر ہم اس ناقابلِ حصول سنگِ میل کو عبور نہیں کرسکتے تھے۔ میں اپنے تمام اسٹیک ہولڈرز، بزنس پارٹنرز، ری-انشوررز اور سکیورٹی اینڈ ایکسچینج کمیشن آف پاکستان کا بھی اُن کے تعاون و رہنمائی کیلئے شکریہ ادا کرنا چاہوں گا کہ جس نے آدمجی انشورنس کو پاکستان میں اس کے قائدانہ مرتبے کو دوبارہ حاصل کرنے میں سہولیاتِ بہم پہنچائیں۔

Uma Mansha

عمر منشا

چیئرمین

لاہور: ۳۰ اپریل ۲۰۱۹ء

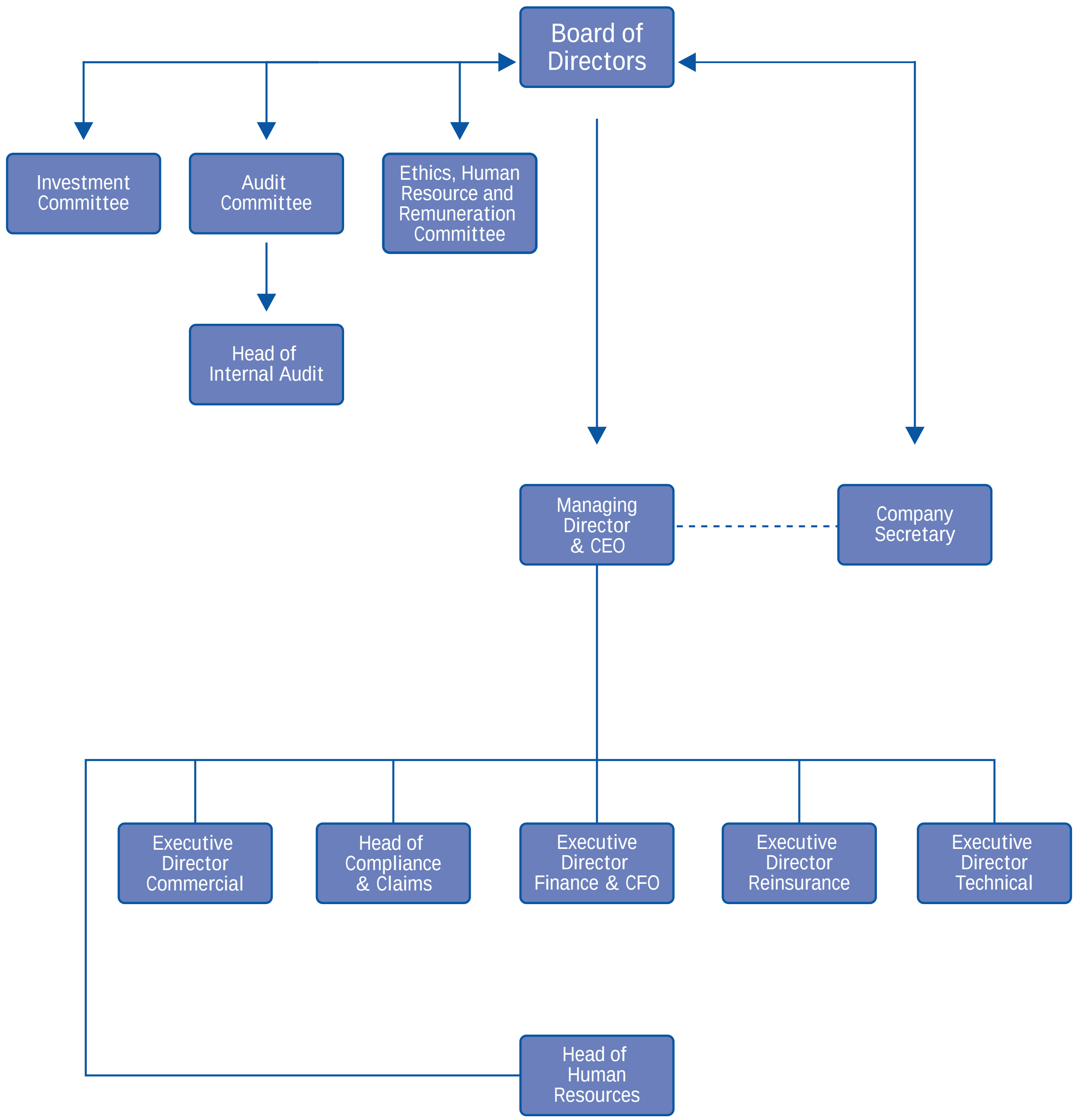
QUALITY POLICY

The management and employees of Adamjee Insurance demonstrate commitment to satisfying customer needs by managing risk assessment in General Insurance.

In alignment with satisfaction of customer needs, processes are established to support the vision and values of the Company. We use QMS-9001:2015 as a tool to continually review and improve the e ectiveness of our implemented systems.

We regularly assess our processes and practices to build on our relationship with all our stakeholders including customers, shareholders, strategic partners and employees.

ORGANIZATIONAL STRUCTURE



SOARING ALTITUDE

Company Profile

COMPANY PROFILE

Adamjee Insurance Company Limited (AICL) is the largest general insurance company in Pakistan, incorporated as a Public Limited Company on September 28, 1960 and is listed on Pakistan Stock Exchange Limited. AICL has a unique advantage of having regional presence in United Arab Emirates (UAE) and maintains its standing through an unwavering commitment to its corporate philosophy. AICL's competitive advantage is achieved by a combination of having the largest paid-up capital and reserves, and a well-diversified business portfolio.

A Truly Dynamic Business Setting

AICL aims to deliver innovative customer solutions, owing to its wide-ranging line of products. Its employees are dedicated to performing their best for its valued customers, trained with all the skills necessary for a truly outstanding customer service. The Company's focus on strengthening and expanding its global presence is reflected in its tapping the growth potential available in the UAE market. AICL in collaboration with Hollard International, a South African company, has life assurance operations under a separate entity namely, Adamjee Life Assurance Company Limited.

Delivering Value to Customers

Adamjee Insurance is broadly involved in underwriting the following classes of business:

- Fire and Property
- Marine Aviation and Transport
- Motor
- Accident & Health
- Miscellaneous Insurance

As a pioneer in the coverage of Oil & Gas (upstream & midstream), Wind and Thermal Energy Risks, AICL has successfully assumed the role of the leading player in Pakistan's insurance industry. The Company has also managed to secure business being brought in by foreign investors entering Pakistan to execute construction or infrastructure development projects. AICL's confidence lies in the large number of banking and financial sector clients that AICL insures. Some of AICL's high risk-value projects include risk-coverage provision to Petrochemical Factories and Industrial Risk projects. AICL also specializes in insuring Engineering and Telecom concerns.

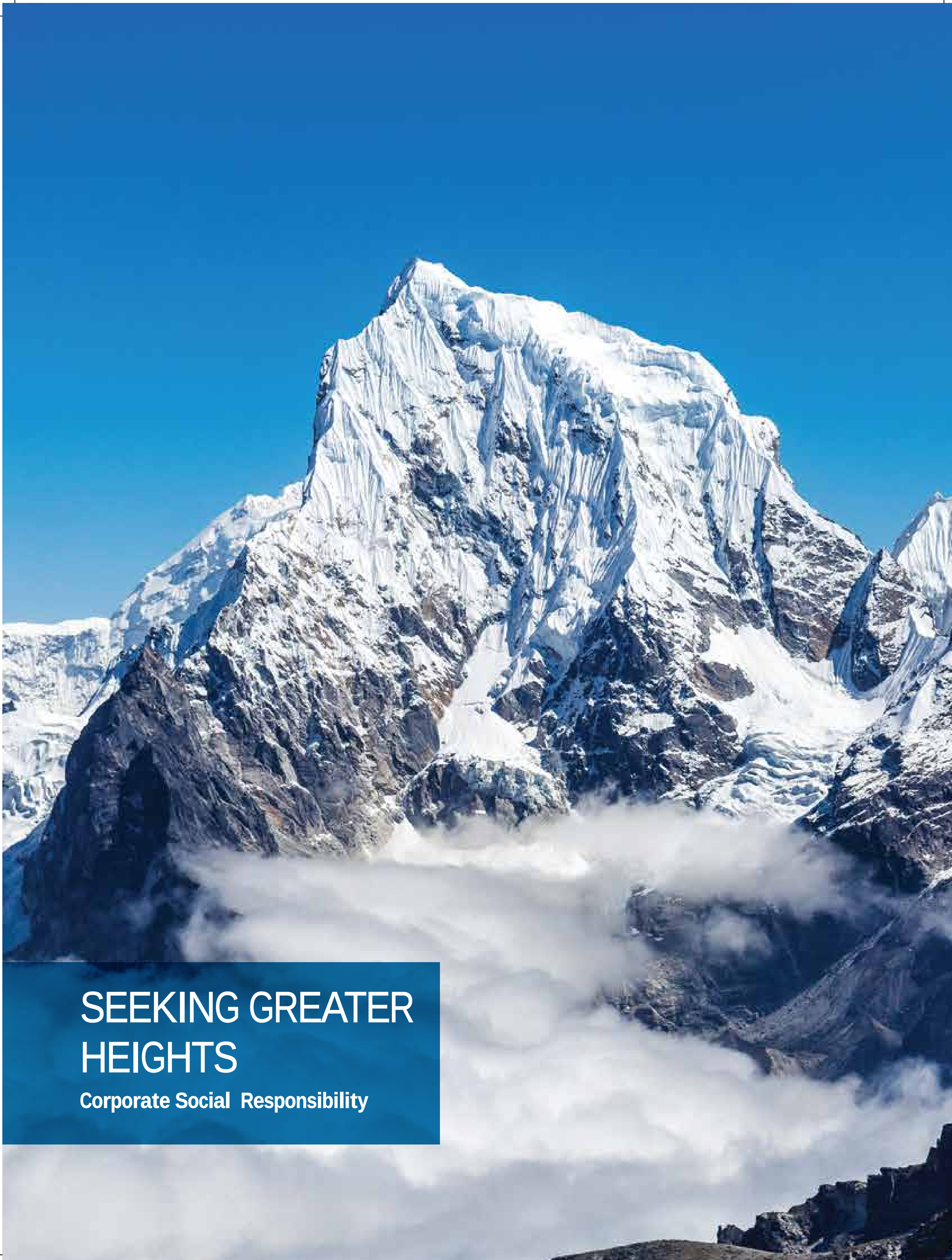
Alternatively, AICL serves Pakistan's primary industry by providing coverage to the Textile and Sugar sectors. AICL is proud to be the premier insurer of Kidnap & Ransom, Professional Indemnity, Product Liability and other specialized lines in Pakistan.

A wide range of Shariah-compliant Takaful Products are also offered through AICL's top-of-the-line Window Takaful Operations, serving customers from all walks of life, on a much larger scale.

AICL's customer-centric approach drives it forward in customer care. The Company's financial strength allows the timely remuneration and settlement of hefty claims. A competent team of professionals works tirelessly to ensure comprehensive customer satisfaction and a 24/7 dedicated customer care call center is always on call.

Achievements Through the Year

- IFS rating of AA+ (Double 'AA' Plus) by PACRA
- IFS rating of B + ('B' Plus) by AM Best, UK
- Certificate of ISO 9001:2015 by Lloyd's Register Quality Assurance



SEEKING GREATER HEIGHTS

Corporate Social Responsibility

CORPORATE SOCIAL RESPONSIBILITY

Adamjee Insurance's Corporate Social Responsibility (CSR) Program aims to address key concerns in society, such as health and education. The Company also stresses on reassuring its chief stakeholders of overall sustainability through compliance, ethics and corporate citizenship. These elements combined form the basis of AICL's corporate philosophy and CSR.

AICL's CSR is primarily focused on achieving compliance, upholding ethical standards, actively participating in corporate citizenship and maintaining overall sustainability. AICL has undertaken an array of initiatives, including improved communication and extensive training, to cultivate these aspects of its operations.

Compliance and Ethics

Regulations are becoming increasingly complex in light of high transparency prerequisites being enforced globally. AICL has continually striven to develop its capabilities until it can be at par with international players in the global insurance industry, meeting all necessary standards and checks. AICL's edge in the market at home lies in its strict and e cient compliance of international standards.
AICL has incessantly reiterated that its Compliance Performance Standards are applied to all areas of business. AICL ensures to increase compliance and ethical understanding throughout its management hierarchy. Initiatives taken include internal awareness campaigns, specific trainings in detailed regulatory areas and focused e orts on sensitive areas such as conflict of interest.

Health, Safety & Environment

Health, Safety and Environmental (HSE) responsibilities constitute an essential part of Adamjee Insurance's operations. These become the core of the Company's activities. Adamjee Insurance's management and employees share the belief that good HSE contributes positively and productively to business development and success.

It is this belief that urges Adamjee Insurance to increase team e orts, endeavor for better HSE for employees, customers and neighbors. The Company also hopes to safeguard people's health and minimize the environmental impact of their jobs. AICL's HSE policy observes all existing laws, regulations and amendments.

Committed to Excellence

In an era of intense hectic competition, AICL stays afloat with its unwavering commitment to operational and financial discipline in producing unparalleled results; keeping its promises and continually fulfilling its customers' needs.

During the year, Adamjee Insurance was engaged in various activities with organizations including Rehman Keyani Memorial Foundation, Rehman Medical Institute, Hussaini Haematology and Oncology Trust, SAFCO Support Foundation, Noor Medical Center, Pakistan Agricultural Coalition, Special Olympics Pakistan and others.

Adamjee Insurance Re-creational Club organized extra-curricular activities including cricket tournaments, badminton, and tennis competition for the promotion of healthy activities among Employees and also take active participation in the insurance associations events. Annual Picnics in Pakistan & United Arab Emirates were also arranged.

The company has implemented green o ce initiative across its o ces in Karachi and Lahore in the year 2018 and successfully conducted its first audit.

UNBENT, UNWAVERING, UNBROKEN

Six Years at a Glance

SIX YEARS AT A GLANCE

PARTICULARS	2018	2017	2016	2015	2014	2013
	Rupees in Million					
Balance Sheet						
Paid Up Capital	3,500	3,500	3,500	3,500	3,500	3,500
Reserves	3,784	5,001	6,278	1,409	1,397	1,440
Equity	19,663	20,364	21,872	14,561	13,661	13,047
Investments (Book Value)	21,006	18,649	17,359	16,220	14,542	12,516
Investments (Market Value)	24,114	23,749	24,337	20,780	23,500	18,391
Fixed Assets	3,593	2,632	1,250	1,301	1,114	1,197
Cash & Bank Deposits	2,211	2,279	3,811	2,072	1,817	1,390
Other Assets	17,926	18,727	16,242	12,787	11,456	12,099
Total Assets	47,845	47,388	45,640	32,380	28,929	27,202
Total Liabilities	28,182	27,023	23,768	17,819	15,268	14,155
Operating Data						
Gross Premium	20,387	18,522	16,270	13,639	12,145	10,077
Net Premium	13,806	11,535	9,615	7,747	6,303	5,507
Net Claims	8,386	7,434	6,210	5,223	4,088	3,487
Net Commission	1,280	1,090	763	558	362	348
Underwriting Result	816	557	1,078	242	369	137
Financial Charges	-	-	-	-	-	2
Total Management Expenses	3,438	2,683	2,329	2,178	2,011	1,973
Investment Income	1,285	1,494	3,502	2,404	2,061	2,357
Profit / (Loss)Before Tax	2,174	2,121	4,054	2,214	2,030	2,210
Profit A er Tax	1,239	1,221	3,492	1,943	1,879	1,966
Share Information						
Break-Up Value Per Share (Rs.)	56.18	58.18	62.49	45.00	40	37.3
No. of Shares (Million)	350	350	350	350	350	350
Share Price at Year End (Rs.)	42.02	52.00	74.14	56.51	49.50	37.40
Highest Share Price During Year (Rs.)	60.25	82.50	79.79	61.12	53.60	106.40
Lowest Share Price During Year (Rs.)	38.10	43.02	46.70	38.08	36.90	37.00
KSE 100 Index	37,066.67	40,471.48	47,806.97	32,816.00	32,131.00	25,284.00
Market Price To Break-Up Value (Times)	0.75	0.89	1.19	1.26	1.24	1.00
Face Value (per share)	10.00	10.00	10.00	10.00	10.00	10.00
Market Capitalization - Amount	14,707.00	18,200.00	25,949.00	19,778.50	17,325.00	13,090.00
Distribution						
Dividend Per Share (Rs.)	2.00	4.00	3.00	3.00	2.25	3.5
Total Dividend - Amount	700.00	1,400.00	1,050.00	1,050.00	787.50	2,695.92
Cash Dividend %	20.00	40.00	30.00	30.00	22.50	35.00
Bonus Shares %	-	-	-	-	-	182.9
Total Dividend %	20.00	40.00	30.00	30.00	22.50	217.90

FINANCIAL RATIOS

PARTICULARS	2018	2017	2016	2015	2014	2013
Profitabilty						
Profit / (Loss) Before Tax / Gross Premium (%)	10.7	11.5	24.9	16.2	16.7	21.9
Profit / (Loss) Before Tax / Net Premium (%)	15.7	18.4	42.2	28.6	32.2	40.1
Profit A er Tax / Gross Premium (%)	6.1	6.6	21.5	14.2	15.5	19.5
Profit A er Tax / Net Premium (%)	9.0	10.6	36.3	25.1	29.8	35.7
Combined Ratio (%)	94.1	95.2	88.8	96.9	94.1	97.5
Management Expenses / Gross Premium (%)	16.9	14.5	14.3	16.0	16.6	19.6
Management Expenses / Net Premium (%)	24.9	23.3	24.2	28.1	31.9	36.0
Underwriting Result / Net Premium (%)	5.9	4.8	11.2	3.1	5.9	2.5
Net Claims / Net Premium (%)	60.7	64.4	64.6	67.4	64.9	63.3
Investment Income / Net Premium (%)	9.3	12.9	36.4	31.0	32.7	42.8
Underwriting Result / Written Premium (%)	4.0	3.0	6.6	1.8	3.0	1.4
Profit / (Loss) Before Tax / Total Income (%)	14.4	16.1	30.5	21.4	23.9	27.6
Profit / (Loss) A er Tax / Total Income (%)	8.2	9.3	26.3	18.8	22.1	24.5
Net Commission / Net Premium (%)	9.3	9.4	7.9	7.2	5.7	6.3
Return To Shareholders						
Return On Equity - PBT(%)	11.1	10.4	18.5	15.2	14.9	16.9
Return On Equity - PAT (%)	6.3	6.0	16.0	13.3	13.8	15.1
Earnings Per Share (Rs.)	3.54	3.49	9.98	5.55	5.4	5.6
P/E Ratio (Times)	11.9	14.9	7.4	10.2	9.2	6.7
Return On Capital Employed (%)	11.1	10.4	18.5	15.2	14.9	16.9
Dividend Yield (%)	4.8	7.7	4.0	5.3	4.5	9.4
Dividend Payout (%)	56.5	114.7	30.1	54.1	41.9	62.3
Dividend Cover (Times)	1.8	0.9	3.3	1.9	2.4	4.5
Return On Total Assets (%)	2.6	2.6	7.7	6.0	6.5	7.2
Earnings Growth (%)	1.4	(65.0)	79.8	2.8	(3.6)	9.8
Liquidity / Leverage						
Current Ratio (Times)	1.6	1.8	1.7	1.8	1.8	1.8
Cash / Current Liabilities (%)	8.2	9.0	20.2	16.4	19.0	18.0
Earning Assets / Total Assets (%)	50.4	50.1	53.3	50.1	50.3	46.0
Liquid Ratio (Times)	1.1	0.9	1.0	1.0	1.1	1.0
Liquid Assets / Total Assets (%)	48.5	44.2	46.4	56.5	56.5	51.1
Total Assets Turnover (Times)	0.3	0.2	0.2	0.2	0.2	0.2
Fixed Assets Turnover (Times)	3.8	4.4	7.7	6.0	5.7	4.6
Total Liabilities / Equity (%)	143.3	132.7	108.7	122.4	111.8	108.5
Paid Up Capital / Total Assets (%)	7.3	7.4	7.7	10.8	12.1	12.9
Equity / Total Assets (%)	41.1	43.0	47.9	45.0	47.2	48.0

VERTICAL ANALYSIS
Balance Sheet and Income Statement

	2018		2017		2016		2015		2014		2013	
	Rupees in million	%	Rupees in million	%	Rupees in million	%	Rupees in million	%	Rupees in million	%	Rupees in million	%
Balance sheet												
Assets												
Cash and Bank Deposits	2,211	4.6	2,279	4.8	3,811	8.4	2,898	8.9	2,877	8.9	2,546	8.8
Loans to Employees	45	0.1	43	0.1	18	0.0	17	0.1	14	0.0	16	0.1
Investments	24,114	50.4	23,749	50.1	24,337	53.3	15,393	47.5	13,482	41.6	11,360	39.3
Deferred Taxation	-	-	-	-	-	-	84	0.3	97	0.3	105	0.4
Current Assets-others	17,499	36.6	18,443	38.9	16,124	35.3	12,686	39.2	11,344	35.0	11,978	41.4
Fixed Assets	3,593	7.5	2,632	5.6	1,250	2.7	1,301	4.0	1,114	3.4	1,197	4.1
Total assets of Window Takaful	382	0.8	241	0.5	99	0.2	-	-	-	-	-	-
Total Assets	47,845	100.0	47,388	100.0	45,640	100.0	32,380	100.0	28,929	100.0	27,202	100.0
Total Equity	19,663	41.1	20,364	43.0	21,872	47.9	14,561	45.0	13,661	47.2	13,046	48.0
Underwriting Provisions	20,784	43.4	20,639	43.6	17,184	37.7	13,125	40.5	11,747	36.3	11,550	42.5
Deferred Taxation	944	2.0	1,567	3.3	2,223	4.9	-	-	-	-	-	-
Deferred Liabilities	199	0.4	154	0.3	81	0.2	116	0.4	106	0.3	98	0.4
Creditors and Accruals	2,206	4.6	1,884	4.0	1,661	3.6	4,502	13.9	3,319	10.3	2,456	9.0
Other Liabilitites	3,819	8.0	2,637	5.6	2,573	5.6	75	0.2	95	0.3	52	0.2
Total liabilities of Window Takaful	230	0.5	141	0.3	46	0.1	-	-	-	-	-	-
Total Equity and Liabilities	47,845	100.0	47,388	100.0	45,640	100.0	32,380	100.0	28,929	100.0	27,202	100.0
Profit and Loss Account												
Revenue account												
Net Premium Revenue	13,806	100.0	11,535	100.0	9,615	100.0	7,747	100.0	6,303	100.0	5,507	100.0
Net Claims	8,386	60.7	7,434	64.4	6,210	64.6	5,223	67.4	4,533	71.9	3,487	63.3
Underwriting Expenses	3,325	24.1	2,576	22.3	1,615	16.8	1,556	20.1	1,483	23.5	1,535	27.9
Net Commission	1,280	9.3	1,090	9.4	763	7.9	558	7.2	362	5.7	348	6.3
Unexpired risk reserve	-	0.0	(122)	(1.1)	(50)	(0.5)	169	2.2	-	-	-	-
Underwriting Result	816	5.9	557	4.8	1,078	11.2	242	3.1	(75)	(1.2)	137	2.5
Investment Income	1,285	9.3	1,494	13.0	3,502	36.4	2,404	31.0	2,061	32.7	2,357	42.8
Rental Income	7	0.1	9	0.1	6	0.1	6	0.1	6	0.1	5	0.1
Other income	95	0.7	97	0.8	178	1.9	185	2.4	122	1.9	148	2.7
General And Administration Expenses	73	0.5	43	0.4	630	6.6	571	7.4	485	7.7	400	7.3
Exchange Gain / (Loss)	6	0.0	5	0.0	(2)	(0.0)	6	0.1	0	0.0	10	0.2
Finance Charges on Lease Liabilities	-	0.0	-	-	-	-	-	-	0	-	2	0.0
Workers' Welfare Fund	41	0.3	63	0.5	83	0.9	58	0.7	42	0.7	45	0.8
Profit before tax from takaful	79	0.6	67	0.6	4	0.0	-	-	-	-	-	-
Profit Before Tax	2,174	15.7	2,121	18.4	4,054	42.2	2,214	28.6	1,587	25.2	2,210	40.1
Provision for Taxation	935	6.8	900	7.8	561	5.8	272	3.5	151	2.4	244	4.4
Profit A er Tax	1,239	9.0	1,221	10.6	3,493	36.3	1,942	25.1	1,436	22.8	1,966	35.7

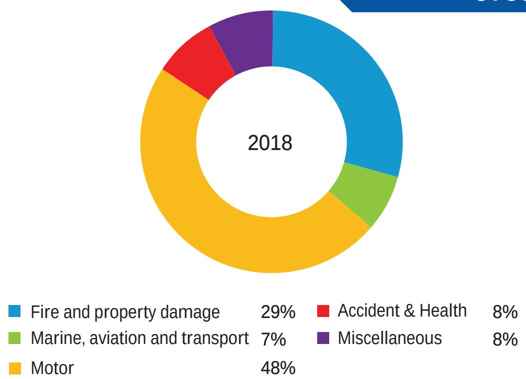
HORIZONTAL ANALYSIS

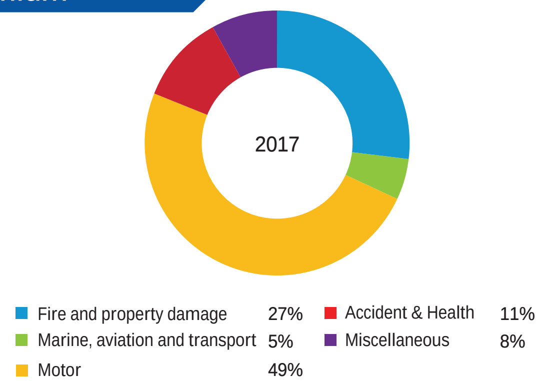
Balance Sheet and Income Statement

	2018	2017	2016	2015	2014	2013	2018	2017	2016	2015	2014	2013
	Rupees in million						% increase /(decrease) over preceding year					
Balance sheet												
Assets												
Cash and Bank Deposits	2,211	2,279	3,811	2,898	2,877	2,546	(2.95)	(40.2)	31.5	0.7	13.0	1.6
Loans to Employees	45	43	18	17	14	16	3.98	140.0	5.9	19.5	(11.1)	23.1
Investments	24,114	23,749	24,337	15,393	13,482	11,360	1.54	(2.4)	58.1	14.2	18.7	14.2
Deferred Taxation	-	-	-	84	97	105	-	-	-	(13.4)	(7.6)	(56.4)
Current Assets-others	17,499	18,443	16,124	12,686	11,344	11,978	(5.12)	14.4	27.1	11.8	(5.3)	11.1
Fixed Assets	3,593	2,632	1,250	1,301	1,114	1,197	36.52	110.6	(4.0)	16.8	(6.9)	7.1
Total assets of Window Takaful	382	241	99	-	-	-	58.42	143.0	100.0	-	-	-
Total Assets	**47,845**	**47,388**	**45,640**	**32,380**	**28,929**	**27,202**	**0.97**	**3.8**	**41.0**	**11.9**	**6.3**	**10.5**
Total Equity	19,663	20,364	21,872	14,561	13,661	13,046	(3.4)	(6.9)	50.2	6.6	4.7	13.6
Underwriting Provisions	20,784	20,639	17,184	13,125	11,747	11,550	0.7	20.1	30.9	11.7	1.7	8.6
Deferred Taxation	944	1,567	2,223	-	-	-	(39.7)	(29.5)	100.0	-	-	-
Deferred Liabilities	199	154	81	116	106	98	28.9	89.7	(30.1)	9.6	8.4	216.1
Creditors and Accruals	2,206	1,884	1,661	4,502	3,319	2,456	17.1	13.5	(63.1)	35.6	35.1	2.6
Other Liabilitites	3,819	2,637	2,573	75	95	52	44.8	2.5	3,339.8	(21.6)	83.5	(14.8)
Total liabilities of Window Takaful	230	141	46	-	-	-	62.6	204.6	100.0	-	-	-
Total Equity and Liabilities	**47,845**	**47,388**	**45,640**	**32,380**	**28,929**	**27,202**	**0.97**	**3.8**	**41.0**	**11.9**	**6.3**	**10.5**
Profit and Loss Account												
Revenue account												
Net Premium Revenue	13,806	11,535	9,615	7,747	6,303	5,507	19.7	20.0	24.1	22.9	14.5	(2.9)
Net claims	8,386	7,434	6,210	5,223	4,533	3,487	12.8	19.7	18.9	15.2	30.0	(15.8)
Underwriting Expenses	3,325	2,576	1,615	1,556	1,483	1,535	29.1	59.5	3.8	4.9	(3.4)	(3.0)
Net Commission	1,280	1,090	763	558	362	348	17.4	42.9	36.7	54.1	4.0	(3.1)
Unexpired risk reserve	-	(122)	(50)	169	-	-	-	141.5	(129.8)	100.0	-	-
Underwriting Result	**816**	**557**	**1,078**	**242**	**(75)**	**137**	**46.6**	**(48.4)**	**346.0**	**(422.2)**	**(154.7)**	**(133.2)**
Investment Income	1,285	1,494	3,502	2,404	2,061	2,357	(14.0)	(57.3)	45.7	16.7	(12.6)	77.0
Rental Income	7	9	6	6	6	5	(18.8)	31.8	1.7	5.7	20.0	900.0
Other income	95	97	178	185	122	148	(2.0)	(45.6)	(3.7)	51.4	(17.6)	(9.8)
General And Administration Expenses	73	43	630	571	485	400	67.3	(93.1)	10.4	17.7	21.3	0.5
Exchange Gain / (Loss)	6	5	(2)	6	-	10	13.4	(412.5)	(127.1)	-	(100.0)	233.3
Finance Charges on Lease Liabilities	-	-	-	-	-	2	-	-	-	-	(100.0)	(66.7)
Workers' welfare fund	41	63	83	58	42	45	(35.4)	(23.6)	43.4	37.3	(6.7)	246.2
Profit before tax from takaful	79	67	4	-	-	-	18.7	1,546.9	100.0	-	-	-
Profit Before Tax	**2,174**	**2,120**	**4,054**	**2,214**	**1,587**	**2,210**	**2.5**	**(47.7)**	**83.1**	**39.5**	**(28.2)**	**230.1**
Provision for taxation	935	900	561	272	151	244	3.9	60.4	106.3	80.1	(38.1)	481.0
Profit a er Tax	1,239	1,221	3,493	1,942	1,436	1,966	1.5	(65.0)	79.8	35.3	(27.0)	213.3

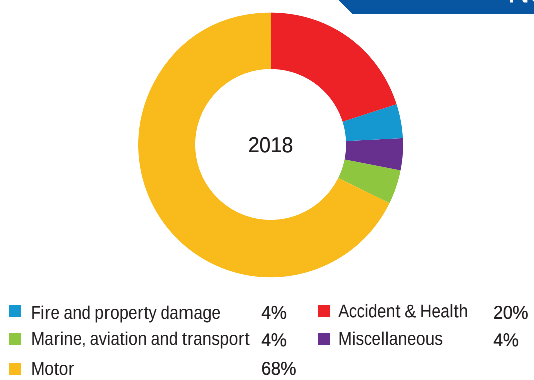
ANALYSIS OF FINANCIAL STATEMENTS

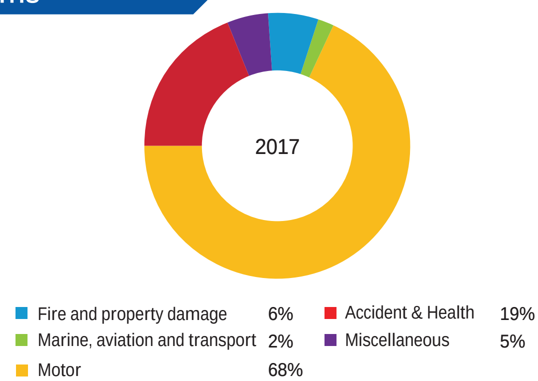
Gross Premium



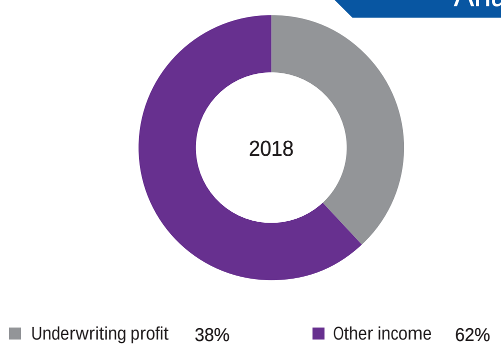


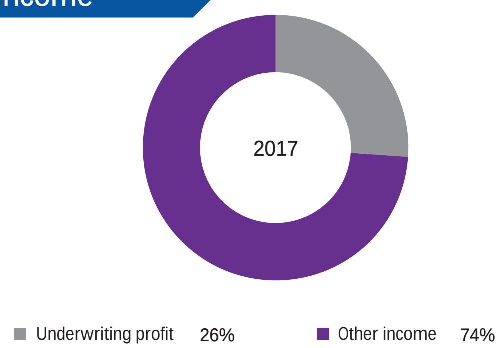
Net Claims



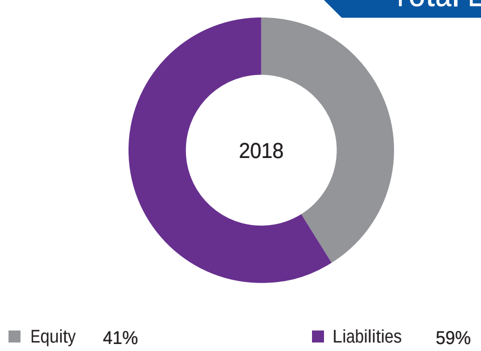


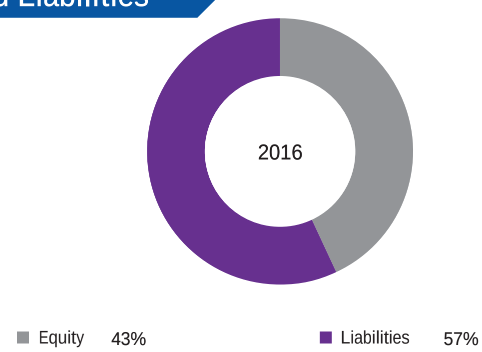
Analysis of Income



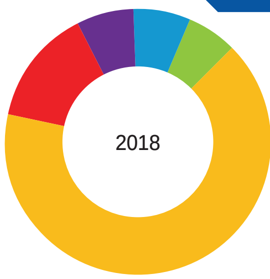


Total Equity and Liabilities

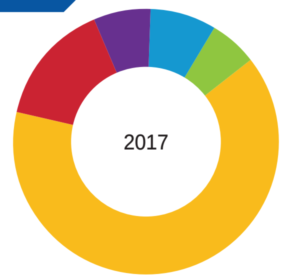




Net Premium Revenue

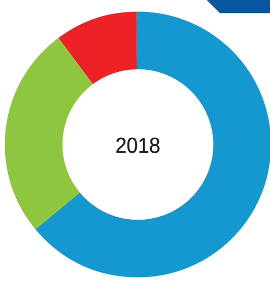


Fire and property damage	7%	Accident & Health	14%
Marine, aviation and transport	6%	Miscellaneous	7%
Motor	66%		

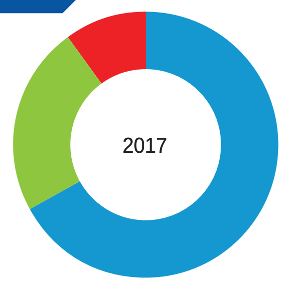


Fire and property damage	8%	Accident & Health	15%
Marine, aviation and transport	6%	Miscellaneous	7%
Motor	64%		

Combined Expenses

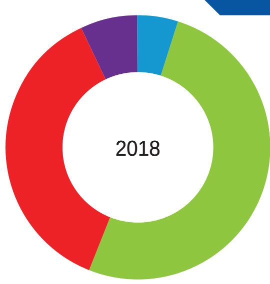


Net claims	64%	Net commission	10%
Expenses	26%		

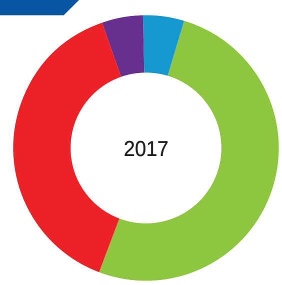


Net claims	67%	Net commission	10%
Expenses	23%		

Total Assets



Cash and bank deposits	5%	Other Assets	51%
Investments and loans	37%	Fixed assets	7%



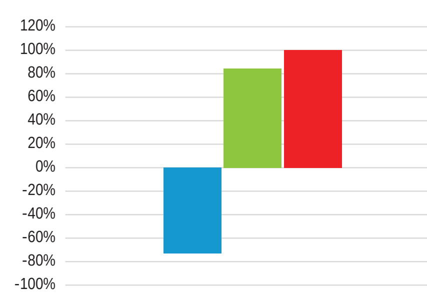
Cash and bank deposits	5%	Other Assets	39%
Investments and loans	51%	Fixed assets	5%

Cash Flow Analysis

2018

Operating activities	276%	Investing activities	-186%
Financing activities	-100%		

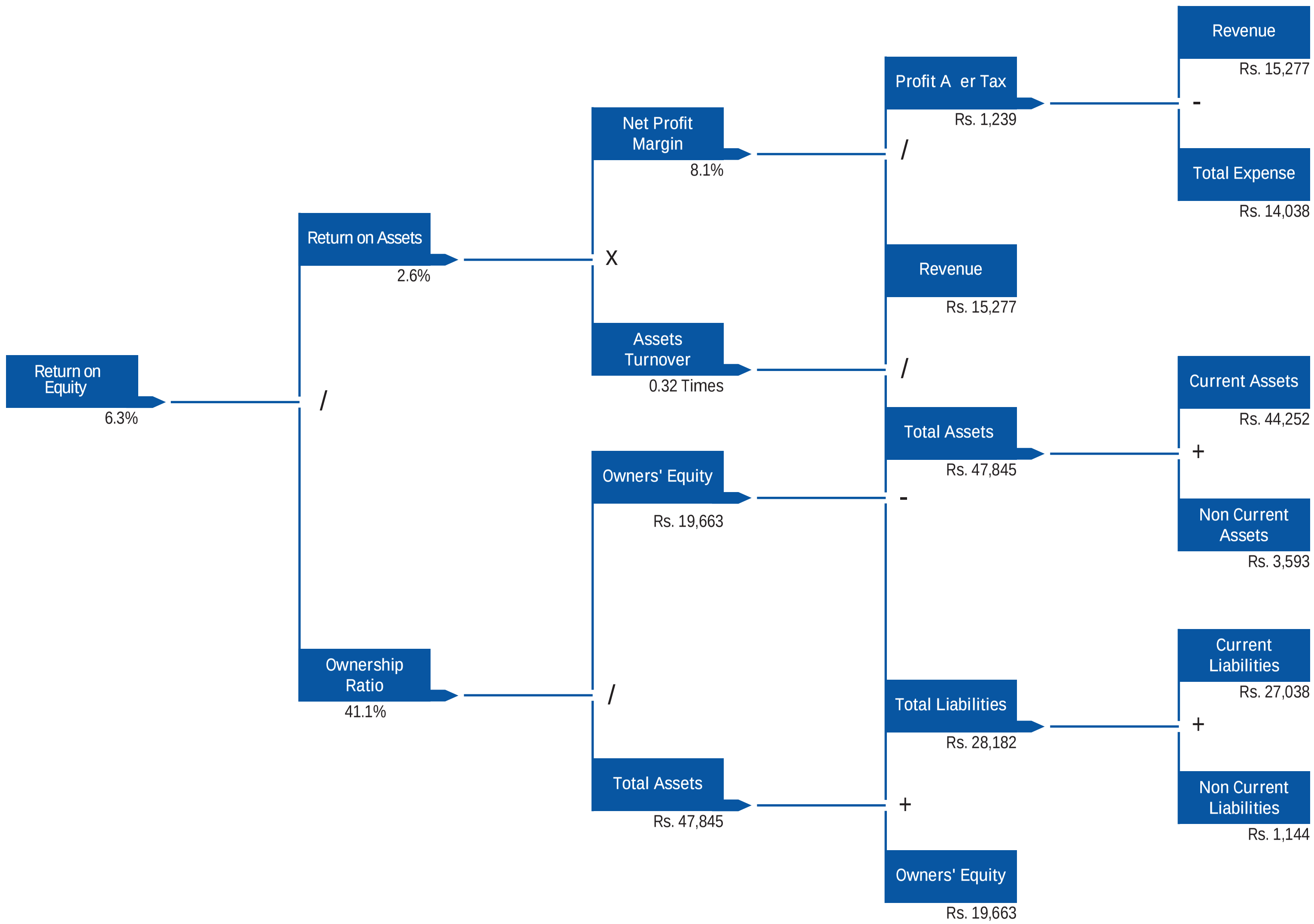
2017

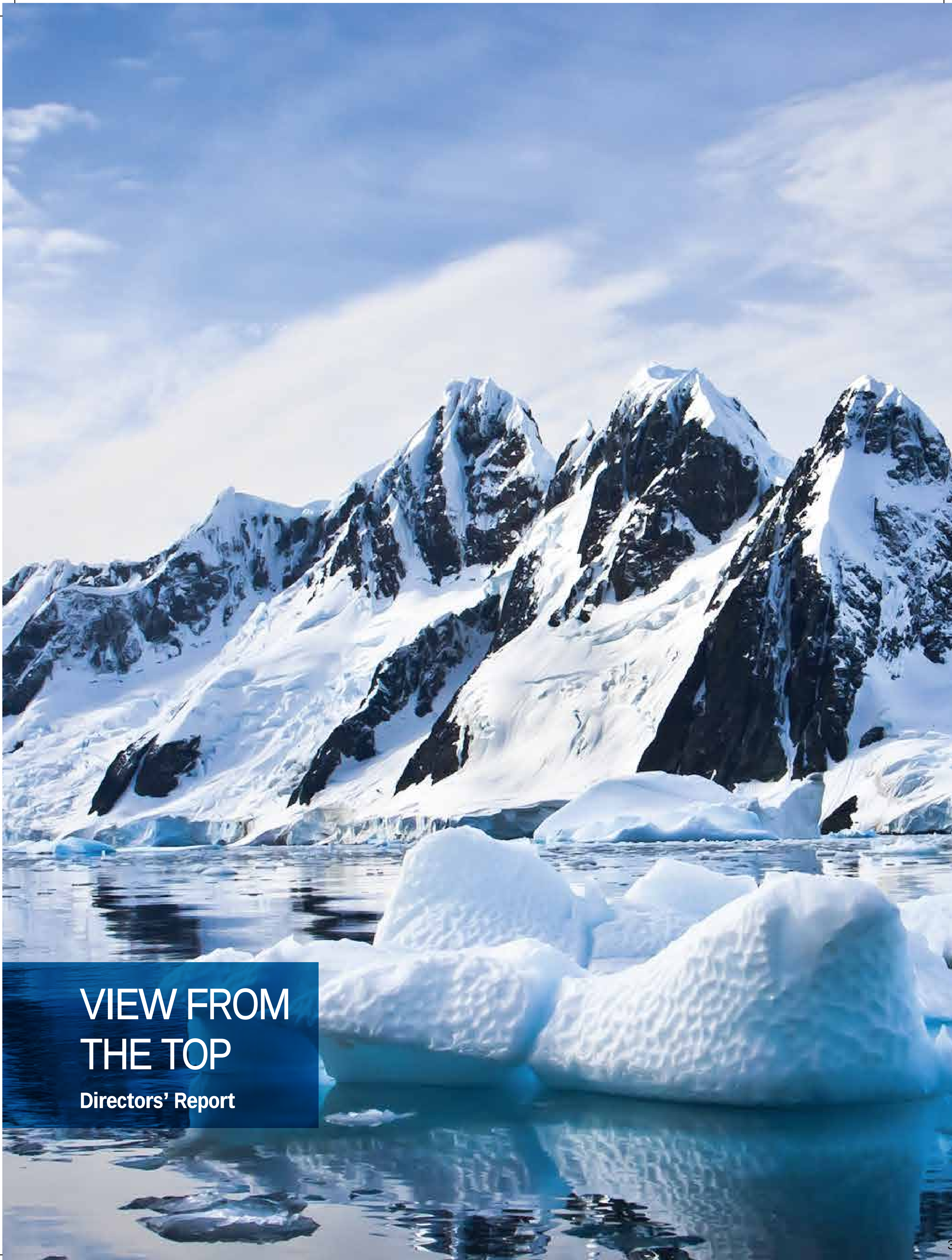


Operating activities	-77%	Investing activities	87%
Financing activities	100%		

DUPONT ANALYSIS 2018

Rupees in Million





VIEW FROM THE TOP

Directors' Report

Directors' Report

to the Members on Unconsolidated Financial Statements

DIRECTORS' REPORT

to the Members on Unconsolidated Financial Statements

On behalf of the Board of Directors, we are pleased to present the 58th Annual Report of your Company together with the audited unconsolidated financial statements for the year ended 31 December 2018.

ECONOMIC OVERVIEW

Pakistan has seen a notable economic turnaround over the last five years. The growth momentum remained above 5% for the last two years in a row and reached 5.8% in FY2018 which is 13 years high on account of a strong performance in agriculture, industry and services sectors which grew by 3.81%, 5.80% and 6.43%, respectively.

Agriculture sector recorded a significant growth of 3.81%. Large Scale Manufacturing also recorded a growth of 6.13% highest in ten years. Industrial sector growth improved by 5.80%, highest in ten years. Manufacturing grew by 6.24% highest in 11 years. The performance of services sector witnessed a stable growth of 6.4% in last two years.

Core inflation showed an upward trend and was recorded at 5.45% p.a. against 5.07% p.a. in the corresponding year. Rising domestic demand as well as soaring commodity prices further dented the external position in FY18, stretching country's trade deficit to US$37.5 billion. Capital inflows and worker remittances were insu cient to bridge the trade deficit, which resulted in depletion of Pakistan foreign exchange reserves from US$20.2 billion at the start of 2018 to US$13.8 billion by December 2018.

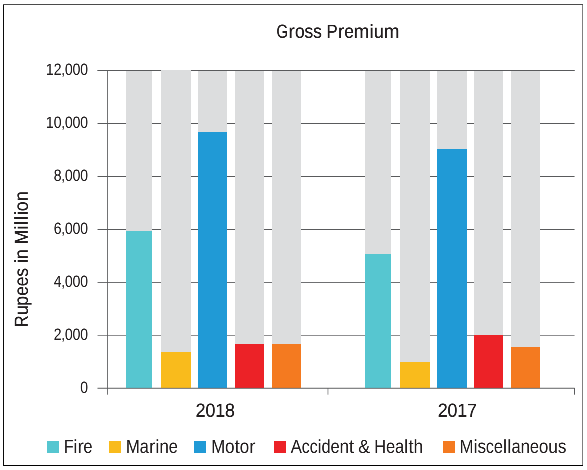
Concerning Pakistan Stock Exchange (PSX), the KSE-100 Index posted an absolute negative return of 8.4%, closing at 37,067 in the year 2018 as compared to 40,471 in 2017.

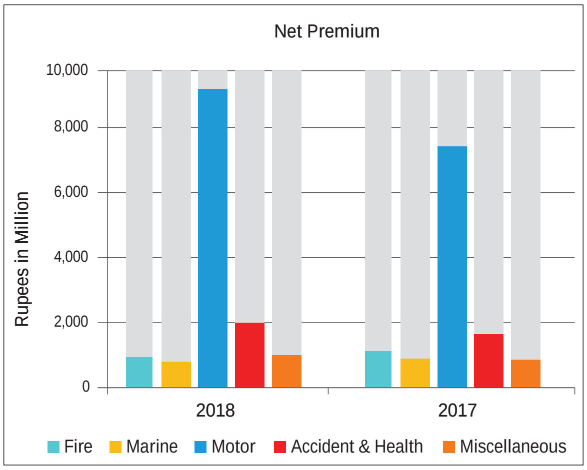
Standard & Poor's downgraded Pakistan's long-term credit rating to 'B-Negative' from 'B' with stable outlook.

COMPANY PERFORMANCE REVIEW

The Company's performance for 2018 remained impressive as we closed the year delivering sound financial results with a premium growth of 10% per annum. We continued to follow the strategy of sustainable growth by focusing on further strengthening the risk and compliance management.

In 2018, the gross premium increased to Rs. 20,387 million (excluding Rs. 1,101.5 million of premiums generated through Window Takaful Operations) as compared to Rs. 18,522 million in 2017. The net premium retention was 68% amounting Rs. 13,806 million of total gross premium underwritten as compared to the net premium retention of 62% amounting Rs. 11,535 million last year.





The net claims ratio decreased to 61% from the corresponding last year ratio of 64% per annum.

The underwriting profit increased to Rs. 815.9 million from Rs. 556.8 million in the preceding year.

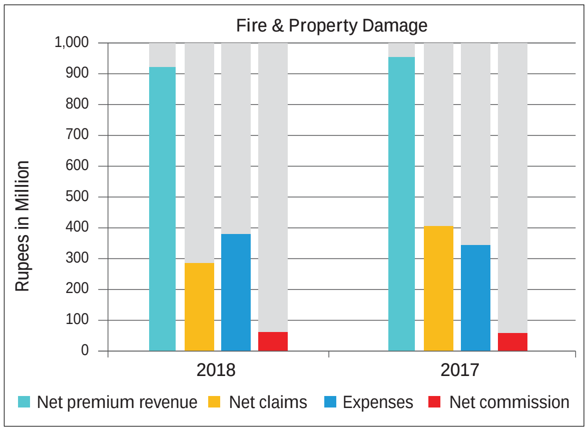
However, the return on investment portfolio has decreased to 6% as compared to 8% last year owing to depressed stock market conditions.

Profit before tax is reported at Rs. 2,173.5 million compared to profit before tax of Rs. 2,121 million. While the Profit a er tax amounted to Rs. 1,239 million as against a Profit a er tax of Rs. 1,221 million in 2017.

PORTFOLIO ANALYSIS

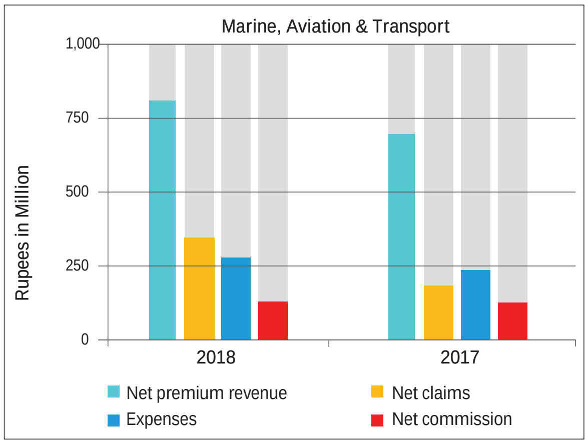
Fire & Property

Fire and property class of business constitutes 30% of the total portfolio. During the year, the Company has underwritten a gross premium of Rs. 6,028 million (2017: Rs. 4,947.4 million). The ratio of net claims to net premium is 32% this year as compared to 43% last year. The Company earned an underwriting profit of Rs. 175.5 million as compared to Rs. 121 million in 2017.



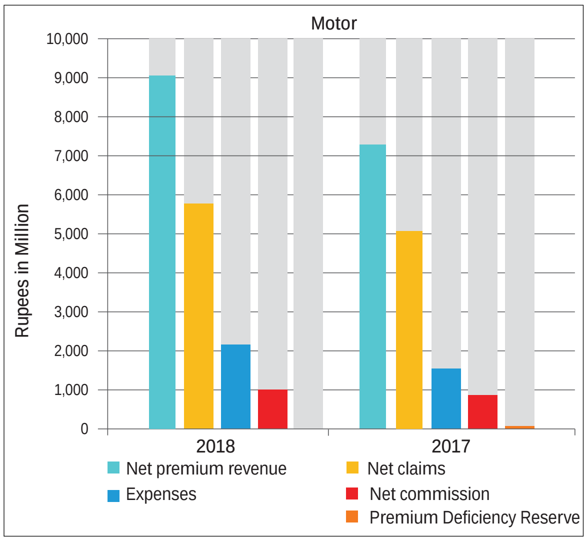
Marine, Aviation & Transport

This class of business constitutes 6% of the total portfolio. The Company has underwritten a gross premium of Rs. 1,341 million in current year as compared to Rs. 881 million in the last year. The net claims ratio has increased to 44% as against 26% last year, which resulted in an underwriting profit of Rs. 41.4 million against Rs. 156.2 million in 2017.



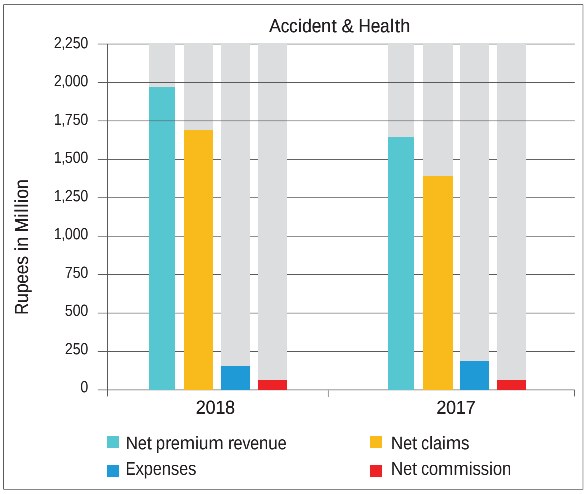
Motor

This class of business constitutes 48% of the total portfolio. During the year, the Company has underwritten a gross premium of Rs. 9,727 million as compared to Rs. 9,110 million in 2017. The ratio of net claims to net premium for the current year is 62% as compared to 69% in 2017. The portfolio showed an underwriting profit of Rs. 238 million as compared to profit of Rs. 2.3 million in 2017.



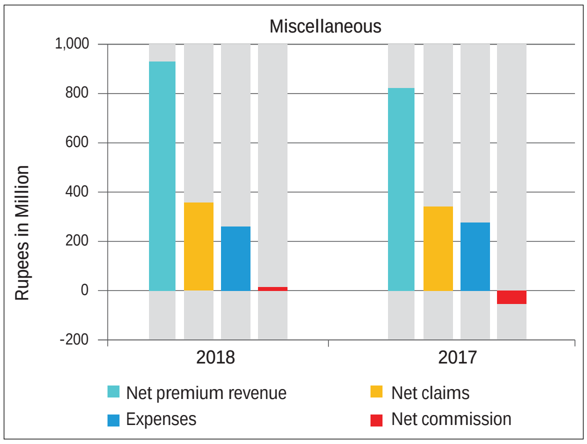
Accident & Health

The Accident & Health class of business constitutes 8% of the total portfolio. During the year, the Company has underwritten a gross premium of Rs. 1,658 million (2017: Rs. 2,039 million). The ratio of net claims to net premium was 86% as against 85% last year. This portfolio performed well and showed an underwriting profit of Rs. 84 million in the current year against Rs. 33 million in 2017.



Miscellaneous

The miscellaneous class of business constitutes 8% of the total portfolio. The gross premium showed an increase of 5.8% over last year with a gross premium written of Rs. 1,633 million (2017: Rs. 1,544 million). The ratio of net claims to net premium was 40% as against 43% last year. The portfolio showed an underwriting profit of Rs. 277 million in the current year as compared to Rs. 244 million in 2017.



INVESTMENT INCOME

Pakistan's stock market remained turbulent with a declining trend for the second year in a row. The KSE-100 index posted an absolute negative return of 8.4% during the year.

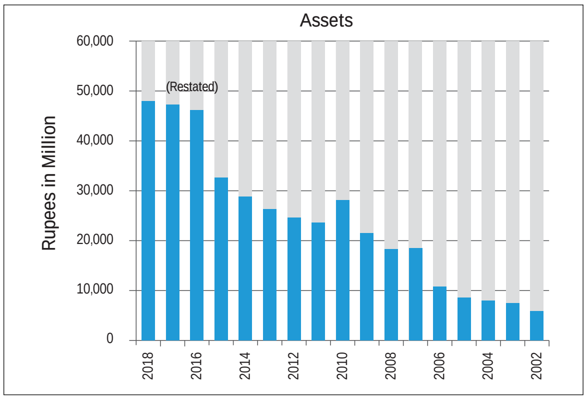
Consequently, Income from investments decreased from Rs. 1,494 million to Rs. 1,285 million.

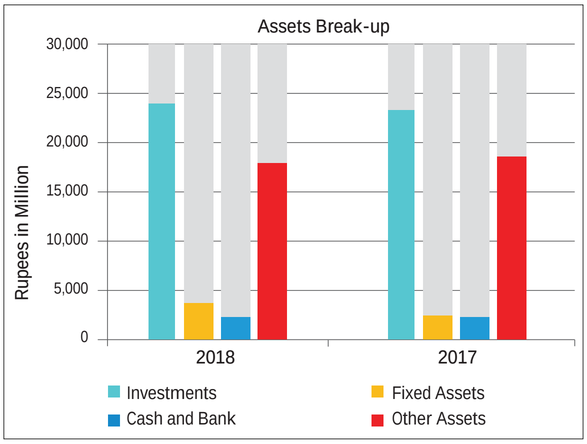
The break-up of investment income is as under:

	2018	2017
	(Rupees in million)	
Dividend income	1,295	1,455
Return on fixed income securities	31	46
Income from term deposits	82	12
Gain/(Loss) on sale of 'available-for-sale' investments (net of impairment)	(123)	(19)
Net investment income	1,285	1,494

COMPANY'S ASSETS

Total assets of the Company as on 31 December 2018 stood at Rs. 47,845 million against Rs. 47,388 million (restated) last year. Total investments stood at Rs. 24,114 million as compared to Rs. 23,749 million in 2017. The management's strategy is to optimize utilization of funds to maximize investment returns.





WINDOW TAKAFUL OPERATIONS

Company's Window Takaful Operations (WTO) have completed its second full year of operations with a growth of 48% in gross written contribution at Rs. 1,101.5 million as compared to Rs. 743.4 million in the year 2017 and has made a profit a er tax of Rs. 52.5 million as compared to profit of Rs. 47 million last year.

U.A.E. OPERATIONS

The Company has three fully functional branches located in Dubai, Sharjah and Abu Dhabi. The UAE branches are regulated under the relevant UAE laws applicable to the local insurance companies.

UAE operations' Profits showed an increase of 85% amounting to Rs. 207.5 million as compared to Rs.112 million in 2017 with the written gross premium of Rs. 6,973.5 million in the current financial year as against Rs. 6,546 million in 2017.

PROSPECTS FOR 2019

Insurance Industry in Pakistan has seen several peaks and troughs in the recent years. From the market performance, it is evident that insurance industry has kept pace with the development of the economy and other sectors of the industry.

2018 has been a rewarding year to us at Adamjee Insurance Co. Ltd. (AICL) as we continued on our journey of delivering sustainable and solid financial results while meeting our valuable customer's expectations.

Window Takaful Operations continued to show promising growth and results in 2018. The demand for Shariah compliant products has widely increased in most lines of business, especially, in Motor and Health and is expected to increase at healthy rates in the upcoming years.

Looking ahead, AICL is well positioned for sustainable growth and building long-term shareholder value. We will continue to invest in Digital transformation, in our technology infrastructure, in human capital and strengthening our compliance and controls environment.

China Pakistan Economic Corridor (CPEC) worth $45.6 billion is also expected to initially facilitate growth in engineering and marine classes of general insurance industry on account of infrastructure projects. Work on projects is already underway with timelines of such projects being 5 to 15 years. CPEC comprises the following initiatives:

- 24 energy projects worth US$ 34.4billion;
- 4 infrastructure projects worth US$ 9.8 billion;
- Development of Gwadar port worth US$ 800 million; and
- Formation of over 30 Special Economic Zones.

In line with our mission, we will always look to put our customers and their needs first. AICL values a strong workplace and culture that keeps people safe, rewards excellence and empowers employees to learn and contribute their best.

DIRECTORS

The following were the directors during the year 2018:

Total Number of Directors:
(a) Male 8
(b) Female 0

Composition:
i. Independent Director 1
- Muhammad Anees

ii. Other non-executive directors 6
- Fredrik Coenrard De Beer (Resigned 23 February 2018)
- Ibrahim Shamsi
- Imran Maqbool
- Muhammad Arif Hameed (Joined 10-5-2018)
- Muhammad Umar Virk
- Shaikh Muhammad Jawed
- Umer Mansha

iii. Executive Director 1
- Muhammad Ali Zeb

DIRECTORS' REMUNERATION

The Board of Directors has approved the remuneration of the members of the Board (non-executive directors including independent directors) for attending meetings of the Board. The meeting fee of Rs. 10,000/- per meeting is paid to directors. Travel expenses by air from city of residence to city of the meeting are paid with hotel accommodation, if availed.

BOARD MEETINGS & ATTENDENCE

During year 2018, five meetings of the Board of directors were held and attended by directors as under:

Umer Mansha	5
Muhammad Umar Virk	4
Ibrahim Shamsi	4
Imran Maqbool	3
Shaikh Muhammad Jawed	5
Muhammad Anees	4
Muhammad Ali Zeb	4
Muhammad Arif Hameed	2
Fredrick Coenrard De Beer (Resigned 23 February 2018)	0

MEMBERS OF BOARD COMMITTEES

The members of the Board Committees were as under:

AUDIT COMMITTEE

Muhammad Anees	Independent Director	Chairman
Ibrahim Shamsi	Non-Executive Director	Member
Shaikh Muhammad Jawed	Non-Executive Director	Member
Umer Mansha	Non-Executive Director	Member

ETHICS, HUMAN RESOURCES & REMUNERATION COMMITTEE

Muhammad Anees	Independent Director	Chairman
Ibrahim Shamsi	Non-Executive Director	Member
Umer Mansha	Non-Executive Director	Member
Muhammad Ali Zeb	MD & CEO	Member

INVESTMENT COMMITTEE

Umer Mansha	Non-Executive Director	Chairman
Imran Maqbool	Non-Executive Director	Member
Muhammad Ali Zeb	MD & CEO	Member
Muhammad Asim Nagi	Chief Financial O cer	Member

RISK MITIGATION

One of the vital functions in risk mitigation at Adamjee Insurance is the Physical Risk Management of fixed assets being o ered for insurance, whether Industrial, Infra-structure, Commercial or Private Dwellings. In fact, the underwriters would like to have an insight about the risk crossing certain thresholds, even before issuing an insurance quotation and/or an insurance policy. This is the reason why we have a dedicated team of well qualified and experienced risk engineers who carry out the largest number of risk-surveys every year in the industry. The underwriters equipped with maximum know how can accept or reject the risk with more conviction and confidence. On accepted risks, a right price and appropriate terms are provided for the benefit of our valued customers. The recommendations made by the risk engineers help the customers in improving their processes and operations, thus mitigating the risk exposures significantly.

The Company pays particular attention to the underwriting controls. Each class of insurance is headed by qualified and experienced underwriters, who manage and control the underwriting in their respective class of business. The utmost aim in any underwriting process is to protect the bottom-line of the Company. This is achieved by accurately estimating the exposures and the probability of future losses and thereby developing appropriate terms and conditions for each proposed risk for insurance.

Underwriting involves a number of technical controlling protocols. These protocols include, Risk Categorization Grid, defined underwriting authorities, Check Lists for underwriters, guidelines by class of business, rate monitoring mechanism, underwriting peer reviews and practice for seeking guidance on large and intricate risks from Risk Exposure Group (REG). This Group is represented by Executive Director Technical, Executive Director Commercial, Head of Claims and Compliance and Executive Director Re-Insurance. The Risk Categorization Grid defines Very High Risks, High Risks, Medium Risks and Low Risks Categories.

The Company has a very e ective Reinsurance Treaty Programme in place, which along with Facultative Risk Wise arrangements provide a bespoke protection to the Company against di erent types of risks. Both Reinsurance and Coinsurance arrangements are e ectively used as risk mitigating tools against all types of risk exposures and to augment Company's risk appetite.

MODIFICATION IN AUDITORS' REPORT

The external auditors of the Company, Messrs KPMG Taseer Hadi & Co., Chartered Accountants have issued qualified opinions in their independent auditors' reports to the members of the Company on the following audited financial statements of the Company for the year ended 31 December 2018 on account of Sales Tax on Health Insurance Premiums:

1. Unconsolidated Financial statements of the Company; and
2. Financial Statements of Window Takaful Operations of the Company; and
3. Consolidated Financial Statements of the Company.

Company's Response to modification in Auditors' report on Unconsolidated Financial statements of the Company:

As explained in detail in Note 23.1(a) to the financial statements of the Company, under the Sindh Sales Tax Act, 2011, sales tax is payable on premium on corporate health insurance policies written in the province of Sindh. 'The Insurance Association of Pakistan' (IAP) on behalf of the insurance companies has taken up the matter with the Sindh Revenue Board (SRB) and has also approached the Honorable Chief Minister, Sindh, for a favorable resolution of the matter. The matter is still in the process of review. The Company and other insurance companies carrying out corporate health insurance have not yet billed their customers for the Sindh Sales Tax since the matter of the renewal of exemption is under discussion with sales tax authorities. The amount not yet billed by the Company, works out at Rs. 130.10 million and Rs. 93.68 million for the period from 1 July 2016 to 31 December 2017 and from 1 January 2018 to 31 December 2018, respectively (collectively Rs. 223.78 million).

Company’s Response to modification in Auditors’ report on Financial Statements of Window Takaful Operations of the Company:

As explained in detail in Note 15.1 to the financial statements of the Company’s Window Takaful Operations, under the Sindh Sales Tax Act, 2011, sales tax is payable on contribution on corporate health insurance policies/ PMD written in the province of Sindh. 'The Insurance Association of Pakistan' (IAP) on behalf of the insurance companies has taken up the matter with the Sindh Revenue Board (SRB) and has also approached the Honorable Chief Minister, Sindh, for a favorable resolution of the matter. The matter is still in the process of review. The Operator and other insurance companies carrying out corporate health insurance have not yet billed their customers for the Sindh Sales Tax since the matter of the renewal of exemption is under discussion with sales tax authorities. The amount not yet billed by the Operator, works out at Rs. 19.87 million and Rs. 15.55 million for the period from 1 July 2016 to 31 December 2017 and from 1 January 2018 to 31 December 2018, respectively (collectively Rs.35.42 million).

Company’s Response on modification in Auditor’s report on Consolidated Financial Statements of the Company is provided in the Director’s report to the members on Consolidated Financial Statements.

PATTERN OF SHAREHOLDING

The pattern of shareholding is annexed in the Annual Report. The format of reporting, Form 34, has been slightly amended to comply with the reporting requirements under the Code of Corporate Governance for Insurers 2016.

For the category of ‘Executive’, the Board of Directors has set the threshold for the year 2018. Officers in the cadre of Executive Director and above are included in the ‘Executive’ category, in addition to the CEO, CFO, Head of Internal Audit and Company Secretary. The threshold is reviewed by the Board annually.

EARNINGS PER SHARE

During the year under review, earnings per share was Rs.3.54 (2017: Rs. 3.49). Detailed working has been reported in Note 32 to the financial statements in this regard.

INTERNAL FINANCIAL CONTROLS AND ITS ADEQUACY

The Board has adopted policies and procedures for ensuring orderly and efficient conduct of its business including adherence to the Company’s Policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial disclosures. The system provides reasonable, though not absolute, assurance that adequate control mechanisms have been established within the operational businesses.

The Company’s internal control system is commensurate with its size, scale and complexities of its operations. The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of the internal control system and suggests improvements to strengthen the same. It also reviews the quarterly Internal Audit Reports. Internal financial controls deployed within the Company have been satisfactory throughout the year.

CSR activities

The CSR initiatives taken during the year 2018 have been separately mentioned in the annual report.

HUMAN RESOURCE

At Adamjee Insurance “It’s all about People”, as we truly believe that our employees are the greatest strength we have. Talent Management is a continuous process and we ensure that we hire right people on right jobs. Rewards are based on performance culture, culture is engaging and based on ethical values and ample career growth opportunities are provided to our employees.

As a result, all key employee satisfaction indicators i.e. employee productivity, engagement index, employee turnover and female diversity for 2018 are encouraging.

ISO 9001:2015 CERTIFICATION

Adamjee Insurance has always strived to enhance customer satisfaction through continually improving in its quality management system practices, processes and standards. By upgrading our system to ISO 9001:2015, Adamjee Insurance has once again assured customers that it will continue to fulfill their insurance, regulatory and quality requirements, adding even more value to its customer services. This is an upgrade from the previous version of ISO 9001:2008 standard and conferred by Lloyd’s Register Quality Assurance.

There are many changes that characterize the new ISO 9001:2015, a key objective is to have a simpler, more applicable standard, a common format and language. Furthermore, more flexibility with the core elements of ISO 14001, ISO 22000, ISO 45000, etc.

The certification has a continuation of our adherence to internationally established standards for quality system.

At Adamjee Insurance, we are fully aware of how beneficial this new standard (ISO 9001:2015) is for us which includes but not limited to enhanced organized operating environment, better working conditions, increased job satisfaction and enhanced customer satisfaction.

We have successfully achieved this Certification of ISO 9001: 2015 in August 2018.

IFS Ratings

During the year, The Pakistan Credit Rating Agency Limited (PACRA) has maintained the Insurer Financial Strength (IFS) rating of the Company as "AA+" (Double A plus). This rating denotes a very strong capacity to meet policyholder and contract obligations. Risk factors are considered modest and the impact of any adverse business and economic factors is expected to be very limited.

AM Best has also maintained "B +" IFS Rating for the Company with stable outlook which denotes a strong risk-adjusted capitalization maintained by the Company.

SUBSIDIARY COMPANY

The Company has annexed its consolidated financial statements along with its separate financial statements.

Adamjee Life Assurance Company Limited (ALACL) is a subsidiary company of Adamjee Insurance Company Ltd. (AICL) and a brief description of ALACL is given below.

ALACL was incorporated in Pakistan under the Repealed Companies Ordinance 1984 on August 4, 2008 as a public unlisted company and commenced operations from April 24, 2009. ALACL is a subsidiary of AICL and an associate of IVM Inter-surer BV who have 74.28% and 25.72% holding respectively in the capital of ALACL.

Financial performance and position of ALACL is given in the consolidated financial statements annexed to the Annual Report.

EVENTS AFTER BALANCE SHEET DATE

Post balance sheet date, the management of IVM Intersurer BV decided to exit Pakistan market and o ered its stake of 25.72% in Adamjee Life Assurance Company Limited (ALACL) to the Company.

The shareholders of the Company, in its Extraordinary General Meeting held on 25 February 2019, approved the acquisition of 25.72% stake i.e. 24,059,855 ordinary shares at par value of Rs 10/- each held in the paid up capital of ALACL by IVM Intersurer BV and its 3 nominee directors at a per share price of Rs.16.68, approximately. The applicable legal and regulatory requirements/approvals are being completed/sought for the acquisition of the above referred shares and once completed, ALACL shall become a wholly owned subsidiary of Adamjee Insurance Company Limited.

RECOMMENDATION FOR DIVIDEND

An interim dividend @ 10% (Rupees 1.00 per share) (2017: @ 15% [Rupees 1.50 per share]) was paid during the year. The Board recommended final cash dividend @15% (Rupee(s) 1.50 per share) (2017: @10% [Rupees 1.00 per share]).

STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Corporate laws, rules and regulations framed there under spell out the overall functions of the Board of Directors of the Company. The Board is fully aware of its corporate responsibilities as envisaged under The Companies Act 2017, the Code of Corporate Governance for Insurers 2016 and the Listed Companies (Code of Corporate Governance) Regulations 2017 (Codes) and is pleased to give following statement:

- The financial statements, prepared by the Company, present fairly its state of a airs, the results of its operation, cash flows and changes in equity.

- The Company has maintained proper books of accounts as required under The Companies Act 2017.

- The Company has followed consistently appropriate accounting policies in preparation of the financial statements. Changes wherever made, have been disclosed and accounting estimates are on the basis of prudent and reasonable judgment.

- Financial Statements have been prepared by the Company in accordance with the International Financial Reporting Standards as applicable in Pakistan. The departure therefrom (if any), is disclosed adequately and explained.

- The system of internal control is sound and is being implemented and monitored. However, such a system is designed to manage rather than eliminate the risk of failure to achieve objectives and provide reasonable but not absolute assurance against material misstatements or loss.

- The fundamentals of the Company are strong and there are no doubts about its ability to continue as a going concern.

- Key operating and financial data for the last six years in summarized form, is included in this annual report.

- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at 31 December 2018, except as those disclosed in the financial statements.

- The value of investments including accrued income of provident and gratuity funds on the basis of un-audited accounts as on 31 December 2018 is as follows:

	(Rupees in '000')
Provident Fund	951,849
Gratuity Fund	193,756

AUDITORS

The present auditors, namely, Messrs KPMG Taseer Hadi & Company, Chartered Accountants, have completed its five (5) years tenure in 2018. The Board of Directors on the recommendation of the Audit Committee has proposed the appointment of Messrs Deloitte Yousuf Adil Chartered Accountants as statutory auditors for the next term.

ACKNOWLEDGEMENT

The Company would like to thank its shareholders for the confidence they have shown in us. We express our sincere thanks to the employees, strategic partners, venders, suppliers and customers.

We also appreciate the support and guidance provided by the Securities and Exchange and Commission of Pakistan and the State Bank of Pakistan.

For and on behalf of the Board

Lahore: 03 April, 2019

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director &
Chief Executive O cer

منافعِ منقسمہ کیلئے سفارشات

اس سال کے دوران ایک عبوری منافعِ منقسمہ 10% کی شرح (ایک روپیہ فی شیئر) (2017:15%[1.50 روپے فی شیئر]) ادا کیا گیا تھا۔ بورڈ نے 15 فیصد یعنی 1.5 روپے فی شیئر کے حتمی نقد منافع منقسمہ (2017:10%[1.00 روپے فی شیئر]) کی تجویز دی ہے۔

کارپوریٹ اور فنانشل رپورٹنگ فریم ورک اسٹیٹمنٹ

کمپنی کے بورڈ آف ڈائریکٹرز کے مجموعی افعال کارپوریٹ قوانین، قواعد وضوابط کے تحت ہوتے ہیں۔ آپ کا بورڈ کوڈ آف کارپوریٹ گورننس فار انشوررز 2016ء اور کوڈ آف کارپوریٹ گورننس 2017ء کے تحت اپنی کاروباری ذمہ داریوں سے پوری طرح باخبر اور عمل پیرا ہے اور بصد مسرت درج ذیل گزارشات پیش کرتا ہے:

- کمپنی کی طرف سے تیارہ کردہ مالیاتی گوشوارے اس کے معاملات، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوز اور ایکویٹی میں تبدیلی کی مناسب عکاسی کرتے ہیں
- کمپنی نے اپنے اکاؤنٹس کے باقاعدہ کھاتے درست انداز میں برقرار رکھے جیسا کہ کمپنیز ایکٹ 2017ء کے تحت مطلوب ہے
- کمپنی نے مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیز کی مسلسل پیروی کی ہے۔ جہاں کہیں بھی تبدیلیاں کی گئی ہیں، ان کی نشان دہی کردی گئی ہے اور شماریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں
- کمپنی کی طرف سے تیارہ کردہ مالیاتی گوشوارے اکاؤنٹنگ کے بین الاقوامی معیار کے مطابق ہے، جہاں تک وہ پاکستان میں قابلِ اطلاق ہیں۔ اس حوالے سے کی گئی پہلوتہی کی (اگر کوئی ہو) مناسب انداز میں نشاندہی اور وضاحت کردی گئی ہے
- انٹرنل کنٹرول کا نظام مستحکم ہے اور اس کا اطلاق کیا جاتا ہے۔ رسک کا جائزہ لیا جاتا رہتا ہے تاکہ ممکنہ حد تک بڑے نقصان سے بچا جاسکے تاہم نقصان کے مکمل خاتمے کی یقین دہانی ممکن نہیں
- کمپنی کے بنیادی اصول مضبوط ہیں اور اس کے رواں دواں رہنے کے بارے میں کوئی شکوک وشبہات نہیں ہیں
- گزشتہ 6 سال کا اہم آپریٹنگ اور فنانشل ڈیٹا اس سالانہ رپورٹ میں شامل ہے
- 31 دسمبر 2018ء کو واجب الادا ٹیکسز، ڈیوٹیز، لیویز اور چارجز کے حوالے سے کوئی قانونی ذمے داری نہیں، ماسوائے ان کے جو مالیاتی گوشواروں میں ظاہر کی جاچکی ہیں
- غیر آڈٹ شدہ اکاؤنٹس کی بنیاد پر انویسٹمنٹس کی قدر بشمول پروویڈنٹ اور گریجویٹی فنڈز کی جمع شدہ آمدنی 31 دسمبر 2018ء کو درج ذیل ہے:

	(روپے '000' میں)
پروویڈنٹ فنڈ	951,849
گریجویٹی فنڈ	193,756

آڈیٹرز

موجودہ آڈیٹرز بنام میسرز KPMG تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے 2018ء میں اپنے 5 سال مکمل کرلیے ہیں۔ بورڈ آف ڈائریکٹرز نے آڈٹ کمیٹی کی سفارش پر ڈیلائٹ یوسف عادل، چارٹرڈ اکاؤنٹنٹس کی آئندہ مدت کیلئے قانونی آڈیٹرز کے طور پر تقرری کی تجویز رکھی ہے۔

اعتراف

کمپنی اپنے شیئر ہولڈرز کی اُن کے اعتماد کیلئے جو اُنھوں نے ہم پر ظاہر کیا ہے شکرگزار ہے۔ ہم ملازمین، اسٹریٹجک پارٹنرز، وینڈرز، سپلائرز اور صارفین کو اپنا پرخلوص ہدیۂ تشکر پیش کرتے ہیں۔

ہم سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان کی جانب سے فراہم کردہ تعاون اور رہنمائی کو بھی سراہتے ہیں۔

منجانب وبرائے بورڈ

محمد علی زیب
مینجنگ ڈائریکٹر اینڈ چیف ایگزیکٹو آفیسر

محمد عمر وِرک
ڈائریکٹر

لاہور: 03 اپریل 2019ء

سماجی اور معاشرتی سرگرمیاں

سال 2018ء میں سماجی اور معاشرتی اُمور سے متعلق اقدامات سالانہ رپورٹ میں الگ سے دیے گئے ہیں۔

افرادی وسائل

آدمجی میں ہم حقیقی معنوں میں یقین رکھتے ہیں کہ ہمارے تمام کارکن ہماری سب سے عظیم طاقت ہیں اور سب کچھ "انہی کی کاوشوں کا" نتیجہ ہے۔ ٹیلنٹ مینجمنٹ ایک مسلسل عمل ہے اور ہم ہر کام کیلئے موزون افراد کی خدمات کا حصول یقینی بناتے ہیں۔ مشاہرے اور ترقی کا دارومدار کارکردگی سے منسلک ہیں اور ہمارے ہاں لوگوں کی شمولیت کا کلچر ہے جس کی بنیاد اخلاقی اقدار ہیں اور ہمارے کارکنان کو اپنے کیریئر کو ترقی دینے کے وافر مواقع فراہم کیے جاتے ہیں۔

نتیجے کے طور پر، تمام اہم ملازمین کے تمام تر اشارے یعنی ملازمین کی استعداد، وابستگی کی فہرست، ملازمین کی مدّت میں خواتین کا تنوع برائے سال 2018ء باعثِ حوصلہ افزائی ہے۔

ISO 9001:2015 سرٹیفکیشن

آدمجی انشورنس کی ہمیشہ کوشش رہی ہے کہ کوالٹی مینجمنٹ سسٹم کے طور طریقوں، طریقۂ کار اور معیارات کو مسلسل بہتر بناتے ہوئے اطمینانِ صارف کو بڑھایا جائے۔ ہمارے سسٹم کو ISO 9001:2015 تک اپ گریڈ کرکے آدمجی انشورنس ایک بار پھر صارفین کو یقین دلا چکی ہے کہ وہ اُن کے انشورنس، انضباطی، اور معیار کی ضروریات وشرائط کی تکمیل کے تسلسل کو نہ صرف جاری رکھے گی بلکہ اپنی صارف خدمات میں مزید بہتری لائے گی۔ یہ للائیڈز رجسٹر کوالٹی اشورنس کی جانب سے عطا کردہ اور ISO 9001:2015 کے پچھلے ورژن سے درجہ اوپر ہے۔

کئی تبدیلیاں ہیں کہ جس سے نئے ISO 9001:2015 کو ممتاز و ممیّز کیا جاتا ہے، ایک کلیدی مقصد یہ ہے کہ ایک آسان تر، زیادہ قابلِ اعتماد اسٹینڈرڈ، مشترکہ عام فارمیٹ اور زبان رکھی جائے۔ مزید یہ کہ ISO 14001، ISO 22000، ISO 45000 وغیرہ کے بنیادی عناصر کے ساتھ زیادہ لچک ہو۔

یہ سند یعنی سرٹیفکیٹس کوالٹی سسٹم کیلئے بین الاقوامی طور پر قائم شدہ اسٹینڈرڈز یعنی معیارات سے ہماری وابستگی کا تسلسل رکھتی ہے۔

آدمجی انشورنس میں ہم مکمل طور پر آگاہ ہیں کہ یہ نیا اسٹینڈرڈ (ISO 9001:2015) ہمارے لیے کیسے مفید ہوگا جس میں زیادہ بڑا منظم عملی ماحول، کام کرنے کیلئے بہتر صورتحال، روزگار کا زیادہ اطمینان اور زیادہ صارف اطمینان شامل ہیں لیکن یہ صرف اسی تک محدود نہیں ہے۔

ہم ISO 9001:2015 کی یہ سرٹیفکیشن اگست 2018ء میں کامیابی سے حاصل کر چکے ہیں۔

IFS ریٹنگز

زیرِ جائزہ سال کے دوران پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے کمپنی کی انشورر فنانشل اسٹرینتھ (IFS) ریٹنگ "AA+" (ڈبل اے پلس) برقرار رکھی ہے۔ یہ ریٹنگ پالیسی ہولڈرز اور کنٹریکٹ کے حوالے سے ذمّے داریوں کی تکمیل کی انتہائی زبردست صلاحیت کی نشاندہی کرتی ہے۔ خطرات کے عوامل معمولی تصوّر کیے گئے اور کاروبار اور معاشی عوامل کے کسی منفی اثرات کے امکانات بہت محدود رہنے کی توقع ہے۔

AM بیسٹ نے بھی کمپنی کیلئے اسٹیبل آؤٹ لُک کے ساتھ "B+" IFS ریٹنگ برقرار رکھی ہے جو کمپنی کی طرف سے قائم کی گئی اسٹرونگ رِسک-ایڈجسٹڈ کیپٹلائزیشن کی عکاس ہے۔

ذیلی کمپنی

کمپنی نے اپنے یکجا/حتمی مالیاتی گوشوارے، اپنے مالیاتی گوشواروں کے ہمراہ منسلک کر دیے ہیں۔

آدمجی لائف انشورنس کمپنی لمیٹڈ (ALAC)، آدم انشورنس کمپنی لمیٹڈ (AIC) کی ایک ذیلی کمپنی ہے اور ALAC کا مختصر تعارف درج ذیل ہے۔

ALAC 04 اگست 2008ء کمپنیز آرڈیننس 1984ء (اب منسوخ) کے تحت پاکستان میں ایک پبلک اَن لسٹڈ کمپنی کے طور پر قائم کیا گیا اور اس نے 24 اپریل 2009ء سے کاروبار کا آغاز کیا۔ ALAC، AIC کا ایک ذیلی ادارہ اور IVM انٹرشورر BV کی ایک ایسوسی ایٹ ہے جو ALAC کے کیپٹل میں بالترتیب 74.28 فیصد اور 25.72 فیصد ہولڈنگ کی حامل ہے۔

ALAC کی فنانشل پرفارمنس اور پوزیشن سالانہ رپورٹ کے مالیاتی گوشواروں کے ضمیموں میں دی گئی ہے۔

تاریخ میزانیے کے بعد کے واقعات

تاریخِ میزانیہ کے بعد، آئی وی ایم انٹرسیورر بی وی (IVM Intersurer BV) کی انتظامیہ نے پاکستان مارکیٹ سے اخراج کا فیصلہ کیا اور آدمجی لائف اشورنس کمپنی لمیٹڈ (ALACL) میں 25.72 فیصد کے حصے کو آپ کی کمپنی کو پیش کر دیا۔

کمپنی کے شیئر ہولڈرز نے مورخہ 25 فروری 2019ء کو منعقدہ اس کے غیر معمولی اجلاسِ عام میں 25.72 فیصد یعنی 24,059,855 عمومی شیئرز -/10 روپے فی شیئر کی پار ویلیو آئی وی ایم انٹرسیورر بی وی اور اُس کے 3 نامزد کردہ ڈائریکٹرز کی جانب سے تقریباً 16.68 روپے فی شیئر کی قیمت پر ALACL کے اداشدہ سرمائے میں رکھے شیئر کے حصول کی منظوری دے دی۔ لاگو قانونی اور انضباطی شرائط/منظوریاں حوالہ شدہ درج بالا شیئرز کے حصول کیلئے مکمل کی جارہی ہیں اور ایک بار جب عمل تکمیل پا گیا تو ALACL آدمجی انشورنس کمپنی لمیٹڈ کا مکمل ملکیتی ذیلی ادارہ بن جائے گا۔

کے لحاظ سے انتظامات کے ساتھ خطرات کی مختلف اقسام کے خلاف کمپنی کو سفارش کردہ تحفظ فراہم کرتا ہے۔ ری-انشورنس اور کو-انشورنس انتظامات دونوں اقسام کے خطرات کے سامنے کے خلاف خطرات کی تخفیف کے آلات کے طور پر مؤثر انداز سے استعمال کیے جاتے ہیں۔

آڈیٹرز رپورٹ میں ترمیم

کمپنی کے ایکسٹرنل آڈیٹرز، میسرز کے پی ایم جی تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے اپنی آزادانہ رپورٹس میں جو کہ اُنھوں نے کمپنی کے ممبرز کو مشروط خیالات ہیلتھ انشورنس پریمیمز پر سیلز ٹیکس کے سلسلے میں 31 دسمبر 2018ء کو ختم شدہ سال کیلئے کمپنی کے درج ذیل آڈٹ شدہ مالیاتی گوشواروں پر جاری کیے ہیں:

1. کمپنی کے غیر حتمی مالیاتی گوشوارے
2. کمپنی کے ونڈو تکافل آپریشنز کے مالیاتی گوشوارے، اور
3. کمپنی کے یکجا/حتمی مالیاتی گوشوارے

کمپنی کے غیر حتمی مالیاتی گوشواروں پر آڈیٹرز رپورٹ میں ترمیم پر کمپنی کا ردِّعمل:

سندھ سیلز ٹیکس ایکٹ، 2011ء کے تحت کمپنی کے مالیاتی گوشواروں کی طرف نوٹ (a) 23.1 میں موجود وضاحت کردہ تفصیل کے مطابق، سیلز ٹیکس صوبۂ سندھ میں تحریر کردہ کارپوریٹ ہیلتھ انشورنس پالیسیز پر پریمیم پر واجب الادا ہے۔ انشورنس کمپنیز کی طرف سے انشورنس ایسوسی ایشن آف پاکستان (آئی اے پی) نے یہ مسئلہ سندھ ریونیو بورڈ (ایس آر بی) نے اُٹھایا ہے اور جناب وزیر اعلیٰ سندھ سے بھی رجوع کیا ہے تاکہ مسئلے کا سازگار حل حاصل ہو۔ یہ مسئلہ اب تک زیرِ غور ہے۔ کمپنی اور دیگر انشورنس کمپنیز جو کارپوریٹ ہیلتھ انشورنس کی تعمیل کر رہے ہیں، سندھ سیلز ٹیکس کیلئے اُن کے صارفین کو اب تک بل ارسال نہیں کیے گئے ہیں کیونکہ استثناء کی تجدید کا معاملہ سیلز ٹیکس حکام کے ساتھ زیرِ بحث ہے۔ کمپنی کی جانب اب تک صارفین کو یکم جولائی 2016ء تا 31 دسمبر 2017ء 130.10 ملین روپے اور یکم جنوری 2018ء تا 31 دسمبر 2018ء 93.68 ملین روپے (کل رقم 223.78 ملین روپے) ادا کرنے کا نہیں کہا ہے۔

کمپنی کے ونڈو تکافل آپریشنز کے مالیاتی گوشواروں پر آڈیٹرز رپورٹ میں ترمیم پر کمپنی کا ردِّعمل:

سندھ سیلز ٹیکس ایکٹ 2011ء کے تحت کمپنی کے ونڈو تکافل آپریشنز کے مالیاتی گوشواروں کی طرف نوٹ 15.1 میں موجود وضاحت کردہ تفصیل کے مطابق، صوبۂ سندھ میں تحریر کردہ کارپوریٹ ہیلتھ انشورنس پالیسیز/ پی ایم ڈی پر جمع کی جانے والی رقم پر سیلز ٹیکس واجب الادا ہے۔ انشورنس کمپنیز کی جانب سے انشورنس ایسوسی ایشن آف پاکستان نے یہ معاملہ سندھ ریونیو بورڈ کے ساتھ اُٹھایا ہے اور اِس کے سازگار اور موافق حل کیلئے جناب وزیر اعلیٰ سندھ سے بھی رجوع کیا ہے۔ یہ معاملہ اب تک جائزے کے عمل سے گزر رہا ہے۔ آپریٹر اور دیگر انشورنس کمپنیز جو کارپوریٹ ہیلتھ انشورنس کی تعمیل کرتے ہیں نے سندھ سیلز ٹیکس کیلئے اُن کے صارفین کو اب تک بل ارسال نہیں کیے ہیں کیونکہ استثناء کی تجدید کا معاملہ سیلز ٹیکس حکام کے ساتھ زیرِ بحث ہے۔ آپریٹر کی جانب سے بل نہیں کیے گئے کی مالیت یکم جولائی 2016ء سے 31 دسمبر 2017ء تک کے عرصے کیلئے 19.87 ملین روپے اور یکم جنوری 2018ء سے 31 دسمبر 2018ء تک 15.56 ملین روپے (مجموعی طور پر 35.42 ملین روپے) بنتی ہے۔

کمپنی کے یکجا/ حتمی مالیاتی گوشواروں پر آڈیٹرز رپورٹ میں ترمیم پر کمپنی کا ردِّعمل یکجا/ حتمی مالیاتی گوشواروں پر ممبرز کی طرف ڈائریکٹرز رپورٹ میں فراہم کر دی گئی ہے۔

شیئر ہولڈنگ کا اسلوب

کوڈ آف کارپوریٹ گورننس فار انشوررز 2016ء کے تحت رپورٹنگ شرائط کے ساتھ مطابقت کی غرض سے رپورٹنگ کے فارمیٹ، فارم 34 میں معمولی سی ترمیم کی جا رہی ہے۔ شیئر ہولڈنگ کا اسلوب اس سالانہ رپورٹ میں منسلک کر دیا گیا ہے۔

''ایگزیکٹو'' کی کیٹگری کیلئے، بورڈ آف ڈائریکٹرز نے سال 2018ء کیلئے حد کا تعیّن کر دیا ہے۔ ایگزیکٹو ڈائریکٹرز اور اُس سے اوپر کے منصب کے افسران، ایگزیکٹو کیٹگری میں شامل ہوں گے۔ اس کے علاوہ سی ای او، سی ایف او، ہیڈ آف انٹرنل آڈٹ اور کمپنی سیکریٹری بھی اس میں شامل ہیں۔ اس حد کو سالانہ بورڈ کی جانب سے زیرِ جائزہ لایا جاتا ہے۔

فی شیئر آمدنی

زیرِ جائزہ سال کے دوران فی شیئر آمدنی 3.52 روپے رہی (2017ء میں 3.49 روپے)۔ اس حوالے سے تفصیل ورکنگ مالیاتی گوشواروں کے نوٹ 31 میں درج ہے۔

اندرونی مالیاتی نظم ونسق

بورڈ نے اس کے کاروبار کے منظم اور مؤثر طور پر رواں رکھنے کیلئے حکمت ہائے عملی اور طریق ہائے کار کو اختیار کیا ہے جس میں کمپنی کی حکمت ہائے عملی سے وابستگی، اس کے اثاثہ جات کی حفاظت، فراڈ اور غلطیوں کا تدارک اور کھوج، اکاؤنٹنگ ریکارڈز کی درستگی اور تکمیل اور قابلِ اعتبار مالیاتی افشاء کی بروقت تیاری شامل ہیں۔ یہ نظام معقول یقین دہانی کراتا ہے کہ کاروبار ہائے عملی کے اندر مناسب کنٹرول میکانزم قائم کر دیئے گئے ہیں۔

کمپنی کا انٹرنل کنٹرول سسٹم (اندرونی نظامِ اختیار) اس کی سرگرمیوں اور افعال کی جسامت، پیمانے اور پیچیدگیوں سے مطابقت رکھتا ہے۔ بورڈ آف ڈائریکٹرز کی آڈٹ کمیٹی اندرونی نظامِ اختیار کی موزونیت اور مؤثریت کا فعال طور پر جائزہ لیتی ہے اور اسے مزید بہتر بنانے کی تجویز پیش کرتی ہے تاکہ اسے مستحکم کیا جائے۔ وہ سہ ماہی انٹرنل آڈٹ رپورٹس کی نظرثانی بھی کرتی ہے۔ کمپنی میں اندرونی مالیاتی اختیارات جو بروئے کار لائے گئے وہ پورے سال اطمینان بخش رہے۔

(iii) ایگزیکٹوڈائریکٹر 1

- محمدعلی زیب

ڈائریکٹرز کا مشاہرہ

بورڈ آف ڈائریکٹرز نے بورڈ کے اجلاس میں شرکت کیلئے بورڈ کے ممبرز (نان ایگزیکٹوڈائریکٹرز بشمول آزاد ڈائریکٹرز) کے مشاہروں کی منظوری دے دی ہے ۔ ڈائریکٹرز کو فی اجلاس -/10,000 روپے اجلاس کی فیس کےطور پر ادا کیے جائیں گے۔ رہائش کے شہر سے اجلاس کے شہر کے ہوائی ٹکٹ مع ہوٹل میں رہائش، اگر دستیاب ہو، سفری اخراجات کےطور پر ادا کیے جائیں گے۔

بورڈ کے اجلاس اور حاضری:

سال 2018ء کے دوران بورڈ آف ڈائریکٹرز کے 5 اجلاس ہوئے اور ڈائریکٹرز کی جانب سے اس میں حاضری درج ذیل ہے:

عمرمنشا	5
محمدعمرورک	4
ابراہیم شمسی	4
عمران مقبول	3
شیخ محمد جاوید	5
محمدانیس	4
محمدعلی زیب	4
محمدعارف حمید	2
فریڈرک کوئینارڈ ڈی بیئر (مستعفی 23 فروری 2018ء)	0

بورڈ کمیٹیز کے ممبرز

بورڈ کمیٹیز کے ممبرز درج ذیل ہیں:

آڈٹ کمیٹی

محمدانیس	آزادڈائریکٹر	چیئرمین
ابراہیم شمسی	نان ایگزیکٹوڈائریکٹر	ممبر
شیخ محمد جاوید	نان ایگزیکٹوڈائریکٹر	ممبر
عمرمنشا	نان ایگزیکٹوڈائریکٹر	ممبر

ایتھکس، ہیومن ریسورسز اینڈ ریمیونریشن کمیٹی

محمدانیس	آزادڈائریکٹر	چیئرمین
ابراہیم شمسی	نان ایگزیکٹوڈائریکٹر	ممبر
عمرمنشا	نان ایگزیکٹوڈائریکٹر	ممبر
محمدعلی زیب	ایم ڈی اینڈسی ای او	ممبر

انویسٹمنٹ کمیٹی

عمرمنشا	نان ایگزیکٹوڈائریکٹر	چیئرمین
عمران مقبول	نان ایگزیکٹوڈائریکٹر	ممبر
محمدعلی زیب	ایم ڈی اینڈسی ای او	ممبر
محمد عاصم ناگی	چیف فنانشل آفیسر	ممبر

خطرے کی تخفیف (Risk Mitigation):

آدمجی انشورنس میں اہم ترین اُمور میں سے ایک خطرے کی تخفیف میں مقررہ اثاثہ جات کے طبعی خطرات کی نظم کاری ہے جسے بیمہ یعنی انشورنس کیلئے پیش کیا جاتا ہے۔ چاہے وہ صنعتی ہو، انفرا اسٹرکچر ہو، تجارتی ہو یا نجی رہائش ہو۔ حقیقتاً انڈر رائٹرز (یعنی ضامن) پسند کریں گے کہ وہ خطرات سے متعلق کچھ حدود کا علم حاصل کرلیں اس سے قبل کہ وہ کوئی انشورنس کوٹیشن اور/ یا کوئی انشورنس پالیسی جاری کریں۔ یہی وجہ ہے کہ ہمارے پاس انتہائی قابل اور تجربہ کار رِسک انجینئرز کی مخصوص ٹیم موجود ہے جو اس صنعت میں ہر سال بہت بڑی تعداد میں رِسک سروسز کرتی ہے۔ انڈر رائٹرز جو زیادہ سے زیادہ معلومات سے آراستہ ہوں وہی زیادہ یقین اور اعتماد کے ساتھ خطرات کو قبول یا مسترد کرسکتے ہیں۔ قبول کردہ خطرات پر، درست قیمت اور مناسب شرائط ہمارے قابلِ قدر صارفین کے مفاد کیلئے فراہم کیے جاتے ہیں۔ رِسک انجینئرز کی جانب سے کی گئی سفارشات صارفین کو اُن کے پروسیسز اور آپریشنز کو بہتر بنانے میں مدد دیتی ہیں۔ لہٰذا خطرات میں کمی و تخفیف کیلئے اچھی خاصی مدد کی جاتی ہے۔

کمپنی انڈر رائٹنگ کنٹرولز پر خاص توجہ مرکوز کرتی ہے۔ انشورنس کی ہر قسم کی سربراہی مستند اور تجربہ کار انڈر رائٹرز کرتے ہیں جو اُن کے متعلقہ قسم کے کاروبار میں انڈر رائٹنگ کو کنٹرول اور مینج کرتے ہیں۔ کسی بھی انڈر رائٹنگ پروسیس کا سب سے اہم مقصد کمپنی کی ضمانت کی حفاظت ہے۔ یہ خطرات کے درست تخمینے اور مستقبل میں نقصانات کے امکان کی صحیح جانچ سے حاصل کیا جاتا ہے اور اس کے ذریعے انشورنس کیلئے ہر مجوزہ خطرے کیلئے مناسب شرائط وضوابط کی تشکیل دی جاتی ہیں۔

انڈر رائٹنگ میں کئی ٹیکنیکل کنٹرولنگ پروٹوکولز شامل ہوتے ہیں۔ ان پروٹوکولز میں رِسک کیٹگرائزیشن گرڈ، واضح شدہ انڈر رائٹنگ اتھارٹیز، انڈر رائٹرز کیلئے چیک لسٹس، کاروبار کی قسم کے حساب سے گائیڈ لائنز، ریٹ مانیٹرنگ میکانزم، انڈر رائٹنگ پیئر ریویوز اور رِسک ایکسپوژر گروپ (آر ای جی) کی طرف سے بڑے سے بڑے اور پیچیدہ خطرات پر رہنمائی کے حصول کیلئے مشق شامل ہیں۔ اس گروپ کی ترجمانی ایگزیکٹوڈائریکٹر ٹیکنیکل، ایگزیکٹوڈائریکٹر کمرشل، ہیڈ آف کلیمز اور کمپلائنس اینڈ ایگزیکٹوڈائریکٹری۔ انشورنس کی جانب سے کی جاتی ہے۔ رِسک کیٹگرائزیشن بلند خطرات، بلند خطرات درمیانے خطرات اور کم خطرات کیٹگریز کی نشاندہی کرتی ہے۔

کمپنی کے پاس ایک انتہائی مؤثر ری۔انشورنس ٹریٹی پروگرام نافذ ہے، جو کہ اختیاری خطرات

ونڈو تکافل آپریشنز

کمپنی کے ونڈو تکافل آپریشن (WTO) نے سال 2017ء میں 743.4 ملین روپے کے مقابلے میں 1,101.5 ملین روپے پر مجموعی تحریر کردہ شراکت میں 48 فیصد کے اضافے کے ساتھ اپنی سرگرمیوں اور اُمورِ کار کے دو مکمل برسوں کی تکمیل کر لی ہے اور پچھلے سال 47 ملین روپے کے منافع کے مقابلے میں 52.5 ملین روپے کا بعد از ٹیکس منافع حاصل کیا۔

متحدہ عرب امارات کے اُمورِ کار

کمپنی کی دبئی، شارجہ اور ابوظہبی میں تین مکمل طور پر فعال برانچز واقع ہیں۔ متحدہ عرب امارات برانچز مقامی بیمہ کمپنیز پر لاگو متحدہ عرب امارات کے متعلقہ قوانین کے تحت منضبط کی جاتی ہیں۔

متحدہ عرب امارات کے منافع میں پچھلے سال کے 112 ملین روپے سے 85 فیصد اضافہ ہوا یعنی 207.5 ملین روپے کا منافع 2018ء میں ہوا۔ مجموعی پریمیم 2018ء میں 6973.5 ملین روپے تحریر ہوا جو کہ گزشتہ سال 6,546 ملین روپے تھا۔

2019ء کیلئے امکانات

پاکستان میں بیمہ صنعت نے حالیہ برسوں میں کئی نشیب و فراز دیکھے ہیں۔ مارکیٹ کی کارکردگی سے یہ واضح ہے کہ بیمہ صنعت نے معیشت اور صنعت کے دیگر شعبہ جات کی نشوونما کے ساتھ قدم سے قدم ملا رکھا ہے۔

2018ء آدمجی انشورنس کمپنی لمیٹڈ کے لیے کافی نفع بخش سال ثابت ہوا ہے کیونکہ ہم نے اپنے قابلِ قدر صارفین کی توقعات کی تکمیل کرتے ہوئے پائیدار اور ٹھوس مالیاتی نتائج کی فراہمی کے اپنے سفر کو تسلسل کے ساتھ جاری رکھا ہوا ہے۔

ونڈو تکافل آپریشنز نے 2018ء میں اُمید افزا نمو اور نتائج جاری رکھے۔ شریعہ موافق پروڈکٹس کیلئے طلب کاروبار کے زیادہ تر شعبوں میں وسیع طور پر بڑھی ہے خاص طور پر گاڑیوں اور صحت کے شعبے میں اور آئندہ برسوں میں توقع ہے کہ وہ صحتمندانہ شرحوں سے بڑھتی رہے گی۔

مستقبل میں، آدمجی انشورنس پائیدار نمو اور طویل مدتی شیئر ہولڈر ویلیو تعمیر و تشکیل کرنے کیلئے موجود ہے۔ ہم ڈیجیٹل ٹرانسفرمیشن، ٹیکنالوجی انفراسٹرکچر، انسانی سرمائے میں مسلسل سرمایہ کاری کرتے رہیں گے۔ اور ہمارے کمپلائنس اینڈ کنٹرول ماحول کو مزید مستحکم کریں گے۔

45.6 بلین ڈالر مالیت کی پاک چین اقتصادی راہداری (سی پیک) سے بھی توقع ہے کہ وہ انجینئرنگ اور انفرااسٹرکچر منصوبوں کے سبب جنرل انشورنس انڈسٹری کی میرین کلاسز میں ترقی و نمو کیلئے ابتدائی طور پر سہولت بہم پہنچائے گی۔ منصوبوں پر کام کا آغاز پہلے ہی ہو چکا ہے اور ایسے منصوبوں کی مدت 5 سے 15 سال تک ہے۔ سی پیک درج ذیل منصوبوں پر مشتمل ہے:

- 34.4 بلین ڈالر کے 24 توانائی کے منصوبے
- 9.8 بلین ڈالر مالیت کے 4 انفراسٹرکچر منصوبے
- 800 ملین ڈالر مالیت کے گوادر پورٹ کی تعمیر و ترقی، اور
- 30 خصوصی اقتصادی زونز سے زائد کی تشکیل

ہمارے مشن سے ہم آہنگ، ہم ہمیشہ اپنے صارفین اور اُن کی ضروریات کو اولین ترجیح دیتے رہیں گے۔ آدمجی انشورنس مستحکم جائے روزگار کو اہمیت دیتی ہے اور ایسے کلچر کی قدر کرتی ہے کہ جو لوگوں کو محفوظ رکھے، اچھے کاموں پر ہمت افزائی کرے اور ملازمین کو سیکھنے کا اختیار دے اور اُن کی بہتری میں حصے دار بنے۔

ڈائریکٹرز

سال 2018ء کے دوران درج ذیل ڈائریکٹرز رہے:

ڈائریکٹرز کی کل تعداد

(ا) مرد	8
(ب) خواتین	0

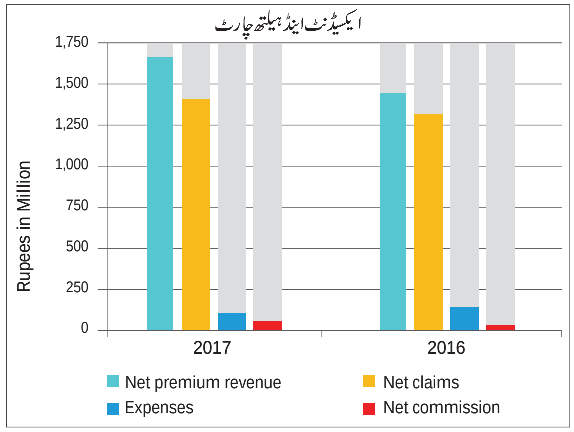
تشکیل و ترکیب:

(i) آزاد ڈائریکٹرز	**1**

- محمد انیس

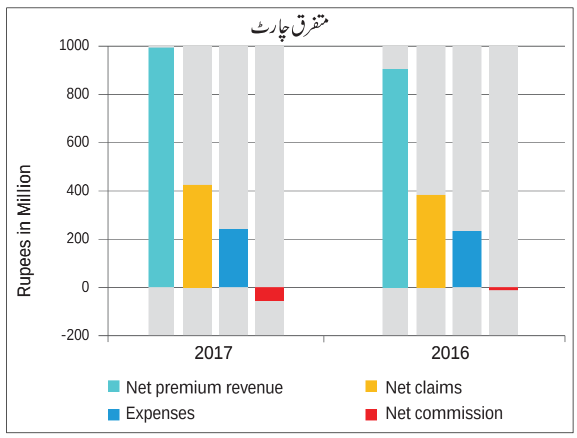
(ii) دیگر نان-ایگزیکٹو ڈائریکٹرز	**6**

- فریڈرک کوئینارڈ ڈی بیئر (مستعفی 23 فروری 2018ء)
- ابراہیم شمسی
- عمران مقبول
- محمد عارف حمید (10 مئی 2018ء کو شامل ہوئے)
- محمد عمر ورک
- شیخ محمد جاوید
- عمر منشا



متفرق

بزنس کی متفرق کلاس مجموعی پورٹ فولیو کے 8 فیصد پر مشتمل ہے۔ 1,633 ملین روپے کے مجموعی پریمیم کے ساتھ گزشتہ سال کے مقابلے میں 5.8 فیصد اضافہ ظاہر کیا (2017ء: 1,544 ملین روپے)۔ خالص پریمیم پر خالص کلیمز کی شرح پچھلے سال کے 43 فیصد کے مقابلے میں 40 فیصد ہے۔ اِس پورٹ فولیو نے 2017ء میں 244 ملین روپے کے منافع کے مقابلے میں موجودہ سال 277 ملین روپے کا انڈر رائٹنگ منافع ظاہر کیا۔



انویسٹمنٹ سے آمدنی

پاکستان کی اسٹاک مارکیٹ لگاتار دوسرے سال میں بھی کمی کے رجحان کے ساتھ مشکلات سے دوچار رہی۔ کے ایس ای-100 انڈیکس دورانِ سال 8.4 فیصد کے مطابق منفی رجحان ظاہر کر چکا ہے۔

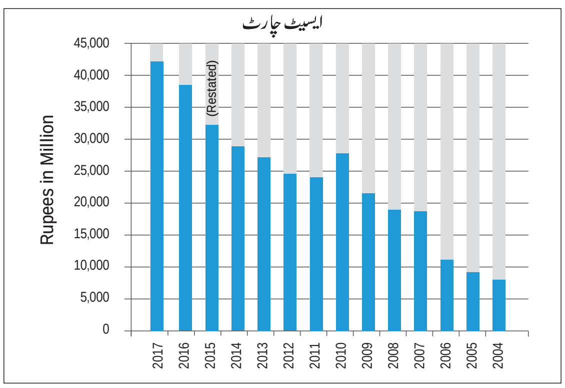
نتیجتاً سرمایہ کاریوں سے آمدن 1,494 ملین روپے سے کم ہو کر 1,285 ملین روپے ہوگئی۔

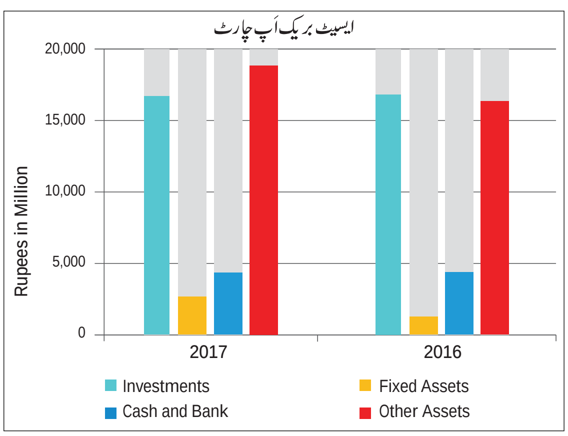
انویسٹمنٹ انکم کی بریک اپ حسب ذیل ہے:

	2018	2017
	(ملین روپے میں)	
ڈیویڈنڈ سے انکم	1,295	1,455
فکسڈ انکم سیکیورٹیز پر منافع	31	46
ٹرم ڈپازٹس سے آمدن	82	12
"دستیاب برائے فروخت" کی فروخت پر منافع/(نقصان) (تخفیف کے بعد)	(123)	(19)
انویسٹمنٹ سے خالص انکم	**1,285**	**1,494**

کمپنی کے اثاثے

31 دسمبر 2018ء کو کمپنی کے مجموعی اثاثے 47,845 ملین روپے رہے جو گزشتہ سال 47,388 ملین روپے (نومرتب شدہ) تھے۔ مجموعی انویسٹمنٹ 2017ء میں 23,749 ملین روپے کے مقابلے میں 24,114 ملین روپے رہی۔ انتظامیہ کی حکمتِ عملی ہوگی کہ فنڈز کو زیادہ سے زیادہ استعمال میں لا کر سرمایہ کاری پر منافع جات کو زیادہ سے زیادہ بڑھایا جائے۔





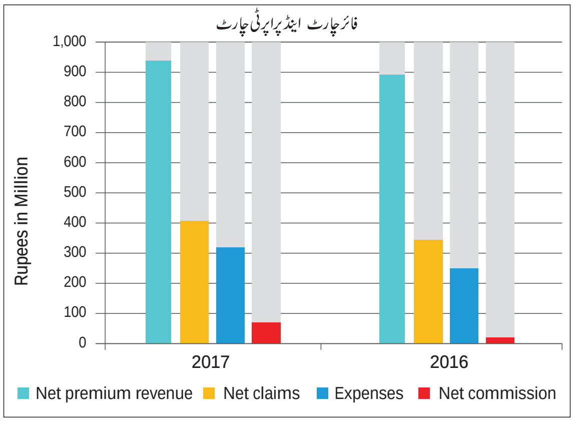
تاہم انویسٹمنٹ پورٹ فولیو پر منافع پچھلے سال کے 8 فیصد کے مقابلے میں اس سال کم ہو کر 6 فیصد ہوگیا جس کی وجہ اسٹاک مارکیٹ میں مایوس کن صورتحال تھی۔

منافع قبل از ٹیکس گزشتہ سال 2,121 ملین روپے کے مقابلے میں 2,173.5 ملین روپے ظاہر کیا گیا۔ جبکہ منافع بعد از ٹیکس کی مالیت 2017ء میں 1,221 ملین روپے کے مقابلے میں 1,239 ملین روپے رہی۔

پورٹ فولیو کا تجزیہ

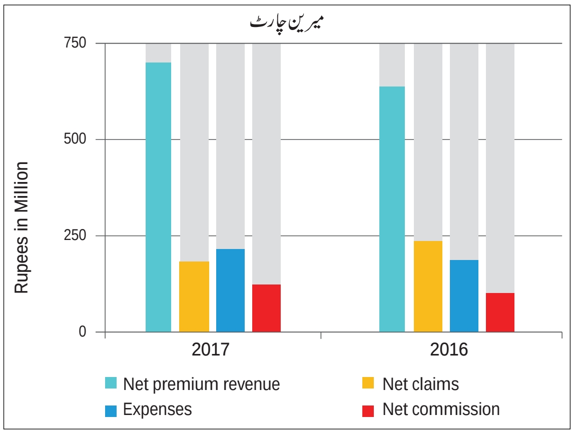
فائر اینڈ پراپرٹی

فائر اینڈ پراپرٹی کلاس کا بزنس مجموعی پورٹ فولیو کے 30 فیصد پر مشتمل ہے۔ اس سال کے دوران کمپنی نے 6,028 ملین روپے کا مجموعی پریمیم انڈر رائٹ کیا ہے (2017: 4,947.4 ملین روپے)۔ اس سال خالص پریمیم پر خالص کلیمز کی شرح گزشتہ سال کے 43 فیصد کے مقابلے میں 32 فیصد رہی۔ کمپنی نے 2017ء میں 121 ملین روپے کے انڈر رائٹنگ منافع کے مقابلے میں 175.5 ملین روپے انڈر رائٹنگ منافع حاصل کیا۔



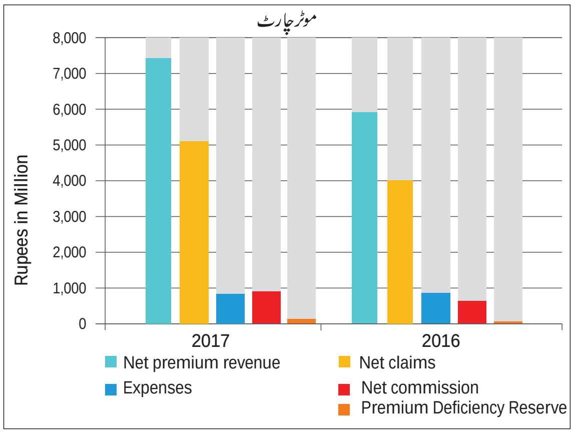
میرین، ایوی ایشن اینڈ ٹرانسپورٹ

بزنس کی یہ کلاس مجموعی پورٹ فولیو کے 6 فیصد پر مشتمل ہے۔ اس سال کے دوران کمپنی نے گزشتہ سال میں 881 ملین روپے کے مقابلے میں 1,341 ملین روپے کا مجموعی پریمیم انڈر رائٹ کیا ہے۔ خالص پریمیم پر خالص کلیمز کی شرح گزشتہ سال کی 26 فیصد شرح کے مقابلے میں 44 فیصد تک بڑھی، جس کے نتیجے میں 2017ء میں 156.2 ملین روپے کے مقابلے میں اس سال انڈر رائٹنگ منافع 41.4 ملین روپے رہا۔



موٹر

بزنس کی یہ کلاس مجموعی پورٹ فولیو کے 48 فیصد پر مشتمل ہے۔ اس سال کے دوران کمپنی نے 2017ء میں 9,110 ملین روپے کے مقابلے میں 9,727 ملین روپے کا مجموعی پریمیم انڈر رائٹ کیا ہے۔ خالص پریمیم پر خالص کلیمز کی شرح 2017ء میں 69 فیصد کے مقابلے میں 62 فیصد رہی۔ پورٹ فولیو نے 2017ء میں 2.3 ملین روپے کے مقابلے میں 238 ملین روپے کا انڈر رائٹنگ منافع ظاہر کیا۔



ایکسیڈنٹ اینڈ ہیلتھ

ایکسیڈنٹ اینڈ ہیلتھ کلاس مجموعی پورٹ فولیو کے 8 فیصد پر مشتمل ہے۔ سال کے دوران کمپنی نے 1,658 ملین روپے (2017: 2,039 ملین روپے) کا مجموعی پریمیم انڈر رائٹ کیا ہے۔ خالص پریمیم پر خالص کلیمز کی شرح پچھلے سال کے 85 فیصد کے مقابلے میں 86 فیصد ہے۔ اِس پورٹ فولیو نے 2017ء میں 33 ملین روپے کے مقابلے میں موجودہ سال 84 ملین روپے کا انڈر رائٹنگ منافع ظاہر کیا۔

ڈائریکٹرز کی رپورٹ

غیر حتمی مالیاتی گوشواروں پر ارکان کے لیے ڈائریکٹرز کی رپورٹ

بورڈ آف ڈائریکٹرز کی جانب سے 31 دسمبر 2018ء کو ختم ہونے والے سال کے لیے کمپنی کی 58 ویں سالانہ رپورٹ آڈٹ شدہ غیر حتمی مالیاتی گوشواروں کے ساتھ پیش کرنا ہمارے لیے باعثِ مسرت ہے۔

معاشی جائزہ

پچھلے پانچ برسوں کے دوران پاکستان میں خاطر خواہ معاشی و اقتصادی تبدیلیاں رونما ہوئی ہیں۔ گزشتہ مسلسل دو برسوں کیلئے ترقی کی رفتار 5 فیصد رہی اور مالی سال 2018ء میں 5.8 فیصد پر پہنچ گئی جو کہ 13 برسوں میں سب سے زیادہ تھی جس کی وجہ زراعت، صنعت اور خدمات کے شعبوں میں مستحکم کارکردگی تھی جو بالترتیب 3.81 فیصد، 5.8 فیصد اور 6.43 فیصد تک بڑھ گئی۔

زراعت کے شعبے میں 3.81 فیصد کی نمایاں شرحِ نمو ظاہر کی گئی ہے۔ بڑے پیمانے پر اشیاء سازی (لارج اسکیل مینوفیکچرنگ) میں دس برسوں کی بلند ترین 6.13 فیصد کی شرحِ نمو ریکارڈ کی گئی ہے۔ صنعتی شعبے کی ترقی بھی دس برسوں میں بلند ترین 5.8 فیصد سطح تک بہتر ہوئی ہے۔ اشیاء سازی (مینوفیکچرنگ) 11 برسوں کی بلند ترین 6.24 فیصد سطح تک بڑھی۔ خدمات کے شعبے کی کارکردگی میں پچھلے دو برسوں میں 6.4 فیصد کی مستحکم شرحِ نمو ریکارڈ کی گئی۔

بنیادی افراطِ زر میں تیزی کا رجحان دیکھا گیا اور مطابقتی سال میں 5.07 فیصد سالانہ کے مقابلے میں 5.45 فیصد سالانہ ریکارڈ کیا گیا۔ بڑھتی ہوئی ملکی طلب کے ساتھ ساتھ اشیائے خورد و نوش کی بڑھتی قیمتوں نے مالی سال 18ء میں بیرونی صورتحال کو مزید دھچکا پہنچاتے ہوئے ملک کے تجارتی خسارے کو 37.5 بلین ڈالر تک پہنچا دیا۔ سرمائے کی ملک میں آمد اور محنت کشوں کی ترسیلاتِ زر بھی تجارتی خسارے کو کم کرنے میں ناکافی رہے جس کا نتیجہ یہ نکلا کہ پاکستان کے غیر ملکی زرِ مبادلہ کے ذخائر 2018ء کے آغاز میں 20.2 بلین امریکی ڈالر سے کم ہو کر دسمبر 2018ء تک 13.8 بلین امریکی ڈالر رہ گئے۔

جہاں تک پاکستان اسٹاک ایکسچینج (پی ایس ایکس) کا تعلق ہے، کے ایس ای-100 انڈیکس میں 2017ء میں 40,471 کے مقابلے میں اس سال 2018ء میں 37,067 پر اختتام ہوا یعنی 8.4 فیصد کا مطلق منفی رجحان رہا۔

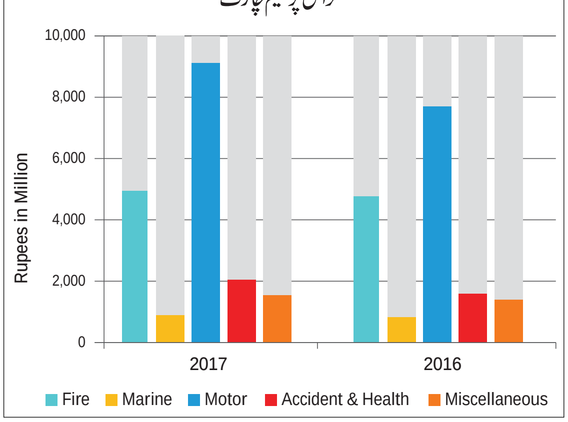
اسٹینڈرڈ اینڈ پوورز نے پاکستان کی طویل مدتی کریڈٹ ریٹنگ مستحکم توقع کے ساتھ ”B“ (بی) سے ”B-ve“ (منفی بی) کر دی۔

کمپنی کی کارکردگی کا جائزہ

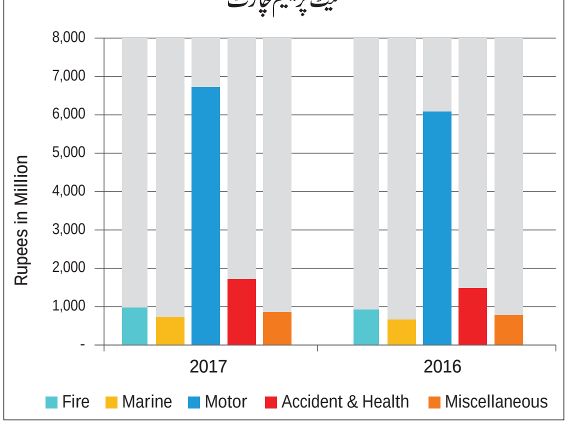
2018ء میں کمپنی کی کارکردگی متاثر کن رہی جیسا کہ ہم نے سال کے اختتام پر پریمیم میں سالانہ 10 فیصد کے حساب سے اضافے کے ساتھ اچھے مالی نتائج فراہم کیے۔ ہم نے رسک اور کمپلائنس مینجمنٹ کے مزید استحکام پر توجہ دیتے ہوئے پائیدار نمو کی حکمتِ عملی کی پیروی کے تسلسل کو برقرار رکھا۔

2018ء میں مجموعی پریمیم 20,387 ملین تک پہنچا (ونڈو تکافل آپریشنز سے حاصل کردہ 1,101.5 ملین روپے پریمیم کے علاوہ) جو کہ سال 2017ء میں 18,522 ملین تھا۔ خالص برقراری پریمیم (Net premium retention) 13,806 ملین روپے مالیت کے ساتھ انڈر رائٹ کیے جانے والے مجموعی پریمیم کا 68 فیصد تھا، جب کہ اس کے مقابلے میں پچھلے سال کا خالص برقراری پریمیم 11,535 ملین روپے تھا جو کہ مجموعی پریمیم کا 62 فیصد تھا۔

گراس پریمیم چارٹ



نیٹ پریمیم چارٹ



نیٹ کلیمز ریشو (یعنی دعووں کا خالص تناسب) پچھلے سال کے مقابلے میں 64 فیصد سالانہ سے کم ہو کر 61 فیصد سالانہ ہو گیا۔

انڈر رائٹنگ کا منافع گزشتہ سال کے 556.8 ملین روپے سے بڑھ کر 815.9 ملین روپے تک ہو گیا۔

Independent Auditor's Report

TO THE MEMBERS OF ADAMJEE INSURANCE COMPANY LIMITED REVIEW REPORT TO THE STATEMENT OF COMPLIANCE CONTAINED IN CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2016 AND LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

We have reviewed the enclosed Statement of Compliance with the Code of Corporate Governance for Insurers, 2016 and the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Adamjee Insurance Company Limited for the year ended 31 December 2018 in accordance with the requirements of regulation 40 of the Regulations.
The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

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

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

Date: 3 April 2019
Lahore

KPMG Taseer Hadi & Co.
Chartered Accountants
(Bilal Ali)

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES

(Code of Corporate Governance) Regulations, 2017, and Code of Corporate Governance for Insurers, 2016 For the year ended December 31, 2018

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

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 8 as per the following:

a. Male 8

b. Female 0

2. The composition of board is as follows:

Category	Names
Independent Director	Muhammad Anees
Executive Director	Muhammad Ali Zeb
Non-Executive Directors	Ibrahim Shamsi Imran Maqbool Muhammad Arif Hameed Muhammad Umar Virk Shaikh Muhammad Jawed Umer Mansha

The Independent Director meets the criteria of independence as laid down under the Regulations.

3. The directors have confirmed that none of them is serving as a director in more than five listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

4. All the directors are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of stock exchange, has been declared as a defaulter by a stock exchange.

5. A casual vacancy occurring on the Board on February 23, 2018 was filled up by the directors within 90 days thereof.

6. The Company has prepared a "Statement of Ethics and Business Practices" as Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

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

8. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board / shareholders as empowered by the relevant provisions of the Act and these Regulations.

9. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board. Written notices of Board meetings, along with agenda and working papers were circulated at least seven days before the meeting.

10. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

11. Three directors of the Company have acquired certification under the Directors' training program, one of the director has obtained exemption and three directors will certify themselves in the year 2019. During the year, a Director Mr. Muhammad Arif Hameed (non-executive director) has attended the Certified Director's Training Program (DTP).

12. There was no change of Chief Financial Officer and Corporate Secretary and Head of Internal Audit during the year.

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

14. The Directors, Chief Executive Officer and Executives do not hold any interest in the share of the Company other than disclosed in the pattern of shareholding.

15. The Company has complied with all the corporate and financial reporting requirements of the Regulations.

16. The Board has formed committees comprising of members given below:

a. Audit Committee:

Muhammad Anees	Chairman, Independent Director
Ibrahim Shamsi	Member, Non-Executive Director
Shaikh Muhammad Jawed	Member, Non-Executive Director
Umer Mansha	Member, Non-Executive Director

b. Ethics, Human Resources and Remuneration Committee:

Muhammad Anees	Chairman, Independent Director
Ibrahim Shamsi	Member, Non-Executive Director
Muhammad Ali Zeb	Member, Executive Director
Umer Mansha	Member, Non-Executive Director

c. Investment Committee:

Umer Mansha	Chairman, Non-Executive Director
Imran Maqbool	Member, Non-Executive Director
Muhammad Ali Zeb	Member, Executive Director (CEO & MD)
Muhammad Asim Nagi	Member, (CFO)

17. The Board has formed the following Management Committees

Underwriting Committee:

Name of the Member	Category
Umer Mansha	Chairman
Muhammad Ali Zeb	MD & CEO
Asif Jabbar	Head of Underwriting

Claim Settlement Committee:

Name of the Member	Category
Muhammad Ali Zeb	Chairman
Muhammad Asim Nagi	Chief Financial Officer
Syed Ameer Hasan Naqvi	Head of Claims

Reinsurance & Coinsurance Committee:

Name of the Member	Category
Muhammad Ali Zeb	Chairman
Muhammad Salim Iqbal	Head of Reinsurance
Asif Jabbar	Head of Underwriting
Adnan Ahmad Chaudhry	Head of Commercial

Risk Management & Compliance Committee:

Name of the Member	Category
Muhammad Ali Zeb	Chairman
Muhammad Asim Nagi	Chief Financial Officer
Asif Jabbar	Head of Risk Management
Syed Ameer Hassan Naqvi	Head of Compliance /Claims
Tameez ul Haque	Company Secretary

18. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

19. The meetings of the Committees except Ethics, Human Resource and Remuneration Committee, were held at least once every quarter. The Quarterly meetings of audit committee were held prior to the approval of interim and final results of the Company.

20. The board has outsourced the internal audit function to A.F. Ferguson & Company, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

21. The statutory auditors of the company have been appointed from the penal of auditors approved by Commission in term of Section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). The statutory auditors have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

22. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

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

24. The Director's Report for this year has been prepared in compliance with the requirements of the Companies Act, 2017 and Regulations and fully describes the salient matters required to be disclosed.

25. The Chief Executive Officer, Chief Financial Officer, Compliance Officer, Company Secretary and the Head of Internal Audit possess such qualification and experience as required under the Code of Corporate Governance for Insurers, 2016. Moreover, the persons heading the underwriting, claims, reinsurance, risk management and grievance functions/departments possess qualification and experience of direct relevance to their respective functions, as required under Section 12 of the Insurance Ordinance, 2000 (Ordinance No XXXIX of 2000);

Name	Designation
Muhammad Ali Zeb	Chief Executive Officer
Muhammad Asim Nagi	Chief Financial Officer
Shahraiz Hussain	Actuary
Tameez ul Haque	Company Secretary
Muhammad Waqas Mian	Head of Internal Audit
Asif Jabbar	Head of Underwriting
Syed Ameer Hassan Naqvi	Head of Claims
Muhammad Saleem Iqbal	Head of Reinsurance
Asif Jabbar	Head of Risk Management
Syed Ameer Hassan Naqvi	Head of Grievance Dept.
Muhammad Waqas Mian	Compliance Officer

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

27. The Board ensured that the risk management system of the Company is in place as per the requirement of the Code of Corporate Governance for Insurers, 2016.

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

29. The Company has been rated by PACRA and AM Best and the rating assigned by these rating agencies was AA+ and B+ in December 2018 and January 2019, respectively.

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

31. The Company has not obtained any exemption from the Securities and Exchange Commission of Pakistan in respect of the requirements of the Regulations.

32. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designating senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

33. We confirm that all other material principles contained in the Regulations have been complied.

By Order of the Board

Date: 03 April 2019

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

STATEMENT UNDER SECTION 46(6) OF THE INSURANCE ORDINANCE, 2000

The incharge of the management of the business was Muhammad Ali Zeb, Managing Director & Chief Executive O cer and the report on the a airs of business during the year 2018 signed by Muhammad Ali Zeb, Muhammad Umar Virk and approved by the Board of Directors is part of the Annual Report 2018 under the title of “Directors’ Report to Members” and

a. In our opinion the annual statutory accounts of Adamjee Insurance Company Ltd set out in the forms attached to the statement have been drawn up in accordance with the Insurance Ordinance, 2000 (Ordinance) and any rules made thereunder,

b. Adamjee Insurance Co. Ltd has at all times in the year complied with the provisions of the Ordinance and the rules made thereunder relating to paid-up capital, solvency and re-insurance arrangements; and

c. As at the date of the statement, the Adamjee Insurance Co. Ltd continues to be in compliance with the provisions of the Ordinance and the rules made thereunder relating to paid-up capital, solvency and re-insurance arrangements.

Umer Mansha	Muhammad Umar Virk	Muhammad Arif Hameed	Muhammad Asim Nagi	Muhammad Ali Zeb
Chairman	Director	Director	Chief Financial O cer	Managing Director & Chief Executive O cer

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INDEPENDENT AUDITORS' REPORT

To the members of Adamjee Insurance Company Limited (the Company)

Report on the Audit of the Unconsolidated Financial Statements

Qualified Opinion

We have audited the annexed unconsolidated financial statements of **Adamjee Insurance Company Limited (the "Company")**, which comprise the unconsolidated statement of financial position as at 31 December 2018, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement for the year then ended, and notes to the unconsolidated 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the unconsolidated statement of financial position, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated 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 Qualified Opinion

As more fully explained in note 23.1 (a) to the unconsolidated financial statements, sales tax liability of Rs. 223.78 million has not been recorded in the unconsolidated financial statements as of 31 December 2018. This amount has not been charged by the Company to its customers since the matter of the renewal of exemption is under discussion with the sales tax authorities. IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' requires that provision should be recognized when the entity has a present legal obligation as a result of past event. Accordingly, had the sales tax liability been recorded, profit after tax for the year and equity of the Company as of 31 December 2018 would have reduced by Rs. 223.78 million, while the sales tax liability as of the year end would have increased by the same amount (excluding the amount of penalty, if levied).

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 Unconsolidated 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 the 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 qualified opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements for the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

Following are the key audit matters:

S. #	Key audit matter(s)	How the matter was addressed in our audit
1	**Changes in accounting policies due to introduction of Insurance Rules, 2017 and Insurance Accounting Regulations, 2017** Refer note 3.1.1 to the unconsolidated financial statements for changes in accounting policies due to introduction of Insurance Rules, 2017 and Insurance Accounting Regulations, 2017. Insurance Rules, 2017 and Insurance Accounting Regulations, 2017 became effective for the year ended 31 December 2018. These regulations contained a new format of unconsolidated financial statements and changed the presentation basis. These changes also required changes in basis of valuation of various investments. Because of the significance of the 'change', this was identified as key audit matter**.**	Our audit procedures in respect of this matter included the following: Evaluated the adequacy and completeness of the disclosures relating to changes in accounting policies and adjustments required in accordance with accounting and reporting standards as applicable in Pakistan; and Evaluated the adequacy and completeness of additional disclosures as required under new accounting regulations.
2	**Classification, Valuation and Impairment of Investments** Refer note 3.13, 8, 9 and 10 to the unconsolidated financial statements relating to classification, Valuation and Impairment of Investments. The Company's investment portfolio comprise of government debt securities, equity securities (quoted and unquoted), other fixed income securities and term deposits. Investments classified as available for sale represent 79.79 % of the total investments while investments classified as held to maturity represent 20.21 % of total investments. We identified the classification, valuation and impairment of investments as key audit matter because of the significance of investments and management's judgment involved in classification, valuation (for unquoted investment only) and impairment.	Our audit procedures in respect of this matter included the following: Obtained an understanding, evaluated the design and tested the operating effectiveness of controls designed for classification and valuation of investments and for impairment of investments classified as available for sale; Tested, on a sample basis, specific investments buying and selling transactions and classification recorded with underlying documentation; Assessed the methodology used and evaluated the valuation of debt securities using the market yield pricing methodology based on interpolation of relevant rates and valuation of quoted equity securities and mutual fund units by comparing the quoted prices of Pakistan Stock Exchange and Mutual Fund Association of Pakistan (MUFAP) respectively for the securities; Evaluated the professional valuer's competence, capabilities and objectivity and assessed the appropriation of methodology used by the professional valuer engaged by the Company to estimate the fair value of unquoted investment; Assessed the reasonableness of the input data provided by management to the professional valuer and tested the mathematical accuracy of the model; Involved our internal valuation specialist to assist us in evaluating the assumptions and judgements adopted by the professional valuer in its discounted cash flow analysis used to derive the fair value of investment in unquoted equity; and Assessed the appropriateness of impairment in the value of available for sale securities held by the Company in accordance with

S. #	Key audit matter(s)	How the matter was addressed in our audit
		accounting and reporting standards as applicable in Pakistan.
3	**Revenue Recognition Risk** Refer note 3.12, 24 and 28 to the unconsolidated financial statements relating to revenue recognition. The Company receives its revenue primarily from two main sources namely; premiums and investments income. Premiums from insurance policies comprise of 90.37 % of the total revenue. We identified revenue recognition as a key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not be recognized in the appropriate period.	Our audit procedures in respect of this matter included the following: Obtained the understanding, evaluated the design and tested the controls over the process of capturing, processing and recording of premiums and investment income; Assessed the appropriateness of the Company's accounting policy for recording of premiums and investment income in line with requirements of applicable accounting and reporting standards; Tested the policies on sample basis where premium was recorded close to year end and subsequent to year end, and evaluated that these were recorded in the appropriate accounting period; and Tested the investment income transaction on sample basis where investment income was recorded close to year end and subsequent to year end, and evaluated that these were recorded in the appropriate period.
4	**Valuation of Claim Liabilities** Refer note 3.16 and 25 to the unconsolidated financial statements for accounting policies and details in respect of claim liabilities. . The Company's claim liabilities represents 37.12 % of its total liabilities. Valuation of these claim liabilities involves significant management judgment regarding uncertainty in the estimation of claims payments and assessment of frequency and severity of claims. Claim liabilities are recognized on intimation of the insured event based on management judgment and estimate. The Company maintains provision for claims incurred but not reported (IBNR) based on the advice of an independent actuary. The actuarial valuation process involves significant judgment and the use of actuarial assumptions. We have identified the valuation of claim liabilities as key audit matter because estimation of claims liabilities involves a significant degree of judgment.	Our audit procedures in respect of this matter included the following: Obtained an understanding, evaluate the design and test the controls over the process of capturing, processing and recording of information related to the claims; Obtained an understanding, evaluated the design and tested the controls related to recoveries from reinsurance arrangements; Inspected significant arrangements with reinsurer to obtain an understanding of contracts terms and assessed on sample a basis that recoveries from reinsurance on account of claims reported has been accounted for based on terms and conditions; Assessed the appropriateness of the Company's accounting policy for recording of claims in line with requirements of applicable accounting and reporting standards; Tested claims transactions on a sample basis with underlying documentation to evaluate whether the claims reported during the year are recorded in accordance with the requirements of the Company's policy and insurance regulations; Assessed the sufficiency of reserving of claim liabilities, by testing calculations on a sample basis the relevant data including recoveries from reinsurers based on their respective arrangements; Tested specific claims transactions on sample basis recorded close to year end and subsequent to year end with underlying documentation to assess whether claims had

S. #	Key audit matter(s)	How the matter was addressed in our audit
		been recognized in the appropriate accounting period; Used an external actuarial specialist to assist us in evaluation of general principles, actuarial assumptions and methods adopted for actuarial valuations by the actuary of the Company for determination of IBNR; and Considered the adequacy of Company's disclosures about the estimates used and the sensitivity to key assumptions.
5	**Valuation of insurance / reinsurance receivables** Refer note 3.9 and 12 to the unconsolidated financial statements for accounting policies and details in respect of Valuation of insurance / reinsurance receivables. The Company's insurance / reinsurance receivables represents 14.70 % of its total assets which are stated net of provision for impairment of Rs. 830.97 million. Valuation of these receivables involves significant judgement regarding uncertainty in determining impairment / provisions. We identified the valuation of insurance / reinsurance receivables as a key audit matter as the estimation involves a significant degree of judgment.	Our audit procedures in respect of this matter included the following: Obtained an understanding, evaluated the design and tested the operating effectiveness of controls designed for the recognition and valuation of receivables; Tested the accuracy of insurance / reinsurance receivables aging report, on a sample basis, by comparing individual balances in the report with underlying documentation to evaluate that the balances appearing in the ageing report were classified within appropriate ageing bucket; Assessed the appropriateness of assumptions and estimates made by the management for the provision for impairment by comparing, on a sample basis, past experience and historical trends of collection, the financial circumstances of counter parties; their credit ratings; and actual write offs and receipts and settlement from/with customers and reinsurer subsequent to the financial year end; Assessed on a sample basis the reinsurance share of claims outstanding against the terms of the reinsurance contracts and the related recorded liabilities; and Assessed the historical accuracy of provisions for bad debt recorded by examining the utilization or release of previously recorded provisions.

Information Other than the Unconsolidated Financial Statements and Auditors' Report Thereon

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

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

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have concluded that the Other Information is materially misstated for the same reason with respect to the amounts or other items in the Company's Annual Report affected by the matter described in the Basis for Qualified Opinion section of our report.

Responsibilities of Management and Board of Directors for the Unconsolidated Financial Statements

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

In preparing the unconsolidated 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.

Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated 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 unconsolidated 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 unconsolidated 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 auditors' report to the related disclosures in the unconsolidated 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 auditors' 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 unconsolidated financial statements, including the disclosures, and whether the unconsolidated 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.

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

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

Report on Other Legal and Regulatory Requirements

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

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

b) the unconsolidated statement of financial position, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated 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) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditors' report is Bilal Ali.

KPMG Taseer Hadi & Co.

Lahore : 03 April 2019

KPMG Taseer Hadi & Co.
Chartered Accountants

Adamjee Insurance Company Limited
Unconsolidated Statement of Financial Position
As at 31 December 2018

	Note	**2018**	2017	2016
		-------------- (Rupees in thousand) --------------		
Assets			(Restated)	(Restated)
Property and equipment	5	**3,514,313**	2,597,899	1,200,053
Intangible assets	6	**79,185**	34,242	49,687
Investment in subsidiary	7	**694,895**	694,895	694,895
Investments				
Equity securities	8	**18,685,087**	20,582,109	22,716,579
Debt securities	9	**378,029**	451,956	400,692
Term deposits	10	**4,356,113**	2,020,494	525,059
Loans and other receivables	11	**275,875**	331,884	215,538
Insurance / reinsurance receivables	12	**7,033,977**	6,770,967	6,120,334
Reinsurance recoveries against outstanding claims		**6,046,905**	7,709,161	6,279,433
Salvage recoveries accrued		**350,340**	347,289	336,163
Deferred commission expense / acquisition cost	26	**788,431**	733,631	737,281
Taxation - payment less provisions		**-**	82,087	7,534
Prepayments	13	**3,048,306**	2,511,060	2,446,000
Cash and bank	14	**2,211,444**	2,278,614	3,811,171
		47,462,900	47,146,288	45,540,419
Total assets of Window Takaful Operations - Operator's Fund	15	**382,194**	241,249	99,278
TOTAL ASSETS		**47,845,094**	47,387,537	45,639,697
EQUITY AND LIABILITIES				
Capital and reserves attributable to Company's equity holders				
Ordinary share capital	16	**3,500,000**	3,500,000	3,500,000
Reserves	17	**3,784,200**	5,000,501	6,278,086
Unappropriated profit		**12,379,158**	11,863,964	12,093,769
Total Equity		**19,663,358**	20,364,465	21,871,855
Liabilities				
Underwriting provisions:				
Outstanding claims including IBNR	25	**10,461,975**	11,485,744	9,475,718
Unearned premium reserve	24	**10,100,901**	8,912,498	7,349,511
Unearned reinsurance commission	26	**221,371**	240,306	236,890
Premium deficiency reserve		**-**	-	121,553
Retirement benefits obligations	18	**198,981**	154,396	81,399
Deferred taxation	19	**944,446**	1,567,383	2,223,045
Premium received in advance		**407,988**	316,692	225,681
Insurance / reinsurance payables	20	**2,709,714**	1,668,516	1,540,645
Other creditors and accruals	21	**2,205,732**	1,884,112	1,660,609
Deposits and other payables	22	**692,086**	652,075	806,387
Taxation - provision less payment		**8,723**	-	-
		27,951,917	26,881,722	23,721,438
Total liabilities of Window Takaful Operations - Operator's Fund	15	**229,819**	141,350	46,404
TOTAL EQUITY AND LIABILITIES		**47,845,094**	47,387,537	45,639,697
Contingencies and commitments	23			

The annexed notes 1 to 45 form an integral part of these unconsolidated financial statements.

Chairman **Director** **Director** **Chief Financial Officer** **Managing Director & Chief Executive Officer**

Adamjee Insurance Company Limited

Unconsolidated Profit and Loss Account

For the year ended 31 December 2018

	Note	**2018**	2017
		------ (Rupees in thousand) ------	
Net insurance premium	24	**13,805,781**	11,534,999
Net insurance claims	25	**(8,385,752)**	(7,433,828)
Premium deficiency		**-**	121,553
Net commission and other acquisition costs	26	**(1,279,576)**	(1,090,052)
Insurance claims and acquisition expenses		**(9,665,328)**	(8,402,327)
Management expenses	27	**(3,324,548)**	(2,575,893)
Underwriting results		**815,905**	556,779
Investment income	28	**1,284,656**	1,493,778
Rental income		**6,906**	8,564
Other income	29	**100,443**	101,834
Other expenses	30	**(113,359)**	(106,647)
Results of operating activities		**2,094,551**	2,054,308
Finance cost		**-**	-
Profit from 'Window Takaful Operations	15	**78,949**	66,598
Profit before tax		**2,173,500**	2,120,906
Income tax expense	31	**(934,500)**	(899,678)
Profit after tax		**1,239,000**	1,221,228
Earnings (after tax) per share - Rupees	32	**3.54**	3.49

The annexed notes 1 to 45 form an integral part of these unconsolidated financial statements.

Chairman **Director** **Director** **Chief Financial Officer** **Managing Director & Chief Executive Officer**

Adamjee Insurance Company Limited
Unconsolidated Profit and Loss Account
For the year ended 31 December 2018

Business Underwritten Inside Pakistan

	2018	2017
	------ (Rupees in thousand) ------	
Net insurance premium	**7,317,978**	6,442,273
Net insurance claims	**(4,056,022)**	(3,497,535)
Premium deficiency reserve	**-**	-
Net commission and other acquisition costs	**(492,779)**	(448,479)
Insurance claims and acquisition expenses	**(4,548,801)**	(3,946,014)
Management expenses	**(2,066,600)**	(1,941,784)
Underwriting results	**702,577**	554,475
Investment income	**1,204,100**	1,378,466
Rental income	**6,906**	7,480
Other income	**66,004**	101,427
Other expenses	**(92,586)**	(99,625)
Results of operating activities	**1,887,001**	1,942,223
Finance cost	**-**	-
Profit from 'Window Takaful Operations'	**78,949**	66,598
Profit before tax	**1,965,950**	2,008,821

The annexed notes 1 to 45 form an integral part of these unconsolidated financial statements.

Chairman	**Director**	**Director**	**Chief Financial Officer**	**Managing Director & Chief Executive Officer**

Adamjee Insurance Company Limited

Unconsolidated Profit and Loss Account

For the year ended 31 December 2018

Business Underwritten Outside Pakistan

	2018	2017
	------ (Rupees in thousand) ------	
Net insurance premium	**6,487,803**	5,092,726
Net insurance claims	**(4,329,730)**	(3,936,293)
Premium deficiency reserve		121,553
Net commission and other acquisition costs	**(786,797)**	(641,573)
Insurance claims and acquisition expenses	**(5,116,527)**	(4,456,313)
Management expenses	**(1,257,948)**	(634,109)
Underwriting results	**113,328**	2,304
Investment income	**80,556**	115,312
Rental income	**-**	1,084
Other income	**34,439**	407
Other expenses	**(20,773)**	(7,022)
Results of operating activities	**207,550**	112,085
Finance cost	**-**	-
Profit before tax	**207,550**	112,085

The annexed notes 1 to 45 form an integral part of these unconsolidated financial statements.

Chairman	**Director**	**Director**	**Chief Financial Officer**	**Managing Director & Chief Executive Officer**

Adamjee Insurance Company Limited

Unconsolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	2018	2017
	---------(Rupees in thousand)--------	
		(Restated)
Profit after tax	**1,239,000**	1,221,228
Other comprehensive income		
Items that will not be reclassified to profit and loss:		
- Remeasurement of defined benefit obligation	**(23,806)**	(51,033)
Items that may be reclassified subsequently to profit and loss:		
- Unrealized diminution on 'available for sale' - net of tax	**(1,363,191)**	(1,300,981)
- Unrealized (diminution)/appreciation on 'available for sale' of window takaful operations - net of tax	**(72)**	7
- Effect of currency translation of investment in foreign branches - net	**146,962**	23,389
Other comprehensive loss for the year	**(1,240,107)**	(1,328,618)
Total comprehensive income/ (loss) for the year	**(1,107)**	(107,390)

The annexed notes 1 to 45 form an integral part of these unconsolidated financial statements.

Chairman	**Director**	**Director**	**Chief Financial Officer**	**Managing Director & Chief Executive Officer**

Adamjee Insurance Company Limited

Unconsolidated Cash Flow Statement

For the year ended 31 December 2018

	31 December 2018	31 December 2017
	---------(Rupees in thousand)--------	
		(Restated)
Operating cash flows		
a) *Underwriting activities*		
Insurance premium received	**20,433,978**	18,059,481
Reinsurance premiums paid	**(5,790,509)**	(5,460,902)
Claims paid	**(13,905,284)**	(10,632,888)
Surrenders paid	**(58,392)**	(159,482)
Reinsurance and other recoveries received	**5,810,485**	3,731,743
Commissions paid	**(1,936,132)**	(1,643,351)
Commissions received	**504,854**	588,147
Other underwriting payments	**(2,303,741)**	(2,393,230)
Net cash flow from underwriting activities	**2,755,259**	2,089,518
b) *Other operating activities*		
Income tax paid	**(811,595)**	(951,898)
Other operating payments	**(72,550)**	(92,917)
Loans advanced	**(59,547)**	(59,240)
Loans repayments received	**57,827**	54,994
Other operating receipts	**22,783**	19,557
Net cash flow from other operating activities	**(863,082)**	(1,029,504)
Total cash flow from all operating activities	**1,892,177**	1,060,014
Investment activities		
Profit / return received on bank deposits	**105,440**	72,626
Return on Pakistan investment bonds	**-**	27,153
Income received from TFCs	**4,052**	4,782
Income from treasury bills	**33,690**	17,990
Dividends received	**1,375,813**	1,386,427
Rentals received	**9,050**	6,752
Payments for investments	**(9,891,673)**	(8,022,391)
Proceeds from disposal of investments	**8,130,517**	6,787,875
Fixed capital expenditure - tangible assets	**(1,007,336)**	(1,507,695)
Fixed capital expenditure - intangible assets	**(59,285)**	(2,973)
Proceeds from disposal of property and equipment	**25,249**	19,638
Total cash flow from investing activities	**(1,274,483)**	(1,209,816)
Financing activities		
Dividends paid	**(684,864)**	(1,382,755)
Total cash flow from financing activities	**(684,864)**	(1,382,755)
Net cash outflow from all activities	**(67,170)**	(1,532,557)
Cash and cash equivalents at beginning of year	**2,278,614**	3,811,171
Cash and cash equivalents at end of year	**2,211,444**	2,278,614

	31 December 2018	31 December 2017
	---------(Rupees in thousand)--------	
		(Restated)

Reconciliation to profit and loss account

Operating cash flows	**1,892,177**	1,060,014
Depreciation expense	**(126,232)**	(120,002)
Provision for gratuity	**(34,495)**	(72,996)
Other income - bank and term deposits	**151,005**	85,334
Gain on disposal of property and equipment	**8,516**	7,680
Provision for doubtful balances against other insurers / reinsurers	**(241,631)**	(66,000)
VAT receivable written-off by Company's UAE branch	**(184,290)**	-
Rental income	**6,906**	8,564
(Decrease) / increase in assets other than cash	**(261,734)**	2,404,275
Decrease / (increase) in liabilities other than borrowing and tax liabilities	**79,605**	(2,108,197)
Increase in tax liabilities	**(934,500)**	(899,678)
Profit on sale of investments	**452,202**	1,035,199
Amortization of intangibles	**(22,983)**	(19,665)
Increase in unearned premium	**(1,188,403)**	(1,562,987)
Increase in loans	**1,720**	4,246
Income taxes paid	**811,595**	951,898
Provision for impairment in value of 'available for sale' investments	**(575,296)**	(1,054,064)
Dividend and other income	**1,294,661**	1,455,026
Income from treasury bills	**27,446**	25,737
Return on Pakistan investment bonds	**-**	15,263
Income from TFCs	**3,782**	66,598
Profit for the year from Window Takaful Operations	**78,949**	4,983
Profit after taxation	**1,239,000**	1,221,228

Cash for the purposes of the cash flows statement consists of:

Cash and other equivalents	**6,303**	7,676
Current and other accounts	**2,205,141**	2,270,938
Total cash and cash equivalents	**2,211,444**	2,278,614

The annexed notes 1 to 45 form an integral part of these unconsolidated financial statements.

Ume Mansha

Chairman	Director	Director	Chief Financial Officer	Managing Director & Chief Executive Officer

Adamjee Insurance Company Limited
Unconsolidated Cash Flow Statement
For the year ended 31 December 2018

Business Underwritten Inside Pakistan

	31 December 2018	31 December 2017
	------------(Rupees in thousand)-----------	
		(Restated)
Operating cash flows		
a) *Underwriting activities*		
Insurance premium received	**13,177,769**	11,319,512
Reinsurance premiums paid	**(5,553,009)**	(5,156,535)
Claims paid	**(7,133,353)**	(4,682,113)
Surrenders paid	**(58,392)**	(159,482)
Reinsurance and other recoveries received	**2,938,405**	1,557,486
Commissions paid	**(1,048,492)**	(928,422)
Commissions received	**498,602**	576,402
Other underwriting payments	**(1,801,707)**	(1,807,445)
Net cash flow from underwriting activities	**1,019,823**	719,403
b) *Other operating activities*		
Income taxes paid	**(811,595)**	(951,898)
Other operating payments	**(51,777)**	(36,351)
Loans disbursed	**(43,433)**	(46,756)
Loans repayments received	**42,455**	45,408
Other receipts	**22,783**	19,557
Net cash flow from other operating activities	**(841,567)**	(970,040)
Total cash flow from all operating activities	**178,256**	(250,637)
Investment activities		
Profit / return received on bank deposits	**35,644**	70,554
Return on Pakistan Investment Bonds	**-**	27,153
Income received from TFCs	**4,052**	4,782
Income from treasury bills	**33,690**	17,990
Dividends received	**1,375,813**	1,386,427
Rentals received	**9,050**	5,668
Payments for investments	**(4,261,238)**	(6,686,871)
Proceeds from disposal of investments	**4,144,173**	6,787,875
Fixed capital expenditure - tangible assets	**(791,244)**	(1,486,573)
Fixed capital expenditure - intangible assets	**(21,976)**	(2,973)
Proceeds from disposal of property and equipment	**24,477**	19,480
Total cash flow from investing activities	**552,441**	143,512
Financing activities		
Dividends paid	**(684,864)**	(1,382,755)
Total cash flow from financing activities	**(684,864)**	(1,382,755)
Net cash inflow / (outflow) from all activities	**45,833**	(1,489,880)
Cash at the beginning of the year	**1,107,207**	2,597,087
Cash at the end of the year	**1,153,040**	1,107,207

	31 December 2018	31 December 2017
	------------(Rupees in thousand)-----------	
		(Restated)
Reconciliation to profit and loss account		
Operating cash flows	**178,255**	(250,636)
Depreciation expense	**(99,086)**	(100,234)
Provision for gratuity	**(22,107)**	(58,698)
Other income - bank and term deposits	**37,591**	74,888
Gain on disposal of property and equipment	**8,935**	8,015
Provision for doubtful balances against other insurers / reinsurers	**(50,000)**	(66,000)
VAT receivable written-off by Company's UAE branch	**-**	-
Rental income	**6,906**	7,480
(Decrease) / increase in assets other than cash	**(422,254)**	2,221,053
Decrease / (increase) in liabilities other than running finance	**568,539**	(1,541,915)
Profit on sale of investments	**452,202**	946,397
Amortization of intangibles	**(9,293)**	(11,108)
Increase in unearned premium	**(321,934)**	(671,146)
Increase in loans	**(818)**	1,348
Income taxes paid	**811,595**	951,898
Provision for impairment in value of 'available for sale' investments	**(575,296)**	(1,054,064)
Dividend and other income	**1,292,538**	1,438,962
Income from treasury bills	**27,446**	25,737
Return on Pakistan investment bonds	**-**	15,263
Income from TFCs	**3,782**	66,598
Profit for the year from Window Takaful Operations	**78,949**	4,983
Profit before taxation	**1,965,950**	2,008,821
Cash for the purposes of the cash flows statement consists of:		
Cash and other equivalents	**6,303**	7,676
Current and other accounts	**1,146,737**	1,099,531
Total cash and cash equivalents	**1,153,040**	1,107,207

The annexed notes 1 to 45 form an integral part of these unconsolidated financial statements.

Chairman	Director	Director	Chief Financial Officer	Managing Director & Chief Executive Officer

Adamjee Insurance Company Limited
Unconsolidated Cash Flow Statement
For the year ended 31 December 2018

Business Underwritten Outside Pakistan

	31 December 2018	31 December 2017
	------------(Rupees in thousand)-----------	
Operating cash flows		*(Restated)*
a) *Underwriting activities*		
Insurance premium received	**7,256,209**	6,739,969
Reinsurance premiums paid	**(237,500)**	(304,367)
Claims paid	**(6,771,931)**	(5,950,775)
Surrenders paid	**-**	-
Reinsurance and other recoveries received	**2,872,080**	2,174,257
Commissions paid	**(887,640)**	(714,929)
Commissions received	**6,252**	11,745
Other underwriting payments	**(502,034)**	(585,785)
Net cash flow from underwriting activities	**1,735,436**	1,370,115
b) *Other operating activities*		
Income tax paid	**-**	-
Other operating payments	**(20,773)**	(56,566)
Loans advanced	**(16,114)**	(12,484)
Loans repayments received	**15,372**	9,586
Other operating receipts	**-**	-
Net cash flow from other operating activities	**(21,515)**	(59,464)
Total cash flow from all operating activities	**1,713,921**	1,310,651
Investment activities		
Profit / return received on bank deposits	**69,796**	2,072
Return on Pakistan investment bonds	**-**	-
Income received from TFCs	**-**	-
Income from treasury bills	**-**	-
Dividends received	**-**	-
Rentals received	**-**	1,084
Payments for investments	**(5,630,435)**	(1,335,520)
Proceeds from disposal of investments	**3,986,344**	-
Fixed capital expenditure - tangible assets	**(216,092)**	(21,122)
Fixed capital expenditure - intangible assets	**(37,309)**	**-**
Proceeds from disposal of property and equipment	**772**	158
Total cash flow from investing activities	**(1,826,924)**	(1,353,328)
Financing activities		
Dividends paid	**-**	-
Total cash flow from financing activities	**-**	-
Net cash outflow from all activities	**(113,003)**	(42,677)
Cash at the beginning of the year	**1,171,407**	1,214,084
Cash at the end of the year	**1,058,404**	1,171,407

	31 December 2018	31 December 2017
	-------------(Rupees in thousand)-----------	
		(Restated)
Reconciliation to profit and loss account		
Operating cash flows	**1,713,922**	1,310,651
Depreciation expense	**(27,146)**	(19,768)
Provision for gratuity	**(12,388)**	(14,298)
Other income - bank deposits	**113,414**	10,446
Loss on disposal of property and equipment	**(419)**	(335)
Provision for doubtful balances against other insurers / reinsurers	**(191,631)**	-
VAT receivable written-off by Company's UAE branch	**(184,290)**	-
Rental income	**-**	1,084
Increase in assets other than cash	**160,520**	183,222
Increase in liabilities other than borrowing	**(488,934)**	(566,283)
Profit on sale of investments	**-**	88,802
Amortization of intangibles	**(13,690)**	(8,557)
Increase in unearned premium	**(866,469)**	(891,841)
Increase in loans	**2,538**	2,898
Income taxes paid	**-**	-
Provision for impairment in value of 'available-for-sale' investments	**2,123**	-
Dividend and other income	**-**	16,064
Income from treasury bills	**-**	-
Return on Pakistan investment bonds	**-**	-
Income from TFCs	**-**	-
Profit before taxation	**207,550**	112,085
Cash for the purposes of the cash flows statement consists of:		
Cash and other equivalents	**-**	-
Current and other accounts	**1,058,404**	1,171,407
Total cash and cash equivalents	**1,058,404**	1,171,407

The annexed notes 1 to 45 form an integral part of these unconsolidated financial statements.

Chairman **Director** **Director** **Chief Financial Officer** **Managing Director & Chief Executive Officer**

Adamjee Insurance Company Limited

Unconsolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital	Capital reserves				Revenue reserves		
	Issued, subscribed and paid up	Reserve for exceptional losses	Investment fluctuation reserve	Exchange translation reserve	Fair Value Reserve	General reserve	Unappropriated Profit	Total
	(Rupees in thousand)							
Balance as at 01 January 2017 - as previously reported	3,500,000	22,859	3,764	443,711	-	936,500	12,093,769	**17,000,603**
Effect of restatement as disclosed in note 3.1.1.4	-	-	-	-	4,871,252	-	-	**4,871,252**
Balance as at 01 January 2017 - (Restated)	3,500,000	22,859	3,764	443,711	4,871,252	936,500	12,093,769	**21,871,855**
Changes in equity for the year ended 31 December 2017								
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	1,221,228	**1,221,228**
Other comprehensive income	-	-	-	23,389	(1,300,974)	-	(51,033)	**(1,328,618)**
	-	-	-	23,389	(1,300,974)	-	1,170,195	**(107,390)**
Transactions with owners of the Company								
Final dividend for the year ended 31 December 2016 @ 25% (Rupee 2.5/- per share)	-	-	-	-	-	-	(875,000)	**(875,000)**
Interim dividend for the year ended 30 June 2017 @ 15% (Rupees 1.5/- per share)	-	-	-	-	-	-	(525,000)	**(525,000)**
	-	-	-	-	-	-	(1,400,000)	**(1,400,000)**
Balance as at 31 December 2017 - (Restated)	3,500,000	22,859	3,764	467,100	3,570,278	936,500	11,863,964	**20,364,465**
Changes in equity for the year ended 31 December 2018								
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	1,239,000	**1,239,000**
Other comprehensive income	-	-	-	146,962	(1,363,263)	-	(23,806)	**(1,240,107)**
	-	-	-	146,962	(1,363,263)	-	1,215,194	**(1,107)**
	3,500,000	**22,859**	**3,764**	**614,062**	**2,207,015**	**936,500**	**13,079,158**	**20,363,358**
Transactions with owners of the Company								
Final dividend for the year ended 31 December 2017 @ 10% (Rupee 1/- per share)	-	-	-	-	-	-	(350,000)	**(350,000)**
Interim dividend for the year ended 30 June 2018 @ 10% (Rupees 1/- per share)	-	-	-	-	-	-	(350,000)	**(350,000)**
	-	-	-	-	-	-	(700,000)	**(700,000)**
Balance as at 31 December 2018	**3,500,000**	**22,859**	**3,764**	**614,062**	**2,207,015**	**936,500**	**12,379,158**	**19,663,358**

The annexed notes 1 to 45 form an integral part of these unconsolidated financial statements.

Chairman **Director** **Director** **Chief Financial Officer** **Managing Director & Chief Executive Officer**

1 Legal status and nature of business

Adamjee Insurance Company Limited ("the Company") is a public limited Company incorporated in Pakistan on 28 September 1960 under the Companies Act, 1913 (now the Companies Act, 2017). The Company is listed on Pakistan Stock Exchange and is engaged in the general insurance business. The registered office of the Company is situated at Tanveer Building, 27-C-III, MM Alam Road, Gulberg III, Lahore.

The Company also operates branches in the United Arab Emirates (UAE) and the Export Processing Zone (EPZ).

The Company was granted authorization on 23 December 2015 under Rule 6 of the Takaful Rules, 2012 to undertake Window Takaful Operations in respect of general takaful products by Securities and Exchange Commission of Pakistan (SECP) and commenced Window Takaful Operations on 01 January 2016.

2 Basis of preparation and statement of compliance

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

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

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

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

The Security and Exchange Commission of Pakistan (SECP) vide its S.R.O 89(1) 2017 dated 9 February 2017 has prescribed format of the presentation of annual financial statements for general insurance companies. These financial statements have been prepared in accordance with the format prescribed by the SECP (note 3.1.1).

These financial statements represent separate unconsolidated financial statements of Adamjee Insurance Company Limited, prepared in accordance with the format of financial statements prescribed under Insurance Rules and Accounting Regulations, 2017. The consolidated financial statements of the group are issued separately.

As per the requirements of the SECP Takaful Rules, 2012 and SECP Circular No. 25 of 2015 dated 09 July 2015, the assets, liabilities and profit and loss account of the Operator's Fund of the General Takaful Operations of the Company have been presented as a single line item in the statement of financial position and profit and loss account of the Company respectively. A separate set of financial statements of the General Window Takaful Operations has been annexed to these unconsolidated financial statements as per the requirements of the Takaful Rules, 2012.

2.2 Basis of measurement

These unconsolidated financial statements have been prepared under historical cost convention except for certain foreign currency translation adjustments, certain financial instruments carried at fair value, and defined benefit obligations under employees benefits carried at present value. All transactions reflected in these financial statements are on accrual basis except for those reflected in cash flow statements.

2.3 Functional and presentation currency

Items included in the unconsolidated financial statements are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency. All the financial information presented in Rupees has been rounded off to the nearest thousand in rupee, unless otherwise stated.

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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after 01 January 2018 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore not stated in these unconsolidated financial statements.

Securities and Exchange Commission of Pakistan ("SECP") vide S.R.O 88(1)/2017 and S.R.O 89(1)/2017 dated 9 February 2017 has issued the Insurance Rules, 2017 Insurance Accounting Regulations, 2017 (the Rules and Accounting Regulations 2017). The application of these Rules and Accounting Regulations, 2017 for the purpose of preparation and presentation of the financial statements was effective from 1 April 2017. SECP vide letter ID/OSM/Adamjee/2017/12269 dated 11 October 2017 has granted exemption from application of Rules and Accounting Regulations 2017 to the Company till 31 December 2017. Therefore, the application of Rules and Accounting Regulations 2017 became effective from the accounting year commencing from 01 January 2018.

The Rules and Accounting Regulations 2017 require significant disclosures / requirements, which are relevant to the Company includes but not limited to: Presentation and disclosure of financial statements prescribed in Annexure II of the Insurance Rules, 2017, recognition of available-for-sale investments at fair value as per IAS 39 "Financial Instruments: Recognition and Measurement", recognition of premium receivable under an insurance policy / cover note as written from the date of attachment of risk to the policy / cover note.

The Company has adopted these Rules and Accounting Regulations 2017 and accordingly has changed its accounting policies refer note 3.1.

In addition, Companies Act 2017 also became effective for the financial statements for the year ended 31 December 2018. As the Company's unconsolidated financial statements are prepared in accordance with the format prescribed by SECP, it did not have a direct impact on the unconsolidated financial statements.

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

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

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's unconsolidated financial statements.

- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty

Programmes'. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

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

- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's unconsolidated financial statements.

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's unconsolidated financial statements.

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

- Amendment to IFRS 4 'Insurance Contracts'- Applying IFRS 9 'Financial Instruments' with IFRS 4 (effective for annual periods beginning on or after 1 July 2018). The amendment address issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from 1 July 2018 onwards to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied. The Company has adopted the temporary exemption which allows the Company to defer the application of both IFRS 9 and IFRS 17 until 31 December 2021.

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

Annual Improvements to IFRS Standards 2015-2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A Company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

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

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

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Company's unconsolidated financial statements.

3 Summary of significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in these unconsolidated financial statements, except for change in accounting policies as disclosed in notes below.

3.1 Change in accounting policies

3.1.1 Application of Insurance Rules 2017 and Insurance Accounting Regulation 2017

Securities and Exchange Commission of Pakistan ("SECP") vide S.R.O 88(1)/2017 and S.R.O 89 (1)/ 2017 dated 9 February 2017 has issued the Insurance Rules, 2017, Insurance Accounting Regulations, 2017 ("the Rules and Accounting Regulations, 2017"). The application of these Rules and Accounting Regulations, 2017 for the purpose of preparation and presentation of the financial statements was effective from 1 April 2017. SECP had granted Company exemption from application of Rules and Accounting Regulations 2017 to the Company till 31 December 2017. Therefore, the application of Rules and Accounting Regulations 2017 became effective from the accounting year commencing from 01 January 2018.

The Rules and Accounting Regulations, 2017 require significant disclosures / requirements, which are relevant to the Company, includes but not limited to: Presentation and disclosure of financial statements prescribed in Annexure II of the Insurance Rules, 2017, recognition of available-for-sale investments at fair value as per IAS 39 "Financial Instruments: Recognition and Measurement", recognition of premium receivable under an insurance policy / cover note as written from the date of attachment of risk to the policy / cover note.

The effect of each of the above change is given below:

3.1.1.1 Available for sale investments

Previously, the Company recorded its 'available for sale' investments at cost and remeasured them at lower of cost or market value (market value being taken as lower of the reduction other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002. As per Insurance Rules 2017, 'available for sale' investments are now initially measured at cost and subsequently remeasured at fair value at each reporting date. The unrealized gains and losses arising from changes in fair values are directly recognized in equity in the year in which these arise. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the profit and loss account as gains and losses from investment securities.

The Company assesses at each statement of financial position date whether there is an objective evidence that the financial asset is impaired. If any such evidence exists for an 'available for sale' asset, the accumulated loss is removed from equity and recognized in the profit and loss account. Impairment loss recognized in the profit and loss account on equity instruments is not reversed through the profit and loss account. The said change in accounting policy has been made in accordance with the requirements of IAS 8 'Accounting Policies, change in accounting estimates and errors' as disclosed in note 3.1.1.4 of this unconsolidated financial statements.

3.1.1.2 Presentation of financial statements

The Company has adopted format for preparation and presentation of its unconsolidated financial statements in line with the requirements of the Rules and Accounting Regulations, 2017. Significant changes in presentation are rearrangements in sequence of assets / liabilities in the statement of financial position; presentation of single profit or loss account instead of segment wise (classes of business) presentation and discontinuation of separate statements of Premiums, Claims, Expense and Investment Income. The segment wise premiums, claims and expenses and investment income is now included in notes to the unconsolidated financial statements. Furthermore term deposits are now included in investments instead of cash and cash equivalent in line with the requirements of Insurance Rules and Accounting Regulations, 2017.

3.1.1.3 Premium income

The Insurance Accounting Regulations, 2017, requires the Company, to recognize premium receivable under an insurance policy/ cover note as written from the date of attachment of risk to the policy/ cover note. Accordingly, the Company is required to account for cover notes which are effective as at reporting date. In previous years, the Company recognized premium under a policy as written at the time of issuance of policy in accordance with the SEC (Insurance) Rules, 2002. The change is considered to be a change in accounting policy in accordance with IAS - 8. The impact of the same is not considered to be material to the unconsolidated financial statements and accordingly the comparative restated unconsolidated financial statements has not been restated for this change.

3.1.1.4 Financial impact of change in accounting policy

The significant effects of changes in accounting policies as stated above has been applied retrospectively in accordance with the requirement of IAS - 8 'Accounting Policy, Change in Accounting Estimates and Error' and comparatives have been restated to conform to the changed policies. The summary of the effects are as follows:

	31 December 2017			1 January 2017		
	As previously reported	Adjustment	After adjustment	As previously reported	Adjustment	After adjustment
Effect on statement of financial position	---------- (Rupees in thousand) ----------					
Assets						
Investments in equity securities	15,481,839	5,100,270	20,582,109	15,656,914	7,059,665	22,716,579
Total assets from takaful operations - OTF	241,121	128	241,249	99,157	121	99,278
Liability						
Deferred taxation	37,302	1,530,081	1,567,383	34,549	2,188,496	2,223,045
Total liabilities from takaful operations - OTF	141,312	38	141,350	46,366	38	46,404
Equity:						
Fair value reserves	-	3,570,279	3,570,279	-	4,871,252	4,871,252

	31 December 2017		
	As previously reported	Adjustment	After adjustment
	---------- (Rupees in thousand) ----------		
Effect of other comprehensive income			
Item to be reclassified to profit and loss account in subsequent period			
Net unrealized (loss) arising during the period on revaluation of available for sale investments-net of tax	-	(1,300,981)	(1,300,981)
Net unrealized (loss) arising during the period on revaluation of available for sale investments of Window Takaful Operations -net of tax	-	7	7

There is no impact on profit before tax, profit after tax and earning per share of the Company for the year ended on 31 December 2017.

3.2 Property and equipment

Owned fixed assets, other than freehold land which is not depreciated and capital work-in-progress, are stated at cost, signifying historical cost, less accumulated depreciation and any provision for accumulated impairment. Freehold land and capital work-in-progress are carried at cost less accumulated impairment losses, if any. Depreciation is charged to income applying reducing balance method depending upon the nature of the asset, at the rates specified for calculation of depreciation after taking into account residual value, if any. The useful lives, residual values and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

Assets subject to finance lease are accounted for by recording the assets at the lower of present value of minimum lease payments under lease agreements and the fair value of asset at the inception of the lease contract. The related obligation under the lease is accounted for as liability. Finance charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

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 and loss account as and when incurred.

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.

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

3.3 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.

3.4 Insurance contracts

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

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

Insurance contracts issued by the Company are generally classified in five basic categories i.e. Fire and property, Marine, Aviation and transport, Motor, Accident and health and Miscellaneous, and are issued to multiple types of clients with businesses in engineering, automobiles, cement, power, textiles, paper, agriculture, services and trading sectors etc. and individuals as well. The tenure of these insurance contracts depends upon terms of the policies written and vary accordingly.

- 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, erection all risk, machinery breakdown and boiler damage, etc.

- 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.

- 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.

- Accident and health insurance contracts mainly compensate hospitalization and out patient medical coverage to the insured.

- 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, personal accident, 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.

3.5 Deferred commission expense / acquisition cost

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 and loss account at the time the policies are accepted.

3.6 Unearned premium

As explained in 4.2 of these unconsolidated financial statements, the Company has changed its methodology for determining unearned premium whereby instead of 1/365 method, premium income under a policy is determined as the ratio of the unexpired period of the policy and the total policy period, both measured to the nearest day except:

- for marine cargo, as a ratio of the unexpired shipment period to the total expected shipment period, both measured to the nearest day.

- for crop business, as a ratio of the unexpired crop period to the total expected crop period, both measured to the nearest day.

Administrative surcharge is recognized as premium at the time the policies are written and is included in above mentioned calculations.

3.7 Premium deficiency

The Company maintains a provision in respect of premium deficiency (also called unexpired risk reserve) for the class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the statement of financial position date in respect of the unexpired policies in that class of business at the reporting date.

For this purpose, premium deficiency reserve is determined by independent actuaries. The actuary determines the prospective loss ratios for each class of business and applies factors of unearned and earned premiums and uses assumptions appropriate to arrive at the expected claims settlement cost which when compared with unearned premium reserve (UPR) shows whether UPR is adequate to cover the unexpired risks. If these ratios are adverse, premium deficiency is determined.

Based on actuary's advice the management creates a reserve for the same in these unconsolidated financial statements. The movement in the premium deficiency reserve is recorded as an expense / income in profit and loss account for the year.

3.8 Reinsurance contracts held

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

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

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

Commission income from reinsurers is recognized at the time of issuance of the underlying insurance policy by the Company. This income is deferred and brought to profit and loss account 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.

3.9 Receivables and payables related to insurance contracts

Receivables including premium due but unpaid, relating to insurance contracts are recognized when due. The claim payable is recorded when intimation is received. These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any. Premium received in advance is recognized as liability till the time of issuance of insurance contract there against.

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 profit and loss account.

3.10 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker 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 Insurance Rules, 2017 as 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.

3.11 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, policy stamps and bank balances and excludes bank balance held under lien.

3.12 Revenue recognition

3.12.1 Premiums

Premiums including administrative surcharge under an insurance contract are recognized as written from date of issuance to the date of attachment of risk to the policy / cover note. Where premium for a policy is payable in installments, full premium for the duration of the policy is recognized as written at the inception of the policy and related asset is recognized for premium receivable.

Revenue from premiums is determined after taking into account the unearned portion of premiums. The unearned portion of premium income is recognized as a liability.

Reinsurance premium is recognized as expense after taking into account the proportion of deferred premium expense which is recognized as a proportion of the gross reinsurance premium of each policy, determined as the ratio of the unexpired period of the policy and the total period, both measured to the nearest day. The deferred portion of premium expense is recognized as a prepayment.

3.12.2 Commission Income

Commission and other forms of revenue (apart from recoveries) from reinsurers are deferred and recognized as liability and recognized in the profit and loss account as revenue in accordance with the pattern of recognition of the reinsurance premiums.

3.12.3 Investment income

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

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

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

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

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

3.13 Investments

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs. These are recognized and classified as follows:

- Investment at fair value through profit and loss account
- Held to maturity
- Available-for-sale

The classification depends on the purpose for which the financial assets were acquired. The Company does not have any "investment at fair value through profit and loss account" at the statement of financial position date.

3.13.1 Held to maturity

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

Subsequently, these are measured at amortized cost less provision for impairment, if any.

Any premium paid or discount availed on government securities and term finance certificates is deferred and amortized over the period to maturity of investment using the effective yield.

3.13.2 Available-for-sale

Investments which are not eligible to be classified as "fair value through profit or loss" or "held to maturity" are classified as 'available-for-sale'. These investments are intended to be held for an indefinite period of time which 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.

Quoted

Subsequent to initial recognition, these investments are remeasured at fair value. Gains or losses on investments on remeasurement of these investments are recognized in statement of comprehensive income.

Unquoted

Fair value of unquoted investments is determined on the basis of appropriate valuation techniques as allowed by IAS 39 'Financial Instruments: Recognition and Measurement". Where fair value cannot be measured reliably, these are carried at cost.

3.13.3 Fair / market value measurements

For investments in Government securities, fair / market value is determined by reference to rates quoted by Mutual Fund Association of Pakistan (MUFAP). For investments in quoted marketable securities, other than Term Finance Certificates, fair / market value is determined by reference to Stock Exchange quoted market price at the close of business on reporting date. The fair market value of Term Finance Certificates is as per the rates issued by the Mutual Funds Association of Pakistan (MUFAP).

3.13.4 Date of recognition

Regular way purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognized at the trade date. Trade date is the date on which the Company commits to purchase or sell the investment.

3.14 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 statement of financial position 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.

3.15 Provisions

Provision 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.

3.16 Provision for outstanding claims including IBNR

The Company recognizes liability in respect of all claims incurred up to the reporting date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in the insurance contract. The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR), expected claims settlement costs, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Securities and Exchange Commission of Pakistan through its circular 9 of 2016 dated 9 March 2016 issued "Guidelines for estimation of incurred but not reported (IBNR) claims reserve 2016" for non-life insurance Companies and required to comply with all provisions of these guidelines with effect from 1 July 2016.

The Guidelines require that estimation for provision for claims incurred but not reported (IBNR) for each class of business, by using prescribed Method “Chain Ladder Method” and other alternate method as allowed under the provisions of the Guidelines. The Chain Ladder Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level to derive an IBNR estimate.

The actuarial valuation as at 31 December 2018 has been carried out by independent firm of actuaries for determination of IBNR for each class of business. The actuarial valuation is based on a range of standard actuarial claim projection techniques, based on empirical data and current assumptions as explained in preceding paragraph that may include a margin for adverse deviation as required / allowed by the circular 9 of 2016. The methods used, and the estimates made, are reviewed regularly.

3.17 Taxation

Current

Provision for current taxation is based on taxable income for the year 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 year, if enacted. The charge for current tax also include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalized during the current year for such years.

Deferred

Deferred tax is accounted for using the statement of financial position liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the unconsolidated 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.

3.18 Staff retirement benefits

3.18.1 Defined contribution plan

The Company operates an approved contributory provident fund scheme for all its eligible employees. Equal monthly contributions to the fund are made by the Company and the employees at the rate of 8.33% of basic salary.

3.18.2 Defined benefit plans

The Company operates the following defined benefit plans:

(a) an approved funded gratuity scheme for all its permanent employees in Pakistan. Annual contribution are made to this scheme on the basis of actuarial recommendations. The Company recognizes expense in accordance with IAS 19 'Employee Benefits'. The contributions have been made to gratuity fund in accordance with the actuary’s recommendations based on the actuarial valuation of these funds as at 31 December 2018.

(b) unfunded gratuity scheme covering the employees in the UAE branches as per the requirements of the applicable regulations. Provision is made in these unconsolidated financial statements on the basis of the actuarial valuation carried out by an independent actuary using the projected unit credit method. The latest valuation has been carried at 31 December 2018.

Past-service costs are recognized immediately in profit and loss account, unless the changes to the plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit and loss account.

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

3.18.3 Employees' compensated absences

The Company accounts for these benefits in the period in which the absences are earned.

3.19 Impairment of assets

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 Company's non-financial assets are reviewed at each statement of financial position 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 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 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.

3.20 Dividend distribution

Dividend distribution to the Company's shareholders and other appropriations are recognized in the Company's financial statements in the period in which these are approved.

3.21 Management expenses

Expenses of management both direct and indirect are allocated on the basis of activity in each class of business. Expenses not allocable to the underwriting business are charged as other expenses.

3.22 Foreign currencies

Transactions in foreign currencies (other than the result of foreign branches) 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.

The assets and liabilities of foreign branches are translated to Pak Rupees at exchange rates prevailing at the reporting date. The results of the foreign branches are translated to Pak Rupees at the average rate of exchange for the year. Translation gains and losses are included in the profit and loss account, except those arising on the translation of the Company net investments in foreign branches, which are taken to the capital reserves (exchange translation reserve).

3.23 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 in the statement of financial position include cash and bank, loans, investments, premiums due but unpaid, amount due from other insurers / reinsurers, premium and claim reserves retained by cedants, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amounts due to other insurers / reinsurers, accrued expenses, other creditors and accruals, liabilities against asset subject to finance lease and unclaimed dividends. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

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 earnings per share is calculated if there is any potential dilutive effect on the Company's reported net profits.

3.25 Window Takaful Operations

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

4 Critical accounting estimates and judgments

4.1 Use of estimates and judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future

The areas involving a higher degree of judgment and complexity, or areas where assumptions and estimates are significant to these financial statements or judgment was exercised in application of accounting policies, are as follows:

		Note
-	Provision for Unearned Premium	*3.6*
-	Provision for doubtful receivables	*3.9*
-	Provision for outstanding claim including claims incurred but not reported (IBNR)	*3.16*
-	Premium deficiency	*3.7*
-	Defined benefit plans	*3.18*
-	Provision for taxation including the amount relating to tax contingency	*3.17*
-	Useful lives, pattern of economic benefits and impairments - Property and Equipment	*3.2*
-	Allocation of management expenses	*3.21*
-	Impairment of assets	*3.19*
-	Segment Reporting	*3.1*

4.2 Change in accounting estimate

'During the year, the Company has changed its methodology for premium income earned whereby instead of 1/365 method, premium income under a policy is determined as the ratio of the expired period of the policy and the total policy period, both measured to the nearest day. This change has been accounted for as change in accounting estimate in accordance with the "IAS 8 Accounting Policies and Changes in Accounting Estimates and Errors" whereby the change has been applied prospectively. Had the Company's accounting estimate not been changed, unearned premium reserve would have been higher by approximately Rs. 91 million, prepaid reinsurance would have been higher by approximately Rs. 4 million and premium revenue would have been lowered by approximately Rs. 87 million during the year.

5 Property and Equipment	*Note*	**2018**	2017
		--- (Rupees in thousand) ---	
Operating Assets	*5.1*	**2,332,540**	2,132,353
Capital work in progress	*5.2*	**1,181,773**	465,546
		3,514,313	2,597,899

5.1 Operating Assets

	Cost					Depreciation					Net Book value	
	As at 01 Jan 2018	**Additions**	**Exchange differences and other adjustments**	**Disposals**	**As at 31 Dec 2018**	**As at 01 Jan 2018**	**Exchange differences and other adjustments**	**On disposals**	**Charge for the year**	**As at 31 Dec 2018**	**As at 31 Dec 2018**	**Rate**
	(Rupees in thousands)											**%**
Tangible												
Land	1,285,992	-	-	-	**1,285,992**	-	-	-	-	-	**1,285,992**	-
Building	485,387	170,852	57,130	-	**713,369**	183,185	25,594	-	28,476	**237,255**	**476,114**	**10.00%**
Furniture and fixtures	223,088	37,242	13,450	-	**273,780**	120,750	4,132	-	18,308	**143,190**	**130,590**	**15.00%**
Motor vehicles	656,283	70,594	10,592	(45,644)	**691,825**	349,360	3,394	(29,240)	49,022	**372,536**	**319,289**	**15.00%**
Machinery and equipment	188,388	4,619	4,627	(793)	**196,841**	109,837	2,129	(484)	12,474	**123,956**	**72,885**	**15.00%**
Computer equipment	263,953	7,802	4,600	(111)	**276,244**	207,606	3,107	(91)	17,952	**228,574**	**47,670**	**30.00%**
Total	**3,103,091**	**291,109**	**90,399**	**(46,548)**	**3,438,051**	**970,738**	**38,356**	**(29,815)**	**126,232**	**1,105,511**	**2,332,540**	

	Cost					Depreciation					Net Book value	
	As at 01 Jan 2017	Additions	Exchange differences and other adjustments	Disposals	As at 31 Dec 2017	As at 01 Jan 2017	Exchange differences and other adjustments	On disposals	Charge for the year	As at 31 Dec 2017	As at 31 Dec 2017	Rate
	(Rupees in thousands)											%
Tangible												
Land	346,077	939,915	-	-	1,285,992	-	-	-	-	-	1,285,992	-
Building	373,915	100,660	10,812	-	485,387	151,348	4,618	-	27,219	183,185	302,202	10.00%
Furniture and fixtures	194,955	26,004	2,129	-	223,088	106,007	637	-	14,106	120,750	102,338	15.00%
Motor vehicles	612,278	76,110	1,648	(33,753)	656,283	326,166	644	(23,642)	46,192	349,360	306,923	15.00%
Machinery and equipment	176,809	14,173	1,063	(3,657)	188,388	99,019	384	(1,810)	12,244	109,837	78,551	15.00%
Computer equipment	243,183	20,099	671	-	263,953	186,815	550	-	20,241	207,606	56,347	30.00%
Total	1,947,217	1,176,961	16,323	(37,410)	3,103,091	869,355	6,833	(25,452)	120,002	970,738	2,132,353	

5.1.1 Details of tangible assets disposed off during the year are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	(Rupees in thousand)					
Motor Vehicle (owned)						
Toyota Corolla Altis(LEH-18-7278)	2,369	-	2,369	2,373	Insurance claim recovery	IGI General Insurance Limited
Honda Civic(AXS-138)	2,058	1,273	785	1,188	Auction	Syed Tayyab Tahir
Toyota Corolla Gli(AZG-407)	1,723	949	774	1,126	Auction	Muhammad Saeed Zahid
Honda Civic(AXJ-834)	2,053	1,280	773	1,105	Auction	Iqbal Aziz
Honda Civic(AWF-970)	2,057	1,352	705	1,128	Auction	Syed Tayyab Tahir
Honda Citi(AYQ-659)	1,507	834	673	1,117	Auction	Muhammad Saeed
Honda Citi(AWA-253)	1,806	1,183	623	970	Auction	Sakhwat Hussain
Suzuki Cultus(LEE-14-7348)	1,085	484	601	801	Auction	Adnan Bashir
Honda Civic(AVU-325)	1,741	1,148	593	855	Auction	Noor Hassan Shah
Suzuki Cultus(BBQ-259)	1,080	501	579	700	Auction	Sarmad Butt
Suzuki Cultus(AZW-753)	1,050	559	491	757	Auction	Muhammad Saeed
Suzuki Cultus(AYW-525)	1,012	530	482	715	Auction	Muhammad Awais Khawar Gill
Suzuki Cultus(AZM-040)	1,050	586	464	726	Auction	Asim Ali
Suzuki Cultus(AYV-965)	990	533	457	715	Auction	Amir Khan
Honda Civic Vti Pt Sr(ASQ-109)	1,882	1,426	456	1,030	Auction	Muhammad Abbas Akram
Suzuki Cultus(AYD-637)	1,040	611	429	687	Auction	Muhammad Saeed
Suzuki Cultus(AXU-853)	970	610	360	761	Auction	Kabir Ud Din Zia
Suzuki Cultus(AXU-564)	950	597	353	605	Auction	Fawad Shafqat
Honda Civic Vti(ARM-858)	1,775	1,422	353	800	Auction	Abdullah Pervaiz
Honda Citi(ATF-270)	1,272	941	331	924	Auction	Muhammad Nasir Khan
Suzuki Cultus(AUE-419)	862	608	254	529	Auction	Abdul Jabbar Ansari
Honda Citi(ARJ-901)	1,060	854	206	787	Auction	Nighat Asif
Others(ARR-864)	862	659	203	485	Auction	Sheikh M Irfan
Honda Citi(APU-438)	879	708	171	720	Auction	Qudsia Aslam
Suzuki Cultus(AQW-105)	652	525	127	268	Auction	Maroof Ahmed
Toyota Corolla Gli(AJX-935)	879	757	122	775	Auction	Muhammad Asif
Toyota Daihatsu Coure(AMY-343)	345	275	70	275	Auction	Muhammad Asif
Camry (90768)	2,959	1,682	1,277	1,270	Negotiation	Mohammed Mahmood Mohammed Karam Ali
Nissan Altima (69401)	1,322	758	564	193	Negotiation	Mudassir Hussain Altaf Hussain Khan
Items having book value below Rs. 50,000	6,354	5,595	759	678		
	45,644	**29,240**	**16,404**	**25,063**		

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	------------------------------- (Rupees in thousand)			-------------------------------		
Computer & Related Accessories						
Items having book value below Rs. 50,000	111	91	20	18		
	111	**91**	**20**	**18**		
Machinery and equipment						
Panasonic Photocopier	410	286	124	25	Auction	Khair Muhammad
Items having book value below Rs. 50,000	383	198	185	143		
	793	**484**	**309**	**168**		
Total	**46,548**	**29,815**	**16,733**	**25,249**		

5.2 Capital work in progress includes the following:

	2018	2017
	-------- (Rupees in thousand)	--------
Building	**931,116**	439,962
Mobilization advance	**82,426**	12,621
Civil & electrical works	**155,976**	616
Advance for ERP softwares	**12,255**	12,347
	1,181,773	465,546

	Note	2018	2017
6 Intangible assets		-------- (Rupees in thousand) -------	
Cost			
Cost as at 01 January		**214,505**	209,118
Additions during the year		**59,285**	2,973
Exchange differences and other adjustments		**16,950**	2,414
Cost as at 31 December		**290,740**	214,505
Accumulated amortization			
Accumulated amortization as at 01 January		**180,263**	159,431
Amortization charged during the year		**22,983**	19,665
Exchange differences and other adjustments		**8,309**	1,167
Accumulated amortization as at 31 December		**211,555**	180,263
Net book value as at 31 December		**79,185**	34,242
Rate of amortization		**20.00%**	20.00%
7 Investment in subsidiary			
Adamjee Life Assurance Company Limited - At cost	*7.1, 7.2 & 7.3*	**694,895**	694,895
		694,895	694,895

7.1 Investment in Subsidiary Company

2018	2017	Face value	Company's Name	2018	2017
No. of Shares		Rupees		--------Rupees in thousand-------	
69,489,545	69,489,545	10	Adamjee Life Assurance Company Limited [Equity held 74.28% (2017: 74.28%)]	**694,895**	694,895

7.2 The Company's interests in its subsidiary is as follow:

Name	Country of Incorporation	Total assets	Total liabilities	Total revenues	Total profit/ (loss)	% interest held
		-------------------------Rupees in thousand-------------------------				
Adamjee Life Assurance Company Limited	Pakistan	**33,912,292**	**32,789,403**	**13,323,759**	**56,088**	**74.28%**
Total at the end of 2018		**33,912,292**	**32,789,403**	**13,323,759**	**56,088**	**74.28%**
Adamjee Life Assurance Company Limited	Pakistan	29,457,428	28,393,488	13,781,044	(169,749)	74.28%
Total at the end of 2017		29,457,428	28,393,488	13,781,044	(169,749)	74.28%

7.3 Adamjee Life Assurance Company Limited was incorporated in Pakistan on 4 August 2008 as a public unlisted company under repealed Companies Ordinance, 1984 (now Companies Act, 2017). The registered office of the Company is located at 1st floor, Islamabad Stock Exchange Towers, 55-B, Jinnah Avenue, Blue Area, Islamabad while its principal place of business is located at 3rd Floor, The Forum, Khayaban-e-Jami, Clifton, Karachi.

	Note	2018 Cost	2018 Impairment/ Provision	2018 Carrying value	2017 Cost	2017 Impairment/ Provision	2017 Carrying value
8 Investments in equity securities		--- (Rupees in thousand)					--- *(Restated)*
- Available for sale							
Related parties							
Listed shares	*8.1*	**8,396,663**	**(164,863)**	**8,231,800**	7,819,534	-	7,819,534
Unlisted shares	*8.2*	**300,726**	**-**	**300,726**	-	-	-
		8,697,389	**(164,863)**	**8,532,526**	7,819,534	-	7,819,534
Unrealized gain				**1,295,559**			2,197,985
				9,828,085			10,017,519
Others							
Listed shares	*8.3*	**7,274,808**	**(1,545,527)**	**5,729,281**	7,454,844	(1,135,095)	6,319,749
Unlisted shared	*8.4*	**925,360**	**-**	**925,360**	925,360	-	925,360
Mutual Funds	*8.5*	**389,312**	**-**	**389,312**	417,035	-	417,035
NIT Units		**161**	**-**	**161**	161	-	161
		8,589,641	**(1,545,527)**	**7,044,114**	8,797,400	(1,135,095)	7,662,305
Unrealized gain				**1,812,888**			2,902,285
				8,857,002			10,564,590
Total		**17,287,030**	**(1,710,390)**	**18,685,087**	16,616,934	(1,135,095)	20,582,109

8.1 Related parties- Listed Shares

No. of shares 2018	No. of shares 2017	Face value Rupees	Company's Name	Cost 2018	Cost 2017	Market value 2018	Market value 2017
				----Rupees in thousand----			
			Commercial Banks				
47,827,287	47,179,787	10	MCB Bank Limited [Equity held 4.036% (2017: 3.981%)]	**7,962,484**	7,819,390	**9,257,929**	10,017,212
			Textile Composite				
2,050	2,050	10	Nishat Mills Limited [Equity held 0.001% (2017: 0.001%)]	**144**	144	**259**	306
			Cement				
3,358,344	-	10	D.G. Khan Cement Company Limited [Equity held 0.767% (2017:0)]	**434,035**	-	**269,172**	-
				8,396,663	7,819,534	**9,527,360**	10,017,518

8.2 Related Parties - Unlisted shares

No. of shares 2018	No. of shares 2017	Face value Rupees	Company's Name	Cost 2018	Cost 2017	Market value 2018	Market value 2017
				----Rupees in thousand----			
			Automobile Assembler				
30,000,000	-	10	Hyundai Nishat Motors (Private) Limited (note 8.2.1)	**300,726**	-	**300,726**	-

8.2.1 This represents investment in the ordinary shares of Hyundai Nishat Motors (Private) Limited ("HNMPL") which is in the process of setting vehicle assembly plant in Pakistan. Since HNMPL's ordinary shares are not listed and it has not yet started commercial production, the fair value of HNMPL's ordinary shares through other valuation techniques cannot be measured reliably as at 31 December 2018 and, hence, it is carried at cost.

8.3 Others - listed shares

No. of shares 2018	No. of shares 2017	Face value Rupees	Company's Name	Cost 2018	Cost 2017	Market value 2018	Market value 2017
				----Rupees in thousand----			
			Automobile Assembler				
459,929	389,556	10	Millat Tractors Limited	**445,051**	149,184	**382,656**	456,415
			Cable & Electrical Goods				
148,131	148,131	10	Siemens (Pakistan) Engineering Company Limited	**116,770**	116,770	**135,545**	139,040
			Cement				
-	3,358,344	10	D.G. Khan Cement Company Limited	**-**	434,035		449,078
645,100	645,100	10	Fecto Cement Limited	**77,534**	77,534	**20,159**	32,223
-	114,900	10	Lucky Cement Limited	**-**	82,109		59,450
			Close - End Mutual Fund				
4,113,500	4,113,500	10	HBL Investment Fund 'A'	**27,235**	68,111	**20,814**	54,915
			Commercial Banks				
6,277,500	2,773,000	10	Allied Bank Limited	**641,638**	289,690	**674,643**	235,650
330,300	330,300	10	Habib Bank Limited	**88,086**	88,086	**39,785**	55,190
-	3,000,000	10	Habib Metropolitan Bank Limited	**-**	98,247		103,500
8,240,950	8,240,950	10	National Bank of Pakistan	**504,670**	504,670	**346,367**	400,181
1,250,000	850,000	10	United Bank Limited	**242,721**	181,548	**153,300**	159,775
			Engineering				
105,600	105,600	10	Aisha Steel Mills Limited	**282**	282	**1,109**	1,873
100,000	100,000	10	Crescent Steel & Allied Products Limited	**20,324**	20,324	**5,556**	12,731
300,000	300,000	10	International Steel Limited	**46,811**	46,811	**19,731**	31,911
1,298,500	-	10	Mughal Iron & Steel Industries Limited	**91,572**	-	**52,524**	-
			Fertilizer				
2,220,100	2,220,100	10	Dawood Hercules Corporation	**324,933**	324,933	**246,764**	248,340
159,900	506,500	10	Engro Corporation Limited	**47,462**	158,241	**46,544**	139,161
2,708,500	5,062,500	10	Engro Fertilizers Limited	**193,738**	362,118	**187,022**	342,833
10,711,240	10,711,240	10	Fauji Fertilizer Company Limited	**1,112,218**	1,112,218	**994,539**	847,366
			Food & Personal Care Products				
-	1,005,500	10	Al Shaheer Corporation Limited	**-**	59,354	**-**	22,342
5,740	5,740	10	Nestle Pakistan Limited	**59,278**	59,278	**51,660**	66,010
70,304	64,945	10	Rafhan Maize Products Limited	**223,250**	184,928	**474,552**	441,626

No. of shares 2018	No. of shares 2017	Face value Rupees	Company's Name	Cost 2018	Cost 2017	Market value 2018	Market value 2017
				---Rupees in thousand---			
			Insurance				
4,800	4,800	10	EFU General Insurance Company Limited	**211**	211	**480**	734
230,000	-	10	IGI Holdings Limited	**66,917**	-	**46,271**	
286,843	286,843	10	Pakistan Reinsurance Company Limited	**6,326**	6,326	**9,965**	12,171
			Investment Companies				
5,462,000	5,462,000	10	MCB Arif Habib Savings & Investment Limited	**149,789**	149,789	**136,550**	152,936
			Oil & Gas Exploration Companies				
1,524,300	1,524,300	10	Oil & Gas Development Company Limited	**245,134**	245,134	**195,110**	248,141
7,645,095	10,545,095	10	Sui Northern Gas Pipelines Limited	**385,472**	531,693	**589,207**	997,671
			Paper & Board				
11,750	-	10	Packages Limited	**6,144**	-	**4,545**	-
			Pharmaceuticals				
369,400	294,400	10	Abbott Laboratories Pakistan Limited	**320,902**	272,880	**233,110**	205,376
			Power Generation & Distribution				
5,731,000	5,731,000	10	Kot Addu Power Company Limited	**491,086**	491,086	**283,971**	308,901
27,348,388	27,348,388	10	Lalpir Power Limited	**371,516**	371,516	**451,522**	616,159
923,500	923,500	10	Nishat Power Limited	**42,001**	42,001	**25,027**	31,399
25,631,181	25,631,181	10	Pakgen Power Limited	**355,448**	355,448	**436,755**	567,218
4,935,882	4,935,882	10	Saif Power Limited	**163,072**	163,072	**126,753**	142,795
			Refinery				
37,500	30,000	10	Attock Refinery Limited	**13,133**	13,133	**5,532**	7,024
506,450	506,450	10	National Refinery Limited	**394,084**	394,084	**144,733**	218,217
				7,274,808	7,454,844	**6,542,801**	7,808,352

8.4 Others - Unlisted shares

No. of shares 2018	No. of shares 2017	Face value Rupees	Company's Name	Cost 2018	Cost 2017	Market value 2018	Market value 2017
				---Rupees in thousand---			
9,681,374	9,681,374	10	Security General Insurance Company Limited [Equity held 14.224% (2017: 14.224%)] - note 8.4.1	**925,360**	925,360	**1,926,884**	2,338,633

8.4.1 This represents investment in the ordinary shares of Security General Insurance Company Limited ("SGI") which is principally engaged in general insurance business. Since SGI's ordinary shares are not listed, an independent valuer engaged by the Company has estimated a fair value of Rs. 199.03 per ordinary share as at 31 December 2018 (Rs. 241.56 per ordinary share as at 31 December 2017) through a valuation technique based on discounted cash flow analysis of SGI. Hence, it has been classified under level 3 of the fair value hierarchy as further explained in note 39 to these unconsolidated financial statements. The fair value decline of Rs. 411.75 million is included in the fair value reserve (net of deferred tax) recognized during the year in other comprehensive income.

The main level 3 inputs used by the Company are derived and evaluated as follows:

- Discount rate is determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessment of the time value of money and the risk to SGI.
- Long term growth rate is estimated based in historical performance of SGI and current market information for similar type of companies.

The significant assumptions used in this valuation technique are as follows:

- Discount rate of 16% per annum.
- Growth rate in premium revenue of 8% per annum.
- Annual growth in cost is estimated @ 11 % per annum.

8.5 Others-Mutual Fund Certificates

Open-Ended-Mutual Funds

No. of units 2018	No. of units 2017	Face value Rupees	Fund Name	Cost 2018	Cost 2017	Market value 2018	Market value 2017
				---Rupees in thousand---			
2,363,544	-	10	ABL Cash Fund	**23,876**	-	**24,151**	-
-	2,225,355	10	ABL Income Fund	-	22,291	-	22,839
257,200	-	100	HBL Cash Fund	**25,906**	-	**25,969**	-
4,113,500	-	10	HBL Investment Fund - Class B	**40,876**	-	**36,572**	-
2,767,761	2,550,579	100	MCB Cash Management Optimizer	**278,285**	255,965	**278,782**	263,312
396,355	-	50	Meezan Islamic Income Fund	**20,369**	-	**21,047**	-
-	386,357	50	Meezan Sovereign Fund	-	19,890	-	20,040
-	5,482	100	UBL Al-Ameen Islamic Cash Fund	-	556	-	562
-	468,798	100	UBL Al-Ameen Shariah Stock Fund	-	68,674	-	62,125
-	123,247	100	UBL Financial Planning Fund (Conservation Allocation Plan)	-	12,183	-	12,328
-	9	100	UBL Money Market Fund	-	1	-	1
-	534,261	100	UBL Stock Advantage Fund	-	37,475	-	35,512
				389,312	417,035	**386,521**	416,719

8.6 Open-Ended Equity Funds

No. of units 2018	No. of units 2017	Face value Rupees	Fund Name	Cost 2018	Cost 2017	Market value 2018	Market value 2017
				---Rupees in thousand---			
12,540	12,540		National Investment Trust	**161**	161	**795**	885
			Grand Total	**17,287,030**	16,616,934	**18,685,087**	20,582,107

		Note	2018	2017
9	**Investments in debt securities**	*Note*	**---------(Rupees in thousand)**	**-------**
	Held to maturity			
	Term Finance Certificates	*9.1*	**-**	71,218
	Treasury Bills	*9.2 & 9.3*	**378,029**	380,738
			378,029	451,956

9.1 Term Finance Certificates

2018	2017	Company's Name	Face value Rupees	Effective Rate %	Maturity date	2018	2017
No. of certificates						--------Rupees in thousand-------	
-	75	Pak Elektron Limited	1,000,000	7.7200%	9-Oct-18	-	71,218
						-	71,218

9.2 Treasury Bills

Face value Rupees	Type of security	Profit Payment	Profit rate %	Maturity date	2018	2017
					--------Rupees in thousand-------	
100,000,000	6 Month Treasury Bills	On maturity	6%	1-Feb-18	-	99,504
282,000,000	6 Month Treasury Bills	On maturity	6%	18-Jan-18	-	281,234
132,000,000	3 Month Treasury Bills	On maturity	9%	14-Feb-19	**130,628**	-
250,000,000	3 Month Treasury Bills	On maturity	9%	14-Feb-19	**247,401**	-
					378,029	380,738

9.3 Treasury bills with face value of Rs. 382,000 thousands are placed with State Bank of Pakistan under section 29 of the Insurance Ordinance, 2000.

		Note	2018	2017
10	**Investments in Term Deposits**	*Note*	**------- (Rupees in thousand)**	**-------**
	Held to maturity			
	Deposits maturing within 12 months			
	Inside Pakistan			
	- related parties		**6,811**	6,811
	- others		**25,066**	95,066
			31,877	101,877
	Outside Pakistan			
	- related parties		**871,396**	602,102
	- others		**3,411,149**	1,311,407
			4,282,545	1,913,509
	Deposits maturing after 12 months		**4,314,422**	2,015,386
	Inside Pakistan			
	- related parties		**2,000**	2,000
	- others		**39,691**	3,108
			41,691	5,108
	Outside Pakistan			
	- related parties		**-**	-
	- others		**-**	-
			-	-
			41,691	5,108
		10.1	**4,356,113**	2,020,494

10.1 These include fixed deposits amounting to Rs. 3,780,460 thousands (AED 100,000 thousands) [2017: Rs. 208,736 thousands (AED 6,951 thousands)] kept in accordance with the requirements of Insurance Regulations applicable to the UAE branches for the purpose of carrying on business in United Arab Emirates. These also include liens against cash deposits of Rs. 73,568 thousands (2017: Rs. 106,250 thousands) with banks in Pakistan essentially in respect of guarantees issued by the banks on behalf of the Company for claims under litigation filed against the Company.

		Note	2018	2017
11	**Loans and other receivables - considered good**	*Note*	**------- (Rupees in thousand)**	**-------**
	Rent receivable		**4,968**	6,090
	Receivable from related parties	*11.1*	**16,508**	-
	Accrued investment income		**62,096**	97,507
	Security deposits		**53,759**	44,525
	Advances to employees and suppliers		**58,542**	103,831
	Agent commission receivable		**24,085**	20,547
	Loans to employees		**44,913**	43,193
	Other receivables		**11,004**	16,191
			275,875	331,884

11.1 This represents receivable from Adamjee Life Assurance Company Limited, subsidiary of the Company, in respect of cash value of corporate life policy obtained for key management personnel of the Company. Company is the beneficiary in respect of policies obtained for the employees.

12	Insurance / reinsurance receivables - unsecured and considered good	Note	2018	2017
			-------- (Rupees in thousand) --------	
	Due from insurance contract holders	12.1	**6,820,415**	6,152,145
	Provision for impairment of receivables from insurance contract holders	12.2	**(629,668)**	(375,801)
			6,190,747	5,776,344
	Due from other insurers / reinsurers		**1,044,532**	1,145,925
	Provision for impairment of due from other insurers / reinsurers	12.3	**(201,302)**	(151,302)
			843,230	994,623
			7,033,977	6,770,967

12.1 Due from insurance contact holders include an amount Rs. 349,886 thousands (2017: Rs. 516,905 thousands) held with related parties.

	2018	2017
	-------- (Rupees in thousand) --------	
12.2 Reconciliation of provision for impairment of receivables from insurance contract holders		
Balance as at 01 January	**375,801**	368,729
Charge for the year	**191,638**	-
Exchange loss	**62,229**	7,072
Balance as at 31 December	**629,668**	375,801
12.3 Reconciliation of provision for impairment of due from other insurers / reinsurers		
Balance as at 01 January	**151,302**	85,302
Charge for the year	**50,000**	66,000
Write off against provision for the year	**-**	-
Balance as at 31 December	**201,302**	151,302

13 Prepayments

	2018	2017
Prepaid reinsurance premium ceded	**2,866,980**	2,349,147
Prepaid rent	**8,367**	30,792
Prepaid miscellaneous expenses	**172,959**	131,121
	3,048,306	2,511,060

14 Cash and bank

	2018	2017
Cash and cash equivalents		
Inside Pakistan		
Cash in hand	**408**	387
Policy and revenue stamps, bond papers	**5,895**	7,289
	6,303	7,676
Outside Pakistan	**-**	-
	6,303	7,676
Cash at bank		
Inside Pakistan		
Current accounts	**819,697**	334,019
Savings accounts	**327,040**	765,512
	1,146,737	1,099,531
Outside Pakistan	**-**	-
Current accounts	**1,053,464**	1,144,458
Savings accounts	**4,940**	26,949
	1,058,404	1,171,407
	2,205,141	2,270,938
	2,211,444	2,278,614

14.1 Cash at bank includes an amount of Rs. 401,990 thousands (31 December 2017: Rs. 764,507 thousands) held with MCB Bank Limited, a related party of the Company.

		2018	2017
		---- (Rupees in thousand) ----	
15	**Window Takaful Operations**		*(Restated)*
	Operator's Fund		
	Assets:		
	Cash and bank deposits	**101,695**	41,119
	Qard e Hasna to Participant Takaful Fund	**146,804**	117,000
	Investments	**29,930**	30,343
	Intangible assets	**20,633**	-
	Property and equipment	**16,185**	22,182
	Current assets - Others	**66,947**	30,605
	Total Assets	**382,194**	241,249
	Total Liabilities	**229,819**	141,350

		2018	2017
15.1	**Window Takaful Operations**	---- (Rupees in thousand) ----	
	Profit and loss account		
	Wakala income	**252,798**	175,846
	Commission expense	**(68,284)**	(43,596)
	Management expense	**(105,168)**	(63,968)
	Investment income	**(311)**	310
	Other income	**5,305**	1,764
	Other expenses	**(5,391)**	(3,758)
	Profit before tax	**78,949**	66,598
	Taxation	**(26,401)**	(19,580)
	Profit after tax	**52,548**	47,018

Details of assets, liabilities and segment disclosures of Window Takaful Operations are stated in the annexed unconsolidated financial statements.

16 Share capital

16.1 Authorized share capital

	2018	2017	2018	2017
	------ Number of shares-------		------ Rupees in thousand-------	
Ordinary shares of Rs. 10 each	**375,000,000**	375,000,000	**3,750,000**	3,750,000

16.2 Issued, subscribed and paid up capital

Ordinary shares of Rs. 10 each fully paid in cash	**250,000**	250,000	**2,500**	2,500
Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**349,750,000**	349,750,000	**3,497,500**	3,497,500
	350,000,000	350,000,000	**3,500,000**	3,500,000

16.3 As at 31 December 2018, MCB Bank Limited, Nishat Mills Limited and D.G. Khan Cement Company Limited , associated undertakings held 70,861,241 (2017: 76,022,665), 102,809 (2017: 102,809) and 27,229,235 (2017: Nil) ordinary shares of the Company of Rs. 10 each, respectively.

			2018	2017
			----------(Rupees in thousand) --------	
17	**Reserves**			*(Restated)*
	Capital reserves			
	Reserves for exceptional losses	**17.1**	**22,859**	22,859
	Investment fluctuation reserves	**17.2**	**3,764**	3,764
	Exchange translation reserves	**17.3**	**614,062**	467,100
	Fair value reserves	**17.4**	**2,207,015**	3,570,278
	Revenue reserves			
	General reserves		**936,500**	936,500
			3,784,200	5,000,501

17.1 The reserve for exceptional losses represents the amount set aside by the Company in prior years up to 31 December 1978, in order to avail the deduction while computing the taxable income under the old Income Tax Act of 1922. Subsequent to the introduction of repealed Income Tax Ordinance, 1979, which did not permit such deduction, the Company discontinued the setting aside of reserves for exceptional losses.

17.2 This amount has been set aside by the Company in prior years for utilization against possible diminution in the value of investments.

17.3 The exchange translation reserve represents the gain resulted from the translation of foreign branches (having business in foreign currencies) of Company into Pak Rupees. For the purpose of exchange translation reserve, the UAE and Export Processing Zone branches are treated as foreign branches since their functional currencies are AED and US Dollars, respectively.

17.4 The fair value reserve represents the net cumulative unrealized again/(loss) on available for sale investments held by the Company as at 31 December 2018.

	Note	2018	2017
		---- Rupees in thousand----	
18 Staff retirement benefit			
Unfunded gratuity scheme	*18.1*	**65,854**	69,953
Funded gratuity scheme	*18.2*	**133,127**	84,443
		198,981	154,396

Gratuity plan entitles an eligible employee to receive a lump sum amount equal to last drawn eligible salary multiply by number of eligible years of service with the Company at the time of cessation of employment. An eligible employee means a permanent employee who has successfully completed minimum five years of service with the Company. Eligible salary means monthly basic salary of the eligible employee at the time of cessation of employment.

Gratuity plan is administered through separate fund that is legally separated from the Company. The Trust of the fund comprises of four employees, out of which one employee is the Chair. The Trustees of the funds are required by law to act in the best interests of the plan participants and are responsible for making all the investments and disbursements out of the funds.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk and market (investment) risk.

These defined benefit plan is fully funded by the Company. The funding requirements are evaluated by the management using the funds' actuarial measurement framework set out in the funding policies of the plans. The funding is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from time to time. Employees are not required to contribute to gratuity plan.

The Company is responsible to manage the deficit in the defined benefit obligation towards fair value of the plan assets. The Company has devised an effective periodic contribution plan to maintain sufficient level of plan assets to meet its obligations. Further, the Company also performs regular maturity analysis of the defined benefit obligation and manage its contributions accordingly.

18.1 Unfunded gratuity scheme

18.1.1 This provision relates to the Company's operations in UAE branches. The latest actuarial valuation of gratuity scheme was carried out as at 31 December 2018 under the Projected Unit Credit Method as per the requirements of approved accounting standard - International Accounting Standard 19, the details of which are as follows:

18.1.2 Movement in the net assets / (liabilities) recognized in the balance sheet are as follows:

	2018	2017
	---- Rupees in thousand----	
Present value of defined benefit obligation at the start of the year	**69,953**	55,655
Charge for the year	**12,388**	8,645
Benefits paid	**(26,015)**	(6,889)
Remeasurement loss on obligation	**(5,771)**	9,011
Exchange loss / (gain)	**15,299**	3,531
Present value of defined benefit obligation at the end of the year	**65,854**	69,953

18.1.3 The following significant assumptions have been used for the valuation of this scheme:

	2018	2017
	------Rate per annum-------	
- Valuation discount rate	**2.20%**	2.20%
- Expected rate of increase in salary level	**2.00%**	2.00%

18.1.4 The amount charged in profit and loss is as follows:

	2018	2017
	---- Rupees in thousand----	
Current service cost	**10,975**	7,487
Interest on obligation	**1,413**	1,158
Expense for the year	**12,388**	8,645

18.1.5 The amounts charged to other comprehensive income are as follows:

Remeasurement of the present value of defined benefit obligation due to:

	2018	2017
- Changes in financial assumptions	**(7,380)**	6,843
- Experience adjustments	**1,609**	2,168
	(5,771)	9,011

18.2 Funded gratuity scheme

18.2.1 The Company operates an approved funded gratuity scheme for all eligible employees. The latest actuarial valuation of gratuity scheme was carried out as at 31 December 2018 under the Projected Unit Credit Method as per the requirements of approved accounting standard - International Accounting Standard 19, the details of which are as follows:

18.2.2 The following significant assumptions have been used for valuation of this

	2018	2017
	------Rate per annum-------	
- Discount rate & expected return on plan assets	**12.25%**	7.25%
- Expected rate of increase in salary level	**10.25%**	5.25%

18.2.3 Movement in the net assets/ (liabilities) recognized in the balance sheet are as follows:

	2018	2017
	---- Rupees in thousand----	
Net liabilities/ assets at the beginning of the year	**84,443**	25,744
Expenses recognized	**22,107**	16,677
Contribution paid during the year	**(3,000)**	-
Remeasurement (gain) / loss recognized - net	**29,577**	42,022
Net liabilities at the end of the year	**133,127**	84,443

18.2.4 The amounts recognized in the profit and loss account are as follows:

	2018	2017
Current service cost	**16,094**	15,003
Interest cost	**20,171**	16,779
Interest income on plan assets	**(14,158)**	(15,105)
	22,107	16,677

18.2.5 The amounts recognized in other comprehensive income are as follows:

	2018	2017
	---- Rupees in thousand----	
Remeasurement of plan obligation from:		
- Experience on obligation	**18,105**	3,589
Remeasurement of plan assets:		
- Actual net return on plan assets	**(2,686)**	23,328
- Interest income on plan assets	**14,158**	15,105
	11,472	38,433
	29,577	42,022

18.2.6 The amounts recognized in the balance sheet are as follows:

	2018	2017
Fair value of plan assets	**(193,756)**	(199,482)
Present value of the obligation	**326,883**	283,925
Net asset	**133,127**	84,443

18.2.7 Movement in present value of defined benefit obligation

	2018	2017
Present value of defined benefit obligation as at the beginning of the year	**283,925**	267,714
Current service cost	**16,094**	15,003
Interest cost	**20,171**	16,779
Actual benefits paid during the year	**(11,412)**	(19,160)
Remeasurement loss on obligation	**18,105**	3,589
Present value of defined benefit obligation as at the end of the year	**326,883**	283,925

18.2.8 Movement in fair value of plan assets

	2018	2017
Fair value of plan asset as at the beginning of the year	**199,482**	241,970
Interest income on plan assets	**14,158**	15,105
Actual benefits paid during the year	**(11,412)**	(19,160)
Contributions made during the year	**3,000**	-
Net return on plan assets over interest income	**(11,472)**	(38,433)
Fair value of plan asset as at the end of the year	**193,756**	199,482

18.2.9 Actual return on plan assets

	2018	2017
Expected return on plan assets	**14,158**	15,105
Net return on plan assets over interest income	**(11,472)**	(38,433)
	2,686	(23,328)

18.2.10 Comparison for five years funded & unfunded gratuity schemes

Funded gratuity schemes

	2018	2017	2016	2015	2014
	Rupees in thousand				
Fair value of defined obligation	**326,883**	283,925	267,714	243,203	218,736
Fair value of plan assets	**193,756**	199,482	241,970	183,444	157,260
Deficit	**133,127**	84,443	25,744	59,759	61,476
Experience adjustments					
Gain / (loss) on plan assets (% age of plan assets)	**-5.92%**	-19.27%	5.48%	4.13%	14.55%
Gain / (loss) on obligations (% age of obligation)	**5.54%**	-1.26%	-4.91%	-3.35%	-3.77%

Unfunded gratuity schemes

	2018	2017	2016	2015	2014
	Rupees in thousand				
Fair value of defined obligation	**65,854**	69,953	55,655	56,693	44,772
Deficit	**65,854**	69,953	55,655	56,693	44,772
Experience adjustments					
Gain / (loss) on obligations (% age of obligation)	**2.44%**	-3.10%	-10.89%	-2.51%	-2.58%

18.2.11 Plan assets consist of the following:

	2018	2017	**2018**	2017
	(Percentage)		**Rupees in thousand**	
Government Bonds	**43.66%**	41.92%	**84,595**	83,627
Shares and deposits	**22.60%**	24.87%	**43,790**	49,606
Unit Trusts	**35.04%**	34.75%	**67,894**	69,314
Benefits due	**-1.30%**	-1.54%	**(2,523)**	(3,065)
	100.00%	100.00%	**193,756**	199,482

18.2.12 Plan assets do not include any investment in the Company's ordinary shares as at 31 December 2018 (2017: Nil).

18.2.13 Expected contribution to gratuity fund for the year ending 31 December 2019 is Rs. 33,642 thousands.

18.2.14 The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the fund, at the beginning of the year.

18.2.16 The weighted average duration of the defined benefit obligation for gratuity plan is 3.3 years (2017: 3.4 years).

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

18.2.17 The main features of the gratuity schemes are as follows:

- The normal retirement age for all employees is 60 years.

- A member shall be entitled to gratuity on resignation, termination, retirement, early retirement, retrenchment, death and dismissal based on the Company's Service rules.

- The scheme is subject to the regulations laid down under the Income Tax Rules, 2002.

18.2.18 The implicit objective is that the contribution to the gratuity schemes should remain reasonably stable as a percentage of salaries, under the actuarial cost method employed.

18.2.19 Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal

		Impact on Gratuity plans			
		Unfunded		Funded	
	Change in assumptions	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
		--------------------(Rupees in thousands)-------------------			
Discount rate	1%	(2,415)	2,663	**(9,109)**	**9,699**
Salary growth rate	1%	2,612	(2,443)	**9,789**	**(9,351)**

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit obligation recognized within the statement of financial position.

	2018	2017
	----------(Rupees in thousand) --------	
19 Deferred taxation		*(Restated)*
Deferred tax debits arising in respect of:		
Provision for gratuity	**19,098**	20,985
Deferred tax credits arising in respect of:		
Tax depreciation allowance	**(62,092)**	(58,287)
Investments	**(901,452)**	(1,530,081)
	(963,544)	(1,588,368)
	(944,446)	(1,567,383)

19.1 Movement in deferred tax balances is as follows:

	2018	2017
At beginning of the year	**1,567,383**	2,223,045
Recognized in profit and loss account:		
- provision for gratuity	**1,888**	(4,288)
- tax depreciation allowance	**3,805**	7,041
	5,693	2,753
Recognized in other comprehensive income:		
- investments	**(628,630)**	(658,415)
	944,446	1,567,383

20 Insurance/reinsurance payables

	2018	2017
Due to other insurers / reinsurers	**2,709,714**	1,668,516

This amount represents amount payable to other insurers and reinsurers.

21 Other creditors and accruals

	Note	2018	2017
		----------(Rupees in thousand) --------	
Agents commission payable		**708,645**	807,027
Federal excise duty / sales tax		**200,803**	80,203
Federal Insurance Fee		**37,729**	22,733
Workers' welfare fund	*21.1*	**432,246**	391,437
Tax deducted at source		**58,052**	56,465
Accrued expenses		**191,541**	122,578
Unpaid and unclaimed dividend		**121,350**	106,214
Payable to employees' provident fund	*21.2*	**2,449**	2,325
Sundry creditors		**452,917**	295,130
		2,205,732	1,884,112

21.1 Workers' welfare fund

	2018	2017
Balance as at 01 January	**391,437**	328,163
Provision for the year	**52,571**	63,274
Reversal during the year	**(11,762)**	-
Balance as at 31 December	**432,246**	391,437

21.1.1 The Finance Act 2008 introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Honorable Lahore High Court, the Honorable Sindh High Court and the Honorable Peshawar High Court.

The Honorable Supreme Court of Pakistan vide its judgment dated 10 November 2016, has upheld the view of Honorable Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act, 2008 are ultra-vires to the Constitution.

The Federal Board of Revenue has filed Civil Review Petitions in respect of above judgment with the prayer that the judgment dated 10 November 2016 passed in the Civil Appeal may kindly be reviewed in the interest of justice.

The Company has held a reserve of Rs. 432,246 thousands as at 31 December 2018 against WWF until the outcome of the filed Civil Review Petition.

21.2 During the year, an amount of Rs. 30,977 thousands (2017 : Rs. 29,038 thousands) has been charged to the profit and loss account in respect of the Company's contribution to the employees' provident fund.

22 Deposits and other payables

	Note	2018	2017
		----------(Rupees in thousand) --------	
Cash margin against performance bonds	*22.1*	**692,086**	652,075
		692,086	652,075

22.1 This represents margin deposit on account of performance and other bond policies issued by the Company.

23 Contingencies and commitments

23.1 Contingencies

The Company has filed appeals in respect of certain assessment years mainly on account of the following:

Sales tax

(a) Under the Sindh Sales Tax Act, 2011, sales tax is payable on premium on corporate health insurance policies written in the province of Sindh. 'The Insurance Association of Pakistan' (IAP) on behalf of the insurance companies has taken up the matter with the SRB and has also approached the Honorable Chief Minister, Sindh, for a favorable resolution of the matter. The matter is still under the process of review. The Company and other insurance companies carrying out corporate health insurance have not yet billed their customers for SST. The amount not yet billed by the Company, works out to Rs. 130,106 thousands and 93,675 thousands for the period from 1 July 2016 to 31 December 2017 and from 1 January to 31 December 2018 respectively (cumulatively Rs. 223,782 thousands).

Income tax

(b) Deputy Commissioner Inland Revenue passed order u/s 161/205 of the Ordinance for tax year 2013 raising an income tax demand of Rs. 9,066 thousands. The Company agitated the order before Commissioner Inland Revenue (Appeals). Commissioner Inland Revenue (Appeals) decided the case in the favor of the Company. Following the said order, the learned DCIR has passed an appeal effect order in which certain directions of the learned CIR-Appeals have not been followed for which a rectification appeal under section 221 of the Ordinance has been filed before learned DCIR which is still to be processed.

(c) The Company received a notice from Additional Commissioner Inland Revenue pertaining to the amendment of tax year 2008. Amongst others, the Additional Commissioner raised an issue with respect to the claim of exemption claimed on capital gains on listed securities by way of incorrect application of the provisions of law. The Company preferred to contest this matter by way of filing a constitutional petition before the Honorable Sindh High Court. The Court has ordered for stay of proceedings.

(d) The Taxation Officer has passed an order in the tax years 2005 and 2006 under section 221 of the Income Tax Ordinance, 2001 (the Ordinance) levying minimum tax liability aggregating to Rs. 38,360 thousands. An appeal was filed before the Commissioner Inland Revenue (Appeals) who upheld the order of the Taxation Officer. The Company has filed an appeal before the ATIR which is yet to be heard.

(e) The Tax Authorities amended the assessments for tax years 2003 to 2005 on the ground that the Company has not apportioned management and general administration expenses against capital gain and dividend income. The Company filed constitutional petition in the Honorable Sindh High Court against the amendment in the assessment order. The Company may be liable to pay Rs. 5,880 thousands in the event of decision against the Company, out of which Rs. 2,730 thousands have been provided resulting in a shortfall of Rs. 3,150 thousands.

(f) Learned Deputy Commissioner Inland Revenue has passed an order under section 161/205 of the Ordinance for tax year 2017 creating a demand of Rs. 22,105 thosands on Account of Non-Deduction of Income Tax while making payments. The Company has paid partial payment of Rs. 9,065 thousands under protest and agitated the order before learned Commissioner Inland Revenue Appeals - I and the appeal has not yet been fixed.

Pending resolution of the above-mentioned appeals filed by the Company, no provision has been made in these unconsolidated financial statements for the aggregate amount of Rs. 54,550 thousands (2017: Rs. 77,030 thousands) as the management is confident that the eventual outcome of the above matters will be in favor of the Company.

23.2 Commitments

The Company has issued letter of guarantees amounting to AED 501,000 amounting to Rs. 18,940 thousands (2017: AED 832,250 amounting to Rs. 24,992 thousands) relating to UAE branch.

	2018	2017
	--------(Rupees in thousand) ------	

24 Net insurance premium

Written gross premium	**20,387,059**	18,521,851
Unearned premium reserve opening	**8,912,498**	7,349,511
Unearned premium reserve closing	**(10,100,901)**	(8,912,498)
Currency translation effect	**952,608**	187,156
Premium earned	**20,151,264**	17,146,020
Reinsurance premium ceded	**(6,831,707)**	(5,588,773)
Prepaid reinsurance premium opening	**(2,349,147)**	(2,356,182)
Prepaid reinsurance premium closing	**2,866,980**	2,349,147
Currency translation effect	**(31,609)**	(15,213)
Reinsurance expense	**(6,345,483)**	(5,611,021)
	13,805,781	11,534,999

24.1 Net insurance premium - Business underwritten inside Pakistan

Written gross premium	**13,413,513**	11,975,818
Unearned premium reserve opening	**5,186,518**	4,515,372
Unearned premium reserve closing	**(5,508,453)**	(5,186,518)
Premium earned	**13,091,578**	11,304,672
Reinsurance premium ceded	**(6,532,653)**	(5,020,056)
Prepaid reinsurance premium opening	**(2,079,920)**	(1,922,263)
Prepaid reinsurance premium closing	**2,838,973**	2,079,920
Reinsurance expense	**(5,773,600)**	(4,862,399)
	7,317,978	6,442,273

24.2 Net insurance premium - Business underwritten outside Pakistan

Written gross premium	**6,973,546**	6,546,033
Unearned premium reserve opening	**3,725,980**	2,834,139
Unearned premium reserve closing	**(4,592,448)**	(3,725,980)
Currency translation effect	**952,608**	187,156
Premium earned	**7,059,686**	5,841,348
Reinsurance premium ceded	**(299,054)**	(568,717)
Prepaid reinsurance premium opening	**(269,227)**	(433,919)
Prepaid reinsurance premium closing	**28,007**	269,227
Currency translation effect	**(31,609)**	(15,213)
Reinsurance expense	**(571,883)**	(748,622)
	6,487,803	5,092,726

25 Net insurance claims expense

	Note	2018	2017
		--------(Rupees in thousand) ------	
Claims paid		**13,905,284**	10,632,888
Outstanding claims including IBNR closing	*25.3*	**10,461,975**	11,485,744
Outstanding claims including IBNR opening		**(11,485,744)**	(9,475,718)
Currency translation effect		**(1,082,517)**	(225,865)
Claims expense		**11,798,998**	12,417,049
Reinsurance and other recoveries received		**(5,651,171)**	(3,669,513)
Reinsurance and other recoveries in respect of outstanding claims closing		**(6,397,245)**	(8,056,450)
Reinsurance and other recoveries in respect of outstanding claims opening		**8,056,450**	6,615,596
Currency translation effect		**578,720**	127,146
Reinsurance and other recoveries revenue		**(3,413,246)**	(4,983,221)
		8,385,752	7,433,828

25.1 Net insurance claims expense - Business underwritten inside Pakistan

	2018	2017
Claims paid	**7,133,353**	4,456,248
Outstanding claims including IBNR closing	**5,386,215**	7,084,282
Outstanding claims including IBNR opening	**(7,084,282)**	(5,480,119)
Claims expense	**5,435,286**	6,060,411
Reinsurance and other recoveries received	**(3,212,418)**	(1,180,601)
Reinsurance and other recoveries in respect of outstanding claims closing	**(3,769,658)**	(5,602,812)
Reinsurance and other recoveries in respect of outstanding claims opening	**5,602,812**	4,220,537
Reinsurance and other recoveries revenue	**(1,379,264)**	(2,562,876)
	4,056,022	3,497,535

25.2 Net insurance claims expense - Business underwritten outside Pakistan

	2018	2017
Claims paid	**6,771,931**	6,176,640
Outstanding claims including IBNR closing	**5,075,760**	4,401,462
Outstanding claims including IBNR opening	**(4,401,462)**	(3,995,599)
Currency translation effect	**(1,082,517)**	(225,865)
Claims expense	**6,363,712**	6,356,638
Reinsurance and other recoveries received	**(2,438,753)**	(2,488,912)
Reinsurance and other recoveries in respect of outstanding claims closing	**(2,627,587)**	(2,453,638)
Reinsurance and other recoveries in respect of outstanding claims opening	**2,453,638**	2,395,059
Currency translation effect	**578,720**	127,146
Reinsurance and other recoveries revenue	**(2,033,982)**	(2,420,345)
	4,329,730	3,936,293

25.3 Claims development table

The following table shows the development of the claims over a period of time. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments.

	Accident year						
	2013 & Prior	2014	2015	2016	2017	**2018**	**Total**
	Rupees in thousand						
Estimate of the ultimate claim cost:							
At end of accident year	-	-	6,857,672	11,752,724	11,307,403	13,278,246	**43,196,045**
One year later	-	3,195,074	5,059,319	7,075,979	6,362,631	-	**21,693,003**
Two years later	2,125,938	861,957	1,255,685	2,369,539	-	-	**6,613,119**
Three years later	1,385,048	1,947,901	1,791,844	-	-	-	**5,124,793**
Four years later	531,663	163,472	-	-	-	-	**695,135**
Five Years later	403,609	-	-	-	-	-	**403,609**
Current estimate of cumulative claims	403,609	163,472	1,791,844	2,369,539	6,362,631	13,278,246	**24,369,341**
Less: Cumulative payments to date	59,602	56,726	1,659,499	763,333	4,286,368	7,081,838	**13,907,366**
Liability recognized in statement of financial position	344,007	106,746	132,345	1,606,206	2,076,263	6,196,408	**10,461,975**

26 Net commission expense / acquisition costs

	2018	2017
	--------(Rupees in thousand) ------	
Commission paid or payable	**1,757,025**	1,650,460
Deferred commission expense opening	**733,631**	737,281
Deferred commission expense closing	**(788,431)**	(733,631)
Currency translation effect	**102,787**	20,673
Net commission	**1,805,012**	1,674,783
Commission received or recoverable	**(504,854)**	(587,342)
Unearned reinsurance commission opening	**(240,306)**	(236,890)
Unearned reinsurance commission closing	**221,371**	240,306
Currency translation effect	**(1,647)**	(805)
Commission from reinsurance	**(525,436)**	(584,731)
	1,279,576	1,090,052

26.1 Net commission and other acquisition costs - Business underwritten inside Pakistan

	2018	2017
Commission paid or payable	**971,496**	928,651
Deferred commission expense opening	**326,325**	398,331
Deferred commission expense closing	**(297,403)**	(326,325)
Net commission	**1,000,418**	1,000,657
Commission received or recoverable	**(498,603)**	(577,219)
Unearned reinsurance commission opening	**(227,726)**	(202,685)
Unearned reinsurance commission closing	**218,690**	227,726
Commission from reinsurance	**(507,639)**	(552,178)
	492,779	448,479

26.2 Net commission and other acquisition costs - Business underwritten outside Pakistan

	2018	2017
Commission paid or payable	**785,529**	721,809
Deferred commission expense opening	**407,306**	338,950
Deferred commission expense closing	**(491,028)**	(407,306)
Currency translation effect	**102,787**	20,673
Net commission	**804,594**	674,126
Commission received or recoverable	**(6,251)**	(10,123)
Unearned reinsurance commission opening	**(12,580)**	(34,205)
Unearned reinsurance commission closing	**2,681**	12,580
Currency translation effect	**(1,647)**	(805)
Commission from reinsurance	**(17,797)**	(32,553)
	786,797	641,573

27 Management expenses

	Note	2018	2017
		---------(Rupees in thousand) -------	
Employees benefit cost	*27.1*	**1,612,508**	1,422,467
Travelling expenses		**62,088**	57,085
Advertisement & sales promotion		**55,720**	42,513
Printing & stationary		**30,396**	28,337
Depreciation		**126,232**	128,558
Amortization		**22,983**	11,109
Rent, rates & taxes		**94,076**	99,222
Legal & professional charges		**116,879**	91,996
Electricity, gas & water		**46,828**	45,661
Entertainment		**22,711**	21,972
Vehicle running expenses		**92,745**	73,389
Office repairs & maintenance		**42,205**	29,628
Bank charges		**30,560**	15,866
Postages, telegrams & telephone		**38,498**	39,291
Supervision fee		**55,920**	53,150
IT related costs		**101,733**	67,104
Tracking and monitoring charges		**220,592**	195,407
VAT receivable written-off by Company's UAE branch	*27.2*	**184,290**	-
Provision for doubtful balances against due from insurance contract holders	*12.2*	**191,638**	-
Provision for doubtful balances against due from other insurers / reinsurers	*12.3*	**50,000**	66,000
Regulatory fee		**90,559**	40,118
Miscellaneous		**35,387**	47,020
		3,324,548	2,575,893

27.1 Employee benefit cost

	2018	2017
Salaries, allowances and other benefits	**1,543,521**	1,364,579
Charges for post employment benefit	**68,987**	57,888
	1,612,508	1,422,467

27.2 U.A.E. Federal Tax Authority has implemented Value Added Tax (VAT) with effect from January 01, 2018 through Federal Decree Law No (8) of 2017. Management of U.A.E. Branches calculated and paid the due tax on the unearned premium reserve (UPR) to the Federal Tax Authority. The taxes thus paid amounting to AED 6,125,049 were recorded as receivables from respective policyholders. Out of this the Company has written off VAT receivable of AED 5,945 thousands amounting to PKR 184,290 thousands.

28 Investment income

2018 2017
---------(Rupees in thousand) -------

Business underwritten Inside Pakistan

28.1 Income from equity securities

Available for sale

	2018	2017
Dividend income		
- related parties	**779,519**	722,085
- others	**513,019**	716,877
	1,292,538	1,438,962

		2018	2017
28.2	**Income from debt securities**	**---------(Rupees in thousand) -------**	
	Held to maturity		
	Return on Term Finance Certificates	**3,782**	4,983
	Return on Pakistan Investment Bonds	**-**	15,263
	Profit on Treasury Bills	**27,446**	25,737
		31,228	45,983
28.3	**Income from term deposits**		
	- related parties	**27**	27
	- others	**3,401**	1,161
		3,428	1,188
28.4	**Net realized gains / (losses) on investments**		
	Available for sale		
	Realized gains on equity security		
	- related parties	**-**	134,905
	- others	**452,202**	811,492
		452,202	946,397
		1,779,396	2,432,530
	Provision of impairment in 'available-for-sale' investments	**(575,296)**	(1,054,064)
		1,204,100	1,378,466

Business underwritten Outside Pakistan

		2018	2017
28.5	**Income from equity securities**		
	Available for sale		
	Dividend income		
	- related parties	**-**	-
	- others	**2,123**	16,064
		2,123	16,064
	Realized gains		
	- related parties	**-**	-
	- others	**-**	88,802
		-	88,802
28.6	**Income from term deposits**		
	- related parties	**13,020**	4,971
	- others	**65,413**	5,475
		78,433	10,446
		80,556	115,312
	Total investment income	**1,284,656**	1,493,778

		Note	2018	2017
			---------(Rupees in thousand) -------	
29	**Other income**			
	Return on bank balances		**69,144**	74,035
	Gain on sale of fixed assets		**8,516**	7,345
	Return on loans to employee		**340**	338
	Exchange gain		**5,670**	5,133
	Shared expenses received		**9,760**	6,470
	Miscellaneous		**7,013**	8,513
			100,443	101,834
30	**Other expenses**			
	Legal & professional charges other than business related		**46,244**	17,981
	Auditor's remuneration	*30.1*	**11,351**	10,841
	Subscription fee		**4,817**	3,778
	Donations	*30.2*	**2,700**	2,690
	Directors' fee		**220**	190
	Workers welfare fund		**40,809**	63,274
	Central depository expense		**3,106**	2,305
	Others		**4,112**	5,588
			113,359	106,647

30.1 Auditor's remuneration

	2018	2017
Inside Pakistan:		
Audit fee	**2,380**	2,380
Interim review fee	**469**	469
Special certifications and sundry advisory services	**520**	520
Out of pocket expenses including government levy	**463**	463
	3,832	3,832
Outside Pakistan:		
Audit fee	**6,355**	5,837
Interim review fee	**829**	717
Out of pocket expenses including government levy	**335**	455
	7,519	7,009
	11,351	10,841

30.2 None of the directors or their spouses have any interest in the donee.

31 Taxation - net

	2018	2017
	-------- (Rupees in thousand) --------	
Current tax		
For the year		
- General	**811,280**	929,136
- Window Takaful Operations	**26,393**	19,193
Prior year	**91,125**	(51,791)
	928,798	896,538
Deferred tax		
For the year		
- General	**5,693**	2,753
- Window Takaful Operations	**9**	387
	5,702	3,140
	934,500	899,678

31.1 Tax charge reconciliation

	(Effective tax rate)	
	2018	2017
	---------(Percentage)----------	
Tax at the applicable rate of 29% (2017: 30%)	**29.00**	30.00
Prior year	**4.19**	(2.44)
Effect of super tax	**2.00**	-
Tax effect of provision for impairment of investments	**7.68**	14.91
Others	**0.13**	(0.05)
	43.00	42.42

31.2 The Finance Act, 2018, amended Section 5A of Income Tax Ordinance, 2001 and now every public limited company is required to pay at the rate of 5 percent of its accounting profit before tax if it does not distribute at least 20 percent of its after tax profits within six months of the end of the relevant tax year through cash or bonus shares.

31.3 During the year the Company paid an interim dividend of Rs. 1 per share representing 28.25% of its after tax profits for the year which is sufficient to comply with the above stated requirements. Accordingly, no provision for tax in respect of undistributed profits has been recognized in these unconsolidated financial statements.

32 Earnings per share

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

	2018	2017
	---------(Rupees in thousand) -------	
Profit after tax for the year	**1,239,000**	1,221,228
	- - - - - Number of shares - - - - -	
Weighted average number of ordinary shares	**350,000,000**	350,000,000
	-----Rupees----	
Earning per share - basic and diluted	**3.54**	3.49

33 Compensation of Directors and Executives

The aggregate amount charged in the accounts for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company are as follows:

	Chief Executive Officer		Directors		Key Management Personnel	
	2018	2017	**2018**	2017	**2018**	2017
	---- (Rupees in thousand) ----					
Fees	**-**	-	**220**	190	**-**	-
Managerial remuneration	**22,275**	19,800	**-**	-	**409,999**	346,148
Leave encashment	**1,454**	880	**-**	-	**21,221**	18,566
Bonus	**3,600**	3,000	**-**	-	**49,023**	39,599
Charge of defined benefit plan	**223**	-	**-**	-	**20,443**	15,080
Contribution to defined contribution plan	**1,114**	990	**-**	-	**19,493**	16,442
House rent allowance	**-**	-	**-**	-	**108,149**	93,690
Utilities	**338**	576	**-**	-	**209**	697
Medical	**-**	-	**-**	-	**24,033**	20,820
Conveyance	**-**	-	**-**	-	**67,625**	62,605
Special allowance	**1,800**	1,800	**-**	-	**-**	-
Other allowance	**446**	417	**-**	-	**-**	-
	31,250	27,463	**220**	190	**720,195**	613,647
Number	**1**	1	**7**	7	**360**	**321**

33.1 In addition, the Chief Executive Officer (CEO) is also provided with free use of the Company's cars, residence, certain household items, furniture and fixtures and equipment in accordance with the policy of the Company.

33.2 No remuneration was paid to non - executive directors of the Company except for meeting fees.

34 Transactions with related parties

The Company has related party relationships with its associates, subsidiary company, entities with common directorship, employee retirement benefit plans, key management personnel and other parties. Transactions are entered into with such related parties for the issuance of policies to and disbursements of claims incurred by them and payments of rentals for the use of premises rented from them. There are no transactions with key management personnel other than those specified in their terms of employment. Contributions and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan.

Investments and bank deposits with related parties have been disclosed in note 7, 8, 10 and 14 to the unconsolidated financial statements. Other transactions with related parties are summarized as follows:

		2018	2017
i) Transactions		**-------- (Rupees in thousand) --------**	
Subsidiary company			
	Premiums underwritten	**12,546**	9,555
	Premiums received	**13,060**	9,611
	Claims paid	**9,036**	997
	Claims received	**2,500**	-
	Premium paid	**8,666**	4,615
	Rent paid	**2,000**	-
	Rent / service charges received	**2,002**	4,490
Other related parties			
	Premiums underwritten	**1,247,337**	1,328,853
	Premiums received	**1,338,158**	1,339,388
	Claims paid	**793,510**	423,199
	Commission Paid	**47,296**	32,602
	Rent paid	**4,254**	5,471
	Rent received	**-**	4,338
	Dividends received	**779,510**	722,075
	Dividends paid	**141,722**	306,353
	Income on bank deposits	**30,118**	27,614
	Investments made	**443,093**	903,210
	Investments sold	**-**	98,110
	Purchases	**20,800**	-
	Fee / service charges paid	**2,855**	8,163
ii) Period end balances			
Subsidiary company			
	Balances receivable	**16,892**	686
	Balances payable	**2,085**	759
Other related parties			
	Balances receivable	**349,502**	516,219
	Balances payable	**761,866**	628,382
	Cash and bank balances	**1,282,197**	1,375,420

35 Segment Information

	Fire and property damage		Marine, aviation and transport		Motor		Health		Miscellaneous		Total		Aggregate
31 December 2018	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	
	Rupees in thousands												
Premium receivable (Inclusive of federal excise duty, Federal insurance fee and Administrative surcharge)	6,940,471	35,663	1,490,792	31,449	3,281,554	7,207,263	1,643,199	33,851	1,780,971	12,178	15,136,987	7,320,404	22,457,391
Less: Federal excise duty / VAT	(886,210)	(1,728)	(167,431)	(922)	(391,797)	(341,873)	(810)	(1,612)	(143,381)	(643)	(1,589,629)	(346,778)	(1,936,407)
Federal insurance fee	(60,008)	(46)	(13,147)	(30)	(28,639)	-	(16,228)	-	(15,823)	(4)	(133,845)	(80)	(133,925)
	5,994,253	33,889	1,310,214	30,497	2,861,118	6,865,390	1,626,161	32,239	1,621,767	11,531	13,413,513	6,973,546	20,387,059
Gross written premium (inclusive of administrative surcharge)	5,994,253	33,889	1,310,214	30,497	2,861,118	6,865,390	1,626,161	32,239	1,621,767	11,531	13,413,513	6,973,546	20,387,059
Gross direct premium	5,957,126	33,783	1,288,633	30,388	2,765,253	6,862,060	1,625,567	32,239	1,548,787	11,467	13,185,366	6,969,937	20,155,303
Facultative inward premium	17,767	-	65	-	-	-	-	-	60,522	-	78,354	-	78,354
Administrative surcharge	19,360	106	21,516	109	95,865	3,330	594	-	12,458	64	149,793	3,609	153,402
	5,994,253	33,889	1,310,214	30,497	2,861,118	6,865,390	1,626,161	32,239	1,621,767	11,531	13,413,513	6,973,546	20,387,059
Insurance premium earned	5,420,329	39,264	1,308,689	32,766	2,790,380	6,952,635	1,969,216	22,785	1,602,964	12,236	13,091,578	7,059,686	20,151,264
Insurance premium ceded to reinsurers	(4,520,946)	(23,687)	(533,850)	-	(39,388)	(524,903)	-	(12,881)	(679,416)	(10,412)	(5,773,600)	(571,883)	(6,345,483)
Net insurance premium	899,383	15,577	774,839	32,766	2,750,992	6,427,732	1,969,216	9,904	923,548	1,824	7,317,978	6,487,803	13,805,781
Commission income	374,752	6,101	1,569	-	98	9,355	-	-	131,220	2,341	507,639	17,797	525,436
Net underwriting income	1,274,135	21,678	776,408	32,766	2,751,090	6,437,087	1,969,216	9,904	1,054,768	4,165	7,825,617	6,505,600	14,331,217
Insurance claims	(1,358,371)	(57)	(328,110)	251	(1,405,573)	(6,343,374)	(1,691,131)	(19,670)	(652,101)	(862)	(5,435,286)	(6,363,712)	(11,798,998)
Insurance claim recoveries from reinsurer	1,069,180	(3,596)	(28,461)	-	55,226	2,018,912	-	17,608	283,319	1,058	1,379,264	2,033,982	3,413,246
Net claims	(289,191)	(3,653)	(356,571)	251	(1,350,347)	(4,324,462)	(1,691,131)	(2,062)	(368,782)	196	(4,056,022)	(4,329,730)	(8,385,752)
Commission expense	(436,623)	(4,857)	(127,750)	(4,869)	(229,755)	(792,842)	(60,412)	(800)	(145,878)	(1,226)	(1,000,418)	(804,594)	(1,805,012)
Management expense	(383,130)	(2,854)	(269,543)	(9,212)	(1,023,964)	(1,228,887)	(133,348)	(7,467)	(256,615)	(9,528)	(2,066,600)	(1,257,948)	(3,324,548)
Premium deficiency expense	-	-	-	-	-	-	-	-	-	-	-	-	-
Net insurance claims and expenses	(1,108,944)	(11,364)	(753,864)	(13,830)	(2,604,066)	(6,346,191)	(1,884,891)	(10,329)	(771,275)	(10,558)	(7,123,040)	(6,392,272)	(13,515,312)
Underwriting result	165,191	10,314	22,544	18,936	147,024	90,896	84,325	(425)	283,493	(6,393)	702,577	113,328	815,905
Net investment income											1,204,100	80,556	1,284,656
Rental income											6,906	-	6,906
Other income											66,004	34,439	100,443
Other expenses											(92,586)	(20,773)	(113,359)
Exchange gain / (loss)											-	-	-
Profit from Window Takaful Operations											78,949	-	78,949
Profit before tax											1,965,950	207,550	2,173,500

	Fire and property damage		Marine, aviation and transport		Motor		Health		Miscellaneous		Total		Aggregate
31 December 2018	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	
	Rupees in thousands												
Segment Assets	7,344,826	70,585	652,691	12,632	1,210,746	5,236,105	596,098	43,884	1,906,664	12,403	11,711,025	5,375,609	17,086,634
Unallocated assets											24,802,217	5,956,243	30,758,460
											36,513,242	**11,331,852**	**47,845,094**
Segment Liabilities	7,287,011	89,828	695,068	21,940	2,592,722	9,514,021	1,341,301	46,326	2,301,540	12,191	14,217,642	9,684,306	23,901,948
Unallocated Liabilities											3,547,687	732,101	4,279,788
											17,765,329	**10,416,407**	**28,181,736**

35.1 Segment Information

	31 December 2017												
	Fire and property damage		Marine, aviation and transport		Motor		Health		Miscellaneous		Total		Aggregate
	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	
	Rupees in thousands												
Premium receivable (Inclusive of federal excise duty, Federal insurance fee and Administrative surcharge)	5,676,338	37,558	966,619	32,383	3,041,041	6,457,834	2,051,731	7,479	1,696,987	11,563	13,432,716	6,546,817	19,979,533
Less: Federal excise duty / VAT	(716,737)	(490)	(109,302)	(170)	(362,040)	-	-	-	(148,853)	(54)	(1,336,932)	(714)	(1,337,646)
Federal insurance fee	(49,232)	(37)	(8,472)	(29)	(26,555)	-	(20,374)	-	(15,333)	(4)	(119,966)	(70)	(120,036)
	4,910,369	37,031	848,845	32,184	2,652,446	6,457,834	2,031,357	7,479	1,532,801	11,505	11,975,818	6,546,033	18,521,851
Gross written premium (inclusive of administrative surcharge)	4,910,369	37,031	848,845	32,184	2,652,446	6,457,834	2,031,357	7,479	1,532,801	11,505	11,975,818	6,546,033	18,521,851
Gross direct premium	4,875,845	36,898	829,226	32,075	2,563,443	6,455,461	2,029,655	7,479	1,520,255	11,429	11,818,424	6,543,342	18,361,766
Facultative inward premium	15,068	-	-	-	-	-	-	-	-	-	15,068	-	15,068
Administrative surcharge	19,456	133	19,619	109	89,003	2,373	1,702	-	12,546	76	142,326	2,691	145,017
	4,910,369	37,031	848,845	32,184	2,652,446	6,457,834	2,031,357	7,479	1,532,801	11,505	11,975,818	6,546,033	18,521,851
Insurance premium earned	4,970,982	49,077	858,255	29,948	2,401,785	5,738,661	1,663,063	10,606	1,410,587	13,056	11,304,672	5,841,348	17,146,020
Insurance premium ceded to reinsurers	(4,048,406)	(30,331)	(186,551)	-	(36,758)	(704,671)	-	(8,622)	(590,684)	(4,998)	(4,862,399)	(748,622)	(5,611,021)
Net insurance premium	922,576	18,746	671,704	29,948	2,365,027	5,033,990	1,663,063	1,984	819,903	8,058	6,442,273	5,092,726	11,534,999
Commission income	394,824	5,188	1,133	-	43	25,166	-	-	156,178	2,199	552,178	32,553	584,731
Net underwriting income	1,317,400	23,934	672,837	29,948	2,365,070	5,059,156	1,663,063	1,984	976,081	10,257	6,994,451	5,125,279	12,119,730
Insurance claims	(2,621,375)	(4,967)	(367,437)	(3,446)	(1,136,444)	(6,343,491)	(1,404,546)	(6,323)	(530,609)	1,589	(6,060,411)	(6,356,638)	(12,417,049)
Insurance claim recoveries from reinsurer	2,216,955	1,742	187,534	-	(16,830)	2,416,904	-	3,250	175,217	(1,551)	2,562,876	2,420,345	4,983,221
Net claims	(404,420)	(3,225)	(179,903)	(3,446)	(1,153,274)	(3,926,587)	(1,404,546)	(3,073)	(355,392)	38	(3,497,535)	(3,936,293)	(7,433,828)
Commission expense	(463,247)	(7,573)	(121,551)	(2,993)	(248,316)	(661,920)	(56,163)	(295)	(111,380)	(1,345)	(1,000,657)	(674,126)	(1,674,783)
Management expense	(340,621)	(1,087)	(232,639)	(5,993)	(936,809)	(616,510)	(162,863)	(5,201)	(268,852)	(5,318)	(1,941,784)	(634,109)	(2,575,893)
Premium deficiency expense	-	-	-	-	-	121,553	-	-	-	-	-	121,553	121,553
Net insurance claims and expenses	(1,208,288)	(11,885)	(534,093)	(12,432)	(2,338,399)	(5,083,464)	(1,623,572)	(8,569)	(735,624)	(6,625)	(6,439,976)	(5,122,975)	(11,562,951)
Underwriting result	109,112	12,049	138,744	17,516	26,671	(24,308)	39,491	(6,585)	240,457	3,632	554,475	2,304	556,779
Net investment income											1,378,466	115,312	1,493,778
Rental income											7,480	1,084	8,564
Other income											101,427	407	101,834
Other expenses											(99,625)	(7,022)	(106,647)
Exchange gain											-	-	-
Profit from Window Takaful Operations											66,598	-	66,598
Profit before tax											2,008,821	112,085	2,120,906

	31 December 2017- Restated												
	Fire and property damage		Marine, aviation and transport		Motor		Health		Miscellaneous		Total		Aggregate
	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	
	Rupees in thousands												
Segment Assets	8,024,165	68,696	594,844	14,374	1,099,831	5,467,973	744,815	10,643	1,870,256	14,599	12,333,911	5,576,285	17,910,196
Unallocated assets											26,081,673	3,395,668	29,477,341
											38,415,584	8,971,953	47,387,537
Segment Liabilities	7,877,109	81,525	563,983	20,350	2,286,540	8,019,014	1,632,477	17,282	2,114,503	10,973	14,474,612	8,149,144	22,623,756
Unallocated Liabilities											3,905,035	494,281	4,399,316
											18,379,647	8,643,425	27,023,072

36 Movement in investments

	Available for sale	Held to Maturity	Term Deposit Receipts	Total
	---------------------- Rupees in thousand			----------------------
As at 01 January 2017	**23,411,474**	**388,802**	**525,059**	**24,325,335**
Additions	6,400,626	286,245	1,506,445	8,193,316
Disposals (sales and redemptions)	(5,521,637)	(253,811)	(100,000)	(5,875,448)
Fair value net gains (excluding net realized gain)	(1,959,395)	-	-	(1,959,395)
Currency translation effect	-	-	88,990	88,990
Unwiding of discount on debt securites	-	30,720	-	30,720
Impairment losses	(1,054,064)	-	-	(1,054,064)
As at 31 December 2017	**21,277,004**	**451,956**	**2,020,494**	**23,749,454**
Additions	2,344,810	1,879,845	5,667,018	9,891,673
Disposals (sales and redemptions)	(1,674,713)	(1,985,000)	(4,056,344)	(7,716,057)
Fair value net gains (excluding net realized gain)	(1,991,823)	-	-	(1,991,823)
Discount on investment bonds	-	-	-	-
Currency translation effect	-	-	724,945	724,945
Unwiding of discount on debt securites	-	31,228		31,228
Impairment losses	(575,296)	-	-	(575,296)
As at 31 December 2018	**19,379,982**	**378,029**	**4,356,113**	**24,114,124**

37 Management of insurance and financial risk

The Company's activities expose it to a variety of 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 financial risk without any material change from previous period 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.

The individual risk wise analysis is given below :

37.1 Insurance risk

The principal risk that the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof may 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 claims 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 reinsurance 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. property, marine and aviation, motor, and accident and health. 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.

37.1.1 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.

37.1.2 Reinsurance arrangements

Keeping in view the maximum exposure in respect of key zone aggregate, 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 the multiple of the treaty capacity or the primary recovery from the proportional treaty, any loss over and above limit would be recovered from the non-proportional treaty which is very much in line with the risk management philosophy of the Company.

	Gross sum insured		Reinsurance		Net	
	2018	2017	**2018**	2017	**2018**	2017
	-----Rupees in thousand-----					
Fire	**4,503,179,839**	5,089,569,636	**4,011,048,508**	4,114,995,910	**492,131,331**	974,573,726
Marine	**2,759,928,878**	2,591,580,089	**1,099,158,184**	518,090,317	**1,660,770,694**	2,073,489,772
Motor	**249,655,070**	289,843,396	**6,407,111**	14,895,198	**243,247,959**	274,948,198
Accident & Health	**85,326,684**	109,434,854	**665,285**	667,473	**84,661,399**	108,767,381
Miscellaneous	**433,454,724**	376,509,487	**192,962,334**	236,982,329	**240,492,390**	139,527,158
	8,031,545,195	8,456,937,462	**5,310,241,422**	4,885,631,227	**2,721,303,773**	3,571,306,235

37.1.3 Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the balance sheet date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessary based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty, and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as judicial decisions and government legislation affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the balance sheet date.

37.1.4 Key assumptions for claim estimation

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

The estimation of IBNR is generally subject to a greater degree of uncertainty that the estimation of the cost of settling claims already notified to the Company, in which case the information about the claim event is available. IBNR provision is initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries.

The estimation process takes into account the past claims reporting pattern and details of reinsurance programs. The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of reporting date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

37.1.5 Sensitivity analysis

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

As the Company enters into short term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on profit / (loss) before tax, net of reinsurance.

	Pre tax profit/ (loss)	
	2018	2017
	--------**Rupees in thousand**---------	
10% increase in claims liability		
Net:		
Fire	**(29,284)**	(40,765)
Marine	**(35,632)**	(18,335)
Motor	**(567,481)**	(507,986)
Accident & Health	**(169,319)**	(140,762)
Miscellaneous	**(36,859)**	(35,535)
	(838,575)	(743,383)
10% decrease in claims liability		
Net:		
Fire	**29,284**	40,765
Marine	**35,632**	18,335
Motor	**567,481**	507,986
Accident & Health	**169,319**	140,762
Miscellaneous	**36,859**	35,535
	838,575	743,383

37.2 Financial Risk

Maturity profile of financial assets and liabilities:

	2018						
	Interest / markup bearing			Non - interest / markup bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
Financial assets							
Investment							
Equity securities- qouted	-	-	**-**	16,457,477		**16,457,477**	**16,457,477**
Equity securities- unqouted	-	-	-	2,922,505		**2,922,505**	**2,922,505**
Debt securities	378,029		**378,029**			**-**	**378,029**
Investments of Window Takaful Operations - Operator's Fund	-	-	**-**	29,930	-	**29,930**	**29,930**
Loans and other receivables	631	5,013	**5,644**	257,180	13,051	**270,231**	**275,875**
Investment - Term deposits	4,314,422	41,691	**4,356,113**	-	-	**-**	**4,356,113**
Insurance / reinsurance receivables - unsecured and considered good	-	-	**-**	7,033,977	-	**7,033,977**	**7,033,977**
Reinsurance recoveries against outstanding claims	-	-	**-**	6,046,905	-	**6,046,905**	**6,046,905**
Salvage recoveries accrued	-	-	**-**	350,340	-	**350,340**	**350,340**
Prepayments	-	-	**-**	3,048,306	-	**3,048,306**	**3,048,306**
Cash and bank	331,980	-	**331,980**	1,879,464	-	**1,879,464**	**2,211,444**
Other Assets of Window Takaful Operations - Operator's Fund	-	-	**-**	352,264	-	**352,264**	**352,264**
	5,025,062	46,704	**5,071,766**	38,378,348	13,051	**38,391,399**	**43,463,165**
Financial liabilities							
Outstanding claims (including IBNR)	-	-	-	10,461,975	-	**10,461,975**	**10,461,975**
Insurance / reinsurance payables	-	-	-	2,709,714	-	**2,709,714**	**2,709,714**
Other creditors and accruals	-	-	-	2,227,040	-	**2,227,040**	**2,227,040**
Total liabilities of Window Takaful Operations- Operator's Fund	-	-	-	229,819	-	**229,819**	**229,819**
	-	-	-	15,628,548	-	**15,628,548**	**15,628,548**
	5,025,062	**46,704**	**5,071,766**	**22,749,800**	**13,051**	**22,762,851**	**27,834,617**

	2017						
	Interest / markup bearing			Non - interest / markup bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
Financial assets							
Investment							
Equity securities- qouted	-	-	-	18,243,476	-	18,243,476	18,243,476
Equity securities- unqouted	-	-	-	3,033,528	-	3,033,528	3,033,528
Debt securities	451,956	-	451,956	-	-	-	451,956
Investments of Window Takaful Operations - Operator's Fund	-	-	-	30,343	-	30,343	30,343
Loans and other receivables	775	6,239	7,014	312,988	11,882	324,870	331,884
Investment - Term deposits	2,015,386	5,108	2,020,494	-	-	-	2,020,494
Insurance / reinsurance receivables	-	-	-	6,770,967	-	6,770,967	6,770,967
Reinsurance recoveries against outstanding claims	-	-	-	7,709,161	-	7,709,161	7,709,161
Salvage recoveries accrued	-	-	-	347,289	-	347,289	347,289
Prepayments	-	-	-	2,511,060	-	2,511,060	2,511,060
Cash and bank	-	-	-	2,278,614	-	2,278,614	2,278,614
Other Assets of Window Takaful Operations - Operator's Fund	-	-	-	210,906	-	210,906	210,906
	2,468,117	11,347	2,479,464	41,448,332	11,882	41,460,214	43,939,678
Financial liabilities							
Outstanding claims (including IBNR)	-	-	-	11,485,744	-	11,485,744	11,485,744
Insurance / reinsurance payables	-	-	-	1,668,516	-	1,668,516	1,668,516
Other creditors and accruals	-	-	-	2,041,814	-	2,041,814	2,041,814
Total liabilities of Window Takaful Operations- Operator's Fund	-	-	-	141,350	-	141,350	141,350
	-	-	-	15,337,424	-	15,337,424	15,337,424
	2,468,117	11,347	2,479,464	26,110,908	11,882	26,122,790	28,602,254

Interest / mark - up rate risk

Interest / mark-up rate risk is the risk that the 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 period. The Company manages this mismatch 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:

	Effective interest rate (%)		Carrying amounts	
	2018	2017	**2018**	2017
			-----Rupees in thousand----	
Fixed rate of financial instruments				
Financial assets:				
Investments- PIBs and Treasury Bills	**5.93% - 8.80%**	5.91% - 12.28 %	**378,029**	380,738
Loans	**5%**	5%	**5,644**	7,014
Floating rate financial instruments				
Financial assets:				
Bank and term deposits	**3.75% - 9.50%**	3.75% - 5.90%	**4,683,153**	2,786,006
Investments - TFCs	**-**	7.72% - 9.26%	-	71,218

Sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate will not affect the fair value of any financial instruments. For cash flow sensitivity analysis of variable rate instruments, a hypothetical change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variation in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	Effect on profit before tax		Effect on equity	
	Increase	**Decrease**	**Increase**	**Decrease**
	-----Rupees in thousand----		-----Rupees in thousand----	
As at 31 December 2018 - Fluctuation of 100 bps				
Cash flow sensitivity - variable rate financial liabilities	-	-	-	-
Cash flow sensitivity - variable rate financial assets	46,881	(46,881)	33,286	(33,286)
As at 31 December 2017 - Fluctuation of 100 bps				
Cash flow sensitivity - variable rate financial liabilities	-	-	-	-
Cash flow sensitivity - variable rate financial assets	28,839	(28,839)	20,187	(20,187)

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's principal transactions are carried out in Pak Rupees and its exposure to foreign exchange risk arises primarily with respect to AED and US dollars in respect of foreign branches. Financial assets and liabilities exposed to foreign exchange risk amounted to Rs. 11,331,852 thousands (2017: Rs. 8,971,953 thousands) and Rs. 10,416,407 thousands (2017: Rs. 8,643,425 thousands), respectively, at the end of the year.

The following significant exchange rates were applied during the year:

	2018	2017
	-----Rupees in thousand----	
Rupees per US Dollar		
Average rate	121.8473	105.3792
Reporting date rate	138.8619	110.3000
Rupees per AED		
Average rate	33.1730	28.6900
Reporting date rate	37.8046	30.0300

Price risk

Price risk represents the risk that the fair value of financial instruments 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 factors specific to individual financial instrument or its issuer, or factors affecting all or similar financial instrument traded in the market. The Company is exposed to equity price risk that arises as a result of changes in the levels of PSE - Index and the value of individual shares. The equity price risk arises from the Company's investment in equity securities for which the prices in the future are uncertain. The Company policy is to manage price risk through selection of blue chip securities.

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

The Company has investments in quoted equity securities amounting to Rs. 18,685,087 thousands (2017: Rs. 20,582,109 thousands) at the reporting date. The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the reporting date. Market prices are subject to fluctuation which may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions.

Sensitivity analysis

As the entire investment portfolio has been classified in the 'available-for-sale' category, a 10% increase / decrease in redemption value and share prices at year end would have increased / decreased impairment loss of investment recognized in profit and loss account as follows:

	Impact on profit before tax	**Impact on equity**
	-----Rupees in thousand----	
2018		
Effect of increase in share price	667,792	474,132
Effect of decrease in share price	(510,619)	(362,540)
2017		
Effect of increase in share price	311,405	217,983
Effect of decrease in share price	(597,241)	(418,068)

37.3 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 exposure 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 a similar manner. The Company's credit risk exposure is not significantly different from that reflected in these unconsolidated 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.

	2018	2017
The carrying amount of financial assets represents the maximum credit exposure, as specified below:	**-----Rupees in thousand----**	
Investments	**24,114,124**	23,749,454
Loans and other receivable	**275,875**	331,884
Due from insurance contract holders	**6,190,747**	5,776,344
Due from other insurers / reinsurers	**843,230**	994,623
Reinsurance recoveries against outstanding claims	**6,046,905**	7,709,161
Salvage recoveries accrued	**350,340**	347,289
Bank deposits	**2,205,141**	2,270,938
	40,026,362	41,179,693

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 movement in the provision for doubtful debt account is shown in note 12.2 and 12.3 to these unconsolidated financial statements.

	2018	2017
	-----Rupees in thousand----	
Age analysis of due from insurance contact holders (net of provision) is as follows:		
Upto one year	**5,477,499**	5,001,846
Above one year	**1,342,916**	1,150,299
	6,820,415	6,152,145
Less: provision for doubtful balances	**(629,668)**	(375,801)
	6,190,747	5,776,344

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

	Rating		Rating	2018	2017
	Short Term	Long Term	Agency	-----Rupees in thousand----	
Abu Dhabi Commercial Bank				**193,688**	450,450
Allied Bank Limited	A1+	AAA	PACRA	**1,841**	-
Askari Bank Limited	A1+	AA+	PACRA	**46**	46
Bank Alfalah Limited	A1+	AA+	PACRA	**646,383**	109,530
Bank Al Habib Limited	A1+	AA+	PACRA	**7,674**	3,702
Bank Al Habib Limited - Islamic				**12,167**	8,003
Habib Bank Limited	A-1+	AAA	JCR-VIS	**52,267**	63,845
Habib Metropolitan Bank	A1+	AA+	PACRA	**6,826**	6,531
FINCA Micro Finance Bank Limited	A1	A	PACRA	**25,277**	4
Khushhali Microfinance Bank Limited	A-1	A+	JCR-VIS	**7,049**	-
MCB Bank Limited	A1+	AAA	PACRA	**401,990**	764,507
Mobilink Micro Finance Bank	A1	A	PACRA	**21,502**	18,776
National Bank of Pakistan	A1+	AAA	PACRA	**304**	1,422
The Punjab Provincial Cooperative Bank Limited				**201,260**	223,305
Samba Bank Limited	A-1	AA	JCR-VIS	**30,517**	25,000
Soneri Bank Limited	A1+	AA-	PACRA	**1**	1
United Bank Limited	A-1+	AAA	JCR-VIS	**409,106**	221,969
Emirate Islamic Bank				**-**	-
Zarai Taraqiati Bank Limited	A-1+	AAA	JCR-VIS	**187,243**	373,847
				2,205,141	2,270,938

The credit quality of amount due from other insurers (gross of provisions) can be assessed with reference to external credit rating as follows:

	Amounts due from other insurers / reinsurers	Reinsurance and other recoveries against outstanding claims	2018	2017
	- - - - - - - - - - - - - - - - - - - Rupees in thousand - - - - - - - - - - - - - - - - - - -			
A or Above (including PRCL)	**1,035,793**	**4,001,428**	**5,037,221**	7,097,232
BBB	**-**	**1,193,004**	**1,193,004**	1,208,639
Others	**8,739**	**852,473**	**861,212**	549,215
Total	**1,044,532**	**6,046,905**	**7,091,437**	8,855,086

37.4 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 as at 31 December 2018 is Rs. 500,000 thousands. 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.

38	Statement of Solvency	Note	2018 (Rupees in '000)
	Assets		
	Property and equipment		3,514,313
	Intangible assets		79,185
	Investment in subsidiary		694,895
	Investments		-
	Equity securities		18,685,087
	Debt securities		378,029
	Term deposits	*38.1*	4,356,113
	Loans and other receivables		275,875
	Insurance / reinsurance receivables		7,033,977
	Reinsurance recoveries against outstanding claims		6,046,905
	Salvage recoveries accrued		350,340
	Deferred commission expense / acquisition cost		788,431
	Taxation - payment less provisions		-
	Prepayments		3,048,306
	Cash and bank		2,211,444
			47,462,900
	Total assets of Window Takaful Operations - Operator's Fund		382,194
	Total Assets		**47,845,094**
	In-admissible assets as per following clauses of Section 32(2) of the Insurance Ordinance, 2000		
	Loans to employees		(39,269)
	Investment in subsidiary		(694,895)
	Premium due but unpaid		(2,762,941)
	Due from Co insurers / Reinsurers		(715,310)
	Intangibles		(79,185)
	Lien on term deposits	*38.1*	(3,854,028)
	Other prepayments and sundry receivables		(252,842)
	Bank balances subject to encumbrances		(692,086)
	Equity investment		(8,801,810)
	Movable properties		(738,665)
	Inadmissible assets of Window Takaful Operations - Operator's Fund		(37,324)
	Total of In-admissible assets		**(18,668,355)**
	Total Admissible Assets		**29,176,739**
	Liabilities		
	Underwriting provisions:		
	Outstanding claims including IBNR	*38.1*	6,681,515
	Unearned premium reserve		10,100,901
	Unearned reinsurance commission		221,371
	Premium deficiency reserve		-
	Retirement benefits obligations		198,981
	Deferred taxation		944,446
	Premium received in advance		407,988
	Insurance / reinsurance payables		2,709,714
	Other creditors and accruals		2,205,732
	Deposits and other payables		692,086
	Taxation - provision less payment		8,723
			24,171,457
	Total liabilities of Window Takaful Operations - Operator's Fund		229,819
	Total Liabilities		**24,401,276**
	Total Net Admissible Assets		**4,775,463**
	Minimum solvency requirement (higher of following)		
	- Method A - U/s 36(3)(a)	150,000	
	- Method B - U/s 36(3)(b)	2,761,156	
	- Method C - U/s 36(3)(c)	2,833,126	
			2,833,126
	Excess in Net Admissible Assets over minimum requirement		**1,942,337**

38.1 During the year, the Company's UAE branch has held up to AED 100 million under lien in favour of the Insurance Authority in accordance with Article 42 of Federal Law No. (6) of 2007 on Establishment of the Insurance Authority and Organization of the Insurance Operations, relating to insurance companies and brokers. The deposit held in UAE is of similar nature as of the one deposited with SBP under section 29 of the Ordinance (i.e. minimum deposit to settle any future insurance related liabilities, and not against any specific provision). Further, current insurance liabilities related to UAE Branch amounts to AED 129.98 million. Accordingly, in order to avoid mismatch of admissible assets with liabilities, the deposit held in lieu of minimum capital requirement in UAE are considered inadmissible however the related insurance liabilities of UAE branch have been reduced by the amount of deposit with UAE bank.

38.2 The law is silent with regard to the inadmissibility of the "Prepaid reinsurance premium ceded" and "Deferred commission expense in Section 32(2) of the Insurance Ordinance, 2000 and, hence, these have been treated as admissible assets for the purpose of this statement.

39 Fair value measurement of financial instruments

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

Underlying the definition of fair value is the presumption that the company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs (Level 3)

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred.

		31 December 2018									
		Available for sale	**Held to maturity**	**Receivables and other financial assets**	**Cash and cash equivalents**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	Note	(Rupees in thousand)									
Financial assets - measured at fair value											
Investment											
Equity securities- qouted	*8*	16,457,477	-	-	-	-	**16,457,477**	16,457,477	-	-	**16,457,477**
Equity securities- unqouted	*8*	2,922,505	-	-	-	-	**2,922,505**	-	-	2,922,505	**2,922,505**
Debt securities	*9*	-	378,029	-	-	-	**378,029**	-	378,029	-	**378,029**
Investments of Window Takaful Operations - Operator's Fund	*15*	29,930	-	-	-	-	**29,930**	-	-	-	-
Financial assets - not measured at fair value											
Loans and other receivables *	*11*	-	-	275,875	-	-	**275,875**	-	-	-	-
Investment - Term deposits*	*10*	-	4,356,113	-	-	-	**4,356,113**	-	-	-	-
Insurance / reinsurance receivables - unsecured and considered good *	*12*	-	-	7,033,977			**7,033,977**	-	-	-	-
Reinsurance recoveries against outstanding claims *		-	-	6,046,905	-	-	**6,046,905**	-	-	-	-
Salvage recoveries accrued *		-	-	350,340	-	-	**350,340**	-	-	-	-
Prepayments *	*13*	-	-	3,048,306	-	-	**3,048,306**	-	-	-	-
Cash and bank *	*14*	-	-	-	2,211,444	-	**2,211,444**	-	-	-	-
Other Assets of Window Takaful Operations - Operator's Fund*	*15*	-	-	250,569	101,695	-	**352,264**	-	-	-	-
		19,409,912	4,734,142	17,005,972	2,313,139	-	**43,463,165**	16,457,477	378,029	2,922,505	**19,758,011**
Financial liabilities - not measured at fair value											
Underwriting provisions:											
Outstanding claims (including IBNR)*	*25*	-	-	-	-	10,461,975	**10,461,975**	-	-	-	-
Insurance / reinsurance payables *		-	-	-	-	2,709,714	**2,709,714**	-	-	-	-
Other creditors and accruals*	*21*	-	-	-	-	2,227,040	**2,227,040**	-	-	-	-
Total liabilities of Window Takaful Operations- Operator's Fund*	*15*	-	-	-	-	229,819	**229,819**	-	-	-	-
		-	-	-	-	15,628,548	**15,628,548**	-	-	-	-

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

39.1 Fair value measurement of financial instruments

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

Underlying the definition of fair value is the presumption that the company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs (Level 3)

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred.

		31 December 2017 (Audited) (Restated)									
		Available for sale	Held to maturity	Receivables and other financial assets	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2017 - Restated	*Note*	(Rupees in thousand)									
Financial assets - measured at fair value											
Investment											
Equity securities- qouted	*8*	18,243,476	-	-	-	-	18,243,476	18,243,476	-	-	18,243,476
Equity securities- unqouted	*8*	3,033,528	-	-	-	-	3,033,528	-	-	3,033,528	3,033,528
Debt securities	*9*	-	451,956	-	-	-	451,956	-	451,956	-	451,956
Investments of Window Takaful Operations - Operator's Fund	*15*	30,343	-	-	-	-	30,343	30,343	-	-	30,343
Financial assets - not measured at fair value											
Loans and other receivables *	*11*	-	-	331,884	-	-	331,884	-	-	-	-
Investment - Term deposits*	*10*	-	2,020,494	-	-	-	2,020,494	-	-	-	-
Insurance / reinsurance receivables - unsecured and considered good *	*12*	-	-	6,770,967	-	-	6,770,967	-	-	-	-
Reinsurance recoveries against outstanding claims *		-	-	7,709,161	-	-	7,709,161	-	-	-	-
Salvage recoveries accrued *		-	-	347,289	-	-	347,289	-	-	-	-
Prepayments *	*13*	-	-	2,511,060	-	-	2,511,060	-	-	-	-
Cash and bank *	*14*	-	-	-	2,278,614	-	2,278,614	-	-	-	-
Other Assets of Window Takaful Operations - Operator's Fund		-	-	169,787	41,119	-	210,906	-	-	-	-
		21,307,347	2,472,450	17,840,148	2,319,733	-	43,939,678	18,273,819	451,956	3,033,528	21,759,303
Financial liabilities - not measured at fair value											
Underwriting provisions:											
Outstanding claims (including IBNR)*	*25*	-	-	-	-	11,485,744	11,485,744	-	-	-	-
Insurance / reinsurance payables *		-	-	-	-	1,668,516	1,668,516	-	-	-	-
Other creditors and accruals*	*21*	-	-	-	-	2,041,814	2,041,814	-	-	-	-
Other Assets of Window Takaful Operations - Operator's Fund*	*15*	-	-	-	141,350	-	141,350	-	-	-	-
		-	-	-	141,350	15,196,074	15,337,424	-	-	-	-

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

40 Reconciliation of movement of liabilities to cash flows arising from financing activities

The Company has not undertaken any financing activities in current financial period. Accordingly, the reconciliation of movement of liabilities to cash flows arising from financing activities has not been disclosed in these unconsolidated financial statements.

41 Provident fund related disclosure

The following information is based on unaudited financial statements for the year ended 31 December 2018 and audited financial statements for the year ended 31 December 2017:

	2018	2017
	-----Rupees in thousand----	
Size of the fund - Total assets	**1,044,251**	1,046,763
Cost of investments	**951,849**	910,545
Percentage of investments made	**97%**	98%
Fair value of investments	**1,017,106**	1,022,205

41.1 The break-up of fair value of investments is as follows:

	2018	2017	**2018**	2017
	Percentage		**-----Rupees in thousand----**	
Deposits and bank balances	**2.0%**	0.7%	**19,464**	7,078
Term finance certificates	**0.5%**	0.5%	**4,583**	4,583
Pakistan Investment Bonds	**0.0%**	0.0%	**-**	-
Treasury Bills	**66.9%**	56.6%	**636,945**	563,122
Mutual funds	**19.4%**	14.1%	**184,433**	139,751
Listed securities	**11.2%**	28.1%	**106,424**	279,689
	100.0%	100.0%	**951,849**	994,223

41.2 The above investments / placement of funds in a special bank account has been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

42 Non - Adjusting events after the balance sheet date

42.1 As per Extra Ordinary General Meeting ("EOGM") held on 25 February 2019, the shareholders of the Company authorized the Company to invest further up to Rs. 401.20 million in Adamjee Life Assurance Company Limited by acquiring its 24,059,855 ordinary shares of par value of Rs. 10 each at a purchase price of approximately Rs. 16.68 per share from IVM Intersurer B.V. and its three nominee directors, subject to fulfillment of all applicable legal and regulatory requirements.

42.2 The Board of Directors of the Company in their meeting held on 03 April 2019 proposed a final cash dividend for the year ended 31 December 2018 @ 15% i.e. Rupees 1.5/- share (2017: 10% i.e. Rupee 1/- share). This is in addition to the interim cash dividend @ 10% i.e. Rupees 1/- per share (2017: 15% i.e. Rupees 1.5/- per share) resulting in a total cash dividend for the year ended 31 December 2018 of Rupees 2.5 / - share (2017: Rupees 2.5/- share). The approval of the members for the final dividend will be obtained at the forthcoming Annual General Meeting. The financial statements for the year ended 31 December 2018 do not include the effect of final dividend which will be accounted for in the financial statements for the year ending 31 December 2019.

43 Number of employees

The total average number of employees during the year and as at 31 December 2018 and 2017, are as follows:

	2018	2017
At year end	**968**	945
Average during the year	**962**	914

44 Date of authorization for issue

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

45 General

45.1 The effect of changes stated in note 3.1.1 have been accounted for retrospectively in accordance with IAS-8 'Accounting Policies, Change in Accounting Estimates and Errors' resulting in restatement of unconsolidtaed financial statements of prior years. Resultantly, the cummulative effect of adjustement that arose as at 01 January 2018 and 01 Januray 2017 have been pesented and disclosed as part of statement of changes in equity, while the corresponding period adjustement through other comprehensive income is restaed and disclosed as part of statement of comprehensive income. The statement of financial position also presents the prior number restated, due to said change.

45.2 Significant reclassification / rearrangement of corresponding figures have been made in this unconsolidated financial statements wherever necessary.

45.3 Figures in these unconsolidated financial statements have been rounded off to the nearest thousand of rupees unless otherwise stated.

Chairman	**Director**	**Director**	**Chief Financial Officer**	**Managing Director & Chief Executive Officer**

CONSOLIDATED

Financial Statements
for the Year ended
31 December 2018

adamjee insurance

Directors' Report to the Members on Consolidated Financial Statements

For the Year Ended 31 December 2018

On behalf of the Board, we are pleased to present the consolidated financial statements of Adamjee Insurance Company Limited (the Company) and its subsidiary, Adamjee Life Assurance Company Limited for the year ended 31 December 2018.

The following appropriation of profit has been recommended by the Board of Directors:

	31 December 2018	31 December 2017 *Restated*
	Rupees in thousand	
Profit before tax	2,246,063	1,878,755
Taxation	(950,975)	(827,275)
Profit after tax	1,295,088	1,051,480
Profit/(loss) attributable to non-controlling interest	14,426	(43,659)
Profit attributable to ordinary shares	1,280,662	1,095,139
Unappropriated profit brought forward	11,955,927	12,321,015
Profit available for appropriation	13,236,589	13,416,154
Appropriation		
Final dividend for the year ended 31 December 2017 @10% (Rupees 1.00 per share) [2016:@25% (Rupees 2.50 per share)]	(350,000)	(875,000)
Interim dividend for the year ended 30 June 2018 @10% (Rupees 1.00 per share) [2017:@15% (Rupees 1.50 per share)]	(350,000)	(525,000)
Other Comprehensive Loss – remeasurement of defined benefit obligation	(15,317)	(60,227)
Total appropriation	(715,317)	(1,460,227)
Profit after appropriation	12,521,272	11,955,927

	31 December 2018	31 December 2017 *Restated*
	Rupees	
Earnings per share	3.66	3.13

Review of Operating Results

The gross premium recorded this year was Rs.33.711 billion (excluding Rs.1.1 billion of premiums generated through Window Takaful Operations) as compared to Rs.32.303 billion in the year 2017 with a growth of 4.4%. The Net premium was Rs.26.593 billion as against Rs.24.844 billion in 2017 depicting a growth of 7%. The underwriting profits decreased from Rs.762 million in the preceding year to Rs.558 million in the current year. During the year under review, a profit before tax of the company increased to Rs.2.246 billion as compared to Rs.1.879 billion last year while the profit after tax increased to Rs.1.295 billion as compared to Rs.1.051 billion in the last year, exhibiting an increase of 23.2% over last year.

Modifications in Auditors' Report on Consolidated Financial Statements

The external auditors, Messrs KPMG Taseer Hadi & Co. Chartered Accountants, have issued a qualified audit opinion on the consolidated financial statements together with an emphasis of matter paragraph, on the following basis:

1. The external auditors of the Company have issued a qualified audit opinion on the Company's financial statements on account of Sales Tax on Health Insurance Premiums; and
2. The external auditors of the Company's subsidiary, Adamjee Life Assurance Company Limited have issued a qualified audit opinion on account of Sales Tax on Life Insurance Premiums and mentioned an emphasis of matter paragraph in the audit report on account of shortfall in admissible assets for solvency purposes in case of Unit Linked Business and Individual Family Takaful Business on which the external auditors' opinion is not modified.

Company's Response to modifications in Auditors' Report on Consolidated Financial Statements

1. As explained in detail in Note 26.1(a) to the consolidated financial statements of the Company, under the Sindh Sales Tax Act, 2011, sales tax is payable on premium on corporate health insurance policies written in the province of Sindh. 'The Insurance Association of Pakistan' (IAP) on behalf of the insurance companies has taken up the matter with the Sindh Revenue Board (SRB) and has also approached the Honorable Chief Minister, Sindh, for a favorable resolution of the matter. The matter is still in the process of review. The Company and other insurance companies carrying out corporate health insurance have not yet billed their customers for the Sindh Sales Tax. The amount not yet billed by the Company, works out at Rs. 130.106 million and Rs. 93.675 million for the period from 1 July 2016 to 31 December 2017 and from 1 January 2018 to 31 December 2018, respectively (collectively Rs. 223.781 million).

2. As explained in detail in Note 26.1(i) to the consolidated financial statements of the Company, Sales tax imposed on premium from life insurance business was exempt up to 30 June 2018. However, further exemption on this matter had not been given and the matter was also raised with the Sindh Revenue Board (SRB). The matter for renewal of the exemption was taken up at the collective level of the Insurance Association of Pakistan (IAP) with the SRB through its consultants. The discussions on the matter has been conducive and the management is hopeful based on the consultant's positive feedback, that it will be concluded in favor of the industry. Representation from the SECP Commissioner level has also been made to the Chairman, Sindh Revenue Board, to help enable a favorable outcome. In view of the fact that the matter is still under the process of review and negotiations are being made with provincial tax authorities to seek an exemption and to agree the portion of premium which should be subject to sales tax, the Company and other life insurance companies carrying out life insurance business have not yet billed their customers for Sindh Sales Tax (SST) for the period

from 01 July 2018 to 31 December 2018 on premium from life insurance coverage since the matter of the renewal of exemption is under discussion with sales tax authorities.

Further, the Company has obtained a legal opinion regarding the basis for the calculation of sales tax under the Rules framed under the Sindh Sales Tax on Services Act, 2011, based on which it is of the view that sales tax is chargeable on gross premium charged on 'risk covered' and not on the gross amount received from the policy holders in terms of Rule 31 of the Sindh Sales Tax on Services Rules, 2011.

The aggregate amount of sales taxes not yet billed based on the total gross amount of premium collected during the period from 1 July 2018 to 31 December 31 2018 is Rs. 522 million whereas based on the legal opinion, liability for Sindh Sales Tax as of 31 December 2018 has been estimated at Rs. 54 million as per the Company's calculation of the premium on risk coverage.

Resultantly, the management considers that it is premature to estimate the liability for sales tax on life insurance at this stage.

On Behalf of the Board of Directors

Muhammad Umar Virk Director	Muhammad Ali Zeb Managing Director & Chief Executive Officer

Lahore: 3 April 2019

INDEPENDENT AUDITORS' REPORT

To the members of Adamjee Insurance Company Limited

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the annexed consolidated financial statements of **Adamjee Insurance Company Limited and its subsidiary (the "Group")**, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and (of) its consolidated financial performance and its consolidated cash flow statement for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for qualified opinion

We draw attention to note 25.1 (i) to the consolidated financial statements, which more fully explains the fact that life insurance business was exempt from the applicability of Sindh Sales tax up to 30 June 2018. However the exemption was not extended subsequent to that date. The Group has neither billed its customers nor recorded the liability for Sindh Sales tax. The estimated liability for Sindh sales tax based on gross premium as at 31 December 2018 amounts to Rs.522 million. However the Group has obtained a legal opinion regarding the basis for the calculation of sales tax under the Rules framed under the Sindh Sales Tax on Services Act, 2011, based on which it is of the view that sales tax is chargeable on gross premium charged on 'risk covered' and not on the gross amount received from the policy holders in terms of Rule 31 of the Sindh Sales Tax on Services Rules, 2011. Based on the legal opinion liability for Sindh Sales tax as of 31 December 2018 has been estimated at Rs.54 million as per the Group's calculation of the premium on risk coverage. However the Group along with Insurance Association of Pakistan currently are in negotiations with provincial tax authorities to seek an exemption and to seek clarity as well on interpretation of Rule 31 of the Sales Tax on Services Rules, 2011 with regard to term 'risk covered'.

Resultantly, the Group considers that it is premature to estimate the liability for sales tax on life insurance at this stage. Therefore, it was impracticable for us to quantify the possible effect of provincial sales tax on the financial statements of the Group for the year ended 31 December 2018.

Further, the possible effect of above stated matter on the solvency requirement as required under the Insurance Ordinance, 2001 could not be quantified.

Further, as more fully explained in note 25.1 (a) to the consolidated financial statements, sales tax liability of Rs. 223.78 million has not been recorded in the consolidated financial statements as of 31 December 2018. This amount has not been charged by the Group to its health customers of health insurance since the matter of the renewal of exemption is under discussion with the sales tax authorities. IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' requires that provision should be recognized when the entity has a present legal obligation as a result of past event. Accordingly, had the sales tax liability been recorded, profit after tax for the year and equity of the Group as of 31 December 2018 would have reduced by Rs. 223.78 million, while the sales tax liability as of the year end would have increased by the same amount (excluding the amount of penalty, if levied).

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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of the 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 qualified opinion.

Emphasis of matter

We draw attention to note 38.1.1, which mentions that under the Insurance Ordinance 2001 a company is required to have at all times admissible assets in Pakistan in excess of its liabilities in Pakistan of an amount greater than or equal to the minimum solvency requirement. However, at 31 December 2018, in case of Unit Linked Business and Individual Family Takaful Business for reasons explicitly mentioned in note 38.1.1, admissible assets were short of the solvency requirement by Rs. 80.398 million and Rs. 43.77 million respectively which however, in the latter case was subsequently met.

Our opinion is not modified in this respect.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

Following are the key audit matters:

S. #	Key audit matter(s)	How the matter was addressed in our audit
1	**Changes in accounting policies due to introduction of Insurance Rules, 2017 and Insurance Accounting Regulations, 2017** Refer notes 3.1.1 and 3.1.2 to the consolidated financial statements for changes in accounting policies due to introduction of Insurance Rules, 2017 and Insurance Accounting Regulations, 2017. Insurance Rules, 2017 and Insurance Accounting Regulations, 2017 became effective for the year ended 31 December 2018. These regulations contained a new format of consolidated financial statements and changed the presentation basis. These changes also required changes in basis of valuation of various investments. Because of the significance of the 'change', this was identified as key audit matter**.**	Our audit procedures in respect of this matter included the following: Evaluated the adequacy and completeness of the disclosures relating to changes in accounting policies and adjustments required in accordance with accounting and reporting standards as applicable in Pakistan; and Evaluated the adequacy and completeness of additional disclosures as required under new accounting regulations.
2	**Classification, Valuation and Impairment of Investments** Refer notes 3.10, 8, 9 and 10 to the consolidated financial statements relating to Classification, Valuation and Impairment of Investments. The Group's investment portfolio comprise of government debt securities, equity securities (quoted and unquoted), other fixed income securities and term deposits.	Our audit procedures in respect of this matter included the following: Obtained an understanding, evaluated the design and tested the operating effectiveness of controls designed for classification and valuation of investments and; for impairment of investments classified as available for sale; Tested, on a sample basis, specific investments buying and selling transactions and classification recorded with underlying documentation;

S. #	Key audit matter(s)	How the matter was addressed in our audit
	Investments classified as available for sale represent 36.65 % of the total investments, fair value through profit and loss represent 33.07 % of the total investments and held to maturity represent 30.27 % of total investments. We identified the classification, valuation and impairment of investments as key audit matter because of the significance of investments and management's judgment involved in classification, valuation (for unquoted investment only) and impairment.	Assessed the methodology used and evaluated the valuation of debt securities using the market yield pricing methodology based on interpolation of relevant rates and valuation of quoted equity securities and mutual fund units by comparing the quoted prices of Pakistan Stock Exchange and Mutual Fund Association of Pakistan (MUFAP) respectively for the securities; Evaluated the professional valuer's competence, capabilities and objectivity and assessed the appropriation of methodology used by the professional valuer engaged by the Company to estimate the fair value of unquoted investment; Assessed the reasonableness of the input data provided by management to the professional valuer and tested the mathematical accuracy of the model; Involved our internal valuation specialist to assist us in evaluating the assumptions and judgements adopted by the professional valuer in its discounted cash flow analysis used to derive the fair value of investment in unquoted equity; and Assessed the appropriateness of impairment in the value of available for sale securities held by the Group in accordance with accounting and reporting standards as applicable in Pakistan.
3	**Revenue Recognition Risk** Refer notes 3.3.1, 3.4.1, 26 and 30 to the consolidated financial statements relating to revenue recognition. The Group receives its revenue primarily from two main sources namely; premiums and investments income. Premiums from insurance policies comprise of 88.14 % of the total revenue. We identified revenue recognition as a key audit matter as it is one of the key performance indicators of the Group and because of the potential risk that revenue transactions may not be recognized in the appropriate period.	Our audit procedures in respect of this matter included the following: Obtained the understanding, evaluated the design and tested the controls over the process of capturing, processing and recording of premiums and investment income; Assessed the appropriateness of the Group's accounting policy for recording of premiums and investment income in line with requirements of applicable accounting and reporting standards; Tested the policies on sample basis where premium was recorded close to year end and subsequent to year end, and evaluated that these were recorded in the appropriate accounting period; and Tested the investment income transaction on sample basis where investment income was recorded close to year end and subsequent to year end, and evaluated that these were recorded in the appropriate period.
4	**Valuation of Claim Liabilities** Refer note 3.3.7, 3.4.1, 19.1, 19.2 and 27 to the consolidated financial statements for accounting policies and details in respect of claim liabilities. . The Group's claim liabilities represents 18.81 % of its total liabilities. Valuation of	Our audit procedures in respect of this matter included the following: Obtained an understanding, evaluate the design and test the controls over the process of capturing, processing and recording of information related to the claims;

S. #	Key audit matter(s)	How the matter was addressed in our audit
	these claim liabilities involves significant management judgment regarding uncertainty in the estimation of claims payments and assessment of frequency and severity of claims. Claim liabilities are recognized on intimation of the insured event based on management judgment and estimate. The Group maintains provision for claims incurred but not reported (IBNR) based on the advice of an independent actuary. The actuarial valuation process involves significant judgment and the use of actuarial assumptions. We have identified the valuation of claim liabilities as key audit matter because estimation of claims liabilities involves a significant degree of judgment.	Obtained an understanding, evaluated the design and tested the controls related to recoveries from reinsurance arrangements; Inspected significant arrangements with reinsurer to obtain an understanding of contracts terms and assessed on sample a basis that recoveries from reinsurance on account of claims reported has been accounted for based on terms and conditions; Assessed the appropriateness of the Group's accounting policy for recording of claims in line with requirements of applicable accounting and reporting standards; Tested claims transactions on a sample basis with underlying documentation to evaluate whether the claims reported during the year are recorded in accordance with the requirements of the Group's policy and insurance regulations; Assessed the sufficiency of reserving of claim liabilities, by testing calculations on a sample basis the relevant data including recoveries from reinsurers based on their respective arrangements; Tested specific claims transactions on sample basis recorded close to year end and subsequent to year end with underlying documentation to assess whether claims had been recognized in the appropriate accounting period; Used an external actuarial specialist to assist us in evaluation of general principles, actuarial assumptions and methods adopted for actuarial valuations by the actuary of the Group for determination of IBNR; and Considered the adequacy of Group's disclosures about the estimates used and the sensitivity to key assumptions.
5	**Valuation of insurance / reinsurance receivables** Refer notes 3.3.6 and 12 to the consolidated financial statements for accounting policies and details in respect of Valuation of insurance / reinsurance receivables. The Group's insurance / reinsurance receivables represents 8.84 % of its total assets which are stated net of provision for impairment of Rs. 830.97 million. Valuation of these receivables involves significant judgement regarding uncertainty in determining impairment / provisions. We identified the valuation of insurance / reinsurance receivables as a key audit matter as the estimation involves a significant degree of judgment.	Our audit procedures in respect of this matter included the following: Obtained an understanding, evaluated the design and tested the operating effectiveness of controls designed for the recognition and valuation of receivables; Tested the accuracy of insurance / reinsurance receivables aging report, on a sample basis, by comparing individual balances in the report with underlying documentation to evaluate that the balances appearing in the ageing report were classified within appropriate ageing bucket; Assessed the appropriateness of assumptions and estimates made by the management for the provision for impairment by comparing, on a sample basis, past experience and historical trends of collection, the financial

S. #	Key audit matter(s)	How the matter was addressed in our audit
		circumstances of counter parties; their credit ratings; and actual write offs and receipts and settlement from/with customers and reinsurer subsequent to the financial year end; Assessed on a sample basis the reinsurance share of claims outstanding against the terms of the reinsurance contracts and the related recorded liabilities; and Assessed the historical accuracy of provisions for bad debt recorded by examining the utilization or release of previously recorded provisions.
6	**Insurance Liabilities** Refer notes 3.4.1, 3.4.2, 3.4.3, 3.4.4, 3.4.5 and 19 to the consolidated financial statements relating to insurance liabilities. The Group's insurance liabilities relating to life insurance business represent 52.06 % of its total liabilities. Approximately 95.93 % of these liabilities are for unit linked business. Valuation of insurance / takaful contract liabilities involve significant judgment, actuarial assumptions such as; mortality, persistency, morbidity, investment returns, expense levels and inflation, and the use of methods adopted for actuarial valuations.	Our procedures in respect of this matter included the following: Obtained an understanding, assessed the design and tested the operating effectiveness of controls established for unit linked business for allocation and surrender of units and calculation of bid value per unit; Assessed the adequacy of the reserve for bid value of allocated units of unit linked business, by applying the bid value to the total number of units extracted from the system; Assessed the adequacy of reserving of various components of Insurance liabilities, other than bid value reserves including reserves of non-linked businesses, by testing calculations on the relevant data obtained from system generated reports; Obtained an understanding, evaluated the design and tested the controls related to reinsurance arrangements; Obtained understanding of the work performed by the appointed actuary; Used an external actuarial specialist to assist us in challenging the general principles, actuarial assumptions and methods adopted for actuarial valuations by the appointed actuary of the subsidiary company; and Challenged the assumptions used for incurred but not reported claims of businesses where fully credible experience is not available with the Group's historical data of claims.

Information Other than the Consolidated Financial Statements and Auditors' Report Thereon

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have concluded that the Other Information is materially misstated for the same reason with respect to the amounts or other items in the Group's Annual Report affected by the matter described in the Basis for Qualified Opinion section of our report.

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The board of directors is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Bilal Ali.

Lahore : 03 April 2019

KPMG Taseer Hadi & Co.
Chartered Accountants

Adamjee Insurance Company Limited
Consolidated Statement of Financial Position
As at 31 December 2018

	Note	2018	2017	2016
		-------------- (Rupees in thousand) --------------		
Assets			*(Restated)*	*(Restated)*
Property and equipment	*5*	**3,673,804**	2,748,163	1,273,063
Intangible assets	*6*	**160,602**	97,760	102,565
Investment property	*7*	**855,394**	637,981	-
Investments				
Equity securities	*8*	**32,359,408**	31,188,561	29,149,940
Debt securities	*9*	**4,416,804**	5,930,754	9,780,467
Term deposits	*10*	**15,426,113**	12,645,494	6,025,059
Loan secured against life insurance policies		**34,556**	31,170	20,447
Loans and other receivables	*11*	**552,070**	597,273	483,984
Insurance / reinsurance receivables	*12*	**7,162,077**	6,846,091	6,119,907
Reinsurance recoveries against outstanding claims		**6,046,905**	7,709,161	6,279,433
Salvage recoveries accrued		**350,340**	347,289	336,163
Deferred commission expense / acquisition cost	*28*	**788,431**	733,631	737,281
Taxation - payment less provisions		**172,124**	212,748	75,938
Prepayments	*13*	**3,116,455**	2,563,627	2,483,255
Cash and bank	*14*	**5,523,097**	3,630,249	5,489,082
		80,638,180	75,919,952	68,356,584
Total assets of Window Takaful Operations - Operator's Fund (Holding Company)	*15*	**382,194**	241,249	99,278
TOTAL ASSETS		**81,020,374**	76,161,201	68,455,862
EQUITY AND LIABILITIES				
Capital and reserves attributable to Company's equity holders				
Ordinary share capital	*16*	**3,500,000**	3,500,000	3,500,000
Reserves	*17*	**3,781,282**	5,003,947	6,296,776
Retained earnings		**12,521,272**	11,955,927	12,321,015
Equity attributable to equity holders of the parent		**19,802,554**	20,459,874	22,117,791
Non-controlling interest	*18*	**288,797**	273,635	325,756
Total Equity		**20,091,351**	20,733,509	22,443,547
Liabilities				
Insurance liabilities	*19*	**31,730,169**	27,451,786	21,487,446
Underwriting provisions:				
Outstanding claims including IBNR	*27*	**10,461,975**	11,485,744	9,475,718
Unearned premium reserve	*26*	**10,100,901**	8,912,498	7,349,511
Unearned reinsurance commission	*28*	**221,371**	240,306	236,890
Premium deficiency reserve		**-**	-	121,553
Retirement benefits obligations	*20*	**184,560**	185,902	95,761
Deferred taxation	*21*	**985,157**	1,591,757	2,334,121
Premium received in advance		**801,168**	576,615	410,443
Insurance / reinsurance payables	*22*	**2,709,714**	1,681,093	1,557,783
Other creditors and accruals	*23*	**2,812,103**	2,508,566	2,090,298
Deposits and other payables	*24*	**692,086**	652,075	806,387
		28,969,035	27,834,556	24,478,465
Total liabilities of Window Takaful Operations - Operator's Fund (Holding Company)	*15*	**229,819**	141,350	46,404
TOTAL EQUITY AND LIABILITIES		**81,020,374**	76,161,201	68,455,862
Contingencies and commitments	*25*			

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

Chairman	**Director**	**Director**	**Chief Financial Officer**	**Managing Director & Chief Executive Officer**

Adamjee Insurance Company Limited

Consolidated Profit and Loss Account

For the year ended 31 December 2018

	Note	2018	2017
		-------- (Rupees in thousand) -------	
			(Restated)
Net insurance premium	26	**26,593,540**	24,844,109
Net insurance claims	27	**(14,777,843)**	(11,834,136)
Premium deficiency		**-**	121,553
Net commission and other acquisition costs	28	**(3,419,564)**	(3,063,374)
Insurance claims and acquisition expenses		**(18,197,407)**	(14,775,957)
Management expenses	29	**(4,134,615)**	(3,462,940)
Net change in insurance liabilities (other than outstanding claims)		**(3,703,340)**	(5,843,601)
Underwriting results		**558,178**	761,611
Investment income	30	**3,215,720**	2,730,507
Net fair value loss on financial assets at fair value through profit or loss	31	**(1,738,983)**	(1,628,703)
Net unrealized gains / (loss) on investment property	7	**125,900**	(42,433)
Rental income		**8,906**	8,564
Other income	32	**226,606**	163,828
Other expenses	33	**(229,213)**	(181,217)
Results of operating activities		**2,167,114**	1,812,157
Profit from 'Window Takaful Operations	15	**78,949**	66,598
Profit before tax		**2,246,063**	1,878,755
Income tax expense	34	**(950,975)**	(827,275)
Profit after tax		**1,295,088**	1,051,480
Profit/(loss) attributable to:			
Equity holders of the parent		**1,280,662**	1,095,139
Non-controlling interest		**14,426**	(43,659)
		1,295,088	1,051,480
Earnings (after tax) per share - Rupees	35	**3.66**	3.13

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

Chairman	**Director**	**Director**	**Chief Financial Officer**	**Managing Director & Chief Executive Officer**

Adamjee Insurance Company Limited

For the year ended 31 December 2018

For the year ended 31 December 2018

	2018	2017
	---------(Rupees in thousand)--------	
		(Restated)
Profit after tax	**1,295,088**	1,051,480
Other comprehensive income		
Items that will not be reclassified to profit and loss:		
- Remeasurement of defined benefit obligation	**(12,378)**	(63,410)
Items that may be reclassified subsequently to profit and loss:		
- Unrealized diminution on 'available for sale' - net of tax	**(1,371,758)**	(1,321,504)
- Unrealized (diminution)/appreciation on 'available for sale' of window takaful operations - net of tax	**(72)**	7
- Effect of currency translation of investment in foreign branches - net	**146,962**	23,389
Other comprehensive loss for the year	**(1,237,246)**	(1,361,518)
Total comprehensive income/ (loss) for the year	**57,842**	(310,038)
Total comprehensive income/ (loss) attributable to:		
Equity holders of the parent	**42,680**	(257,917)
Non-controlling interest	**15,162**	(52,121)
	57,842	(310,038)

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

Chairman **Director** **Director** **Chief Financial Officer** **Managing Director & Chief Executive Officer**

Adamjee Insurance Company Limited

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital	Capital reserves				Revenue reserves				
	Issued, subscribed and paid up	Reserve for exceptional losses	Investment fluctuation reserve	Exchange translation reserve	Fair Value Reserve	General reserve	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interest	Total Equity
	----------(Rupees in thousand)----------									
Balance as at 01 January 2017 - as previously reported	3,500,000	22,859	3,764	443,711	-	936,500	12,147,822	17,054,656	259,315	**17,313,971**
Effect of restatement as disclosed in note 3.1.3	-	-	-	-	4,889,942	-	173,193	5,063,135	66,441	**5,129,576**
Balance as at 01 January 2017 - (Restated)	3,500,000	22,859	3,764	443,711	4,889,942	936,500	12,321,015	22,117,791	325,756	**22,443,547**
Changes in equity for the year ended 31 December 2017										
Total comprehensive income for the year										
Profit for the year	-	-	-	-	-	-	1,095,139	1,095,139	(43,659)	**1,051,480**
Other comprehensive income	-	-	-	23,389	(1,316,218)	-	(60,227)	(1,353,056)	(8,462)	**(1,361,518)**
	-	-	-	23,389	(1,316,218)	-	1,034,912	(257,917)	(52,121)	**(310,038)**
Transactions with owners of the Company										
Final dividend for the year ended 31 December 2016 @ 25% (Rupee 2.5/- per share)	-	-	-	-	-	-	(875,000)	(875,000)		**(875,000)**
Interim dividend for the year ended 30 June 2017 @ 15% (Rupees 1.5/- per share)	-	-	-	-	-	-	(525,000)	(525,000)		**(525,000)**
	-	-	-	-	-	-	(1,400,000)	(1,400,000)	-	**(1,400,000)**
Balance as at 31 December 2017 - (Restated)	3,500,000	22,859	3,764	467,100	3,573,724	936,500	11,955,927	20,459,874	273,635	**20,733,509**
Changes in equity for the year ended 31 December 2018										
Total comprehensive income for the year										
Profit for the year	-	-	-	-	-	-	1,280,662	1,280,662	14,426	**1,295,088**
Other comprehensive income	-	-	-	146,962	(1,369,627)	-	(15,317)	(1,237,982)	736	**(1,237,246)**
	-	-	-	146,962	(1,369,627)	-	1,265,345	42,680	15,162	**57,842**
	3,500,000	**22,859**	**3,764**	**614,062**	**2,204,097**	**936,500**	**13,221,272**	**20,502,554**	**288,797**	**20,791,351**
Transactions with owners of the Company										
Final dividend for the year ended 31 December 2017 @ 10% (Rupee 1/- per share)	-	-	-	-	-	-	(350,000)	(350,000)		**(350,000)**
Interim dividend for the year ended 30 June 2018 @ 10% (Rupees 1/- per share)	-	-	-	-	-	-	(350,000)	(350,000)		**(350,000)**
	-	-	-	-	-	-	(700,000)	(700,000)	-	**(700,000)**
Balance as at 31 December 2018	**3,500,000**	**22,859**	**3,764**	**614,062**	**2,204,097**	**936,500**	**12,521,272**	**19,802,554**	**288,797**	**20,091,351**

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

Chairman **Director** **Director** **Chief Financial Officer** **Managing Director & Chief Executive Officer**

Adamjee Insurance Company Limited
Consolidated Cash Flow Statement
For the year ended 31 December 2018

	31 December 2018	31 December 2017
	---------(Rupees in thousand)-------	
		(Restated)
Operating cash flows		
a) *Underwriting activities*		
Insurance premium received	**33,924,326**	31,883,759
Reinsurance premiums paid	**(5,901,528)**	(5,555,264)
Claims paid	**(20,229,347)**	(15,338,473)
Surrenders paid	**(58,392)**	(159,482)
Reinsurance and other recoveries received	**5,810,485**	3,731,743
Commissions paid	**(3,888,022)**	(3,305,296)
Commissions received	**504,854**	588,147
Other underwriting payments	**(3,219,771)**	(2,735,780)
Net cash flow from underwriting activities	**6,942,605**	9,109,354
b) *Other operating activities*		
Income tax paid	**(932,613)**	(1,087,044)
Other operating payments	**(305,418)**	(100,218)
Loans advanced	**(59,547)**	(59,240)
Loans repayments received	**57,827**	54,994
Other operating receipts	**231,581**	26,858
Net cash flow from other operating activities	**(1,008,170)**	(1,164,650)
Total cash flow from all operating activities	**5,934,435**	7,944,704
Investment activities		
Profit / return received on bank deposits	**1,308,134**	730,097
Return on Pakistan investment bonds	**-**	27,153
Income received from TFCs	**4,052**	4,782
Income from treasury bills	**33,689**	17,990
Dividends received	**1,860,190**	1,950,344
Rentals received	**11,050**	6,752
Payments for investments	**(94,192,206)**	(114,970,059)
Loan to policy holder	**(546)**	(8,529)
Proceeds from disposal of investments	**88,760,289**	105,441,685
Fixed capital expenditure - tangible assets	**(1,112,099)**	(1,638,694)
Fixed capital expenditure - intangible assets	**(59,285)**	(2,973)
Proceeds from disposal of property and equipment	**30,010**	20,670
Total cash flow from investing activities	**(3,356,722)**	(8,420,782)
Financing activities		
Dividends paid	**(684,864)**	(1,382,755)
Total cash flow from financing activities	**(684,864)**	(1,382,755)
Net cash outflow from all activities	**1,892,848**	(1,858,833)
Cash and cash equivalents at beginning of year - Restated	**3,630,249**	5,489,082
Cash and cash equivalents at end of year	**5,523,097**	3,630,249

	31 December 2018	31 December 2017
	---------(Rupees in thousand)--------	

Reconciliation to profit and loss account

Operating cash flows	**5,934,435**	7,944,704
Depreciation expense	**(191,792)**	(162,327)
Provision for gratuity	**(34,495)**	(72,996)
Other income - bank and term deposits	**151,005**	85,334
Gain on disposal of property and equipment	**11,398**	7,931
Provision for doubtful balances against other insurers / reinsurers	**(241,631)**	(66,000)
VAT receivable written-off by Company's UAE branch	**(184,290)**	-
Rental income	**8,906**	8,564
(Decrease) / increase in assets other than cash	**90,212**	1,764,108
Decrease / (increase) in liabilities other than borrowing and tax liabilities	**(4,538,280)**	(8,205,749)
Increase in tax liabilities	**(934,500)**	(899,678)
Profit on sale of investments	**797,710**	811,950
Amortization of intangibles	**(22,983)**	(19,665)
Increase in unearned premium	**(1,188,403)**	(1,562,987)
Increase in loans	**1,720**	4,246
Income taxes paid	**811,595**	951,898
Provision for impairment in value of 'available for sale' investments	**(575,296)**	(1,054,064)
Capital contribution from shareholder's fund	**1,064**	111,011
Dividend and other income	**1,288,536**	1,276,554
Income from treasury bills	**27,446**	41,802
Return on Pakistan investment bonds	**-**	15,263
Income from TFCs	**3,782**	66,598
Profit for the year from Window Takaful Operations	**78,949**	4,983
Profit after taxation	**1,295,088**	1,051,480

Cash for the purposes of the cash flows statement consists of:

Cash and other equivalents	**16,406**	22,021
Current and other accounts	**5,506,691**	3,608,228
Total cash and cash equivalents	**5,523,097**	3,630,249

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

Chairman **Director** **Director** **Chief Financial Officer** **Managing Director & Chief Executive Officer**

1 The group and its operations:

1.1 The group comprises of:

	2018	2017
	(Holding percentage)	
Holding Company		
Adamjee Insurance Company Limited	**100%**	100%
Subsidiary Company		
Adamjee Life Assurance Company Limited	**74.28%**	74.28%

Adamjee Insurance Company Limited (Holding Company)

Adamjee Insurance Company Limited is a public limited company incorporated in Pakistan on 28 September 1960 under the Companies Act, 1913 (now the Companies Act, 2017). The Holding Company is listed on Pakistan Stock Exchange and is engaged in the general insurance business. The registered office of the Holding Company is situated at Tanveer Building, 27-C-III, MM Alam Road, Gulberg III, Lahore.

The Holding Company also operates branches in the United Arab Emirates (UAE) and the Export Processing Zone (EPZ).

The Holding Company was granted authorization on 23 December 2015 under Rule 6 of the Takaful Rules, 2012 to undertake Window Takaful Operations in respect of general takaful products by Securities and Exchange Commission of Pakistan (SECP) and commenced Window Takaful Operations on 01 January 2016.

Adamjee Life Assurance Company Limited (Subsidiary Company)

Adamjee Life Assurance Company Limited was incorporated in Pakistan on 4 August 2008 as a public unlisted company under the Companies Act, 2017. The Subsidiary Company started its operations from 24 April 2009. Registered office of the Subsidiary Company is at 1st floor, Islamabad Stock Exchange Towers, 55-B, Jinnah Avenue, Blue Area, Islamabad while its principal place of business is at 3rd Floor, The Forum, Khayaban-e-Jami, Clifton, Karachi. Adamjee Life Assurance Company Limited is a subsidiary of Adamjee Insurance Company Limited and an associate of IVM Intersurer B.V, each having a holding of 74.28% and 25.72% (2017: 74.28% and 25.72%) respectively in the share capital of the Subsidiary Company. IVM Intersurer B.V. has nominated Hollard Life Assurance Subsidiary Company Limited ("HLA"), an associate company of IVM Intersurer B.V. to act on its behalf in respect of matters relating to the Subsidiary Company. HLA is South Africa's largest private sector insurance company.

The Subsidiary Company is engaged in life assurance business carrying on non-participating business only. In accordance with the requirements of the Insurance Ordinance, 2000, the Subsidiary Company has established a shareholders' fund and the following statutory funds in respect of each class of its life assurance business:

- Conventional Business
- Accident and Health Business
- Individual Life Non-unitised Investment Linked Business
- Individual Life Unit Linked Business
- Individual Family Takaful Business

The Subsidiary Company was granted authorization on 4 May 2016 under Rule 6 of Takaful Rules, 2012 to undertake Takaful Window Operations in respect of family takaful products by the Securities and Exchange Commission of Pakistan (SECP) and subsequently the Subsidiary Company commenced Window Takaful Operations from 14 July 2016. The Subsidiary Company formed a Waqf Fund namely the Adamjee Life Assurance Company Limited - Window Takaful Operations Waqf Fund (here-in-after referred to as the Participant Takaful Fund (PTF)) on 22 December 2015 under a Waqf deed executed by the Subsidiary Company with the cede amount of Rs. 500,000. The cede 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 also governs the relationship of the Subsidiary Company and policyholders for the management of Takaful operations, investment of policyholders' funds and shareholders' funds as approved by the Shariah Advisor appointed by the Subsidiary Company.

IVM Intersurer B.V is in the process of selling its holding in the company to Holding Company after relevant legal formalities.

2 Basis of preparation and statement of compliance

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

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

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

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

The Security and Exchange Commission of Pakistan (SECP) vide its S.R.O 89(1) 2017 dated 9 February 2017 has prescribed format of the presentation of annual financial statements for general insurance companies. These financial statements have been prepared in accordance with the format prescribed by the SECP (note 3.1.1).

As per the requirements of the SECP Takaful Rules, 2012 and SECP Circular No. 25 of 2015 dated 09 July 2015, the assets, liabilities and profit and loss account of the Operator's Fund of the General Takaful Operations of the Holding Company have been presented as a single line item in the statement of financial position and profit and loss account of the Holding Company respectively.

2.2 Consolidation

2.2.1 Subsidiary Company

Subsidiary Company is the entity in which Holding Company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. The financial statements of the Subsidiary Company are included in the consolidated financial statements from the date the control commences until the date that control ceases.

The assets and liabilities of Subsidiary Company have been consolidated on a line by line basis and carrying value of investments held by the Holding Company is eliminated against Holding Company's share in paid up capital of the Subsidiary Company. Intergroup balances and transactions have been eliminated.

Non-controlling interests are that part of net results of the operations and of net assets of Subsidiary Company attributable to interest which are not owned by the Holding Company. Non-controlling interests are presented as separate item in the consolidated financial statements.

2.2.2 Associates

Associates are the entities over which the Group has significant influence but not control. Significant influence is generally considered where shareholding percentage is between 20% to 50% of the voting shares. However, such significant influence can also arise where shareholding is lesser than 20% but due to other factors e.g. Group’s representation on the Board of Directors of investee Company, the Group can exercise significant influence. Investments in these associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group’s investment in associate includes goodwill identified on acquisition, net of any accumulated impairment loss, if any.

The Group’s share of its associate’s post-acquisition profits or losses, movement in other comprehensive income, and its share of post-acquisition movements in reserves is recognized in the consolidated profit and loss account, consolidated statement of comprehensive income and reserves respectively. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Distributions received from an associate reduce the carrying amount of the investment.

However, there was no associate during the year required to be accounted for under equity method.

2.3 Basis of measurement

These consolidated financial statements have been prepared under historical cost convention except for certain foreign currency translation adjustments, certain financial instruments carried at fair value, and defined benefit obligations under employees benefits carried at present value. All transactions reflected in these financial statements are on accrual basis except for those reflected in cash flow statements.

2.4 Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency. All the financial information presented in Rupees has been rounded off to the nearest thousand in rupee, unless otherwise stated.

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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after 01 January 2018 but are considered not to be relevant or do not have any significant effect on the Group's operations and therefore not stated in these consolidated financial statements.

Securities and Exchange Commission of Pakistan ("SECP") vide S.R.O 88(1)/2017 and S.R.O 89(1)/2017 dated 9 February 2017 has issued the Insurance Rules, 2017 Insurance Accounting Regulations, 2017 (the Rules and Accounting Regulations 2017) which prescribed a new format for the financial statements of Insurance Companies. Accordingly, these consolidated financial statements are prepared in accordance with the new format.

In addition, Companies Act 2017 also became effective for the financial statements for the year ended 31 December 2018. As the Company's consolidated financial statements are prepared in accordance with the format prescribed by SECP, it did not have a direct impact on the consolidated financial statements.

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

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

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Group's consolidated financial statements.

- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Group is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

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

- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Group is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Group's consolidated financial statements.

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Group's consolidated financial statements.

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

- Amendment to IFRS 4 'Insurance Contracts'- Applying IFRS 9 'Financial Instruments' with IFRS 4 (effective for annual periods beginning on or after 1 July 2018). The amendment address issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from 1 July 2018 onwards to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied. The Group has adopted the temporary exemption which allows the Group to defer the application of both IFRS 9 and IFRS 17 until 31 December 2021.

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

Annual Improvements to IFRS Standards 2015-2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

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

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

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Group's consolidated financial statements.

3 Summary of significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except for change in accounting policies as disclosed in notes below.

3.1 Change in accounting policies

3.1.1 ***Holding Company***

Application of Insurance Rules 2017 and Insurance Accounting Regulation 2017

Securities and Exchange Commission of Pakistan ("SECP") vide S.R.O 88(1)/2017 and S.R.O 89(1)/2017 dated 9 February 2017 has issued the Insurance Rules, 2017, Insurance Accounting Regulations, 2017 ("the Rules and Accounting Regulations, 2017"). The application of these Rules and Accounting Regulations, 2017 for the purpose of preparation and presentation of the financial statements was effective from 1 April 2017. SECP had granted Holding Company exemption from application of Rules and Accounting Regulations 2017 to the Company till 31 December 2017. Therefore, the application of Rules and Accounting Regulations 2017 became effective from the accounting year commencing from 01 January 2018.

The Rules and Accounting Regulations, 2017 require significant disclosures / requirements, which are relevant to the Holding Company, includes but not limited to: Presentation and disclosure of financial statements prescribed in Annexure II of the Insurance Rules, 2017, recognition of available-for-sale investments at fair value as per IAS 39 "Financial Instruments: Recognition and Measurement", recognition of premium receivable under an insurance policy / cover note as written from the date of attachment of risk to the policy / cover note.

The effect of each of the above change is given below:

(a) Available for sale investments

Previously, the Holding Company recorded its 'available for sale' investments at cost and remeasured them at lower of cost or market value (market value being taken as lower of the reduction other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002. As per Insurance Rules 2017, 'available for sale' investments are now initially measured at cost and subsequently remeasured at fair value at each reporting date. The unrealized gains and losses arising from changes in fair values are directly recognized in equity in the year in which these arise. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the profit and loss account as gains and losses from investment securities.

The Holding Company assesses at each statement of financial position date whether there is an objective evidence that the financial asset is impaired. If any such evidence exists for an 'available for sale' asset, the accumulated loss is removed from equity and recognized in the profit and loss account. Impairment loss recognized in the profit and loss account on equity instruments is not reversed through the profit and loss account.

(b) Presentation of financial statements

The Holding Company has adopted format for preparation and presentation of its unconsolidated financial statements in line with the requirements of the Rules and Accounting Regulations, 2017. Significant changes in presentation are rearrangements in sequence of assets / liabilities in the statement of financial position; presentation of single profit or loss account instead of segment wise (classes of business) presentation and discontinuation of separate statements of Premiums, Claims, Expense and Investment Income. The segment wise premiums, claims and expenses and investment income is now included in notes to the consolidated financial statements. Furthermore term deposits are now included in investments instead of cash and cash equivalent in line with the requirements of Insurance Rules and Accounting Regulations, 2017.

(c) Premium income

The Insurance Accounting Regulations, 2017, requires the Holding Company, to recognize premium receivable under an insurance policy/ cover note as written from the date of attachment of risk to the policy/ cover note. Accordingly, the Holding Company is required to account for cover notes which are effective as at reporting date. In previous years, the Holding Company recognized premium under a policy as written at the time of issuance of policy in accordance with the SEC (Insurance) Rules, 2002. The change is considered to be a change in accounting policy in accordance with IAS **-** 8. The impact of the same is not considered to be material to the consolidated financial statements and accordingly the comparative restated consolidated financial statements has not been restated for this change.

3.1.2 ***Subsidiary Company***

Application of Insurance Rules 2017 and Insurance Accounting Regulation 2017

As explained in note 3.1.1, Securities and Exchange Commission of Pakistan ("SECP") vide S.R.O 88(1)/2017 and S.R.O 89(1)/2017 dated 9 February 2017 has issued the and Insurance Rules, 2017, Insurance Accounting Regulations, 2017 ("the Rules and Accounting Regulations, 2017"). Accordingly, following changes have been made in accounting policies of Subsidiary Company:

- A new format of financial statements has been prescribed where statement of comprehensive income has been added and revenue account, statement of premiums / contributions, statement of claims, statement of expenses and statement of investment income have been done away with;

- Full premiums and claims of insurance business are now being recorded in profit and loss account. Previously only surplus as recommended by the appointed actuary was included in profit and loss account; and

- The accounting policies for investments have been brought in line with requirements of IAS 39 Financial Instruments. Previously these investments were valued at lower of cost or market value.

The said change in accounting policy has been made in accordance with the requirements of IAS 8 'Accounting Policies, change in accounting estimates and errors' as disclosed in note 3.1.3 of these consolidated financial statements.

3.1.3 Financial impact of change in accounting policy

The significant effects of changes in accounting policies as stated above has been applied retrospectively in accordance with the requirement of IAS - 8 'Accounting Policy, Change in Accounting Estimates and Error' and comparatives have been restated to conform to the changed policies. The summary of the effects are as follows:

	31 December 2017			1 January 2017		
	As previously reported	Adjustment	After adjustment	As previously reported	Adjustment	After adjustment
Effect on statement of financial position	------ (Rupees in thousand) ------					
Assets						
Investments in equity securities	26,078,010	5,110,551	31,188,561	22,053,279	7,096,661	29,149,940
Decrease in insurance liablities	27,455,163	(3,377)	27,451,786	21,489,648	(2,202)	21,487,446
Total assets from takaful operations - OTF	241,121	128	241,249	99,157	121	99,278
Liability						
Deferred taxation	30,218	1,561,539	1,591,757	35,362	2,298,759	2,334,121
Total liabilities from takaful operations - OTF	141,312	38	141,350	46,366	38	46,404

	31 December 2017	1 January 2017
	Effect of Adjustment	Effect of Adjustment
	------ (Rupees in thousand) ------	------ (Rupees in thousand) ------
Equity:		
Fair value reserves		
- attributable to equity holders of the parent	3,573,725	4,889,942
- non-controlling interest	1,193	6,472
Retained earnings:		
(a) Increase in Equity - Ledger Account D balance		
- attributable to equity holders of the parent	51,216	172,708
- non-controlling interest	17,734	59,801
(b) Increase in unappropriated profits and reserves		
- attributable to equity holders of the parent	2,581	485
- non-controlling interest	894	168

Further the balance of Rs. 230.57 million of Subsidiary Company as at 01 January 2017 representating the ledger D retained earnings balance earlier included in statutory funds have now been included in equity. In addition, due to the change in format of the statement of financial position, interfund receivable and payable balances of Rs. 323.86 million have been netted off against each other.

	31 December 2017
	Effect of Adjustment
	------ (Rupees in thousand) ------
Effect on profit and loss account	
Gain / loss on other than participating business (Ledger Account D)	(234,538)
Net change in insurance liabilities (other than outstanding claims)	1,175
Management expenses	17,681
Investment income (loss on avaliable for sale investment)	2,617
Income tax expense	64,704
	(148,361)

	31 December 2017		
	As previously reported	Adjustment	After adjustment
	------ (Rupees in thousand) ------		
Effect of other comprehensive income			
Items that will not be reclassified subsequently to profit and loss account			
Loss on remeasurement of post retirement defined benefits obligations - net of tax	(51,033)	(12,377)	(63,410)
Item to be reclassified to profit and loss account in subsequent period			
Net unrealized (loss) arising during the period on revaluation of available for sale investments-net of tax	-	(1,321,504)	(1,321,504)
Net unrealized (loss) arising during the period on revaluation of available for sale investments of Window Takaful Operations -net of tax	-	7	7
	-	(1,321,497)	(1,321,497)
Total Impact in Other Comprehensive Income	(51,033)	(1,333,874)	(1,384,907)
Increase / (decrease) in EPS - Rupees per share	3.44	(0.31)	3.13

3.2 Insurance contracts

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

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

Insurance contracts issued by the Group are generally classified in ten basic categories among them five categories are covered by the Holding Company i.e. Fire and property, Marine, aviation and transport, Motor, Health and Miscellaneous and five categories i.e. Conventional Business, Accident and Health Business, Non-Unitised Investment Link Business, Unit Link Fund and Individual Family Takaful Unit Linked Business are covered by the Subsidiary Company. These are issued to multiple types of clients with businesses in engineering, automobiles, cement, power, textiles, paper, agriculture, services and trading sectors etc. and individuals as well. The tenure of these insurance contracts depends upon terms of the policies written and vary accordingly.

Holding Company - Non Life Business

- 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, erection all risk, machinery breakdown and boiler damage, etc.

- 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.

- 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.

- Accident and health insurance contracts mainly compensate hospitalization and out patient medical coverage to the insured.

- 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, personal accident, workmen compensation, travel and crop, etc.

Subsidiary Company - Life Business

- The Conventional Business includes individual life, group life and group credit life assurance.

- Accident and Health Business provides fixed pecuniary benefits or benefits in the nature of indemnity or a combination of both in case of accident or sickness to individuals. The risk underwritten is mainly related to medical expenses relating to hospitalization and death by accidental means. This business is written through direct sales by the head office as well as through tele-sales.

- Individual Life Non-unitised Investment Linked Business provides life assurance coverage to individuals under universal life policies issued by the Subsidiary Company. Benefits are expressed in terms of account value of the policyholder account which is related to the market value of the underlying assets of the investment fund. The risk underwritten is mainly death and disability. This business is written through bancassurance channel.

- Individual Life Unit Linked Business provides life assurance coverage to individuals under unit-linked investment policies issued by the Subsidiary Company. Benefits are expressed in terms of account value of the policyholder account which is related to the market value of the underlying assets of the investment fund. Various types of riders (Accidental death, family income benefits etc.) are also sold along with the basic policies. Some of these riders are charged through deductions from policyholders fund value, while others are not charged i.e. additional premium is charged there against. The risk underwritten is mainly death and disability. This business is written through bancassurance channel and Subsidiary Company's own agency distribution channel.

- Unit Linked Takaful Plans provide Shariah Compliant financial protection and investment vehicle to individual participants. These plans carry cash value, and offer investment choices to the participants to direct their investment related contributions based on their risk / return objectives. The investment risk is borne by the participants.

In addition to direct insurance, the Group 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.

Since the nature of insurance contracts entered in to by the Holding Company and its Subsidiary Company are different, the respective accounting policies have separately been disclosed here under.

3.3 Holding Company - Non-life business

3.3.1 Revenue recognition

3.3.1.1 Premiums

Premiums including administrative surcharge under an insurance contract are recognized as written from date of issuance to the date of attachment of risk to the policy / cover note. Where premium for a policy is payable in installments, full premium for the duration of the policy is recognized as written at the inception of the policy and related asset is recognized for premium receivable.

Revenue from premiums is determined after taking into account the unearned portion of premiums. The unearned portion of premium income is recognized as a liability.

Reinsurance premium is recognized as expense after taking into account the proportion of deferred premium expense which is recognized as a proportion of the gross reinsurance premium of each policy, determined as the ratio of the unexpired period of the policy and the total period, both measured to the nearest day. The deferred portion of premium expense is recognized as a prepayment.

3.3.1.2 Commission Income

Commission and other forms of revenue (apart from recoveries) from reinsurers are deferred and recognized as liability and recognized in the profit and loss account as revenue in accordance with the pattern of recognition of the reinsurance premiums.

3.3.2 Deferred commission expense / acquisition cost

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 and loss account at the time the policies are accepted.

3.3.3 Unearned premium

As explained in 4.2 of these consolidated financial statements, the Holding Company has changed its methodology for determining unearned premium whereby instead of 1/365 method, premium income under a policy is determined as the ratio of the unexpired period of the policy and the total policy period, both measured to the nearest day except:

- for marine cargo, as a ratio of the unexpired shipment period to the total expected shipment period, both measured to the nearest day.

- for crop business, as a ratio of the unexpired crop period to the total expected crop period, both measured to the nearest day.

Administrative surcharge is recognized as premium at the time the policies are written and is included in above mentioned calculations.

3.3.4 Premium deficiency

The Holding Company maintains a provision in respect of premium deficiency (also called unexpired risk reserve) for the class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the statement of financial position date in respect of the unexpired policies in that class of business at the reporting date.

For this purpose, premium deficiency reserve is determined by independent actuaries. The actuary determines the prospective loss ratios for each class of business and applies factors of unearned and earned premiums and uses assumptions appropriate to arrive at the expected claims settlement cost which when compared with unearned premium reserve (UPR) shows whether UPR is adequate to cover the unexpired risks. If these ratios are adverse, premium deficiency is determined.

Based on actuary's advice the management creates a reserve for the same in these unconsolidated financial statements. The movement in the premium deficiency reserve is recorded as an expense / income in profit and loss account for the year.

3.3.5 Reinsurance contracts held

The Holding 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 off set against income or expenses from related insurance assets.

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

The Holding Company assesses its reinsurance assets for impairment on reporting date. If there is an objective evidence that the reinsurance asset is impaired, the Holding 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.

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

3.3.6 Receivables and payables related to insurance contracts

Receivables including premium due but unpaid, relating to insurance contracts are recognized when due. The claim payable is recorded when intimation is received. These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any. Premium received in advance is recognized as liability till the time of issuance of insurance contract there against.

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

3.3.7 Provision for outstanding claims including IBNR

The Holding Company recognizes liability in respect of all claims incurred up to the reporting date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in the insurance contract. The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR), expected claims settlement costs, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Securities and Exchange Commission of Pakistan through its circular 9 of 2016 dated 9 March 2016 issued "Guidelines for estimation of incurred but not reported (IBNR) claims reserve 2016" for non-life insurance Companies and required to comply with all provisions of these guidelines with effect from 1 July 2016.

The Guidelines require that estimation for provision for claims incurred but not reported (IBNR) for each class of business, by using prescribed Method “Chain Ladder Method” and other alternate method as allowed under the provisions of the Guidelines. The Chain Ladder Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level to derive an IBNR estimate.

The actuarial valuation as at 31 December 2018 has been carried out by independent firm of actuaries for determination of IBNR for each class of business. The actuarial valuation is based on a range of standard actuarial claim projection techniques, based on empirical data and current assumptions as explained in preceding paragraph that may include a margin for adverse deviation as required / allowed by the circular 9 of 2016. The methods used, and the estimates made, are reviewed regularly.

3.4 Subsidiary Company - Life business

3.4.1 Conventional Business

The Conventional Business includes individual life, group life and group credit life assurance.

3.4.1.1 Individual life

The individual life business segment provides coverage to individuals against deaths and disability under conventional policies issued by the Subsidiary Company. Additional riders are included on the discretion of the policyholder. The business is written through bancassurance, tele-sales and direct sales made by head office.

Revenue recognition

Premiums are recognized once the related policies have been issued and the premiums have been received.

Recognition of policyholders' liabilities

Policyholders’ liabilities included in the statutory fund are determined based on the appointed actuary’s valuation conducted as at the date of financial statement , in accordance with section 50 of the Insurance Ordinance, 2000.

Claim expenses

Claims expenses are recognised on the earlier of the policy expiry or the date when the intimation of the insured event giving rise to the claim is received. Surrender of conventional business policies is made after these have been approved in accordance with the Subsidiary Company's Policy.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported to the date of the financial statements.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the insurance / policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

3.4.1.2 Group life and group credit life

Group Life contracts are mainly issued to employers to insure their commitments to their employees as required under the West Pakistan Industrial and Commercial Employment (Standing Orders) Ordinance, 1968.

The group life business segment provides coverage to members / employees of business enterprises and corporate entities, against death and disability under group life assurance schemes issued by the Company. The group credit life business segment provides coverage to a group of members or subscribers registered under a common platform against death and disability. The business is written mainly through direct sales force and bancaassurance channel.

Revenue recognition

Premiums are recognised as and when due. In respect of certain group policies the Company continues to provide insurance cover even if the premium is received after the grace period. Provision for unearned premiums is included in the policyholders’ liabilities.

Recognition of policyholders' liabilities

Policyholders’ liabilities included in the statutory fund are determined based on the appointed actuary’s valuation conducted as at the date of financial statement , in accordance with section 50 of the Insurance Ordinance, 2000.

Claim expenses

Claims expenses are recognised on the date the insured event is intimated.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported to the date of the balance sheet.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the insurance / policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

Experience refund of premium

Experience refund of premium payable to policyholders' is included in policyholders' liability in accordance with the policy of the Company and the advice of the appointed actuary.

3.4.2 Accident and Health Business

Accident and Health Business provides fixed pecuniary benefits or benefits in the nature of indemnity or a combination of both in case of accident or sickness to individuals. The risk underwritten is mainly related to medical expenses relating to hospitalisation and death by accidental means. This business is written through direct sales by the head office as well as through tele-sales.

Revenue recognition

Premiums are recognised once the related policies have been issued and the premiums have been received.

Recognition of policyholders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the date of financial statement , in accordance with section 50 of the Insurance Ordinance, 2000.

Claim expenses

Claims expenses are recognised after the date the insured event is intimated and a reliable estimate of the claim amount can be made.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported to the date of the financial statements.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the insurance / policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

3.4.3 Non-unitised Investment Linked Business

Individual Life Non-unitised Investment Linked Business provides life assurance coverage to individuals under universal life policies issued by the Company. Benefits are expressed in terms of account value of the policyholder account which is related to the market value of the underlying assets of the investment fund. The risk underwritten is mainly death and disability. This business is written through bancassurance channel.

Revenue recognition

Premiums (including first year, renewal and single premium) are recognised once the related policies have been issued and the premiums have been received.

Recognition of policyholders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the date of financial statement , in accordance with section 50 of the Insurance Ordinance, 2000.

Claim expense

Claim expenses are recognised on the earlier of the policy expiry or the date when the intimation of the event giving rise to the claim is received.

Surrender of non-unitised investment linked business policies is made after these have been approved in accordance with the Company's Policy.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported to the date of the financial statements.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the insurance / policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

3.4.4 Unit Linked Business

Individual Life Unit Linked Business provides life assurance coverage to individuals under unit-linked investment policies issued by the Company. Benefits are expressed in terms of account value of the policyholder account which is related to the market value of the underlying assets of the investment fund. Various types of riders (Accidental death, family income benefits etc.) are also sold along with the basic policies. Some of these riders are charged through deductions from policyholders fund value, while others are not charged i.e. additional premium is charged there against. The risk underwritten is mainly death and disability. This business is written through bancassurance channel and Company's own agency distribution channel.

Revenue recognition

Premiums (including first year, renewal and single premiums) are recognised once the resulted policies have been issued / renewed against receipt and realization of premiums.

Recognition of policyholders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the date of financial statement , in accordance with section 50 of the Insurance Ordinance, 2000.

Claim expenses

Claim expenses are recognised on the earlier of the policy expiry or the date when the intimation of the event giving rise to the claim is received.

Surrender of unit linked business policies is made after these have been approved in accordance with the Company's Policy.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported to the date of the financial statements.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the insurance / policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

3.4.5 Individual Family Takaful Unit Linked Business

The Company offers Family Takaful Contracts. Family Takaful Contract is an arrangement which rests on key Shariah principles of mutual cooperation, solidarity and well being of a community, and is based on the principles of Wakala Waqf Model. Under a Takaful arrangement, individuals come together and contribute towards the common objective of protecting each other against financial losses by sharing the risk on the basis of mutual assistance.

The obligation of Waqf for Waqf participants' liabilities is limited to the amount available in the Waqf fund. In case there is a deficit in the Waqf Fund, the Window Takaful Operator shall grant Qard-e-Hasna to make good the deficit. Although Qard-e-Hasna shall be repayable from the future surpluses generated in the Waqf Fund, without any excess of the actual amount given to it and repayment of Qard-e-Hasna shall receive priority over surplus distribution to Participants from the Waqf Fund, the amount so given is not reflected as an asset for the benefit of the participant.

The Company offers Unit Linked Takaful Plans which provide Shariah Compliant financial protection and investment vehicle to individual participants. These plans carry cash value, and offer investment choices to the participants to direct their investment related contributions based on their risk / return objectives. The investment risk is borne by the participants.

Revenue recognition

Contribution (including first year, renewal and single contributions) are recognized once the related policies are issued against receipt of contribution.

Recognition of policyholders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the date of financial statement , in accordance with section 50 of the Insurance Ordinance, 2000.

Claim expenses

Claim expenses are recognised on the earlier of the policy expiry or the date when the intimation of the event giving rise to the claim is received.

Surrender of unit linked business policies is made after these have been approved in accordance with the Subsidiary Company's Policy.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported to the date of the financial statements.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the insurance / policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

3.4.6 Reinsurance / Retakaful contracts held

Individual policies (including joint life policies underwritten as such) are reinsured under an individual life reinsurance / retakaful agreement whereas group life and group credit life policies are reinsured under group life and group credit life reinsurance agreements respectively.

3.4.6.1 Conventional

Reinsurance premium

Reinsurance premium expense is recognised at the same time when the related premium income is recognised. It is measured in line with the terms and conditions of the reinsurance treaties.

Claim Recoveries

Claim recoveries from reinsurers are recognised at the same time when the claim is intimated and giving rise to the right of recovery is recognised in the books of accounts of the Subsidiary Company.

Experience Refund

Experience refund receivable for re-insurance is included in the re-insurance recoveries of claims.

Amount due from / to reinsurer

All receivables (reinsurer's share in claims, commission from reinsurer and experience refund) and payables (reinsurance premium) under reinsurance agreements are recognised on net basis in the Subsidiary Company's financial statements, only under the circumstances that there is a clear legal right of off-set of the amounts.

Amounts due from / to reinsurers are carried at cost which is the fair value of the consideration to be received / paid in the future for services rendered / received, less provision for impairment, if any.

3.4.6.2 Takaful

Retakaful Contribution

These contracts are entered into by the Subsidiary Company with the retakaful operator under which the retakaful operator cedes the takaful risk assumed during normal course of its business, and according to which the Waqf is compensated for losses on contracts issued by it.

Retakaful contribution is recorded at the time the retakaful is ceded. Surplus from retakaful operator is recognized in the Revenue Account.

Retakaful liabilities represent balances due to retakaful companies. Amount payable are calculated in a manner consistent with the associated retakaful treaties.

Retakaful Expense

Retakaful expenses are recognized as a liability.

Retakaful assets represent balances due from retakaful operator. Recoverable amounts are estimated in a manner consistent with the associated retakaful treaties.

Retakaful assets are not offset against related Retakaful liabilities. Income or expenses from retakaful contract are not offset against expenses or income from related Retakaful contracts as required by the Insurance Ordinance, 2000. Retakaful assets and liabilities are derecognized when the contractual rights are extinguished or expired.

3.4.7 Receivables and payables relating to insurance contracts

These include amounts due to and from agents and policyholders' which are recognised when due.

3.4.8 Statutory funds

The Subsidiary Company maintains statutory funds in respect of each class of life assurance business in which it operates. Assets, liabilities, revenues and expenses of the Subsidiary Company are referable to the respective statutory funds. However, where these are not referable to statutory funds, these are allocated to shareholders' fund on the basis of actuarial advice. Apportionment of assets, liabilities, revenues and expenses, whenever required between funds are made on the basis certified by the appointed actuary of the Subsidiary Company. Policyholders’ liabilities have been included in statutory funds on the basis of the actuarial valuation carried out by the appointed actuary of the Subsidiary Company on the date of financial statement as required under section 50 of the Insurance Ordinance, 2000.

3.4.9 Policyholders' liabilities

3.4.9.1 Conventional Business

Individual Life

Insurance liabilities constitute the liabilities for basic plans and riders attached to the basic plans and reserves for IBNR Claims.

Policy reserves pertaining to the primary plans are based on Full Preliminary Term - Net Premium method using SLIC (2001-05) Individual Life Ultimate Mortality Table and a discounting factor interest rate of 3.75% per annum. This table reflects the recent mortality experience in Pakistan and in line with the requirements of Circular No: 17 of 2013 issued by the SECP Insurance Division on 13 September 2013. The interest rate is considerably lower than the actual investment return the Company is managing on its conventional portfolio. The difference between the above and actual investment return is intended to be available to the Company for meeting administrative expense and for providing margins against adverse deviations. Policy reserves for both waiver of premium and accidental death riders are based on net unearned premiums.

- Incurred But Not Reported (IBNR) claims

  IBNR liability for riders are held as a percentage of rider premium earned in the valuation year in view of grossly insufficient claims experience.

Group Life and Group Credit Life

Policy reserves for these plans are based on the unearned premium method net of allowances made for acquisition expenses, unexpired reinsurance premium and profit commission. Consideration is also given to the requirement for a Premium Deficiency Reserve. The reserves also comprise allowance for "Incurred But Not Reported" (IBNR) claims. The provision for 'Incurred But Not Reported' (IBNR) claims as included in policyholders' liability is estimated as 25% of the unearned premium for the year. The appointed actuary of the Company determine IBNR in accordance with the claim log patterns for each line of business separately. Appropriate margins will be added to ensure that the reserve set aside are resilient to changes in the experience.

3.4.9.2 Accident and Health Business

Currently there are no policyholders' liabilities to consider in this statutory fund.

3.4.9.3 Non-unitised Investment Linked Business

Policyholders' liabilities constitute the account value of investment linked contracts as well as non-investment or risk reserves of these contracts. Risk reserves constitute liabilities held to account for risks such as death and risk only riders (accidental death and disability, monthly income benefit, waiver of premium, etc.). Reserves for risk only contracts where premiums are level over the term of the contract are based on the Net Premium Method whereas reserves for age related risk contracts are based on net unearned premiums.

- Incurred But Not Reported (IBNR) claims

  IBNR liability for riders are held as a percentage of rider premium earned in the valuation year in view of grossly insufficient claims experience.

3.4.9.4 Unit Linked Business

Policyholders' liabilities constitute the fund value of unit linked contracts as well as non-investment or risk reserves of these contracts. Risk reserves constitute liabilities held to account for risks such as death and risk only riders (accidental death and disability, monthly income benefit, waiver of premium, etc.). Reserves for risk only contracts where premiums are level over the term of the contract are based on the Net Premium Method whereas reserves for age related risk contracts are based on net unearned premiums.

- Incurred But Not Reported (IBNR) claims

  IBNR liability for riders are held as a percentage of rider premium earned in the valuation year in view of grossly insufficient claims experience.

3.4.9.5 Individual Family Takaful Unit Linked Business

Policyholders' liabilities constitute the fund value of unit linked contracts as well as non-investment or risk reserves of these contracts. Risk reserves constitute liabilities held to account for risks such as death and risk only riders (accidental death and disability, monthly income benefit, waiver of contribution, etc.). Reserves for risk only contracts where contribution are level over the term of the contract are based on the Net Premium Method whereas reserves for age related risk contracts are based on net unearned contribution.

- Incurred But Not Reported (IBNR) claims

  IBNR liability for riders are held as a percentage of rider contribution earned in the valuation year in view of grossly insufficient claims experience.

3.4.10 Acquisition costs

These are costs incurred in acquiring insurance policies/ takaful contracts, maintaining such policies/ takaful contracts, and include without limitation all forms of remuneration paid to insurance agents/ takaful agents.

Commission and other expenses are recognised as expense in the earlier of the financial year in which they are paid and the financial year in which they become payable, except that commission and other expenses which are directly referable to the acquisition or renewal of specific contracts are recognised not later than the period in which the premium to which they refer is recognised as revenue.

3.4.11 Takaful Operator Fee

The shareholders of the Subsidiary Company manage the Window takaful Operations for the participants. Accordingly, the Subsidiary Company is entitled to takaful Operator's Fee for the management of Window Takaful Operations under the Waqf Fund, to meet its general and administrative expenses. The Takaful Operator's Fee, termed Wakala fee, is recognised upfront.

3.4.12 Investment Property

Investment property is the property which is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes. Investment property acquired for Investment-Linked (Unit Linked business statutory fund) is initially measured at cost and subsequently at fair value with any change therein recognised in the related profit and loss account.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

The fair value of investment property is determined by external, independent property valuer (K.G. Traders Private Limited) having appropriate recognised professional qualifications.

3.5 Property and equipment

Owned fixed assets, other than freehold land which is not depreciated and capital work-in-progress, are stated at cost, signifying historical cost, less accumulated depreciation and any provision for accumulated impairment. Freehold land and capital work-in-progress are carried at cost less accumulated impairment losses, if any. Depreciation is charged to income applying reducing balance method depending upon the nature of the asset, at the rates specified for calculation of depreciation after taking into account residual value, if any. The useful lives, residual values and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

Assets subject to finance lease are accounted for by recording the assets at the lower of present value of minimum lease payments under lease agreements and the fair value of asset at the inception of the lease contract. The related obligation under the lease is accounted for as liability. Finance charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

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 Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit and loss account as and when incurred.

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.

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

3.6 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 Group. 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 Group.

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.

3.7 Segment reporting

3.7.1 Holding Company

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

The Holding Company accounts for segment reporting using the classes of business as specified under the Insurance Ordinance, 2000 and Insurance Rules, 2017 as primary reporting format based on the Holding 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.

3.7.2 Subsidiary Company

A segment is a distinguishable component of the Company that is engaged in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company's primary format of reporting is based on business segments.

Operating segments are reported in a manner consistent with that provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

The Subsidiary Company operates in Pakistan only. The Subsidiary Company has five primary business segments for reporting purposes namely; Conventional Business, Accident and Health Business, Non-Unitised Investment Linked Business and Unit Linked Business and Individual Family Takaful Business. The Subsidiary Company accounts for segment reporting using the classes or sub-classes of business (Statutory Funds) as specified under the Insurance Ordinance 2000 and SEC (Insurance) Rules, 2002 as the primary reporting format.

3.8 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, policy stamps and bank balances and excludes bank balance held under lien.

3.9 Investment income

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

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

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

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

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

3.10 Investments

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs. These are recognized and classified as follows:

- Investment at fair value through profit and loss account
- Held to maturity
- Available-for-sale
- Financial assets at fair value through profit or loss

The classification depends on the purpose for which the financial assets were acquired.

3.10.1 Investment at fair value through profit and loss account

Financial assets designated at fair value through profit or loss upon initial recognition include those group of financial assets which are managed and their performance evaluated on a fair value basis and were held for active trading.

3.10.2 Held to maturity

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

Subsequently, these are measured at amortized cost less provision for impairment, if any.

Any premium paid or discount availed on government securities and term finance certificates is deferred and amortized over the period to maturity of investment using the effective yield.

3.10.3 Available-for-sale

Investments which are not eligible to be classified as "fair value through profit or loss" or "held to maturity" are classified as 'available-for-sale'. These investments are intended to be held for an indefinite period of time which 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.

Quoted

Subsequent to initial recognition, these investments are remeasured at fair value. Gains or losses on investments on remeasurement of these investments are recognized in statement of comprehensive income.

Unquoted

Fair value of unquoted investments is determined on the basis of appropriate valuation techniques as allowed by IAS 39 'Financial Instruments: Recognition and Measurement". Where fair value cannot be measured reliably, these are carried at cost.

3.10.4 Fair / market value measurements

For investments in Government securities and mutual funds, fair / market value is determined by reference to rates quoted by Mutual Fund Association of Pakistan (MUFAP). For investments in quoted marketable securities, other than Term Finance Certificates, fair / market value is determined by reference to Stock Exchange quoted market price at the close of business on reporting date. The fair market value of Term Finance Certificates is as per the rates issued by the Mutual Funds Association of Pakistan (MUFAP).

3.10.5 Date of recognition

Regular way purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognized at the trade date. Trade date is the date on which the Group commits to purchase or sell the investment.

3.11 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 statement of financial position when the Group 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.

3.12 Provisions

Provision 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.

3.13 Taxation

Current

Provision for current taxation is based on taxable income for the year 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 year, if enacted. The charge for current tax also include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalized during the current year for such years.

Deferred

Deferred tax is accounted for using the statement of financial position liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the unconsolidated 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

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.

3.14 Staff retirement benefits

3.14.1 Holding Company

Defined contribution plan

The Holding Company operates an approved contributory provident fund scheme for all its eligible employees. Equal monthly contributions to the fund are made by the Holding Company and the employees at the rate of 8.33% of basic salary.

Defined benefit plans

The Holding Company operates the following defined benefit plans:

(a) an approved funded gratuity scheme for all its permanent employees in Pakistan. Annual contribution are made to this scheme on the basis of actuarial recommendations. The Company recognizes expense in accordance with IAS 19 'Employee Benefits'. The contributions have been made to gratuity fund in accordance with the actuary’s recommendations based on the actuarial valuation of these funds as at 31 December 2018.

(b) unfunded gratuity scheme covering the employees in the UAE branches as per the requirements of the applicable regulations. Provision is made in these unconsolidated financial statements on the basis of the actuarial valuation carried out by an independent actuary using the projected unit credit method. The latest valuation has been carried at 31 December 2018.

Past-service costs are recognized immediately in profit and loss account, unless the changes to the plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

The Holding Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Holding Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Holding Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit and loss account.

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

3.14.2 Subsidiary Company

Defined benefit plan

The Subsidiary Company operates an approved funded gratuity scheme for all permanent, confirmed and full time employees who have completed minimum qualifying eligible service period of six months. Contribution to the fund is made and expense is recognised on the basis of actuarial valuation carried out as at each year end using the Projected Unit Credit Method. Gratuity is based on employees' last drawn gross salary. Provisions are made to cover the obligations under the scheme on the basis of actuarial assumptions.

The Subsidiary Company's obligation under the gratuity schemes are determined through actuarial valuations. Actuarial valuations are conducted annually and the latest valuation was conducted at the date of financial statement (31 December 2018). When the calculation results in a potential asset for the company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reduction in future contributions to the plan. Service costs are recognised in profit and loss in the period in which they occur. Net interest on net defined benefit liability is also recognised in profit and loss. Net of tax remeasurement comprising actuarial gain / loss, the return on plan assets (excluding interest) and the effect of the asset ceiling (excluding interest) are recognised in other comprehensive income.

3.14.3 Employees' compensated absences

The Group accounts for these benefits in the period in which the absences are earned.

3.15 Impairment of assets

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 Group's non-financial assets are reviewed at each statement of financial position 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 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 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.

3.16 Dividend distribution

Dividend distribution to the Group's shareholders and other appropriations are recognized in the Company's financial statements in the period in which these are approved.

3.17 Management expenses

Expenses of management both direct and indirect are allocated on the basis of activity in each class of business. Expenses not allocable to the underwriting business are charged as other expenses.

3.18 Foreign currencies

Transactions in foreign currencies (other than the result of foreign branches) 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.

The assets and liabilities of foreign branches are translated to Pak Rupees at exchange rates prevailing at the reporting date. The results of the foreign branches are translated to Pak Rupees at the average rate of exchange for the year. Translation gains and losses are included in the profit and loss account, except those arising on the translation of the Group net investments in foreign branches, which are taken to the capital reserves (exchange translation reserve).

3.19 Financial instruments

Financial assets and liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument and de-recognized when the Group 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 in the statement of financial position include cash and bank, loans, investments, premiums due but unpaid, amount due from other insurers / reinsurers, premium and claim reserves retained by cedants, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amounts due to other insurers / reinsurers, accrued expenses, other creditors and accruals, liabilities against asset subject to finance lease and unclaimed dividends. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.20 Earnings per share

The Group 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 Group by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated if there is any potential dilutive effect on the Group's reported net profits.

3.21 Window Takaful Operations - Holding Company

The accounting policies followed by Window Takaful Operations of the Holding Company are stated in the annexed financial statements of Window Takaful Operations for the year ended 31 December 2018.

4 Critical accounting estimates and judgments

4.1 Use of estimates and judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future

The areas involving a higher degree of judgment and complexity, or areas where assumptions and estimates are significant to these financial statements or judgment was exercised in application of accounting policies, are as follows:

		Note
-	Provision for Unearned Premium	*3.3.3*
-	Provision for doubtful receivables	*3.3.6*
-	Provision for outstanding claim including claims incurred but not reported (IBNR)	*3.3.7*
-	Premium deficiency	*3.3.4*
-	Defined benefit plans	*3.14*
-	Provision for taxation including the amount relating to tax contingency	*3.13*
-	Useful lives, pattern of economic benefits and impairments - Property and Equipment	*3.5*
-	Allocation of management expenses	*3.17*
-	Impairment of assets	*3.15*
-	Segment Reporting	*3.7*

4.2 Change in accounting estimate

During the year, the Holding Company has changed its methodology for premium income earned whereby instead of 1/365 method, premium income under a policy is determined as the ratio of the expired period of the policy and the total policy period, both measured to the nearest day. This change has been accounted for as change in accounting estimate in accordance with the "IAS 8 Accounting Policies and Changes in Accounting Estimates and Errors" whereby the change has been applied prospectively. Had the Holding Company's accounting estimate not been changed, unearned premium reserve would have been higher by approximately Rs. 91 million, prepaid reinsurance would have been higher by approximately Rs. 4 million and premium revenue would have been lowered by approximately Rs. 87 million during the year.

5 Property and Equipment	Note	**2018**	2017
		--- (Rupees in thousand) ---	
Operating Assets	*5.1*	**2,481,588**	2,273,084
Capital work in progress	*5.2*	**1,192,216**	475,079
		3,673,804	2,748,163

5.1 Operating Assets

	Cost					Depreciation					Net Book value	
	As at 01 Jan 2018	**Additions**	**Exchange differences and other adjustments**	**Disposals**	**As at 31 Dec 2018**	**As at 01 Jan 2018**	**Exchange differences and other adjustments**	**On disposals**	**Charge for the year**	**As at 31 Dec 2018**	**As at 31 Dec 2018**	**Rate**
	(Rupees in thousands)											**%**
Tangible												
Land	1,285,992	-	-	-	**1,285,992**	-	-	-	-	-	**1,285,992**	**-**
Building	485,387	170,852	57,130	-	**713,369**	183,185	25,594	-	28,476	**237,255**	**476,114**	**10%**
Furniture and fixtures	298,045	38,889	13,450	(921)	**349,463**	152,332	4,132	(882)	27,461	**183,043**	**166,420**	**14% - 15%**
Motor vehicles	679,771	70,594	10,592	(50,614)	**710,343**	355,893	3,394	(32,554)	52,723	**379,456**	**330,887**	**15% - 20%**
Machinery and equipment	225,196	6,171	4,627	(2,350)	**233,644**	123,819	2,129	(1,979)	19,074	**143,043**	**90,601**	**15% - 20%**
Computer equipment	339,578	59,474	4,600	(1,663)	**401,989**	264,159	3,107	(1,479)	39,846	**305,633**	**96,356**	**30% - 33%**
Leasehold Improvements	41,007	2,771	-	-	**43,778**	2,504	-	-	6,056	**8,560**	**35,218**	**14%**
Total	**3,354,976**	**348,751**	**90,399**	**(55,548)**	**3,738,578**	**1,081,892**	**38,356**	**(36,894)**	**173,636**	**1,256,990**	**2,481,588**	

	Cost					Depreciation					Net Book value	
	As at 01 Jan 2017	Additions	Exchange differences and other adjustments	Disposals	As at 31 Dec 2017	As at 01 Jan 2017	Exchange differences and other adjustments	On disposals	Charge for the year	As at 31 Dec 2017	As at 31 Dec 2017	Rate
	(Rupees in thousands)											%
Tangible												
Land	346,077	939,915	-	-	1,285,992	-	-	-	-	-	1,285,992	-
Building	373,915	100,660	10,812	-	485,387	151,348	4,618	-	27,219	183,185	302,202	10%
Furniture and fixtures	249,035	47,394	2,129	(513)	298,045	131,052	637	-	21,115	152,332	145,713	14% - 15%
Motor vehicles	620,516	92,057	1,648	(34,450)	679,771	330,474	644	(23,642)	48,893	355,893	323,878	15% - 20%
Machinery and equipment	198,196	30,931	1,063	(4,994)	225,196	108,899	384	(1,810)	17,165	123,819	101,377	15% - 20%
Computer equipment	309,447	29,460	671	-	339,578	232,537	550	-	31,072	264,159	75,419	30% - 33%
Leasehold Improvements	7,654	33,353	-	-	41,007	172	-	-	2,332	2,504	38,503	14%
Total	2,104,840	1,273,770	16,323	(39,957)	3,354,976	954,482	6,833	(25,452)	147,796	1,081,892	2,273,084	

5.1.1 Details of tangible assets disposed off during the year are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	---------------------------------- (Rupees in thousand)			----------------------------------		
Motor Vehicle (owned)						
Toyota Corolla Altis(LEH-18-7278)	2,369	-	2,369	2,373	Insurance claim recovery	IGI General Insurance Limited
Honda Civic(AXS-138)	2,058	1,273	785	1,188	Auction	Syed Tayyab Tahir
Toyota Corolla Gli(AZG-407)	1,723	949	774	1,126	Auction	Muhammad Saeed Zahid
Honda Civic(AXJ-834)	2,053	1,280	773	1,105	Auction	Iqbal Aziz
Honda Civic(AWF-970)	2,057	1,352	705	1,128	Auction	Syed Tayyab Tahir
Honda Citi(AYQ-659)	1,507	834	673	1,117	Auction	Muhammad Saeed
Honda Citi(AWA-253)	1,806	1,183	623	970	Auction	Sakhwat Hussain
Suzuki Cultus(LEE-14-7348)	1,085	484	601	801	Auction	Adnan Bashir
Honda Civic(AVU-325)	1,741	1,148	593	855	Auction	Noor Hassan Shah
Suzuki Cultus(BBQ-259)	1,080	501	579	700	Auction	Sarmad Butt
Suzuki Cultus(AZW-753)	1,050	559	491	757	Auction	Muhammad Saeed
Suzuki Cultus(AYW-525)	1,012	530	482	715	Auction	Muhammad Awais Khawar Gill
Suzuki Cultus(AZM-040)	1,050	586	464	726	Auction	Asim Ali
Suzuki Cultus(AYV-965)	990	533	457	715	Auction	Amir Khan
Honda Civic Vti Pt Sr(ASQ-109)	1,882	1,426	456	1,030	Auction	Muhammad Abbas Akram
Suzuki Cultus(AYD-637)	1,040	611	429	687	Auction	Muhammad Saeed
Suzuki Cultus(AXU-853)	970	610	360	761	Auction	Kabir Ud Din Zia
Suzuki Cultus(AXU-564)	950	597	353	605	Auction	Fawad Shafqat
Honda Civic Vti(ARM-858)	1,775	1,422	353	800	Auction	Abdullah Pervaiz
Honda Citi(ATF-270)	1,272	941	331	924	Auction	Muhammad Nasir Khan
Suzuki Cultus(AUE-419)	862	608	254	529	Auction	Abdul Jabbar Ansari
Honda Citi(ARJ-901)	1,060	854	206	787	Auction	Nighat Asif
Others(ARR-864)	862	659	203	485	Auction	Sheikh M Irfan
Honda Citi(APU-438)	879	708	171	720	Auction	Qudsia Aslam
Suzuki Cultus(AQW-105)	652	525	127	268	Auction	Maroof Ahmed
Toyota Corolla Gli(AJX-935)	879	757	122	775	Auction	Muhammad Asif
Toyota Daihatsu Coure(AMY-343)	345	275	70	275	Auction	Muhammad Asif
Camry (90768)	2,959	1,682	1,277	1,270	Negotiation	Mohammed Mahmood Mohammed Karam Ali
Nissan Altima (69401)	1,322	758	564	193	Negotiation	Mudassir Hussain Altaf Hussain Khan
Toyota - Fortuner BF - 6084	4,970	3,314	1,616	3,915	Negotiation	Mr Noman Noor (Ex-employee)
Items having book value below Rs. 50,000	6,354	5,595	759	678		
	50,614	**32,554**	**18,020**	**28,978**		

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	-------------------------------- (Rupees in thousand)			--------------------------------		
Computer & related accessories						
Items having book value below Rs. 50,000	1,663	1,479	184	435		
	1,663	**1,479**	**184**	**435**		
Furniture & fixtures						
Items having book value below Rs. 50,000	921	882	39	67		
	921	**882**	**39**	**67**		
Machinery and equipment						
Panasonic Photocopier	410	286	124	25	Auction	Khair Muhammad
Items having book value below Rs. 50,000	1,940	1,693	247	507		
	2,350	**1,979**	**371**	**532**		
Total	**55,548**	**36,894**	**18,614**	**30,012**		

5.2 Capital work in progress includes the following:

	2018	2017
	-------- (Rupees in thousand)	--------
Building	**931,116**	439,962
Mobilization advance	**82,426**	12,621
Civil & electrical works	**155,976**	616
Advance for ERP softwares	**12,255**	12,347
Leasehold improvement	**2,270**	9,533
Advance for purchase of vehicle	**8,173**	-
	1,192,216	475,079

6 Intangible assets

	2018	2017
	-------- (Rupees in thousand) -------	
Cost		
Cost as at 01 January	**339,478**	308,920
Additions during the year	**95,327**	28,144
Exchange differences and other adjustments	**16,950**	2,414
Cost as at 31 December	**451,755**	339,478
Accumulated amortization		
Accumulated amortization as at 01 January	**241,718**	206,355
Amortization charged during the year	**41,126**	34,196
Exchange differences and other adjustments	**8,309**	1,167
Accumulated amortization as at 31 December	**291,153**	241,718
Net book value as at 31 December	**160,602**	97,760
Rate of amortization	**20.00%**	20.00%

7 Investment Property

Subsidiary Company		
Opening net book value	**637,981**	-
Additional cost incurred	**91,513**	680,414
Unrealized fair value gain / (loss)	**125,900**	(42,433)
Closing net book value	**855,394**	637,981

7.1 This represents piece and parcel of plot no. 1-A, Main Gulberg, Jail Road, Lahore, measuring 8 kanal 8 marla 203 Sq. ft. of a land bought by the Subsidiary Company for the Unit Linked investment business.

Market value of this investment property amounts to Rs. 855.394 million based on a revaluation carried out by K.G. Traders (Private) Limited as at 28 December 2018, which the management believes also approximates the value as of 31 December 2018 and revaluation gain of Rs. 125.9 million has been recognised in the profit and loss account.

The fair value of the investment property has been categorised as a Level 3 fair value (based on the inputs to the valuation technique used) and which is considered as highest and best use of investment property.

7.2 Valuation technique

The valuer has arranged enquiries and verifications from various estate agents, brokers and dealers, the location and condition of the property, size, utilization, and current trends in prices of real estate including assumptions that ready buyers are available in the current scenario and analysed through detailed market surveys, the properties that have recently been sold or purchased or offered / quoted for sale into given vicinity to determine the best estimates of the fair value.

		2018			2017		
	Note	**Cost**	**Impairment/ Provision**	**Carrying value**	Cost	Impairment/ Provision	Carrying value
8 Investments in equity securities		**(Rupees in thousand)**					
							(Restated)
- Available for sale							
Related parties							
Listed shares	*8.1.1*	**8,423,580**	**(164,863)**	**8,258,717**	7,852,823	-	7,852,823
Unlisted shares	*8.1.2*	**300,726**	-	**300,726**	-	-	-
Mutual Funds	*8.1.5*	-	-	-	54,579	-	54,579
		8,724,306	**(164,863)**	**8,559,443**	7,907,402	-	7,907,402
Unrealized gain				**1,294,754**			2,197,842
				9,854,197			10,105,244
Others							
Listed shares	*8.1.3*	**7,268,843**	**(1,545,527)**	**5,723,316**	7,445,051	(1,135,095)	6,309,956
Unlisted shared	*8.1.4*	**925,360**	-	**925,360**	925,360	-	925,360
Mutual Funds	*8.1.6*	**389,312**	-	**389,312**	447,440	-	447,440
NIT Units	*8.1.7*	**161**	-	**161**	161	-	161
		8,583,676	**(1,545,527)**	**7,038,149**	8,818,012	(1,135,095)	7,682,917
Unrealized gain				**1,813,201**			2,908,801
				8,851,350			10,591,718
Total - available for sale		**17,307,982**	**(1,710,390)**	**18,705,547**	16,725,414	(1,135,095)	20,696,962
- Fair value through profit and loss							
Related parties							
Listed shares	*8.2.1*	**1,250,208**	-	**1,250,208**	687,540	-	687,540
Mutual Funds	*8.2.3*	**3,651,823**	-	**3,651,823**	3,011,529	-	3,011,529
		4,902,031	-	**4,902,031**	3,699,069	-	3,699,069
Unrealized loss				**(374,786)**			114,749
				4,527,245			3,813,818
Others							
Listed shares	*8.2.2*	**10,864,063**	-	**10,864,063**	6,999,774	-	6,999,774
Mutual Funds	*8.2.4*	**286,805**	-	**286,805**	450,902	-	450,902
		11,150,868	-	**11,150,868**	**7,450,676**	-	7,450,676
Unrealized loss				**(2,024,252)**			(772,895)
				9,126,616			6,677,781
Total - fair value through profit and loss		**16,052,899**	-	**13,653,861**	11,149,745	-	10,491,599
		33,360,881	**(1,710,390)**	**32,359,408**	27,875,159	(1,135,095)	31,188,561

8.1 Available for sale

8.1.1 Related parties- Listed Shares

No. of shares		Face value	Company's Name	Market value	
2018	2017	**Rupees**		**2018**	2017
				----------Rupees in thousand---------	
			Commercial Banks		
47,827,287	47,179,787	10	MCB Bank Limited	**9,257,929**	10,017,212
			Textile Composite		
2,050	2,050	10	Nishat Mills Limited	**259**	306
			Cement		
3,358,344	-	10	D.G. Khan Cement Company Limited	**269,172**	-
			Power Generation & Distribution		
963,500	963,500	10	Nishat Power Limited	**26,111**	32,759
				9,553,471	10,050,277

8.1.2 Related Parties - Unlisted shares

No. of shares		Face value	Company's Name	Market value	
2018	2017	**Rupees**		**2018**	2017
				----------Rupees in thousand---------	
			Automobile Assembler		
30,000,000	-	10	Hyundai Nishat Motors (Private) Limited (note 8.2.1)	**300,726**	-

8.1.2.1 This represents investment in the ordinary shares of Hyundai Nishat Motors (Private) Limited ("HNMPL") which is in the process of setting vehicle assembly plant in Pakistan. Since HNMPL's ordinary shares are not listed and it has not yet started commercial production, the fair value of HNMPL's ordinary shares through other valuation techniques cannot be measured reliably as at 31 December 2018 and, hence, it is carried at cost.

8.1.3 Others - listed shares

No. of shares		Face value	Company's Name	Market value	
2018	2017	**Rupees**		**2018**	2017
				----------Rupees in thousand---------	
			Automobile Assembler		
459,929	389,556	10	Millat Tractors Limited	**382,656**	456,415
			Cable & Electrical Goods		
148,131	148,131	10	Siemens (Pakistan) Engineering Company Limited	**135,545**	139,040
			Cement		
20,000	20,000	10	Attock Cement	**2,717**	3,620
-	3,358,344	10	D.G. Khan Cement Company Limited	**-**	449,078
645,100	645,100	10	Fecto Cement Limited	**20,159**	32,223
-	114,900	10	Lucky Cement Limited	**-**	59,450
			Close - End Mutual Fund		
4,113,500	4,113,500	10	HBL Investment Fund 'A'	**20,814**	54,915
			Commercial Banks		
6,277,500	2,773,000	10	Allied Bank Limited	**674,643**	235,650
389,107	389,107	10	Habib Bank Limited	**46,868**	65,016
-	3,000,000	10	Habib Metropolitan Bank Limited	**-**	103,500
8,320,012	8,320,012	10	National Bank of Pakistan	**349,692**	404,020
1,279,400	879,400	10	United Bank Limited	**156,906**	165,301
			Engineering		
109,560	109,560	10	Aisha Steel Mills Limited	**1,155**	1,952
100,000	100,000	10	Crescent Steel & Allied Products Limited	**5,556**	12,731
300,000	300,000	10	International Steel Limited	**19,731**	31,911
1,298,500	-	10	Mughal Iron & Steel Industries Limited	**52,524**	-

No. of shares 2018	No. of shares 2017	Face value Rupees	Company's Name	Market value 2018	Market value 2017
				----------Rupees in thousand---------	
			Fertilizer		
2,220,100	2,220,100	10	Dawood Hercules Corporation Limited	**246,764**	248,340
159,900	506,500	10	Engro Corporation Limited	**46,544**	139,161
2,708,500	5,062,500	10	Engro Fertilizers Limited	**187,022**	342,833
9,000	9,000	10	Fatima Fertilizer Limited	**328**	278
10,711,240	10,748,740	10	Fauji Fertilizer Company Limited	**994,539**	850,333
			Food & Personal Care Products		
-	1,005,500	10	Al Shaheer Corporation Limited	**-**	22,342
5,740	5,740	10	Nestle Pakistan Limited	**51,660**	66,010
70,304	64,945	10	Rafhan Maize Products Limited	**474,552**	441,626
			Insurance		
4,800	4,800	10	EFU General Insurance Company Limited	**480**	734
230,000	-	10	IGI Holdings Limited	**46,271**	-
286,843	286,843	10	Pakistan Reinsurance Company Limited	**9,965**	12,171
			Investment Companies		
5,462,000	5,462,000	10	MCB Arif Habib Savings & Investment Limited	**136,550**	152,936
			Oil & Gas Exploration Companies		
1,524,300	1,524,300	10	Oil & Gas Development Company Limited	**195,110**	248,141
500	500	10	Pakistan Oilfields Limited	**255**	297
7,645,095	10,545,095	10	Sui Northern Gas Pipelines Limited	**589,207**	997,671
			Paper & Board		
11750	0	10	Packages Limited	**4,545**	-
			Pharmaceuticals		
369400	294400	10	Abbott Laboratories Pakistan Limited	**233,110**	205,376
			Power Generation & Distribution		
5743000	5743000	10	Kot Addu Power Company Limited	**284,566**	309,548
130,000	130,000	10	K-Electric Limited	**772**	820
27348388	27348388	10	Lalpir Power Limited	**451,522**	616,159
0	0	10	Nishat Power Limited	**-**	-
25,631,181	25,631,181	10	Pakgen Power Limited	**436,755**	567,218
4,960,882	4,960,882	10	Saif Power Limited	**127,394**	143,518
			Refinery		
37,500	30,000	10	Attock Refinery Limited	**5,532**	7,024
36	36	10	Pakistan Petroleum Limited	**7**	7
506450	506450	10	National Refinery Limited	**144,733**	218,217
				6,539,167	7,807,599

8.1.4 Others - Unlisted shares

No. of shares 2018	No. of shares 2017	Face value Rupees	Company's Name	Market value 2018	Market value 2017
				----------Rupees in thousand---------	
9,681,374	9,681,374	10	Security General Insurance Company Limited [Equity held 14.224% (2017: 14.224%)] - note 8.4.1	**1,926,884**	2,338,633

8.1.4.1 This represents investment in the ordinary shares of Security General Insurance Company Limited ("SGI") which is principally engaged in general insurance business. Since SGI's ordinary shares are not listed, an independent valuer engaged by the Holding Company has estimated a fair value of Rs. 199.03 per ordinary share as at 31 December 2018 (Rs. 241.56 per ordinary share as at 31 December 2017) through a valuation technique based on discounted cash flow analysis of SGI. Hence, it has been classified under level 3 of the fair value hierarchy as further explained in note 39 to these unconsolidated financial statements. The fair value decline of Rs. 411.75 million is included in the fair value reserve (net of deferred tax) recognized during the year in other comprehensive income.

The main level 3 inputs used by the Holding Company are derived and evaluated as follows:

- Discount rate is determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessment of the time
- Long term growth rate is estimated based in historical performance of SGI and current market information for similar type of companies.

The significant assumptions used in this valuation technique are as follows:

- Discount rate of 16% per annum.
- Growth rate in premium revenue of 8% per annum.
- Annual growth in cost is estimated @ 11 % per annum.

8.1.5 Related parties-Mutual Fund Certificates

Open-Ended-Mutual Funds

No. of units 2018	No. of units 2017	Face value Rupees	Fund Name	Market value 2018	Market value 2017
				----------Rupees in thousand---------	
-	563,574	50	MCB Pakistan Asset Allocation Fund	-	43,738
-	206,090		MCB Pakistan Income Enhancement Fund	-	11,229
				-	54,967

8.1.6 Others-Mutual Fund Certificates

Open-Ended-Mutual Funds

No. of units 2018	No. of units 2017	Face value Rupees	Fund Name	Market value 2018	Market value 2017
				----------Rupees in thousand---------	
2,363,544	-	10	ABL Cash Fund	**24,151**	-
-	2,225,355	10	ABL Income Fund	-	22,839
-	810,608	10	ABL Government Securities Fund	-	8,317
257,200	-	100	HBL Cash Fund	**25,969**	-
4,113,500	-	10	HBL Investment Fund - Class B	**36,572**	-
2,767,761	2,550,579	100	MCB Cash Management Optimizer	**278,782**	263,312
396,355	95,181	50	Meezan Islamic Income Fund	**21,047**	15,398
-	386,357	50	Meezan Sovereign Fund	-	20,040
-	1,012,359	50	Meezan Balanced Fund	-	6,182
-	5,482	100	UBL Al-Ameen Islamic Cash Fund	-	562
-	468,798	100	UBL Al-Ameen Shariah Stock Fund	-	62,125
-	123,247	100	UBL Financial Planing Fund (Conservation Allocation Plan)	-	12,328
-	9	100	UBL Money Market Fund	-	1
-	534,261	100	UBL Stock Advantage Fund	-	35,512
				386,521	446,616

8.1.7 Open-Ended Equity Funds

No. of units 2018	No. of units 2017	Face value Rupees	Fund Name	Market value 2018	Market value 2017
				----------Rupees in thousand---------	
12,540	12,540		National Investment Trust	**795**	885

8.2 Fair value through profit and loss

8.2.1 Related parties- Listed Shares

No. of shares 2018	No. of shares 2017	Face value Rupees	Company's Name	Market value 2018	Market value 2017
				----------Rupees in thousand---------	
			Commercial Banks		
4,616,500	1,687,500	10	MCB Bank Limited	**893,616**	358,290
			Textile Composite		
2,252,500	1,300,000	10	Nishat Chunian Limited	**109,426**	59,501
1,039,200	954,800	10	Nishat Mills Limited	**131,490**	142,743
			Cement		
373,900	373,300	10	D.G. Khan Cement Company Limited	**29,968**	49,918
				1,164,500	610,452

8.2.2 **Others - listed shares**

No. of shares 2018	No. of shares 2017	Face value Rupees	Company's Name	Market value 2018	Market value 2017
				----------Rupees in thousand---------	
			Automobile Assembler		
3,600	-	10	Millat Tractors Limited	**2,995**	-
8,400	55,460	10	Indus Motor Company Limited	**10,246**	93,182
1,000	20,500	10	Ghandhara Industries Limited	**275**	11,318
4,400	103,200	10	Honda Atlas Cars (Pakistan) Limited	**777**	52,881
150	116,400	10	Pak Suzuki Motor Company Limited	**26**	57,940
			Automobile Part & Accessories		
-	60,000	10	General Tyre & Rubber Company Limited	**-**	11,298
126,500	-	10	Loads Limited	**2,682**	-
			Vanaspati & Allied Industries		
107,000	-	10	Unity Foods Limited	**2,753**	-
			Transport		
4,000	27,700	10	Pakistan National Shipping Corporation - PNSC	**230**	2,874
			Leasing Companies		
600	249,000	10	Orix Leasing Pakistan Limited	**16**	10,336
			Cable & Electrical Goods		
-	-	10	Siemens (Pakistan) Engineering Company Limited	**-**	-
5,312,200	3,044,400	10	Pak Elektron Limited	**132,274**	144,579
			Cement		
2,016,592	17,200	10	Cherat Cement Company Limited	**140,456**	1,908
-	-	10	D.G. Khan Cement Company Limited	-	-
2,663,500	-	10	Dewan Cement Limited	**30,977**	-
-	-	10	Fecto Cement Limited	**-**	-
-	211,500	10	Fauji Cement Company Limited	**-**	5,290
39,000	15,000	10	Kohat Cement Company	**3,313**	2,130
1,246,750	966,150	10	Lucky Cement Limited	**541,925**	499,896
2,607,625	1,094,125	10	Maple Leaf Cement Factory Ltd	**106,000**	74,882
106,000	172,700	10	Pioneer Cement Limited	**4,442**	10,901
			Leather & Tanneries		
39,960	14,960	10	Service Industries Limited	**28,977**	11,220
			Close - End Mutual Fund		
-	-	10	HBL Investment Fund 'A'	**-**	-
			Commercial Banks		
-	845,500	10	Allied Bank Limited	**-**	71,851
6,595,964	1,964	10	Askari Bank Limited	**157,775**	38
3,149,000	2,100,500	10	Bank Al Habib Limited	**216,620**	122,585
12,750,850	6,286,500	10	Bank Alfalah Limited	**517,557**	267,176
28,598,500	-	10	The Bank of Punjab	**342,324**	-
9,974,250	6,459,500	10	Faysal Bank Limited	**240,080**	137,329
2,117,100	951,900	10	Habib Bank Limited	**255,005**	159,053
-	-	10	Habib Metropolitan Bank Limited	**-**	-
2,750	277,000	10	Meezan Bank Limited	**254**	18,587
1,005,000	1,005,000	10	National Bank of Pakistan	**42,240**	48,803
50,000	50,000	10	Summit Bank Limited	**41**	139
7,654,900	714,300	10	United Bank Limited	**938,797**	134,267

No. of shares 2018	No. of shares 2017	Face value Rupees	Company's Name	Market value 2018	Market value 2017
				----------Rupees in thousand---------	
			Engineering		
2,000,000	2,020,000	10	Aisha Steel Mills Limited	**21,000**	35,835
35,200	737,600	10	Amreli Steels Limited	**1,685**	68,346
397,700	495,200	10	Crescent Steel & Allied Products Limited	**22,096**	63,044
140,000	-	10	Descon Engineering Limited	**4,033**	-
14,000	50,000	10	Dost Steels Limited	**78**	503
894,800	767,900	10	International Industries Limited	**137,844**	184,380
89,500	1,639,700	10	International Steel Limited	**5,886**	174,415
821,700	922,500	10	Ittefaq Iron Industries Limited	**8,217**	15,627
1,820,500	986,000	10	Mughal Iron & Steel Industries Limited	**73,639**	57,287
			Chemical		
-	100,350	10	Archroma Pakistan Limited	**-**	53,085
14,360,735	4,817,000	10	Engro Polymer and Chemicals Limited	**533,358**	137,574
7,080	5,080	10	ICI Pakistan Limited	**5,624**	3,901
140,000	-	10	Lotte Chemical Pakistan Limited	**2,365**	-
			Fertilizer		
1,338,900	785,800	10	Arif Habib Corporation Limited	**55,222**	30,930
100,000	239,900	10	Dawood Hercules Corporation Limited	**11,115**	26,840
1,193,400	926,000	10	Engro Corporation Limited	**347,375**	253,557
3,698,000	3,705,500	10	Engro Fertilizers Limited	**255,347**	250,936
1,500	-	10	Fatima Fertilizer Limited	**55**	-
57,000	25,000	10	Fauji Fertilizer Bin Qasim Limited	**2,124**	889
500,000	501,200	10	Fauji Fertilizer Company Limited	**46,425**	39,650
			Food & Personal Care Products		
-	-	10	Al Shaheer Corporation Limited	**-**	-
268,000	48,000	10	Fauji Foods Limited	**8,115**	781
47,000	-	10	Matco Foods Limited	**1,305**	-
-	8,000	10	Murree Brewery Company Limited	**-**	6,211
1,300	-	10	Nestle Pakistan Limited	**11,700**	-
1,622,400	-	5	National Foods Limited	**317,179**	-
1,210	-	10	Shezan International Limited	**560**	-
-	-	10	Rafhan Maize Products Limited	**-**	-
			Insurance		
-	-	10	EFU General Insurance Company Limited	**-**	-
5,980	6,000	10	IGI Holdings Limited	**1,203**	1,757
64,000	842,000	10	Pakistan Reinsurance Company Limited	**2,223**	35,726
			Textile Composite		
11,500	13,500	10	Gadoon Textile Mills Limited	**3,083**	2,804
2,796,500	1,342,000	10	Gul Ahmed Textile Mills Limited	**129,114**	49,761
1,401,824	769,146	10	Kohinoor Textile Mills Limited	**63,194**	50,956
			Technology & Communication		
10,384,000	5,356,000	1	Hum Network Limited	**45,690**	43,759
584,100	836,500	10	Netsol Technologies Limited	**40,554**	52,992
1,954,500	-	10	Pakistan Telecommunication Company Limited	**18,783**	-
980,500	1,156,000	10	Systems Limited	**107,728**	85,452
40,000	-	10	TRG Pakistan Limited	**892**	-
			Investment Companies		
-	-	10	MCB Arif Habib Savings & Investment Limited	**-**	-
			Oil & Gas Exploration Companies		
104,671	139,310	10	Mari Petroleum Company Limited	**129,359**	202,121
3,751,400	2,813,600	10	Oil & Gas Development Company Limited	**480,179**	457,626
955,480	663,400	10	Pakistan Oilfields Limited	**405,907**	394,232
4,222,400	2,936,300	10	Sui Northern Gas Pipelines Limited	**325,418**	277,803
560,000	15,000	10	Sui Southern Gas Company Limited	**12,936**	457
			Paper & Board		
99,250	5,000	10	Packages Limited	**38,392**	2,549
-	783,200	10	Century Paper & Board Mills Limited	**-**	48,660
239	301,414	10	Cherat Packaging Limited	**41**	59,981

No. of shares 2018	No. of shares 2017	Face value Rupees	Company's Name	Market value 2018	Market value 2017
				----------Rupees in thousand---------	
			Pharmaceuticals		
100,000	100,000	10	Abbott Laboratories Pakistan Limited	**63,105**	69,761
33,006	-	10	AGP Limited	**2,886**	-
3,500	-	10	GlaxoSmithKline Consumer Healthcare Pakistan Lir	**932**	-
81,194	26,330	10	The Searle Company Limited	**19,940**	8,290
			Power Generation & Distribution		
2,690,000	4,111,500	10	Kot Addu Power Company Limited	**133,290**	221,610
5,961,500	4,875,500	10	K-Electric Limited	**35,411**	30,764
-	-	10	Lalpir Power Limited	-	-
1,295,600	5,018,600	10	Hub Power Company Limited	**111,150**	456,294
-	-	10	Nishat Power Limited	-	-
-	-	10	Pakgen Power Limited	-	-
-	-	10	Saif Power Limited	-	-
			Glass & Ceramics		
95,000	409,700	10	Tariq Glass Industries Limited	**8,283**	38,917
			Miscellaneous		
2,743,500	-	10	Synthetic Products Limited	**91,661**	-
			Oil & Gas Marketing Companies		
58,775	-	10	Attock Petroleum Limited	**24,303**	-
9,375	27,500	10	Hascol Petroleum Limited	**1,391**	6,794
3,161,800	346,400	10	Hi-Tech Lubricants Limited	**208,995**	24,594
859,684	107,010	10	Pakistan State Oil Company Limited	**193,798**	31,366
			Refinery		
-	260,500	10	Attock Refinery Limited	-	60,988
848,000	-	10	Byco Petroleum Pakistan Limited	**7,361**	-
3,000	15,000	10	National Refinery Limited	**857**	6,463
2,498,715	798,200	10	Pakistan Petroleum Limited	**373,958**	164,357
				8,677,457	6,245,122

8.2.3 Related parties- Mutual Fund Certificates

Open-Ended-Mutual Funds

No. of units 2018	No. of units 2017	Face value Rupees	Company's Name	Market value 2018	Market value 2017
				----------Rupees in thousand---------	
73,523,568	91,951,657	10	Alhamra Islamic Stock Fund	**756,836**	965,492
-	843,850	100	Alhamra Islamic Income Fund	-	87,216
-	208,499	50	Alhamra Islamic Asset Allocation Fund	-	14,280
5,456,390	-		MCB Dynamic Allocation Fund	**401,835**	-
26,079,928	22,628,139	50	MCB Pakistan Stock Market Fund	**2,204,074**	2,059,647
-	6,355,054		MCB Pakistan Strategic Allocation Fund	-	66,728
-	96,938	100	MCB Cash Management Optimizer	-	10,002
				3,362,745	3,203,365

8.2.4 Others-Mutual Fund Certificates

Open-Ended-Mutual Funds

No. of units 2018	No. of units 2017	Face value Rupees	Fund Name	Market value 2018	Market value 2017
				----------Rupees in thousand---------	
1,033	27,851	100	Alfalah GHP Money Market Fund	**101**	2,784
-	616,500		Dolmen REIT	-	6,781
732	-	100	Faysal Income & Growth Fund	**80**	-
3,219,548	3,097,260	100	Faysal Saving Growth Fund	**338,407**	322,487
-	311,743	100	Faysal Islamic Savings Growth Fund	-	32,643
-	154,141	100	Faysal MTS Fund	-	15,860
508,765	508,765	10	Meezan Balanced Fund	**7,326**	7,911
10,439,355	-	10	NAFA Islamic Stock Fund	**107,281**	-
-	3,976,112	10	NAFA Islamic Energy Fund	-	48,231
				453,195	436,697
			Grand total	**32,365,461**	31,194,613

		Note	2018	2017
			---------(Rupees in thousand) -------	
9	**Investments in debt securities**			*Restated*
	Held to maturity	*9.1*		
	Term Finance Certificates	*9.1.1*	**-**	71,218
	Treasury Bills	*9.1.2*	**378,029**	380,738
			378,029	451,956
	Available for sale	*9.2*		
	Treasury Bills	*9.2.1*	**189,911**	99,250
	Pakistan Investment Bonds	*9.2.2*	**244,884**	244,852
			434,795	344,102
	Surplus / (deficit) on revaluation		**(7,535)**	2,337
			427,260	346,439
	Fair value through profit and loss	*9.3*		
	Term Finance Certificate	*9.3.1*	**1,441,778**	857,620
	Advance against purchase of term finance certificate		**350,000**	420,000
	Corporate sukuks	*9.3.2*	**1,032,170**	355,213
	Ijarah sukuks	*9.3.3*	**32,053**	250,731
	Treasury Bills	*9.3.4*	**411,254**	3,246,607
	Pakistan Investment Bonds	*9.3.5*	**352,204**	2,188
			3,619,459	5,132,359
	Surplus / (deficit) on revaluation		**(7,944)**	-
			3,611,515	5,132,359
			4,416,804	5,930,754

9.1 Held to maturity

9.1.1 Term Finance Certificates

2018	2017	Company's Name	Face value	2018	2017
No. of certificates			Rupees	--------Rupees in thousand-------	
-	75	Pak Elektron Limited	75,000,000	-	71,218
				-	71,218

9.1.2 Treasury Bills

Type of security	Profit Payment	Profit rate %	Maturity	2018	2017
				--------Rupees in thousand-------	
6 Month Treasury Bills	On maturity	6%	2018	-	99,504
6 Month Treasury Bills	On maturity	6%	2018	-	281,234
3 Month Treasury Bills	On maturity	9%	2019	**130,628**	-
3 Month Treasury Bills	On maturity	9%	2019	**247,401**	-
				378,029	380,738

9.2 Available for sale

9.2.1 Treasury Bills

Type of security	Profit Payment	Profit rate %	Maturity	2018 Rupees in thouands
3 Month Treasury Bills	On maturity	8%	2019	**189,911**
				189,911

9.2.2 Pakistan Invetsment Bonds

	Term	Maturity year	Effective yield (%)	Amortized cost	Principal repayment	Carrying value (market value)
				----------(Rupees in thousand) --------		
Pakistan Investment Bonds - note 9.2.2.1	**3 years**	**2019**	**7**	220,073	-	**220,073**
Pakistan Investment Bonds	**5 years**	**2019**	**11.5**	24,811	-	**24,811**
				244,884	-	**244,884**

9.2.2.1 This include PIB of Rs. 100 million placed with State Bank of Pakistan as per the requirement of section 29 of Insurance Ordinance, 2000 carrying coupon rate of 7% having maturity period of 3 years and will mature on 29 December 2019.

9.3 Fair value through profit and loss

9.3.1 Term Finance Certificates

2018 No. of certificates	2017 No. of certificates	Company's Name	Face value Rupees	2018 Rupees in thousand	2017 Rupees in thousand
41,000	10,000	Askari Bank Limited	5	**203,649**	50,057
39,680	10,992	Bank Al Habib Limited	5	**225,885**	54,982
33,510	24,023	Bank Al Falah Limited	5	**165,545**	122,032
5,980	2,550	Bank of Punjab	100	**589,347**	254,643
590	3,290	Habib Bank Limited	100	**57,208**	325,896
30,000	-	Jahangir Siddiqui Limited	5	**150,000**	-
10,000	10,000	Soneri Bank Limited	5	**50,144**	50,010
				1,441,778	857,620

9.3.2 Corporate sukuks

2018 No. of certificates	2017 No. of certificates	Company's Name	Face value Rupees	2018 Rupees in thousand	2017 Rupees in thousand
820	-	Aspin Pharma Pvt Limited	100	**82,000**	-
-	60	Byco Petroleum Pakistan Limited	100	**-**	6,037
6,780	-	Dawood Hercules Limited	100	**678,013**	-
58	77	Dubai Islamic Bank Pakistan	1000	**59,085**	78,353
-	35,358	Fatima Fertilizer Limited	4	**-**	145,321
600	600	Ghani Glass Limited	71	**42,489**	52,670
1,000	-	International Brands Limited	100	**98,721**	-
40	40	Meezan Bank Limited	1000	**40,004**	41,809
30	30	TPL Tracker Limited	1000	**31,858**	31,023
				1,032,170	355,213

9.3.3 Ijarah Sukuks

	Term	Maturity year	Effective yield (%)	Amortized cost	Principal repayment	Carrying value (market value)
				----------(Rupees in thousand) --------		
GOP Ijarah Sukuks	3 year	2019	**6.10%**	32,053	**-**	**32,053**
				32,053	**-**	**32,053**

9.3.4 Treasury Bills

Type of security	Profit Payment	Profit rate %	Maturity	2018 Rupees in thouands
3 Month Treasury Bills	On maturity	8.70 - 10.27%	2019	**231,383**
1.3 Year Treasury Bills	On maturity	8.70 - 9.20%	2019	**179,871**
				411,254

9.3.5 Pakistan Investment Bond

	Term	Maturity year	Effective yield (%)	Amortized cost	Principal repayment	Carrying value (market value)
				----------(Rupees in thousand) --------		
Pakistan Investment Bonds	10 year	2020	12%	305	-	**305**
Pakistan Investment Bonds	10 year	2028	6.85%	50,169	-	**50,169**
Pakistan Investment Bonds	10 year	2028	8.55%	301,730	-	**301,730**
				352,204	**-**	**352,204**

10 Investments in Term Deposits

	Note	2018	2017
		-------- (Rupees in thousand) -------	
Held to maturity			
Deposits maturing within 12 months			
Inside Pakistan			
- related parties		**366,811**	6,811
- others		**10,735,066**	10,720,066
		11,101,877	10,726,877
Outside Pakistan			
- related parties		**871,396**	602,102
- others		**3,411,149**	1,311,407
		4,282,545	1,913,509
Deposits maturing after 12 months		**15,384,422**	12,640,386
Inside Pakistan			
- related parties		**2,000**	2,000
- others		**39,691**	3,108
		41,691	5,108
Outside Pakistan			
- related parties		**-**	-
- others		**-**	-
		-	-
		41,691	5,108
	10.1	**15,426,113**	12,645,494

10.1 These include fixed deposits amounting to Rs. 3,780,460 thousands (AED 100,000 thousands) [2017: Rs. 208,736 thousands (AED 6,951 thousands)] kept in accordance with the requirements of Insurance Regulations applicable to the UAE branches for the purpose of carrying on business in United Arab Emirates. These also include liens against cash deposits of Rs. 73,568 thousands (2017: Rs. 106,250 thousands) with banks in Pakistan essentially in respect of guarantees issued by the banks on behalf of the Holding Company for claims under litigation filed against the Holding Company.

11 Loans and other receivables - considered good	Note	2018	2017
		-------- (Rupees in thousand) --------	
Rent receivable		**4,968**	6,090
Receivable from related parties		**2,500**	1,362
Accrued investment income		**205,130**	248,041
Security deposits		**79,222**	69,120
Advances to employees and suppliers		**70,835**	107,404
Agent commission receivable		**24,085**	20,547
Loans to employees		**55,724**	52,109
Receivable against the sale of investment		**98,754**	76,295
Other receivables		**10,852**	16,305
		552,070	597,273

12 Insurance / reinsurance receivables - unsecured and considered good

	Note	2018	2017
Due from insurance contract holders	*12.1*	**6,854,237**	6,218,998
Provision for impairment of receivables from insurance contract holders	*12.2*	**(629,668)**	(375,801)
		6,224,569	5,843,197
Due from other insurers / reinsurers		**1,138,810**	1,154,196
Provision for impairment of due from other insurers / reinsurers	*12.3*	**(201,302)**	(151,302)
		937,508	1,002,894
		7,162,077	6,846,091

12.1 Due from insurance contact holders include an amount Rs. 349,886 thousands (2017: Rs. 516,905 thousands) held with related parties.

12.2 Reconciliation of provision for impairment of receivables from insurance contract holders	2018	2017
	-------- (Rupees in thousand) --------	
Balance as at 01 January	**375,801**	368,729
Charge for the year	**191,638**	-
Exchange loss	**62,229**	7,072
Balance as at 31 December	**629,668**	375,801

12.3 Reconciliation of provision for impairment of due from other insurers / reinsurers		
Balance as at 01 January	**151,302**	85,302
Charge for the year	**50,000**	66,000
Write off against provision for the year	**-**	-
Balance as at 31 December	**201,302**	151,302

13 Prepayments		
Prepaid reinsurance premium ceded	**2,866,980**	2,349,147
Prepaid rent	**56,540**	72,018
Prepaid miscellaneous expenses	**192,935**	142,462
	3,116,455	2,563,627

14 Cash and bank

	2018	2017
	-------- (Rupees in thousand) --------	
Cash and cash equivalents		
Inside Pakistan		
Cash in hand	**693**	732
Policy and revenue stamps, bond papers	**15,713**	21,289
	16,406	22,021
Outside Pakistan	**-**	-
	16,406	22,021
Cash at bank		
Inside Pakistan		
Current accounts	**929,837**	389,811
Savings accounts	**3,518,450**	2,047,010
	4,448,287	2,436,821
Outside Pakistan	**-**	-
Current accounts	**1,053,464**	1,144,458
Savings accounts	**4,940**	26,949
	1,058,404	1,171,407
	5,506,691	3,608,228
	5,523,097	3,630,249

14.1 Cash at bank includes an amount of Rs. 401,990 thousands (31 December 2017: Rs. 764,507 thousands) held with MCB Bank Limited, a related party of the Group.

15 Window Takaful Operations - Holding Company

	2018	2017
	---- (Rupees in thousand) ----	
		(Restated)
Operator's Fund		
Assets:		
Cash and bank deposits	**101,695**	41,119
Qard e Hasna to Participant Takaful Fund	**146,804**	117,000
Investments	**29,930**	30,343
Intangible assets	**20,633**	-
Property and equipment	**16,185**	22,182
Current assets - Others	**66,947**	30,605
Total Assets	**382,194**	241,249
Total Liabilities	**229,819**	141,350

15.1 Window Takaful Operations

	2018	2017
	---- (Rupees in thousand) ----	
Profit and loss account		
Wakala income	**252,798**	175,846
Commission expense	**(68,284)**	(43,596)
Management expense	**(105,168)**	(63,968)
Investment income	**(311)**	310
Other income	**5,305**	1,764
Other expenses	**(5,391)**	(3,758)
Profit before tax	**78,949**	66,598
Taxation	**(26,401)**	(19,580)
Profit after tax	**52,548**	47,018

Details of assets, liabilities and segment disclosures of Window Takaful Operations of the Holding Company are stated in the annexed unconsolidated financial statements.

16 Share capital

16.1 Authorized share capital

	2018	2017	2018	2017
	------ Number of shares-------		------ Rupees in thousand-------	
Ordinary shares of Rs. 10 each	**375,000,000**	375,000,000	**3,750,000**	3,750,000

16.2 Issued, subscribed and paid up capital

	2018	2017	2018	2017
Ordinary shares of Rs. 10 each fully paid in cash	**250,000**	250,000	**2,500**	2,500
Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**349,750,000**	349,750,000	**3,497,500**	3,497,500
	350,000,000	350,000,000	**3,500,000**	3,500,000

16.3 As at 31 December 2018, MCB Bank Limited, Nishat Mills Limited and D.G. Khan Cement Company Limited , associated undertakings held 70,861,241 (2017: 76,022,665), 102,809 (2017: 102,809) and 27,229,235 (2017: Nil) ordinary shares of the Holding Company of Rs. 10 each, respectively.

17 Reserves

	Note	2018	2017
		----------(Rupees in thousand)	--------
			(Restated)
Capital reserves			
Reserves for exceptional losses	*17.1*	**22,859**	22,859
Investment fluctuation reserves	*17.2*	**3,764**	3,764
Exchange translation reserves	*17.3*	**614,062**	467,100
Fair value reserves	*17.4*	**2,204,097**	3,573,724
Revenue reserves			
General reserves		**936,500**	936,500
		3,781,282	5,003,947

17.1 The reserve for exceptional losses represents the amount set aside by the Holding Company in prior years up to 31 December 1978, in order to avail the deduction while computing the taxable income under the old Income Tax Act of 1922. Subsequent to the introduction of repealed Income Tax Ordinance, 1979, which did not permit such deduction, the Holding Company discontinued the setting aside of reserves for exceptional losses.

17.2 This amount has been set aside by the Holding Company in prior years for utilization against possible diminution in the value of investments.

17.3 The exchange translation reserve represents the gain resulted from the translation of foreign branches (having business in foreign currencies) of Holding Company into Pak Rupees. For the purpose of exchange translation reserve, the UAE and Export Processing Zone branches are treated as foreign branches since their functional currencies are AED and US Dollars, respectively.

17.4 The fair value reserve represents the net cumulative unrealized again/(loss) on available for sale investments held by the Group as at 31 December 2018.

18 Non-controlling interest

	Note	2018	2017
		----------(Rupees in thousand)	--------
			(Restated)
Share capital		**240,599**	240,599
Profit/ (loss) for the year		**15,162**	(52,121)
Opening retained earnings		**33,036**	85,157
		288,797	273,635

	Note	2018	2017
		----------(Rupees in thousand) --------	

19 Insurance liabilities

Subsidiary Company

	Note	2018	2017
Reported outstanding claims (including claims in payment)	*19.1*	**950,643**	359,091
Incurred but not reported claims	*19.2*	**48,012**	23,611
Investment component of unit-linked and account value policies	*19.3*	**30,438,624**	26,834,350
Liabilities under individual conventional insurance contracts	*19.4*	**22,061**	22,603
Liabilities under group insurance contracts (other than investment linked)	*19.5*	**91,027**	83,113
Other insurance liabilities	*19.6*	**194,002**	132,395
Gross insurance liabilities		**31,744,369**	27,455,163
Deficit of Participant Takaful Fund		**(14,200)**	(3,377)
Total Insurance Liabilities		**31,730,169**	27,451,786

19.1 Reported outstanding claims

	2018	2017
Gross of Reinsurance		
Payable within one year	**950,643**	359,091
Payable over a period of time exceeding one year	**-**	-
	950,643	359,091
Recoverable from Reinsurers	**(194,926)**	(200,722)
Net Reported Outstanding Claims	**755,717**	158,369

19.2 Incurred but not reported claims

	2018	2017
Individual Life		
Gross of Reinsurance	**14,608**	10,303
Reinsurance Recoveries	**(58)**	(40)
Net of Reinsurance	**14,550**	10,263
Group Life		
Gross of Reinsurance	**106,046**	35,355
Reinsurance Recoveries	**(72,584)**	(22,006)
Net of Reinsurance	**33,462**	13,349

19.3 Investment Component of Unit Linked and Account Value Policies

	2018	2017
Investment Component of Unit Linked Policies	**30,568,962**	26,875,957
Investment Component of Account Value Policies	**(113,830)**	(41,607)
	30,455,132	26,834,350

19.4 Liabilities under Individual Conventional Insurance Contracts

	2018	2017
Gross of Reinsurance	**24,620**	25,412
Reinsurance Credit	**(2,560)**	(2,809)
Net of Reinsurance	**22,060**	22,603

19.5 Liabilities under Group Insurance Contracts (other than investment linked)

	2018	2017
Gross of Reinsurance	**189,102**	221,622
Reinsurance Credit	**(98,075)**	(138,509)
Net of Reinsurance	**91,027**	83,113

19.6 Other Insurance Liabilities

	2018	2017
Gross of Reinsurance	**225,231**	149,944
Reinsurance Credit	**(31,229)**	(17,549)
Net of Reinsurance	**194,002**	132,395

		2018	2017
		---- Rupees in thousand----	

20 Staff retirement benefit

Holding Company

		2018	2017
Unfunded gratuity scheme	*20.1*	**65,854**	69,953
Funded gratuity scheme	*20.2*	**133,127**	84,443
Subsidiary Company			
Funded gratuity scheme	*20.3*	**(14,421)**	31,506
		184,560	185,902

20.1 Unfunded gratuity scheme

20.1.1 This provision relates to the Holding Company's operations in UAE branches. The latest actuarial valuation of gratuity scheme was carried out as at 31 December 2018 under the Projected Unit Credit Method as per the requirements of approved accounting standard - International Accounting Standard 19, the details of which are as follows:

20.1.2 Movement in the net assets / (liabilities) recognized in the balance sheet are as follows:

	2018	2017
	---- Rupees in thousand----	
Present value of defined benefit obligation at the start of the year	**69,953**	55,655
Charge for the year	**12,388**	8,645
Benefits paid	**(26,015)**	(6,889)
Remeasurement loss on obligation	**(5,771)**	9,011
Exchange loss / (gain)	**15,299**	3,531
Present value of defined benefit obligation at the end of the year	**65,854**	69,953

20.1.3 The following significant assumptions have been used for the valuation of this scheme:

	2018	2017
	------Rate per annum-------	
- Valuation discount rate	**2.20%**	2.20%
- Expected rate of increase in salary level	**2.00%**	2.00%

		2018	2017
		---- Rupees in thousand----	
20.1.4	**The amount charged in profit and loss is as follows:**		
	Current service cost	**10,975**	7,487
	Interest on obligation	**1,413**	1,158
	Expense for the year	**12,388**	8,645

20.1.5 The amounts charged to other comprehensive income are as follows:

Remeasurement of the present value of defined benefit obligation due to:

	2018	2017
- Changes in financial assumptions	**(7,380)**	6,843
- Experience adjustments	**1,609**	2,168
	(5,771)	9,011

20.2 Funded gratuity scheme

20.2.1 The Holding Company operates an approved funded gratuity scheme for all eligible employees. The latest actuarial valuation of gratuity scheme was carried out as at 31 December 2018 under the Projected Unit Credit Method as per the requirements of approved accounting standard - International Accounting Standard 19, the details of which are as follows:

20.2.2 The following significant assumptions have been used for valuation of this

	2018	2017
	------Rate per annum-------	
- Discount rate & expected return on plan assets	**12.25%**	7.25%
- Expected rate of increase in salary level	**10.25%**	5.25%

20.2.3 Movement in the net assets/ (liabilities) recognized in the balance sheet are as follows:

	2018	2017
	---- Rupees in thousand----	
Net liabilities/ assets at the beginning of the year	**84,443**	25,744
Expenses recognized	**22,107**	16,677
Contribution paid during the year	**(3,000)**	-
Remeasurement (gain) / loss recognized - net	**29,577**	42,022
Net liabilities at the end of the year	**133,127**	84,443

20.2.4 The amounts recognized in the profit and loss account are as follows:

	2018	2017
Current service cost	**16,094**	15,003
Interest cost	**20,171**	16,779
Interest income on plan assets	**(14,158)**	(15,105)
	22,107	16,677

20.2.5 The amounts recognized in other comprehensive income are as follows:

	2018	2017
	---- Rupees in thousand----	
Remeasurement of plan obligation from:		
- Experience on obligation	**18,105**	3,589
Remeasurement of plan assets:		
- Actual net return on plan assets	**(2,686)**	23,328
- Interest income on plan assets	**14,158**	15,105
	11,472	38,433
	29,577	42,022

20.2.6 The amounts recognized in the balance sheet are as follows:

	2018	2017
Fair value of plan assets	**(193,756)**	(199,482)
Present value of the obligation	**326,883**	283,925
Net asset	**133,127**	84,443

20.2.7 Movement in present value of defined benefit obligation

	2018	2017
Present value of defined benefit obligation as at the beginning of the year	**283,925**	267,714
Current service cost	**16,094**	15,003
Interest cost	**20,171**	16,779
Actual benefits paid during the year	**(11,412)**	(19,160)
Remeasurement loss on obligation	**18,105**	3,589
Present value of defined benefit obligation as at the end of the year	**326,883**	283,925

20.2.8 Movement in fair value of plan assets

	2018	2017
Fair value of plan asset as at the beginning of the year	**199,482**	241,970
Interest income on plan assets	**14,158**	15,105
Actual benefits paid during the year	**(11,412)**	(19,160)
Contributions made during the year	**3,000**	-
Net return on plan assets over interest income	**(11,472)**	(38,433)
Fair value of plan asset as at the end of the year	**193,756**	199,482

20.2.9 Actual return on plan assets

	2018	2017
Expected return on plan assets	**14,158**	15,105
Net return on plan assets over interest income	**(11,472)**	(38,433)
	2,686	(23,328)

20.2.10 Comparison for five years funded & unfunded gratuity schemes

Funded gratuity schemes

	2018	2017	2016	2015	2014
	----------Rupees in thousand----------				
Fair value of defined obligation	**326,883**	283,925	267,714	243,203	218,736
Fair value of plan assets	**193,756**	199,482	241,970	183,444	157,260
Deficit	**133,127**	84,443	25,744	59,759	61,476
Experience adjustments					
Gain / (loss) on plan assets (% age of plan assets)	**-5.92%**	-19.27%	5.48%	4.13%	14.55%
Gain / (loss) on obligations (% age of obligation)	**5.54%**	-1.26%	-4.91%	-3.35%	-3.77%

Unfunded gratuity schemes

	2018	2017	2016	2015	2014
	----------Rupees in thousand----------				
Fair value of defined obligation	**65,854**	69,953	55,655	56,693	44,772
Deficit	**65,854**	69,953	55,655	56,693	44,772
Experience adjustments					
Gain / (loss) on obligations (% age of obligation)	**2.44%**	-3.10%	-10.89%	-2.51%	-2.58%

20.2.11 Plan assets consist of the following:

	2018	2017	2018	2017
	---- (Percentage)----		---- Rupees in thousand----	
Government Bonds	**43.66%**	41.92%	**84,595**	83,627
Shares and deposits	**22.60%**	24.87%	**43,790**	49,606
Unit Trusts	**35.04%**	34.75%	**67,894**	69,314
Benefits due	**-1.30%**	-1.54%	**(2,523)**	(3,065)
	100.00%	100.00%	**193,756**	199,482

20.2.12 Plan assets do not include any investment in the Holding Company's ordinary shares as at 31 December 2018 (2017: Nil).

20.2.13 Expected contribution to gratuity fund for the year ending 31 December 2019 is Rs. 33,642 thousands.

20.2.14 The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the fund, at the beginning of the year.

20.2.16 The weighted average duration of the defined benefit obligation for gratuity plan is 3.3 years (2017: 3.4 years).

These defined benefit plans expose the Holding Company to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

20.2.17 The main features of the gratuity schemes are as follows:

The normal retirement age for all employees is 60 years.

A member shall be entitled to gratuity on resignation, termination, retirement, early retirement, retrenchment, death and dismissal based on the Holding Company's Service rules.

The scheme is subject to the regulations laid down under the Income Tax Rules, 2002.

20.2.18 The implicit objective is that the contribution to the gratuity schemes should remain reasonably stable as a percentage of salaries, under the actuarial cost method employed.

20.2.19 Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows:

		Impact on Gratuity plans			
		Unfunded		Funded	
	Change in assumptions	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
		-------(Rupees in thousands)-------			
Discount rate	1%	(2,415)	2,663	**(9,109)**	**9,699**
Salary growth rate	1%	2,612	(2,443)	**9,789**	**(9,351)**

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit obligation recognized within the statement of financial position.

20.3 Funded gratuity scheme- Subsidiary Company

	Note	2018	2017
		---- Rupees in thousand----	
Present value of defined benefit obligations at 31 December	*20.3.3*	**65,465**	90,586
Fair value of plan assets at 31 December	*20.3.4*	**(79,886)**	(59,080)
Net liability at end of the year		**(14,421)**	31,506

20.3.1 The Subsidiary Company operates a funded gratuity scheme covering eligible employees who have completed the minimum qualifying eligible service period of six months. The employees are entitled to gratuity on the basis of last drawn monthly gross salary on normal retirement or on death in service on the number of years of services with the Subsidiary Company. Contribution to the fund is made and expense is recognised on the basis of actuarial valuations carried out at each year end using the projected unit credit method.

20.3.2 Responsibility for the governance of the plans, including investment decisions and contribution schedules, lies with the Board of Trustees. The Subsidiary Company appoints the Trustees and all trustees are employees of the Subsidiary Company. Details of the Subsidiary Company's obligation under the staff gratuity scheme determined on the basis of an actuarial valuation carried out by an independent actuary as at 31 December 2018 under the Projected Unit Credit Method are as follows:

20.3.3 Movement in present value of defined benefit obligations

	Note	2018	2017
		---- Rupees in thousand----	
Present value of defined benefit obligations at beginning of the year		**90,586**	61,604
Current service cost	*20.3.5*	**28,752**	20,488
Interest cost on defined benefit obligation	*20.3.5*	**11,970**	8,279
Benefits paid during the year		**(42,601)**	(6,656)
Remeasurement loss / (gain) on obligation:			
- due to changes in financial assumptions	*20.3.5*	**(23,242)**	6,871
Present value of defined benefit obligations at end of the year		**65,465**	90,586

20.3.4 Movement in fair value of plan assets

	2018	2017
Fair value of plan assets at beginning of the year	**59,080**	47,243
Contributions made by the Company to the Fund	**64,000**	23,650
Interest income on plan assets	**7,413**	5,653
Benefits paid during the year	**(42,601)**	(6,656)
Remeasurement gain on plan assets	**(8,006)**	(10,810)
Fair value of plan assets at end of the year	**79,886**	59,080

20.3.5 Expense recognized in profit and loss and other comprehensive income

	2018	2017
Current service cost	**28,752**	20,488
Net interest cost	**11,970**	8,279
Interest income on plan assets	**(7,413)**	(5,653)
Expense for the year recognised in the profit and loss account	**33,309**	23,114
Remeasurement losses on defined benefit obligation	**(23,242)**	6,871
Remeasurement gain on fair value of plan assets	**8,006**	10,810
Amount recognised in the other comprehensive income	**(15,236)**	17,681

		2018	2017
20.3.6	**Net recognized liability**	**---- Rupees in thousand----**	
	Net liability at beginning of the year	**31,506**	14,361
	Expense recognised in profit and loss account	**33,309**	23,114
	Expense recognised in other comprehensive income	**(15,236)**	17,681
	Contributions made to the fund during the year	**(64,000)**	(23,650)
	Net liability at end of the year	**(14,421)**	31,506

20.3.7 Estimated Gratuity Cost for the year ending 31 December 2019, is as follows:

	2019 (Rupees in thousand)
Current service cost	**19,306**
Net interest cost	**(3,085)**
Total expense to be recognized in profit and loss / revenue account	**16,221**

20.3.8 Plan assets comprise of following:

	Note	**2018**		**2017**	
		(Rupees in thousands)	**%age**	**(Rupees in thousands)**	**%age**
Bank balance	*20.3.9*	**39,356**	**49%**	**16,509**	**28%**
Mutual Funds	*20.3.9*	**40,529**	**51%**	**42,570**	**72%**
Fair value of plan assets at end of the year		**79,885**	**100%**	**59,079**	**100%**

20.3.9 The plan assets are represented by cash in the Scheme's bank deposit account with Standard Chartered Bank and mutual funds with MCB Arif Habib, MCB, Al Meezan Investments, ABL, UBL Funds and JS Investments Limited.

20.3.10 The principal assumptions used in the actuarial valuations carried out as of 31 December 2018, using the 'Projected Unit Credit' method, are as follows:

	2018	2017
	Gratuity fund	
Discount rate per annum	13.75%	10.75%
Expected per annum rate of return on plan assets	13.75%	10.75%
Expected per annum rate of increase in salary level	11.00%	11.00%
Expected mortality rate	LIC 94-96 Mortality table for males (rated down by 3 years for females)	LIC 94-96 Mortality table for males (rated down by 3 years for females)
Expected withdrawal rate	Age dependent	Age dependent

20.3.11 The plans expose the Company to actuarial risks such as:

Salary risks

The risks that the final salary at the time of cessation of service is higher than what was assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

Discount risks

The risk of volatile discount rates over the funding life of the scheme. The final effect could go either way depending on the relative of salary increases, timing of contributions, performance of investments and outgo of benefits.

Mortality / withdrawal risks

The risks that the actual mortality / withdrawal experience is different from expected. The effect depends upon the beneficiaries' service / age distribution and the benefit.

Investment risks

The risk of the investment underperforming and not being sufficient to meet the liabilities. This is managed by formulating an investment policy and guidelines based on which investments are made after obtaining approval of trustees of funds.

In case of the funded plans, the investment positions are managed within an Asset-Liability Matching (ALM) framework to ensure that long-term investments are in line with the obligation under the retirement benefit plan. The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement benefit plan obligations. The Company has not changed the process used to manage its risks from previous periods. Investments are well

The expected return on plan assets is assumed to be the same as the discount rate (as required by International Accounting Standard IAS 19). The actual return depends on the assets underlying the current investment policy and their performance. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected return on equity investments reflect long-term real rates of return experienced in the market.

20.3.12 Sensitivity analysis - Subsidiary Company

	Impact on Funded Gratuity plan		
	Change in assumptions	**Increase in assumption**	**Decrease in assumption**
		- - - (Rupees in thousands) - - -	
Discount rate	1%	(6,998)	8,589
Salary growth rate	1%	9,247	(7,586)

The impact on defined benefit obligation due to increase in life expectancy by 1 year would be Rs. (51,384) thousands.

20.3.13 The weighted average duration of the defined benefit obligation is 17.11 years. Besides the number of employees covered in the scheme at 31 December 2018 were 765 (2017: 606).

20.3.14 Historical Information

	2018	2017	2016	2015	2014
	----------(Rupees in thousand) --------				
Present value of defined benefit obligation	**65,465**	90,586	61,604	41,888	28,341
Fair value of plan assets	**(79,886)**	(59,079)	(47,057)	(32,558)	(22,042)
(Surplus) / deficit	**(14,421)**	31,507	14,547	9,330	6,299

20.3.15 Experience adjustment

	2018	2017	2016	2015	2014
Experience adjustments on obligation	**-64%**	8%	18%	14%	24%
Experience adjustments on asset	**-10%**	(18%)	4%	(4%)	2%

	2018	2017
	--------**(Rupees in thousand)** ------	
21 Deferred taxation		*(Restated)*
Deferred tax debits arising in respect of:		
Provision for gratuity	**19,217**	24,984
Unused tax losses	**7,846**	5,900
Accelerated accounting amortization	**67**	65
Deferred tax credits arising in respect of:		
Tax depreciation allowance	**(65,853)**	(61,167)
Business attributable to shareholders (Ledger Account D)	**(46,508)**	(29,469)
Investments	**(899,926)**	(1,532,070)
	(1,012,287)	(1,622,706)
	(985,157)	(1,591,757)

21.1 Movement in deferred tax balances is as follows:

	2018	2017
At beginning of the year	**1,591,757**	2,334,121
Recognized in profit and loss account:		
- provision for gratuity	**5,768**	(8,287)
- Unused tax losses	**(2,136)**	(5,635)
- Business attributable to shareholders (Ledger Account D)	**13,421**	(64,970)
- Accelerated accounting amortization	**(2)**	(1)
- tax depreciation allowance	**4,686**	9,044
	21,737	(69,849)
Recognized in other comprehensive income:		
- investments	**(632,145)**	(667,211)
- Unused tax losses	**190**	(265)
- Business attributable to shareholders (Ledger Account D)	**3,618**	(5,039)
	(628,337)	(672,515)
	985,157	1,591,757

22 Insurance/reinsurance payables

	2018	2017
Due to other insurers / reinsurers	**2,709,714**	1,681,093

This amount represents amount payable to other insurers and reinsurers.

		Note	2018	2017
			--------(Rupees in thousand) ------	
23	**Other creditors and accruals**			*(Restated)*
	Agents commission payable		**1,066,503**	1,226,946
	Payable against the purchase of investment		**138,863**	81,255
	Federal excise duty / sales tax		**200,803**	80,203
	Federal Insurance Fee		**37,729**	22,733
	Workers' welfare fund	*23.1*	**432,246**	391,437
	Tax deducted at source		**66,492**	61,828
	Accrued expenses		**283,375**	220,181
	Unpaid and unclaimed dividend		**121,350**	106,214
	Payable to employees' provident fund	*23.2*	**2,449**	2,325
	Payable to related parties	*23.3*	**6,833**	20,825
	Sundry creditors		**455,460**	294,619
			2,812,103	2,508,566

23.1 Workers' welfare fund

	2018	2017
Balance as at 01 January	**391,437**	328,163
Provision for the year	**52,571**	63,274
Reversal during the year	**(11,762)**	-
Balance as at 31 December	**432,246**	391,437

23.1.1 The Finance Act 2008 introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Honorable Lahore High Court, the Honorable Sindh High Court and the Honorable Peshawar High Court.

The Honorable Supreme Court of Pakistan vide its judgment dated 10 November 2016, has upheld the view of Honorable Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act, 2008 are ultra-vires to the Constitution.

The Federal Board of Revenue has filed Civil Review Petitions in respect of above judgment with the prayer that the judgment dated 10 November 2016 passed in the Civil Appeal may kindly be reviewed in the interest of justice.

The Holding Company has held a reserve of Rs. 432,246 thousands as at 31 December 2018 against WWF until the outcome of the filed Civil Review Petition.

23.2 During the year, an amount of Rs. 30,977 thousands (2017 : Rs. 29,038 thousands) has been charged to the profit and loss account in respect of the Holding Company's contribution to the employees' provident fund.

23.3 This represent the interest free and unsecured amount payable to MCB Arif Habib Limited, Adamjee Insurance Company Limited and MCB Financial Services Limited for fund management remuneration, insurance premium payable and trustee fee, etc.

		Note	2018	2017
24	**Deposits and other payables**		--------(Rupees in thousand) ------	
	Cash margin against performance bonds	*24.1*	**692,086**	652,075
			692,086	652,075

24.1 This represents margin deposit on account of performance and other bond policies issued by the Holding Company.

25 Contingencies and commitments

25.1 Contingencies

Holding Company

The Holding Company has filed appeals in respect of certain assessment years mainly on account of the following:

Sales tax

(a) Under the Sindh Sales Tax Act, 2011, sales tax is payable on premium on corporate health insurance policies written in the province of Sindh. 'The Insurance Association of Pakistan' (IAP) on behalf of the insurance companies has taken up the matter with the SRB and has also approached the Honorable Chief Minister, Sindh, for a favorable resolution of the matter. The matter is still under the process of review. The Company and other insurance companies carrying out corporate health insurance have not yet billed their customers for SST. The amount not yet billed by the Company, works out to Rs. 130,106 thousands and 93,675 thousands for the period from 1 July 2016 to 31 December 2017 and from 1 January to 31 December 2018 respectively (cumulatively Rs. 223,782 thousands).

Income tax

(b) Deputy Commissioner Inland Revenue passed order u/s 161/205 of the Ordinance for tax year 2013 raising an income tax demand of Rs. 9,066 thousands. The Company agitated the order before Commissioner Inland Revenue (Appeals). Commissioner Inland Revenue (Appeals) decided the case in the favor of the Company. Following the said order, the learned DCIR has passed an appeal effect order in which certain directions of the learned CIR-Appeals have not been followed for which a rectification appeal under section 221 of the Ordinance has been filed before learned DCIR which is still to be processed.

(c) The Company received a notice from Additional Commissioner Inland Revenue pertaining to the amendment of tax year 2008. Amongst others, the Additional Commissioner raised an issue with respect to the claim of exemption claimed on capital gains on listed securities by way of incorrect application of the provisions of law. The Company preferred to contest this matter by way of filing a constitutional petition before the Honorable Sindh High Court. The Court has ordered for stay of proceedings.

(d) The Taxation Officer has passed an order in the tax years 2005 and 2006 under section 221 of the Income Tax Ordinance, 2001 (the Ordinance) levying minimum tax liability aggregating to Rs. 38,360 thousands. An appeal was filed before the Commissioner Inland Revenue (Appeals) who upheld the order of the Taxation Officer. The Company has filed an appeal before the ATIR which is yet to be heard.

(e) The Tax Authorities amended the assessments for tax years 2003 to 2005 on the ground that the Company has not apportioned management and general administration expenses against capital gain and dividend income. The Company filed constitutional petition in the Honorable Sindh High Court against the amendment in the assessment order. The Company may be liable to pay Rs. 5,880 thousands in the event of decision against the Company, out of which Rs. 2,730 thousands have been provided resulting in a shortfall of Rs. 3,150 thousands.

(f) Learned Deputy Commissioner Inland Revenue has passed an order under section 161/205 of the Ordinance for tax year 2017 creating a demand of Rs. 22,105 thousands on Account of Non-Deduction of Income Tax while making payments. The Company has paid partial payment of Rs. 9,065 thousands under protest and agitated the order before learned Commissioner Inland Revenue Appeals - I and the appeal has not yet been fixed.

Pending resolution of the above-mentioned appeals filed by the Company, no provision has been made in these unconsolidated financial statements for the aggregate amount of Rs. 54,550 thousands (2017: Rs. 77,030 thousands) as the management is confident that the eventual outcome of the above matters will be in favor of the Company.

Subsidiary Company

(g) Claims against the Company not acknowledged as debt amounts to Rs. 26,014 thousands (2017: Rs. 27,213 thousands) and represents various cases initiated against the Company concerning policyholder claims referred to Court, Federal Insurance Mohtasib and Small Dispute Resolution Committee rejected by the company on different grounds. However, the management believes that no significant liability is likely to occur in these cases.

(h) Securities and Exchange Commission of Pakistan (SECP) had initiated a thematic review of Bancassurance business of insurers in order to check compliance of code of business with the applicable regulations and to ensure adherence towards best practice and ensuring protection of consumer interest. SECP has issued multiple show-cause letters to various companies in the industry. The Company has also received four (4) letters in this regards. These letters mainly charging the Company for deviations on commission payments/ disclosures and compliance with the requirement of maintaining minimum cover multiple. The cumulative penalty envisaged in the said letters was Rs. 4 million.

In addition to above, SECP has concluded the off-site examination of books of accounts of the Company for the year ended 31 December 2016. In this regards, SECP has issued two (2) show cause letters to the Company. The charge in these show cause letters is related to matters covered under section 56 of Insurance Ordinance, 2000 related to self insurance and pre-approval from shareholders of the company against investment made in associated undertakings. The cumulative penalty envisaged in the said letters was Rs. 1.5 million. However, matter relating to self insurance has been disposed on in favor of the Company.

Replies to aforementioned letters have been sent to SECP, to which, SECP has provided the opportunity of being heard to the Company on 28 February 2019, in which, company along with its legal advisor put the Company's view in front of the commissioner. Based on the discussion with the commissioner, management is confident that no penalty will be imposed on the Company and hence, no provision has been made in these financial statements.

(i) Sales tax imposed on premium from life insurance business was exempt up to 30 June 2018. However further exemption on this had not been given and the matter was also raised with Sindh Revenue Board (SRB). The matter for the renewal of the exemption was taken up at the collective level of the Insurance Association of Pakistan with the SRB through its consultants. The discussions on the matter has been conducive and the management is hopeful based on the consultant’s positive feedback, that it will be concluded in favor of the industry. Representation from the SECP Commissioner level has also been made to Chairman, Sindh Board of Revenue, to help enable a favorable outcome. In view of the fact that the matter is still under the process of review and negotiations are being made with provincial tax authorities to seek an exemption and to seek clarity as well on interpretation of Rule 31 of the Sales Tax on Services Rules, 2011 with regard to term ‘risk covered’, the Company and other life insurance companies carrying out life insurance business have not yet billed their customers for SST for the period from 01 July 2018 to 31 December 2018 on premium from life insurance coverage.

Further, the Company has obtained a legal opinion regarding the basis for the calculation of sales tax under the Rules framed under the Sindh Sales Tax on Services Act, 2011, based on which it is of the view that sales tax is chargeable on gross premium charged on ‘risk covered’ and not on the gross amount received from the policy holders in terms of Rule 31 of the Sindh Sales Tax on Services Rules, 2011.

The aggregate amount of sales tax not yet billed based on the total gross amount of premium collected during the period from July 1, 2018 to December 31, 2018 is Rs. 522 million whereas based on the legal opinion, liability for Sindh Sales tax as of 31 December 2018 has been estimated at Rs. 54 million as per the Company’s calculation of the premium on risk coverage.”

Resultantly, the management considers that it is premature to estimate the liability for sales tax on life insurance at this stage.

25.2 Commitments

Holding Company

25.2.1 The Holding Company has issued letter of guarantees amounting to AED 501,000 amounting to Rs. 18,940 thousands (2017: AED 832,250 amounting to Rs. 24,992 thousands) relating to UAE branch.

Subsidiary Company

25.2.2 Commitment in respect of capital expenditure amounting to Rs. 7.20 million (2017: Rs. 33.90 million) and operating expenditure amounting to Rs. 4.50 million (2017: nil).

25.2.3 Commitments in respect of Ijarah rentals payable in future period as at 31 December 2018 amounted to Rs. 40.61 million (2017: Rs. 31.78 million) for vehicles.

	2018	2017
	----------(Rupees in thousand) --------	
Not later than one year	**12,071**	10,042
Later than one year and not later than five years	**28,542**	21,739
	40,613	31,781

		Note	2018	2017
			--------(Rupees in thousand) ------	
26	**Net insurance premium**			
	Holding Company			
	Written gross premium		**20,387,059**	18,521,851
	Unearned premium reserve opening		**8,912,498**	7,349,511
	Unearned premium reserve closing		**(10,100,901)**	(8,912,498)
	Currency translation effect		**952,608**	187,156
	Premium earned		**20,151,264**	17,146,020
	Reinsurance premium ceded		**(6,831,707)**	(5,588,773)
	Prepaid reinsurance premium opening		**(2,349,147)**	(2,356,182)
	Prepaid reinsurance premium closing		**2,866,980**	2,349,147
	Currency translation effect		**(31,609)**	(15,213)
	Reinsurance expense		**(6,345,483)**	(5,611,021)
	Net insurance premium - Holding Company	*26.1 & 26.2*	**13,805,781**	11,534,999
	Subsidiary Company			
	Regular premium / contributions individual policies	*26.3*		
	- first year		**2,792,041**	2,411,420
	- second year renewal		**1,872,151**	1,595,830
	- subsequent years renewal		**3,809,229**	3,264,517
	Single premium / contributions individual policies	*26.3*	**4,228,194**	5,976,325
	Group policies without cash values		**622,144**	532,952
	Total gross premiums / contributions		**13,323,759**	13,781,044
	Less: reinsurance premiums / retakaful contributions ceded			
	On individual life first year business		**(46,210)**	(66,359)
	On individual life second year business		**(41,202)**	(45,101)
	On individual life subsequent renewal business		**(103,849)**	(79,437)
	On single premium individual policies		**-**	-
	On group policies		**(344,739)**	(281,037)
			(536,000)	(471,934)
	Net premiums / contributions - Subsidiary Company		**12,787,759**	13,309,110
			26,593,540	24,844,109

		2018	2017
26.1	**Net insurance premium - Business underwritten inside Pakistan**		
	Written gross premium	**13,413,513**	11,975,818
	Unearned premium reserve opening	**5,186,518**	4,515,372
	Unearned premium reserve closing	**(5,508,453)**	(5,186,518)
	Premium earned	**13,091,578**	11,304,672
	Reinsurance premium ceded	**(6,532,653)**	(5,020,056)
	Prepaid reinsurance premium opening	**(2,079,920)**	(1,922,263)
	Prepaid reinsurance premium closing	**2,838,973**	2,079,920
	Reinsurance expense	**(5,773,600)**	(4,862,399)
		7,317,978	6,442,273
26.2	**Net insurance premium - Business underwritten outside Pakistan**		
	Written gross premium	**6,973,546**	6,546,033
	Unearned premium reserve opening	**3,725,980**	2,834,139
	Unearned premium reserve closing	**(4,592,448)**	(3,725,980)
	Currency translation effect	**952,608**	187,156
	Premium earned	**7,059,686**	5,841,348
	Reinsurance premium ceded	**(299,054)**	(568,717)
	Prepaid reinsurance premium opening	**(269,227)**	(433,919)
	Prepaid reinsurance premium closing	**28,007**	269,227
	Currency translation effect	**(31,609)**	(15,213)
	Reinsurance expense	**(571,883)**	(748,622)
		6,487,803	5,092,726

26.3 Individual policies are those underwritten on an individual basis.

27 Net insurance claims expense	Note	2018	2017
		--------(Rupees in thousand) ------	
Holding Company			
Claims paid		**13,905,284**	10,632,888
Outstanding claims including IBNR closing	*27.3*	**10,461,975**	11,485,744
Outstanding claims including IBNR opening		**(11,485,744)**	(9,475,718)
Currency translation effect		**(1,082,517)**	(225,865)
Claims expense		**11,798,998**	12,417,049
Reinsurance and other recoveries received		**(5,651,171)**	(3,669,513)
Reinsurance and other recoveries in respect of outstanding claims closing		**(6,397,245)**	(8,056,450)
Reinsurance and other recoveries in respect of outstanding claims opening		**8,056,450**	6,615,596
Currency translation effect		**578,720**	127,146
Reinsurance and other recoveries revenue		**(3,413,246)**	(4,983,221)
	27.1 & 27.2	**8,385,752**	7,433,828
Subsidiary Company			
Gross claims			
Claims under individual policies			
- by death		**279,018**	317,373
- by insured event other than death		**2,600**	(2,092)
- by maturity		**1,717,972**	660,276
- by surrender		**4,247,653**	3,368,513
Total gross individual policy claims		**6,247,243**	4,344,070
Claims under group policies			
- by death		**547,547**	427,558
- by insured event other than death		**33,099**	33,032
- experience refund		**76,505**	14,958
Total gross group policy claims		**657,151**	475,548
Claim investigation fees		**11,242**	6,705
Total gross claims		**6,915,636**	4,826,323
Less: Reinsurance recoveries			
- on individual claims		**106,998**	158,851
- on group claims		**416,547**	267,164
		523,545	426,015
Net claims - Subsidiary Company		**6,392,091**	4,400,308
		14,777,843	11,834,136

27.1 Net insurance claims expense - Business underwritten inside Pakistan

	2018	2017
Claims paid	**7,133,353**	4,456,248
Outstanding claims including IBNR closing	**5,386,215**	7,084,282
Outstanding claims including IBNR opening	**(7,084,282)**	(5,480,119)
Claims expense	**5,435,286**	6,060,411
Reinsurance and other recoveries received	**(3,212,418)**	(1,180,601)
Reinsurance and other recoveries in respect of outstanding claims closing	**(3,769,658)**	(5,602,812)
Reinsurance and other recoveries in respect of outstanding claims opening	**5,602,812**	4,220,537
Reinsurance and other recoveries revenue	**(1,379,264)**	(2,562,876)
	4,056,022	3,497,535

27.2 Net insurance claims expense - Business underwritten outside Pakistan

	2018	2017
Claims paid	**6,771,931**	6,176,640
Outstanding claims including IBNR closing	**5,075,760**	4,401,462
Outstanding claims including IBNR opening	**(4,401,462)**	(3,995,599)
Currency translation effect	**(1,082,517)**	(225,865)
Claims expense	**6,363,712**	6,356,638
Reinsurance and other recoveries received	**(2,438,753)**	(2,488,912)
Reinsurance and other recoveries in respect of outstanding claims closing	**(2,627,587)**	(2,453,638)
Reinsurance and other recoveries in respect of outstanding claims opening	**2,453,638**	2,395,059
Currency translation effect	**578,720**	127,146
Reinsurance and other recoveries revenue	**(2,033,982)**	(2,420,345)
	4,329,730	3,936,293

27.3 Claims development table

The following table shows the development of the claims over a period of time. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments.

	Accident year						
	2013 & Prior	2014	2015	2016	2017	**2018**	**Total**
	Rupees in thousand						
Estimate of the ultimate claim cost:							
At end of accident year	-	-	6,857,672	11,752,724	11,307,403	13,278,246	**43,196,045**
One year later	-	3,195,074	5,059,319	7,075,979	6,362,631	-	**21,693,003**
Two years later	2,125,938	861,957	1,255,685	2,369,539	-	-	**6,613,119**
Three years later	1,385,048	1,947,901	1,791,844	-	-	-	**5,124,793**
Four years later	531,663	163,472	-	-	-	-	**695,135**
Five Years later	403,609	-	-	-	-	-	**403,609**
Current estimate of cumulative claims	403,609	163,472	1,791,844	2,369,539	6,362,631	13,278,246	**24,369,341**
Less: Cumulative payments to date	59,602	56,726	1,659,499	763,333	4,286,368	7,081,838	**13,907,366**
Liability recognized in statement of financial position	344,007	106,746	132,345	1,606,206	2,076,263	6,196,408	**10,461,975**

		Note	2018	2017
28	**Net commission expense / acquisition costs**	*Note*	**--------(Rupees in thousand) ------**	
	Holding Company			
	Commission paid or payable		**1,757,025**	1,650,460
	Deferred commission expense opening		**733,631**	737,281
	Deferred commission expense closing		**(788,431)**	(733,631)
	Currency translation effect		**102,787**	20,673
	Net commission		**1,805,012**	1,674,783
	Commission received or recoverable		**(504,854)**	(587,342)
	Unearned reinsurance commission opening		**(240,306)**	(236,890)
	Unearned reinsurance commission closing		**221,371**	240,306
	Currency translation effect		**(1,647)**	(805)
	Commission from reinsurance		**(525,436)**	(584,731)
		28.1 & 28.2	**1,279,576**	1,090,052
	Subsidiary Company			
	Remuneration to insurance / takaful			
	intermediaries on individual policies:			
	- Commission on first year		**1,255,234**	1,131,284
	contribution / premium			
	- Commission on second year		**99,621**	83,573
	contribution / premium			
	- Commission on subsequent years renewal		**89,043**	75,228
	contribution / premium		**91,068**	151,133
	- Commission on single contribution / premium		**296,791**	301,897
	- Other benefits to insurance intermediaries		**1,831,757**	1,743,115
	Remuneration to insurance intermediaries			
	on group policies:		**36,057**	32,721
	- Commission		**4,523**	3,882
	- Other benefits to insurance intermediaries		**40,580**	36,603
	Other acquisition costs		**126,641**	76,202
	- Employee benefit cost		**2,259**	1,492
	- Traveling expenses		**263**	96
	- Legal & professional charges		**2,383**	4,963
	- Information technology expense		**2,100**	1,253
	- Printing & stationary		**14,913**	8,250
	- Depreciation		**97**	194
	- Amortization		**24,477**	20,472
	- Rentals expense		**124**	511
	- Insurance cost		**15,815**	7,790
	- Car fuel & maintenance		**1,213**	406
	- Postage		**6,523**	5,536
	- Utility cost		**12,576**	10,036
	- Office maintenance		**3,556**	2,175
	- Entertainment		**-**	1
	- Bank charges		**2,116**	6,064
	- Training & development		**16,140**	12,293
	- Marketing cost		**311**	61
	- Miscellaneous cost		**34,120**	33,874
	- Policy stamps		**2,024**	1,935
	- Medical examination fee		**267,651**	193,604
			2,139,988	1,973,322
			3,419,564	3,063,374

	Note	2018	2017
		---------(Rupees in thousand) -------	
28.1 Net commission and other acquisition costs - Business underwritten inside Pakistan			
Commission paid or payable		**971,496**	928,651
Deferred commission expense opening		**326,325**	398,331
Deferred commission expense closing		**(297,403)**	(326,325)
Net commission		**1,000,418**	1,000,657
Commission received or recoverable		**(498,603)**	(577,219)
Unearned reinsurance commission opening		**(227,726)**	(202,685)
Unearned reinsurance commission closing		**218,690**	227,726
Commission from reinsurance		**(507,639)**	(552,178)
		492,779	448,479
28.2 Net commission and other acquisition costs - Business underwritten outside Pakistan			
Commission paid or payable		**785,529**	721,809
Deferred commission expense opening		**407,306**	338,950
Deferred commission expense closing		**(491,028)**	(407,306)
Currency translation effect		**102,787**	20,673
Net commission		**804,594**	674,126
Commission received or recoverable		**(6,251)**	(10,123)
Unearned reinsurance commission opening		**(12,580)**	(34,205)
Unearned reinsurance commission closing		**2,681**	12,580
Currency translation effect		**(1,647)**	(805)
Commission from reinsurance		**(17,797)**	(32,553)
		786,797	641,573

29 Management expenses

	Note	2018	2017
Employees benefit cost	*29.1*	**1,982,736**	1,839,983
Travelling expenses		**71,537**	67,656
Advertisement & sales promotion		**147,082**	192,986
Printing & stationary		**53,753**	45,117
Depreciation		**158,723**	148,102
Amortization		**41,029**	25,446
Rent, rates & taxes		**163,238**	152,193
Legal & professional charges		**138,005**	109,691
Electricity, gas & water		**58,125**	59,184
Entertainment		**27,256**	26,071
Vehicle running expenses		**119,489**	94,313
Office repairs & maintenance		**58,774**	51,310
Appointed actuary fees		**4,740**	6,420
Bank charges		**33,296**	20,605
Postages, telegrams & telephone		**70,777**	63,897
Supervision fee		**78,523**	71,451
IT related costs		**134,694**	102,904
Tracking and monitoring charges		**220,592**	195,407
VAT receivable written-off by Company's UAE branch	*29.2*	**184,290**	-
Provision for doubtful balances against due from insurance contract holders	*12.2*	**191,638**	-
Provision for doubtful balances against due from other insurers / reinsurers	*12.3*	**50,000**	66,000
Regulatory fee		**90,559**	40,118
Miscellaneous		**55,759**	84,086
		4,134,615	3,462,940

		2018	2017
29.1	**Employee benefit cost**	---------(Rupees in thousand) -------	
	Salaries, allowances and other benefits	**1,880,440**	1,758,981
	Charges for post employment benefit	**102,296**	81,002
		1,982,736	1,839,983

29.2 U.A.E. Federal Tax Authority has implemented Value Added Tax (VAT) with effect from January 01, 2018 through Federal Decree Law No (8) of 2017. Management of U.A.E. Branches calculated and paid the due tax on the unearned premium reserve (UPR) to the Federal Tax Authority. The taxes thus paid amounting to AED 6,125,049 were recorded as receivables from respective policyholders. Out of this the Company has written off VAT receivable of AED 5,945 thousands amounting to PKR 184,290 thousands.

		2018	2017
30	**Investment income**	---------(Rupees in thousand) -------	
30.1	**Business underwritten Inside Pakistan**		
30.1.1	**Income from equity securities**		
	Available for sale		
	Dividend income		
	- related parties	**779,519**	722,085
	- others	**514,120**	718,989
		1,293,639	1,441,074
	Held for trading		
	Listed equity shares	**348,387**	480,798
	Mutual Funds	**12,842**	47,121
		361,229	527,919
		1,654,868	1,968,993
30.1.2	**Income from debt securities**		
	Held to maturity		
	Return on Term Finance Certificates	**3,782**	4,983
	Return on Pakistan Investment Bonds	**-**	15,263
	Profit on Treasury Bills	**27,446**	25,737
		31,228	45,983
	Fair value through profit & loss		
	Return on government securities	**491,703**	502,543
	Return on other fixed income securities	**197,424**	93,798
		689,127	596,341
	Available for sale		
	Return on government securities	**25,581**	21,275
		745,936	663,599
30.1.3	**Income from term deposits**		
	Held to maturity		
	- related parties	**27**	27
	- others	**511,919**	313,530
		511,946	313,557

		2018	2017
30.1.4	**Net realized gains / (losses) on investments**	**---------(Rupees in thousand) -------**	
	Available for sale		
	Realized gains on equity security		
	- related parties	**-**	134,905.00
	- others	**455,405**	811,454.00
		455,405	946,359.00
	Held for trading		
	Realised gains/(losses) on:	**23,745**	(40,380)
	- Mutual Funds	**327,581**	(190,274)
	- Listed equities	**1,878**	1,037
	- Fixed income securities	**(10,899)**	6,368
	- Government securities	**342,305**	(223,249)
		3,710,460	3,669,259
	Provision of impairment in 'available-for-sale' investments	**(575,296)**	(1,054,064)
		3,135,164	2,615,195
30.2	**Business underwritten Outside Pakistan**		
30.2.1	**Income from equity securities**		
	Available for sale		
	Dividend income		
	- related parties	**-**	-
	- others	**2,123**	16,064
		2,123	16,064
	Realized gains		
	- related parties	**-**	-
	- others	**-**	88,802
		-	88,802
30.2.2	**Income from term deposits**		
	- related parties	**13,020**	4,971
	- others	**65,413**	5,475
		78,433	10,446
		80,556	115,312
	Total investment income	**3,215,720**	2,730,507

31 Net fair value loss on financial assets at fair value through profit or loss

	2018	2017
Held for trading		
Net unrealised gains / (losses) on:		
- Mutual Funds	**(300,318)**	(575,376)
- Listed equities	**(1,441,370)**	(1,049,468)
- Fixed income securities	**12,597**	(2,288)
- Government securities	**(9,892)**	(1,571)
	(1,738,983)	(1,628,703)

	Note	2018	2017
		---------(Rupees in thousand) -------	

32 Other income

Return on bank balances		**172,588**	133,256
Mark-up on policy loans		**2,840**	2,476
Gain on sale of fixed assets		**11,398**	7,596
Return on loans to employee		**340**	338
Exchange gain		**5,670**	5,133
Shared expenses received		**9,760**	6,470
Liabilities written back		**16,997**	46
Miscellaneous		**7,013**	8,513
		226,606	163,828

33 Other expenses

Legal & professional charges other than business related		**126,073**	60,075
Auditor's remuneration	*33.1*	**15,113**	14,412
Subscription fee		**37,071**	32,683
Donations	*33.2*	**2,709**	2,690
Directors' fee		**220**	190
Workers welfare fund		**40,809**	63,274
Central depository expense		**3,106**	2,305
Others		**4,112**	5,588
		229,213	181,217

33.1 Auditor's remuneration

33.1.1 Holding Company

Inside Pakistan:

Audit fee	**2,380**	2,380
Interim review fee	**469**	469
Special certifications and sundry advisory services	**520**	520
Out of pocket expenses including government levy	**463**	463
	3,832	3,832

Outside Pakistan:

Audit fee	**6,355**	5,837
Interim review fee	**829**	717
Out of pocket expenses including government levy	**335**	455
	7,519	7,009

33.1.2 Subsidiary Company

Annual audit fee	**1,379**	1,313
Half yearly review	**472**	450
Review of code of corporate governance	**166**	158
Gratuity fund audit	**55**	40
Shariah audit	**276**	263
Other certifications	**948**	903
Out of pocket	**466**	444
	3,762	3,571
	15,113	14,412

33.2 None of the directors or their spouses have any interest in the donee.

		2018	2017
34	**Taxation - net**	-------- (Rupees in thousand) --------	
	Current tax		
	For the year		
	- Holding Company	**811,280**	929,136
	- Subsidiary Company	**431**	167
	- Window Takaful Operations	**26,393**	19,193
	Prior year		
	- Holding Company	**91,125**	(51,791)
	- Subsidiary Company	**-**	32
		929,229	896,737
	Deferred tax		
	For the year		
	- Holding Company	**5,693**	2,753
	- Subsidiary Company	**16,044**	(72,602)
	- Window Takaful Operations	**9**	387
		21,746	(69,462)
		950,975	827,275

		(Effective tax rate)	
		2018	2017
34.1	**Tax charge reconciliation**	---------(Percentage)----------	
	Tax at the applicable rate of 29% (2017: 30%)	**29.00**	30.00
	Prior year	**4.19**	(2.44)
	Effect of super tax	**2.00**	-
	Tax effect of provision for impairment of investments	**7.68**	14.91
	Others	**(0.53)**	1.56
		42.34	44.03

34.2 The Finance Act, 2018, amended Section 5A of Income Tax Ordinance, 2001 and now every public limited company is required to pay at the rate of 5 percent of its accounting profit before tax if it does not distribute at least 20 percent of its after tax profits within six months of the end of the relevant tax year through cash or bonus shares.

34.3 During the year the Holding Company paid an interim dividend of Rs. 1 per share representing 28.25% of its after tax profits for the year which is sufficient to comply with the above stated requirements. Accordingly, no provision for tax in respect of undistributed profits has been recognized in these unconsolidated financial statements.

35 Earnings per share

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

	2018	2017
	---------(Rupees in thousand) -------	
		Restated
Net profit after tax for the year attributable to owners of the parent	**1,280,662**	1,095,139
	- - - - - Number of shares - - - - -	
Weighted average number of ordinary shares	**350,000,000**	350,000,000
	-----Rupees----	
Earning per share - basic and diluted	**3.66**	3.13

36 Compensation of Directors and Executives

The aggregate amount charged in the accounts for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Holding Company are as follows:

	Chief Executive Officer		Directors		Key Management Personnel	
	2018	2017	**2018**	2017	**2018**	2017
	(Rupees in thousand)					
Fees	**-**	-	**220**	190	**-**	-
Managerial remuneration	**22,275**	19,800	**-**	-	**409,999**	346,148
Leave encashment	**1,454**	880	**-**	-	**21,221**	18,566
Bonus	**3,600**	3,000	**-**	-	**49,023**	39,599
Charge of defined benefit plan	**223**	-	**-**	-	**20,443**	15,080
Contribution to defined	**-**	-	**-**	-	**-**	-
contribution plan	**1,114**	990	**-**	-	**19,493**	16,442
House rent allowance	**-**	-	**-**	-	**108,149**	93,690
Utilities	**338**	576	**-**	-	**209**	697
Medical	**-**	-	**-**	-	**24,033**	20,820
Conveyance	**-**	-	**-**	-	**67,625**	62,605
Special allowance	**1,800**	1,800	**-**	-	**-**	-
Other allowance	**446**	417	**-**	-	**-**	-
	31,250	27,463	**220**	190	**720,195**	613,647
Number	**1**	1	**7**	7	**360**	**321**

36.1 In addition, the Chief Executive Officer (CEO) is also provided with free use of the Holding Company's cars, residence, certain household items, furniture and fixtures and equipment in accordance with the policy of the Holding Company.

36.2 No remuneration was paid to non - executive directors of the Holding Company except for meeting fees.

37 Transactions with related parties

The Group has related party relationships with its associates, subsidiary company, entities with common directorship, employee retirement benefit plans, key management personnel and other parties. Transactions are entered into with such related parties for the issuance of policies to and disbursements of claims incurred by them and payments of rentals for the use of premises rented from them. There are no transactions with key management personnel other than those specified in their terms of employment. Contributions and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan.

Investments and bank deposits with related parties have been disclosed in note , 8, 10 and 14 to the consolidated financial statements. Other transactions with related parties are summarized as follows:

Holding Company

	2018	2017
	-------- (Rupees in thousand) --------	
i) Transactions		
Premiums underwritten	**1,247,337**	1,328,853
Premiums received	**1,338,158**	1,339,388
Claims paid	**793,510**	423,199
Commission Paid	**47,296**	32,602
Rent paid	**4,254**	5,471
Rent received	**-**	4,338
Dividends received	**779,510**	722,075
Dividends paid	**141,722**	306,353
Income on bank deposits	**30,118**	27,614
Investments made	**443,093**	903,210
Investments sold	**-**	98,110
Purchases	**20,800**	-
Fee / service charges paid	**2,855**	8,163
ii) Period end balances		
Balances receivable	**349,502**	516,219
Balances payable	**761,866**	628,382
Cash and bank balances	**1,282,197**	1,375,420

Subsidiary Company	2018	2017
	-------- (Rupees in thousand) --------	
i) Transactions		
Associated undertakings		
Premium written	**163,559**	111,210
Claims expense	**122,545**	45,611
Commission and other incentives in respect of Bancassurance	**1,349,732**	1,235,295
Profit on bank deposits	**63,414**	40,521
Bank charges	**1,607**	1,502
Investments purchased	**2,369,322**	1,595,838
Investments sold	**1,740,865**	1,052,736
Dividend income	**52,273**	20,154
Reinsurance claim recoveries	**15,674**	-
Reinsurance premium ceded	**22,591**	12,980
Other related parties		
Premium written	**16,979**	23,430
Claims expense	**14,304**	8,375
Commission and other incentives in respect of Bancassurance	**45,788**	-
Profit on bank deposits	**3,455**	-
Investment advisor fee	**18,407**	14,590
Trustee fee	**10,701**	9,935
Investments purchased	**1,547,967**	2,016,432
Investments sold	**1,152,314**	968,005
Dividend income	**4,584**	268,993
ii) Period end balances		
Associated undertakings		
Premium due but unpaid	**1,911**	5,690
Premium received in advance	**1,638**	-
Bank deposits	**1,801,576**	1,020,368
Investments held	**1,234,532**	710,451
Dividend receivables	**-**	7,984
Accrued Income	**61,049**	137
Technical support fee payable	**-**	13,330
Commission payable	**282,856** `	334,945
Claims payable	**7,157**	8,274
Reinsurance expense payable	**6,916**	12,980
Other related parties		
Premium due but unpaid	**2,779**	915
Premium received in advance	**11,340**	2,402
Bank deposits	**-**	-
Investments held	**3,653,798**	3,257,658
Dividend receivable	**-**	2,025
Accrued Income	**1,854**	-
Commission payable	**11,354**	-
Claims payable	**41**	1,406
Remuneration payable for the management of discretionary i	**1,719**	1,240
Remuneration payable to Trustee	**512**	798
Other receivables	**2,500**	-

38 Segment Information

For general insurance, each class of business has been identified as reportable segment whereas, for life insurance the statutory funds are treated as reportable segments. The Group conducts general insurance business both inside and outside Pakistan while life assurance is conducted only in Pakistan.

	General Insurance													Life Assurance			
	Fire and property damage		Marine, aviation and transport		Motor		Health		Miscellaneous		Total		Aggregate General Insurance 2018	Shareholder's fund	Statutory fund	Aggregate Life Insurance 2018	Aggregate 2018
	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan					
	Rupees in thousands													Rupees in thousands			
Premium receivable (Inclusive of federal excise duty, Federal insurance fee and Administrative surcharge)	6,940,471	35,663	1,490,792	31,449	3,281,554	7,207,263	1,643,199	33,851	1,780,971	12,178	15,136,987	7,320,404	22,457,391	-	13,323,759	13,323,759	35,781,150
Less: Federal excise duty / VAT	(886,210)	(1,728)	(167,431)	(922)	(391,797)	(341,873)	(810)	(1,612)	(143,381)	(643)	(1,589,629)	(346,778)	(1,936,407)	-	-	-	(1,936,407)
Federal insurance fee	(60,008)	(46)	(13,147)	(30)	(28,639)	-	(16,228)	-	(15,823)	(4)	(133,845)	(80)	(133,925)	-	-	-	(133,925)
	5,994,253	33,889	1,310,214	30,497	2,861,118	6,865,390	1,626,161	32,239	1,621,767	11,531	13,413,513	6,973,546	20,387,059	-	13,323,759	13,323,759	33,710,818
Gross written premium (inclusive of administrative surcharge)	5,994,253	33,889	1,310,214	30,497	2,861,118	6,865,390	1,626,161	32,239	1,621,767	11,531	13,413,513	6,973,546	20,387,059	-	13,323,759	13,323,759	33,710,818
Gross direct premium	5,957,126	33,783	1,288,633	30,388	2,765,253	6,862,060	1,625,567	32,239	1,548,787	11,467	13,185,366	6,969,937	20,155,303	-	13,323,759	13,323,759	33,479,062
Facultative inward premium	17,767	-	65	-	-	-	-	-	60,522	-	78,354	-	78,354	-	-	-	78,354
Administrative surcharge	19,360	106	21,516	109	95,865	3,330	594	-	12,458	64	149,793	3,609	153,402	-	-	-	153,402
	5,994,253	33,889	1,310,214	30,497	2,861,118	6,865,390	1,626,161	32,239	1,621,767	11,531	13,413,513	6,973,546	20,387,059	-	13,323,759	13,323,759	33,710,818
Insurance premium earned	5,420,329	39,264	1,308,689	32,766	2,790,380	6,952,635	1,969,216	22,785	1,602,964	12,236	13,091,578	7,059,686	20,151,264	-	13,323,759	13,323,759	33,475,023
Insurance premium ceded to reinsurers	(4,520,946)	(23,687)	(533,850)	-	(39,388)	(524,903)	-	(12,881)	(679,416)	(10,412)	(5,773,600)	(571,883)	(6,345,483)	-	(536,000)	(536,000)	(6,881,483)
Net insurance premium	899,383	15,577	774,839	32,766	2,750,992	6,427,732	1,969,216	9,904	923,548	1,824	7,317,978	6,487,803	13,805,781	-	12,787,759	12,787,759	26,593,540
Commission income	374,752	6,101	1,569	-	98	9,355	-	-	131,220	2,341	507,639	17,797	525,436	-	-	-	525,436
Net underwriting income	1,274,135	21,678	776,408	32,766	2,751,090	6,437,087	1,969,216	9,904	1,054,768	4,165	7,825,617	6,505,600	14,331,217	-	12,787,759	12,787,759	27,118,976
Insurance claims	(1,358,371)	(57)	(328,110)	251	(1,405,573)	(6,343,374)	(1,691,131)	(19,670)	(652,101)	(862)	(5,435,286)	(6,363,712)	(11,798,998)	-	(6,915,636)	(6,915,636)	(18,714,634)
Insurance claim recoveries from reinsurer	1,069,180	(3,596)	(28,461)	-	55,226	2,018,912	-	17,608	283,319	1,058	1,379,264	2,033,982	3,413,246	-	523,545	523,545	3,936,791
Net claims	(289,191)	(3,653)	(356,571)	251	(1,350,347)	(4,324,462)	(1,691,131)	(2,062)	(368,782)	196	(4,056,022)	(4,329,730)	(8,385,752)	-	(6,392,091)	(6,392,091)	(14,777,843)
Commission expense	(436,623)	(4,857)	(127,750)	(4,869)	(229,755)	(792,842)	(60,412)	(800)	(145,878)	(1,226)	(1,000,418)	(804,594)	(1,805,012)	-	(2,139,988)	(2,139,988)	(3,945,000)
Management expense	(383,130)	(2,854)	(269,543)	(9,212)	(1,023,964)	(1,228,887)	(133,348)	(7,467)	(256,615)	(9,528)	(2,066,600)	(1,257,948)	(3,324,548)	-	(810,067)	(810,067)	(4,134,615)
Premium deficiency expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net insurance claims and expenses	(1,108,944)	(11,364)	(753,864)	(13,830)	(2,604,066)	(6,346,191)	(1,884,891)	(10,329)	(771,275)	(10,558)	(7,123,040)	(6,392,272)	(13,515,312)	-	(9,342,146)	(9,342,146)	(22,857,458)
Net change in insurance liabilities (other than outstanding claims)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,703,340)	(3,703,340)	(3,703,340)
Underwriting result	165,191	10,314	22,544	18,936	147,024	90,896	84,325	(425)	283,493	(6,393)	702,577	113,328	815,905	-	(257,727)	(257,727)	558,178
Net investment income											1,204,100	80,556	1,284,656	-	1,931,064	1,931,064	3,215,720
Net fair value loss on financial assets at fair value through profit or loss											-	-	-	-	(1,738,983)	(1,738,983)	(1,738,983)
Net unrealised gains / (loss) on investment property											-	-	-	-	125,900	125,900	125,900
Rental income											6,906	-	6,906	-	2,000	2,000	8,906
Other income											66,004	34,439	100,443	-	126,163	126,163	226,606
Other expenses											(92,586)	(20,773)	(113,359)	-	(115,854)	(115,854)	(229,213)
Exchange gain / (loss)											-	-	-	-	-	-	-
Profit from Window Takaful Operations											78,949	-	78,949	-	-	-	78,949
Profit before tax											1,965,950	207,550	2,173,500	-	72,563	72,563	2,246,063

	General Insurance													Life Assurance			
	Fire and property damage		Marine, aviation and transport		Motor		Health		Miscellaneous		Total		Aggregate General Insurance 2018	Shareholder's fund	Statutory fund	Aggregate Life Insurance 2018	Aggregate 2018
	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan					
	Rupees in thousands																
Segment Assets	7,344,826	70,585	652,691	12,632	1,210,746	5,236,105	596,098	43,884	1,906,664	12,403	11,711,025	5,375,609	17,086,634	763,795	33,131,991	33,895,786	50,982,420
Unallocated assets											24,081,711	5,956,243	30,037,954	-	-	-	30,037,954
											35,792,736	**11,331,852**	**47,124,588**	**763,795**	**33,131,991**	**33,895,786**	**81,020,374**
Segment Liabilities	7,287,011	89,828	695,068	21,940	2,592,722	9,514,021	1,341,301	46,326	2,301,540	12,191	14,217,642	9,684,306	23,901,948	108,563	32,649,527	32,758,090	56,660,038
Unallocated Liabilities											3,536,884	732,101	4,268,985	-	-	-	4,268,985
											17,754,526	**10,416,407**	**28,170,933**	**108,563**	**32,649,527**	**32,758,090**	**60,929,023**

38.1 Segment Information

	General Insurance													Life Assurance			
	Fire and property damage		Marine, aviation and transport		Motor		Health		Miscellaneous		Total		Aggregate General Insurance 2017	Shareholder's fund	Statutory fund	Aggregate Life Insurance 2017	Aggregate 2017
	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan					
	Rupees in thousands													Rupees in thousands			
Premium receivable (Inclusive of federal excise duty, Federal insurance fee and Administrative surcharge)	5,676,338	37,558	966,619	32,383	3,041,041	6,457,834	2,051,731	7,479	1,696,987	11,563	13,432,716	6,546,817	19,979,533	-	13,781,044	13,781,044	33,760,577
Less: Federal excise duty / VAT	(716,737)	(490)	(109,302)	(170)	(362,040)	-	-	-	(148,853)	(54)	(1,336,932)	(714)	(1,337,646)	-	-	-	(1,337,646)
Federal insurance fee	(49,232)	(37)	(8,472)	(29)	(26,555)	-	(20,374)	-	(15,333)	(4)	(119,966)	(70)	(120,036)	-	-	-	(120,036)
	4,910,369	37,031	848,845	32,184	2,652,446	6,457,834	2,031,357	7,479	1,532,801	11,505	11,975,818	6,546,033	18,521,851	-	13,781,044	13,781,044	32,302,895
Gross written premium (inclusive of administrative surcharge)	4,910,369	37,031	848,845	32,184	2,652,446	6,457,834	2,031,357	7,479	1,532,801	11,505	11,975,818	6,546,033	18,521,851	-	13,781,044	13,781,044	32,302,895
Gross direct premium	4,875,845	36,898	829,226	32,075	2,563,443	6,455,461	2,029,655	7,479	1,520,255	11,429	11,818,424	6,543,342	18,361,766	-	13,781,044	13,781,044	32,142,810
Facultative inward premium	15,068	-	-	-	-	-	-	-	-	-	15,068	-	15,068	-	-	-	15,068
Administrative surcharge	19,456	133	19,619	109	89,003	2,373	1,702	-	12,546	76	142,326	2,691	145,017	-	-	-	145,017
	4,910,369	37,031	848,845	32,184	2,652,446	6,457,834	2,031,357	7,479	1,532,801	11,505	11,975,818	6,546,033	18,521,851	-	13,781,044	13,781,044	32,302,895
Insurance premium earned	4,970,982	49,077	858,255	29,948	2,401,785	5,738,661	1,663,063	10,606	1,410,587	13,056	11,304,672	5,841,348	17,146,020	-	13,781,044	13,781,044	30,927,064
Insurance premium ceded to reinsurers	(4,048,406)	(30,331)	(186,551)	-	(36,758)	(704,671)	-	(8,622)	(590,684)	(4,998)	(4,862,399)	(748,622)	(5,611,021)	-	(471,934)	(471,934)	(6,082,955)
Net insurance premium	922,576	18,746	671,704	29,948	2,365,027	5,033,990	1,663,063	1,984	819,903	8,058	6,442,273	5,092,726	11,534,999	-	13,309,110	13,309,110	24,844,109
Commission income	394,824	5,188	1,133	-	43	25,166	-	-	156,178	2,199	552,178	32,553	584,731	-	-	-	584731
Net underwriting income	1,317,400	23,934	672,837	29,948	2,365,070	5,059,156	1,663,063	1,984	976,081	10,257	6,994,451	5,125,279	12,119,730	-	13,309,110	13,309,110	25,428,840
Insurance claims	(2,621,375)	(4,967)	(367,437)	(3,446)	(1,136,444)	(6,343,491)	(1,404,546)	(6,323)	(530,609)	1,589	(6,060,411)	(6,356,638)	(12,417,049)	-	(4,826,323)	(4,826,323)	(17,243,372)
Insurance claim recoveries from reinsurer	2,216,955	1,742	187,534	-	(16,830)	2,416,904	-	3,250	175,217	(1,551)	2,562,876	2,420,345	4,983,221	-	426,015	426,015	5,409,236
Net claims	(404,420)	(3,225)	(179,903)	(3,446)	(1,153,274)	(3,926,587)	(1,404,546)	(3,073)	(355,392)	38	(3,497,535)	(3,936,293)	(7,433,828)	-	(4,400,308)	(4,400,308)	(11,834,136)
Commission expense	(463,247)	(7,573)	(121,551)	(2,993)	(248,316)	(661,920)	(56,163)	(295)	(111,380)	(1,345)	(1,000,657)	(674,126)	(1,674,783)	-	(1,973,322)	(1,973,322)	(3,648,105)
Management expense	(340,621)	(1,087)	(232,639)	(5,993)	(936,809)	(616,510)	(162,863)	(5,201)	(268,852)	(5,318)	(1,941,784)	(634,109)	(2,575,893)	-	(887,047)	(887,047)	(3,462,940)
Premium deficiency expense	-	-	-	-	-	121,553	-	-	-	-	-	121,553	121,553	-	-	-	121,553
Net insurance claims and expenses	(1,208,288)	(11,885)	(534,093)	(12,432)	(2,338,399)	(5,083,464)	(1,623,572)	(8,569)	(735,624)	(6,625)	(6,439,976)	(5,122,975)	(11,562,951)	-	(7,260,677)	(7,260,677)	(18,823,628)
Net change in insurance liabilities (other than outstanding claims)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,843,601)	(5,843,601)	(5,843,601)
Underwriting result	109,112	12,049	138,744	17,516	26,671	(24,308)	39,491	(6,585)	240,457	3,632	554,475	2,304	556,779	-	204,832	204,832	761,611
Net investment income											1,378,466	115,312	1,493,778	-	1,236,729	1,236,729	2,730,507
Net fair value loss on financial assets at fair value through profit or loss											-	-	-	-	(1,628,703)	(1,628,703)	(1,628,703)
Net unrealised gains / (loss) on investment property											-	-	-	-	(42,433)	(42,433)	(42,433)
Rental income											7,480	1,084	8,564	-	-	-	8,564
Other income											101,427	407	101,834	-	61,994	61,994	163,828
Other expenses											(99,625)	(7,022)	(106,647)	-	(74,570)	(74,570)	(181,217)
Exchange gain											-	-	-	-	-	-	-
Profit from Window Takaful Operations											66,598	-	66,598	-	-	-	66,598
Profit/ (loss) before tax											2,008,821	112,085	2,120,906	-	(242,151)	(242,151)	1,878,755

	General Insurance													Life Assurance			
	Fire and property damage		Marine, aviation and transport		Motor		Health		Miscellaneous		Total		Aggregate General Insurance 2018	Shareholder's fund	Statutory fund	Aggregate Life Insurance 2018	Aggregate 2018
	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan					
	Rupees in thousands																
Segment Assets	8,024,165	68,696	594,844	14,374	1,099,831	5,467,973	744,815	10,643	1,870,256	14,599	12,333,911	5,576,285	17,910,196	671,439	28,797,807	29,469,246	47,379,442
Unallocated assets											25,386,091	3,395,668	28,781,759			-	28,781,759
											37,720,002	8,971,953	46,691,955			29,469,246	76,161,201
Segment Liabilities	7,877,109	81,525	563,983	20,350	2,286,540	8,019,014	1,632,477	17,282	2,114,503	10,973	14,474,612	8,149,144	22,623,756	157,723	28,247,656	28,405,379	51,029,135
Unallocated Liabilities											3,904,276	494,281	4,398,557			-	4,398,557
											18,378,888	8,643,425	27,022,313			28,405,379	55,427,692

38.1.1 Under the Insurance Ordinance, 2001 an insurance company is required to have at all times admissible assets in Pakistan in excess of its liabilities in Pakistan of an amount greater than or equal to the minimum solvency requirement. However, in case of Unit Linked Business and Individual Family Takaful Business, admissable assets were short of the solvency requirement by Rs. 80.398 million and Rs. 43.77 million, respectively. Although the deficiency related to inadmissibility of Rs. 43.77 million in Family Takaful Business was rectified subsequent to the reporting date, the deficiency in Unit Linked Business is attributable to withholding income tax deducted on various investment income, during the current and previous years, which has been claimed as adjustable in the income tax returns filed by the Company but yet to be settled by the income tax authorities. However, on an overall basis i.e all the funds combined, admissible assets of the Company are more than its liabilities.

The effect of Sales Tax on solvency position of the Subsidiary Company, could not be quantified with clarity due to the reasons as explained in note 25.1(i).

39 Movement in investments

	Available for sale	Held to Maturity	Fair value through profit and loss	Term Deposit Receipts	Total
	-- Rupees in thousand	- -			
As at 01 January 2017	**22,702,049**	**400,692**	**14,647,666**	**6,025,059**	**43,775,466**
Additions	6,773,677	286,245	101,449,615	42,650,117	151,159,654
Disposals (sales and redemptions)	(5,808,531)	(265,701)	(98,590,128)	(36,118,671)	(140,783,031)
Fair value net gains (excluding net realized gain)	(1,569,731)	-	(1,245,214)	-	(2,814,945)
Currency translation effect	-	-	-	88,990	88,990
Unwiding of discount on debt securites	-	30,720	-	-	30,720
Impairment losses	(1,054,064)	-	-	-	(1,054,064)
As at 31 December 2017	**21,043,400**	**451,956**	**16,261,939**	**12,645,495**	**50,402,790**
Additions	2,916,962	1,879,845	84,054,022	102,820,317	191,671,146
Disposals (sales and redemptions)	(2,667,375)	(1,985,000)	(80,629,773)	(100,764,643)	(186,046,791)
Fair value net gains (excluding net realized gain)	(2,003,905)	-	(1,146,398)	-	(3,150,303)
Discount on investment bonds	-	-	-	-	-
Currency translation effect	-	-	-	724,945	724,945
Unwiding of discount on debt securites	-	31,228	-	-	31,228
Impairment losses	(575,296)	-	-	-	(575,296)
As at 31 December 2018	**18,713,786**	**378,029**	**18,539,790**	**15,426,114**	**53,057,719**

40 Management of insurance and financial risk

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest / mark-up rate risk, price risk and currency risk).The Group'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 Group's financial assets and liabilities are limited. The Group consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below. The Board of Directors has overall responsibility for the establishment and oversight of Group's risk management framework. The Board is also responsible for developing the Group's risk management policies.

The individual risk wise analysis is given below :

Holding Company

40.1 Insurance risk

The principal risk that the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof may 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 claims 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 reinsurance 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. property, marine and aviation, motor, and accident and health. 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.

40.1.1 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.

40.1.2 Reinsurance arrangements

Keeping in view the maximum exposure in respect of key zone aggregate, 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 the multiple of the treaty capacity or the primary recovery from the proportional treaty, any loss over and above limit would be recovered from the non-proportional treaty which is very much in line with the risk management philosophy of the Company.

	Gross sum insured		Reinsurance		Net	
	2018	2017	**2018**	2017	**2018**	2017
	---Rupees in thousand---					
Fire	**4,503,179,839**	5,089,569,636	**4,011,048,508**	4,114,995,910	**492,131,331**	974,573,726
Marine	**2,759,928,878**	2,591,580,089	**1,099,158,184**	518,090,317	**1,660,770,694**	2,073,489,772
Motor	**249,655,070**	289,843,396	**6,407,111**	14,895,198	**243,247,959**	274,948,198
Accident & Health	**85,326,684**	109,434,854	**665,285**	667,473	**84,661,399**	108,767,381
Miscellaneous	**433,454,724**	376,509,487	**192,962,334**	236,982,329	**240,492,390**	139,527,158
	8,031,545,195	8,456,937,462	**5,310,241,422**	4,885,631,227	**2,721,303,773**	3,571,306,235

40.1.3 Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the balance sheet date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessary based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty, and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as judicial decisions and government legislation affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the balance sheet date.

40.1.4 Key assumptions for claim estimation

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

The estimation of IBNR is generally subject to a greater degree of uncertainty that the estimation of the cost of settling claims already notified to the Company, in which case the information about the claim event is available. IBNR provision is initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries.

The estimation process takes into account the past claims reporting pattern and details of reinsurance programs. The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of reporting date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

40.1.5 Sensitivity analysis

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

As the Company enters into short term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on profit / (loss) before tax, net of reinsurance.

	Pre tax profit/ (loss)	
	2018	2017
	--------Rupees in thousand---------	
10% increase in claims liability		
Net:		
Fire	**(29,284)**	(40,765)
Marine	**(35,632)**	(18,335)
Motor	**(567,481)**	(507,986)
Accident & Health	**(169,319)**	(140,762)
Miscellaneous	**(36,859)**	(35,535)
	(838,575)	(743,383)
10% decrease in claims liability		
Net:		
Fire	**29,284**	40,765
Marine	**35,632**	18,335
Motor	**567,481**	507,986
Accident & Health	**169,319**	140,762
Miscellaneous	**36,859**	35,535
	838,575	743,383

40.2 Financial Risk

Maturity profile of financial assets and liabilities:

	2018						
	Interest / markup bearing			Non - interest / markup bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
Financial assets							
Investment							
Equity securities- qouted	-	-	-	16,457,477		**16,457,477**	**16,457,477**
Equity securities- unqouted	-	-	-	2,922,505		**2,922,505**	**2,922,505**
Debt securities	378,029		**378,029**			**-**	**378,029**
Investments of Window Takaful Operations - Operator's Fund	-	-	-	29,930	-	**29,930**	**29,930**
Loans and other receivables	631	5,013	**5,644**	257,180	13,051	**270,231**	**275,875**
Investment - Term deposits	4,314,422	41,691	**4,356,113**	-	-	**-**	**4,356,113**
Insurance / reinsurance receivables - unsecured and considered good	-	-	-	7,033,977	-	**7,033,977**	**7,033,977**
Reinsurance recoveries against outstanding claims	-	-	-	6,046,905	-	**6,046,905**	**6,046,905**
Salvage recoveries accrued	-	-	-	350,340	-	**350,340**	**350,340**
Prepayments	-	-	-	3,048,306	-	**3,048,306**	**3,048,306**
Cash and bank	331,980	-	**331,980**	1,879,464	-	**1,879,464**	**2,211,444**
Other Assets of Window Takaful Operations - Operator's Fund	-	-	-	352,264	-	**352,264**	**352,264**
	5,025,062	46,704	**5,071,766**	38,378,348	13,051	**38,391,399**	**43,463,165**
Financial liabilities							
Outstanding claims (including IBNR)	-	-	-	10,461,975	-	**10,461,975**	**10,461,975**
Insurance / reinsurance payables	-	-	-	2,709,714	-	**2,709,714**	**2,709,714**
Other creditors and accruals	-	-	-	2,227,040	-	**2,227,040**	**2,227,040**
Total liabilities of Window Takaful Operations- Operator's Fund	-	-	-	229,819	-	**229,819**	**229,819**
	-	-	-	15,628,548	-	**15,628,548**	**15,628,548**
	5,025,062	**46,704**	**5,071,766**	**22,749,800**	**13,051**	**22,762,851**	**27,834,617**

	2017						
	Interest / markup bearing			Non - interest / markup bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
Financial assets							
Investment							
Equity securities- qouted	-	-	-	18,243,476	-	18,243,476	18,243,476
Equity securities- unqouted	-	-	-	3,033,528	-	3,033,528	3,033,528
Debt securities	451,956	-	451,956	-	-	-	451,956
Investments of Window Takaful Operations - Operator's Fund	-	-	-	30,343	-	30,343	30,343
Loans and other receivables	24,297	11,882	36,179	289,466	6,239	295,705	331,884
Investment - Term deposits	2,015,386	5,108	2,020,494	-	-	-	2,020,494
Insurance / reinsurance receivables	-	-	-	6,770,967	-	6,770,967	6,770,967
Reinsurance recoveries against outstanding claims	-	-	-	7,709,161	-	7,709,161	7,709,161
Salvage recoveries accrued	-	-	-	347,289	-	347,289	347,289
Prepayments	-	-	-	2,511,060	-	2,511,060	2,511,060
Cash and bank	-	-	-	2,278,614	-	2,278,614	2,278,614
Other Assets of Window Takaful Operations - Operator's Fund	-	-	-	210,906	-	210,906	210,906
	2,491,639	16,990	2,508,629	41,424,810	6,239	41,431,049	43,939,678
Financial liabilities							
Outstanding claims (including IBNR)	-	-	-	11,485,744	-	11,485,744	11,485,744
Insurance / reinsurance payables	-	-	-	1,668,516	-	1,668,516	1,668,516
Other creditors and accruals	-	-	-	2,041,814	-	2,041,814	2,041,814
Total liabilities of Window Takaful Operations- Operator's Fund	-	-	-	141,350	-	141,350	141,350
	-	-	-	15,337,424	-	15,337,424	15,337,424
	2,491,639	16,990	2,508,629	26,087,386	6,239	26,093,625	28,602,254

Interest / mark - up rate risk

Interest / mark-up rate risk is the risk that the 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 period. The Company manages this mismatch 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:

	Effective interest rate (%)		**Carrying amounts**	
	2018	2017	**2018**	2017
			-----Rupees in thousand----	
Fixed rate of financial instruments				
Financial assets:				
Investments- PIBs and Treasury Bills	**5.93% - 8.80%**	5.91% - 12.28 %	**378,029**	380,738
Loans	**5%**	5%	**5,644**	7,014
Floating rate financial instruments				
Financial assets:				
Bank and term deposits	**3.75% - 9.50%**	3.75% - 5.90%	**4,683,153**	2,786,006
Investments - TFCs	-	7.72% - 9.26%	-	71,218

Sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate will not affect the fair value of any financial instruments. For cash flow sensitivity analysis of variable rate instruments, a hypothetical change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variation in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	Effect on profit before tax		**Effect on equity**	
	Increase	**Decrease**	**Increase**	**Decrease**
	-----Rupees in thousand----		**-----Rupees in thousand----**	
As at 31 December 2018 - Fluctuation of 100 bps				
Cash flow sensitivity - variable rate financial liabilitie	-	-	-	-
Cash flow sensitivity - variable rate financial assets	46,881	(46,881)	33,286	(33,286)
As at 31 December 2017 - Fluctuation of 100 bps				
Cash flow sensitivity - variable rate financial liabilitie	-	-	-	-
Cash flow sensitivity - variable rate financial assets	28,839	(28,839)	20,187	(20,187)

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's principal transactions are carried out in Pak Rupees and its exposure to foreign exchange risk arises primarily with respect to AED and US dollars in respect of foreign branches. Financial assets and liabilities exposed to foreign exchange risk amounted to Rs. 11,331,852 thousands (2017: Rs. 8,971,953 thousands) and Rs. 10,416,407 thousands (2017: Rs. 8,643,425 thousands), respectively, at the end of the year.

The following significant exchange rates were applied during the year:

	2018	2017
	-----Rupees in thousand----	
Rupees per US Dollar		
Average rate	121.8473	105.3792
Reporting date rate	138.8619	110.3000
Rupees per AED		
Average rate	33.1730	28.6900
Reporting date rate	37.8046	30.0300

Price risk

Price risk represents the risk that the fair value of financial instruments 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 factors specific to individual financial instrument or its issuer, or factors affecting all or similar financial instrument traded in the market. The Company is exposed to equity price risk that arises as a result of changes in the levels of PSE - Index and the value of individual shares. The equity price risk arises from the Company's investment in equity securities for which the prices in the future are uncertain. The Company policy is to manage price risk through selection of blue chip securities.

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

The Company has investments in quoted equity securities amounting to Rs. 18,685,087 thousands (2017: Rs. 20,582,109 thousands) at the reporting date. The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the reporting date. Market prices are subject to fluctuation which may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions.

Sensitivity analysis

As the entire investment portfolio has been classified in the 'available-for-sale' category, a 10% increase / decrease in redemption value and share prices at year end would have increased / decreased impairment loss of investment recognized in profit and loss account as follows:

	Impact on profit before tax	**Impact on equity**
	-----Rupees in thousand----	
2018		
Effect of increase in share price	667,792	474,132
Effect of decrease in share price	(510,619)	(362,540)
2017		
Effect of increase in share price	311,405	217,983
Effect of decrease in share price	(597,241)	(418,068)

40.3 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 exposure 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 a similar manner. The Company's credit risk exposure is not significantly different from that reflected in these unconsolidated 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.

	2018	2017
The carrying amount of financial assets represents the maximum credit exposure, as specified below:	**-----Rupees in thousand----**	
Investments	**24,114,124**	23,749,454
Loans and other receivable	**275,875**	331,884
Due from insurance contract holders	**6,190,747**	5,776,344
Due from other insurers / other reinsurers	**843,230**	994,623
Reinsurance recoveries against outstanding claims	**6,046,905**	7,709,161
Salvage recoveries accrued	**350,340**	347,289
Bank deposits	**2,205,141**	2,270,938
	40,026,362	41,179,693

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 movement in the provision for doubtful debt account is shown in note 12.2 and 12.3 to these unconsolidated financial statements.

	2018	2017
	-----Rupees in thousand----	
Age analysis of due from insurance contact holders (net of provision) is as follows:		
Upto one year	**5,477,499**	5,001,846
Above one year	**1,342,916**	1,150,299
	6,820,415	6,152,145
Less: provision for doubtful balances	**(629,668)**	(375,801)
	6,190,747	5,776,344

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

	Rating		Rating	2018	2017
	Short Term	Long Term	Agency	-----Rupees in thousand----	
Abu Dhabi Commercial Bank				**193,688**	450,450
Allied Bank Limited	A1+	AAA	PACRA	**1,841**	-
Askari Bank Limited	A1+	AA+	PACRA	**46**	46
Bank Alfalah Limited	A1+	AA+	PACRA	**646,383**	109,530
Bank Al Habib Limited	A1+	AA+	PACRA	**7,674**	3,702
Bank Al Habib Limited - Islamic				**12,167**	8,003
Habib Bank Limited	A-1+	AAA	JCR-VIS	**52,267**	63,845
Habib Metropolitan Bank	A1+	AA+	PACRA	**6,826**	6,531
FINCA Micro Finance Bank Limited	A1	A	PACRA	**25,277**	4
Khushhali Microfinance Bank Limited	A-1	A+	JCR-VIS	**7,049**	-
MCB Bank Limited	A1+	AAA	PACRA	**401,990**	764,507
Mobilink Micro Finance Bank	A1	A	PACRA	**21,502**	18,776
National Bank of Pakistan	A1+	AAA	PACRA	**304**	1,422
The Punjab Provincial Cooperative Bank Limited				**201,260**	223,305
Samba Bank Limited	A-1	AA	JCR-VIS	**30,517**	25,000
Soneri Bank Limited	A1+	AA-	PACRA	**1**	1
United Bank Limited	A-1+	AAA	JCR-VIS	**409,106**	221,969
Emirate Islamic Bank				**-**	-
Zarai Taraqiati Bank Limited	A-1+	AAA	JCR-VIS	**187,243**	373,847
				2,205,141	2,270,938

The credit quality of amount due from other insurers (gross of provisions) can be assessed with reference to external credit rating as follows:

	Amounts due from other insurers / reinsurers	Reinsurance and other recoveries against outstanding claims	2018	2017
	- - - - - - - - - - - - - - - - - - -	- Rupees in thousand -	- - - - - - - - - - - - - - - - - - -	
A or Above (including PRCL)	**1,035,793**	**4,001,428**	**5,037,221**	7,097,232
BBB	**-**	**1,193,004**	**1,193,004**	1,208,639
Others	**8,739**	**852,473**	**861,212**	549,215
Total	**1,044,532**	**6,046,905**	**7,091,437**	8,855,086

40.4 Capital risk management

The Group'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 as at 31 December 2018 is Rs. 500,000 thousands whereas for life insurers as at 31 December 2018 is Rs. 700,000 thousands. The Company's current paid-up capital is well in excess of the limit prescribed by the SECP;
- To safeguard the Group'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.

Subsidiary Company

40.5 Conventional business

40.5.1 Individual Life

The risk underwritten is mainly death and sometimes disability. The risk of death and disability will vary in degree by age, gender, occupation, income group and geographical location of the assured person. The Company's exposure to poor risks may lead to unexpectedly high severity and frequency in claims' experience. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The Company may also face the risk of poor investment return, inflation of business expenses and liquidity issues on amount invested in the fund. The Company faces the risk of under-pricing particularly due to the fact that majority of these contracts are long term. Additionally, the risk of poor persistency may result in the Company being unable to recover expenses incurred at policy acquisition.

The Company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The Company has a well defined medical underwriting policy and avoids selling policies to high risk individuals. This puts a check on anti-selection. The need for profit testing is reviewed on an annual basis to ensure reasonableness of premiums charged. Reinsurance contracts have been purchased by the Company to limit the maximum exposure on any one insured person. The Company is developing and intends to eventually have a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency the Company applies quality controls on the standard of service provided to policyholders and has placed checks to control mis-selling and to track improvements in the standard of service provided to policyholders. For this, a regular monitoring of lapsation rates is conducted. On the claims handling side, the Company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, Claims Committee with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. Further, all payments on account of claims are made after necessary approval of relevant authority as per policy of the Company. The Company maintains adequate liquidity in its fund to cater for a potentially sudden and high cash requirement.

a) Frequency and severity of claims

The Company measures concentration of risk in terms of exposure by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.

There is some concentration by sum assured amounts which may have an impact on the severity of benefit payments on a portfolio basis.

The table below presents the concentration of assured benefits across five bands of assured benefits per individual life assured. The benefit assured figures are shown gross and net of the reinsurance contracts described above.

The amounts presented are showing total exposure of the Company including exposure in respect of riders attached to the main policies.

Benefits assured per life	**Sum assured at the end of 2018**			
	Total benefits assured			
Rupees	**Before reinsurance**		**After reinsurance**	
	(Rupees in '000)	**Percentage**	**(Rupees in '000)**	**Percentage**
0-200,000	**7,272**	**15.38%**	**2,140**	**18.10%**
200,000 - 400,000	**4,939**	**10.45%**	**1,510**	**12.77%**
400,001 - 800,000	**2,783**	**5.89%**	**835**	**7.06%**
800,001 - 1,000,000		**0.00%**		**0.00%**
More than 1,000,000	**32,286**	**68.29%**	**7,336**	**62.06%**
Total	**47,280**		**11,821**	

Benefits assured per life	Sum assured at the end of 2017			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
0-200,000	2,165	4.43%	547	5.66%
200,000 - 400,000	6,136	8.86%	1,671	11.88%
400,001 - 800,000	10,740	14.52%	2,987	19.92%
800,001 - 1,000,000	1,923	3.41%	508	4.43%
More than 1,000,000	57,086	68.78%	10,212	58.10%
Total	78,050		15,925	

b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term conventional assurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and morbidity incidence rates.

The Company assumes the expected mortality to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible. Morbidity incidence rates are taken as a percentage of reinsurer's risk premium rate.

c) Process used to decide on assumptions

For long-term conventional assurance contracts, long-term assumptions are made at the inception of the contract. Keeping the statutory minimum reserving basis in view, the Company determines assumptions on future mortality, morbidity, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies are as follows:

- The expected mortality is assumed to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.
- Morbidity incidence rates for morbidity are taken as a percentage of reinsurer's risk premium rate.
- Persistency: The Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.
- Expense levels and inflation: As the business is new, estimates from business projections have been used. Once established, a periodic study will be conducted on the Company’s current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.
- Investment returns: The investment returns are based on the historic performance of the assets and asset types underlying the fund.

d) Changes in assumptions

There have been no changes in assumptions since the last valuation carried out a year ago.

e) Sensitivity analysis

After reinsurance, the overall liability for individual life conventional business stands at less than 1% of the total policyholder liability held in respect of individual life business. Due to its immateriality, sensitivity analysis has not been conducted.

40.5.2 Group Life

The main risk written by the Company is mortality. The Company may be exposed to the risk of unexpected claim severity or frequency. This can be a result of writing business with higher than expected mortality (such as mining or other hazardous industries), writing high cover amounts without adequate underwriting, difficulty of verification of claims, fraudulent claims or a catastrophe. The Company also faces risk such as that of under-pricing to acquire business in a competitive environment and of non-receipt of premium in due time. There also exists a potential risk of asset liability term mismatch due to liabilities being very short term in nature.

The Company manages these risks through underwriting, reinsurance, effective claims handling and other related controls. The Company has a well defined medical under-writing policy and avoids writing business for groups with overly hazardous exposure. Pricing is done in line with the actual experience of the Company. The premium charged takes into account the actual experience of the client and the nature of mortality exposure the group faces. The Management undertakes to write business in line with the limits set by the appointed actuary, especially for large groups having a group assurance policy with annual premium of Rs 2 million or above in accordance with the requirements of Circular 11 of 2013 dated 14 June 2013. The Company also maintains a Management Information System (MIS) to track the adequacy of the premium charged. Reinsurance contracts have been purchased by the Company to limit the maximum exposure to any one life. At the same time, due caution is applied in writing business in areas with a high probability of terrorism. The Company ensures writing business with good geographical spread and tries to maintain a controlled exposure to large groups which generally have poor experience. Writing business of known hazardous groups is also avoided. On the claims handling side, the Company ensures that payment of any fraudulent claims is avoided. For this, Claims Committee with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. Strict monitoring is in place at the Board of Directors level in order to keep the outstanding balances of premium at a minimum, especially the ones that are due for more than 90 days. The bulk of the assets held against liabilities of this line of business are cash to money market with short durations and high liquidity, thus mitigating the risk of asset value deterioration and liability mismatch.

a) Frequency and severity of claims

The Company measures concentration of risk in terms of exposure by geographical area. Concentration of risk arising from geographical area is not a factor of concern as the Company aims to achieve a spread of risks across various parts of the country.

The following table presents the concentration of assured benefits across five bands of assured benefits per individual life assured. The benefit assured figures are shown gross and net of the reinsurance contracts described above.

The amounts presented are showing total exposure of the company including exposure in respect of riders attached to the main policies.

Benefits assured per client	**Sum assured at the end of 2018**			
	Total benefits assured			
Rupees	**Before reinsurance**		**After reinsurance**	
	(Rupees in '000)	**Percentage**	**(Rupees in '000)**	**Percentage**
0-200,000	**-**	**0.000%**	**-**	**0.000%**
200,000 - 400,000	**-**	**0.000%**	**-**	**0.000%**
400,001 - 800,000	**-**	**0.000%**		**0.000%**
800,001 - 1,000,000	**-**	**0.000%**		**0.000%**
More than 1,000,000	**492,953,829**	**100.000%**	**183,729,461**	**100.000%**
Total	**492,953,829**		**183,729,461**	

Benefits assured per life	Sum assured at the end of 2017			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
0-200,000	-	0.000%	-	0.000%
200,000 - 400,000	-	0.000%	-	0.000%
400,001 - 800,000	3,500	0.005%	3,500	0.012%
800,001 - 1,000,000	-	0.287%	-	0.619%
More than 1,000,000	524,734,052	99.708%	183,397,452	99.370%
Total	524,737,552		183,400,952	

b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Other than conducting a liability adequacy for Unexpired Risk Reserves (URR), there is no need to estimate mortality for future years because of the short duration of the contracts.

c) Process used to decide on assumptions

The business is too new for any meaningful investigation into the group’s past experience. However, industry experience, the insured group's own past experience and reinsurer risk rates are used to determine the expected level of risk in relation to the SLIC (2001-05) Individual Life Ultimate Mortality Table.

d) Changes in assumptions

There have been no changes in assumptions since the last valuation carried out a year ago.

e) Sensitivity analysis

After reinsurance, the net unearned premium reserve for this business stands at less than 1% of the total policyholder liability. This liability will be on the Company's books for under a year. Due to its immateriality, a sensitivity analysis has not been conducted.

40.6 Non unitised Investment Linked Business

The risk underwritten is mainly death and sometimes disability. The risk of death and disability will vary in degree by age, gender, occupation, income group and geographical location of the assured person. The Company's exposure to poor risks may lead to unexpectedly high severity and frequency in claims' experience. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The Company may also face the risk of inflation of business expenses and liquidity issues on amount invested in the fund. The Company faces the risk of under-pricing particularly due to the fact that these contracts are long term. Additionally, the risk of poor persistency may result in the Company being unable to recover expenses incurred at policy acquisition.

The Company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The Company has a well defined medical underwriting policy and avoids selling policies to high risk individuals. This puts a check on anti-selection. The need for profit testing is reviewed on an annual basis to ensure reasonableness of premiums charged. Reinsurance contracts have been purchased by the Company to limit the maximum exposure on any one insured person. The Company is developing and intends to eventually have a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency the Company applies quality controls on the standard of service provided to policyholders and has placed checks to control mis-selling and to track improvements in the standard of service provided to policyholders. For this, a regular monitoring of lapsation rates is conducted. On the claims handling side, the Company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, Claims Committee with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. The Company maintains adequate liquidity in its fund to cater for a potentially sudden and high cash requirement. Further, all payments on account of claims are made after necessary approval of relevant authority as per policy of the Company. The Company reserves the right to review the charges deductible under the contracts, thus limiting the risk of under pricing.

a) Frequency and severity of claims

The Company measures concentration of risk by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.

There is some concentration by sum assured amounts which may have an impact on the severity of benefit payments on a portfolio basis.

The Company charges for mortality risk on a monthly basis for all insurance contracts. It has the right to alter these charges based on its mortality experience and hence minimises its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may hinder its mitigating effect. The Company manages these risks through its underwriting strategy and reinsurance arrangements.

The table below presents the concentration of assured benefits across five bands of assured benefits per individual life assured. The benefit assured figures are shown gross and net of the reinsurance contracts described above. The amounts presented are showing total exposure of the Company including exposure in respect of riders attached to the main policies.

Benefits assured per life	Sum assured at the end of 2018			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
0-200,000	224,053	7.91%	66,725	8.81%
200,000 - 400,000	349,389	12.33%	105,897	13.98%
400,001 - 800,000	814,346	28.73%	245,885	32.47%
800,001 - 1,000,000	792,624	27.97%	238,334	31.47%
More than 1,000,000	653,748	23.07%	100,451	13.26%
Total	2,834,160		757,292	

Benefits assured per life	Sum assured at the end of 2017			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
0-200,000	529,068	9.34%	57,628	6.12%
200,000 - 400,000	927,159	16.05%	142,784	15.58%
400,001 - 800,000	1,827,902	30.48%	287,539	33.73%
800,001 - 1,000,000	1,165,490	19.18%	278,909	31.37%
More than 1,000,000	1,530,409	24.94%	115,640	13.19%
Total	5,980,028		882,499	

b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term Non-unitised Investment Linked assurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and morbidity of the insured population and variability in policyholders' behaviour.

Factors impacting future benefit payments and premium receipts are as follows:

- Mortality: The Company assumes the expected mortality to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.

- Morbidity: Incidence rates for morbidity are taken as a proportion of reinsurer's risk rates.

- Persistency: The Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

c) Process used to decide on assumptions

For long-term Non-unitised Investment Linked assurance contracts, assumptions are made in two stages. At inception of the contract, the Company determines assumptions on future mortality, morbidity, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies are as follows:

- Mortality: The expected mortality is assumed to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.
- Morbidity: Incidence rates for morbidity are taken as a proportion of reinsurer's risk rates.
- Persistency: The Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future
- Expense levels and inflation: As the business is new, estimates from business projections have been used. Once established, a periodic study will be conducted on the Company’s current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment
- Investment returns: The investment returns are based on the historic performance of different types of assets underlying the fund.

d) Changes in assumptions

There are no changes in assumptions.

e) Sensitivity analysis

Periodic sensitivity analyses of the Company's in-force business determine whether any reserve needs to be created or product prices for new business need to be revised in light of changing or anticipated changes in experience from that expected when pricing the existing book of business. The current nature, volume and age of in-force business does not require a detailed sensitivity analysis at this stage.

40.7 Unit Linked Business

The risk underwritten is mainly death and sometimes disability and/or critical illness. The risk of death and disability will vary from region to region. The Company may get exposed to poor risks due to unexpected experience in terms of claim severity or frequency. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The Company may also face the risk of poor investment return, inflation of business expenses and liquidity issues on monies invested in the fund. The Company faces the risk of under-pricing particularly due to the fact that these contracts are long term. Additionally, the risk of poor persistency may result in the Company being unable to recover expenses incurred at policy acquisition.

The Company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The Company has a well defined medical under-writing policy and avoids selling policies to high risk individuals. This puts a check on anti-selection. The need for profit testing is reviewed on an annual basis to ensure reasonableness of premiums charged. Reinsurance contracts have been purchased by the Company to limit the maximum exposure on any one policyholder. The Company has a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency the Company applies quality controls on the standard of service provided to policyholders and has placed checks to curb mis-selling and improvement in standard of service provided to the policyholders. For this, a regular branch wise monitoring of lapsation rates is conducted. On the claims handling side, the Company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, Claims Committee with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. The Company maintains adequate liquidity in each unit fund to cater for potentially sudden and high cash requirement. Further, all payments on account of claims are made after necessary approval of relevant authority as per policy of the Company. The Company reserves the right to review the charges deductible under the contracts, thus limiting the risk of under pricing.

Frequency and severity of claims

The Company measures concentration of risk by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.

However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Company charges for mortality risk on a monthly basis for all insurance contracts. It has the right to alter these charges based on its mortality experience and hence minimises its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may hinder its mitigating effect. The Company manages these risks through its underwriting strategy and reinsurance arrangements.

The table below presents the concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above. At year-end, none of these insurance contracts had triggered a recovery under the reinsurance held by the Company.

The amounts presented are showing total exposure of the Company including exposure in respect of riders attached to the main policies.

Benefits assured per life	**Sum assured at the end of 2018**			
	Total benefits assured			
Rupees	**Before reinsurance**		**After reinsurance**	
	(Rupees in '000)	**Percentage**	**(Rupees in '000)**	**Percentage**
0-200,000	**8,360,048**	**8.42%**	**4,452,501**	**10.60%**
200,000 - 400,000	**10,538,075**	**10.61%**	**6,495,624**	**15.46%**
400,001 - 800,000	**22,708,111**	**22.86%**	**13,295,470**	**31.64%**
800,001 - 1,000,000	**23,308,916**	**23.46%**	**10,364,512**	**24.66%**
More than 1,000,000	**34,425,288**	**34.65%**	**7,415,325**	**17.65%**
Total	**99,340,438**		**42,023,432**	

Benefits assured per life	Sum assured at the end of 2017			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
0-200,000	3,246,604	2.71%	1,269,878	3.98%
200,000 - 400,000	12,896,846	10.76%	5,050,139	15.82%
400,001 - 800,000	27,938,861	23.31%	10,141,800	31.77%
800,001 - 1,000,000	27,286,613	22.77%	8,671,387	27.16%
More than 1,000,000	48,479,318	40.45%	6,794,112	21.28%
Total	119,848,242		31,927,316	

a) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long–term unit linked insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and variability in policyholder's behaviour.

b) Factors impacting future benefit payments and premium receipts are as follows:

Mortality: The expected mortality is assumed to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.

Persistency: The business is developing and eventually the Company intends to conduct periodic analyses on its historic book of business, using statistical methods to determine its persistency experience. Persistency rates are expected to vary by product and more importantly the sales distribution channel. Allowance will then be made for any trend in the data to arrive at best estimates of future persistency rates for each sales distribution channel.

c) Process used to decide on assumptions

For long-term unit linked insurance contracts, assumptions are made in two stages. At inception of the contract, the Company determines assumptions on future mortality, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies

Mortality: The Company assumes the expected mortality to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.

Persistency: The Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future

Expense levels and inflation: As the business is new, estimates from business projections have been used. Once established, a periodic study will be conducted on the Company's current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.

Investment returns: The investment returns are based on the historic performance of the assets and asset types underlying the fund.

d) Changes in assumptions

There are no changes in assumptions.

e) Sensitivity analysis

Periodic sensitivity analyses of the Company's in-force business determine whether any reserve needs to be created or product prices for new business need to be revised in light of changing or anticipated changes in experience from that expected when pricing the existing book of business. The current nature, volume and age of in-force business does not require a detailed sensitivity analysis at this stage.

40.8 Individual Family Takaful Unit Linked Business

The risk underwritten is mainly death and sometimes disability and/or critical illness. The risk of death and disability will vary from region to region. The Company may get exposed to poor risks due to unexpected experience in terms of claim severity or frequency. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The Company may also face the risk of poor investment return, inflation of business expenses and liquidity issues on monies invested in the fund. The Company faces the risk of under-pricing particularly due to the fact that these contracts are long term. Additionally, the risk of poor persistency may result in the Company being unable to recover expenses incurred at policy acquisition.

The Company manages these risks through its underwriting, retakaful, claims handling policy and other related controls. The Company has a well defined medical under-writing policy and avoids selling policies to high risk individuals. This puts a check on anti-selection. The need for profit testing is reviewed on an annual basis to ensure reasonableness of contribution charged. Retakaful contracts have been purchased by the Company to limit the maximum exposure on any one participant. The Company has a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency the Company applies quality controls on the standard of service provided to participants and has placed checks to curb mis-selling and improve standards of service provided to the participants. On the claims handling side the Company has procedures in place to ensure that payment of any fraudulent claims is avoided. The Company maintains adequate liquidity in each unit fund to cater for potentially sudden and high cash requirement. Further, all payments on account of claims are made after necessary approval of relevant authority as per policy of the Company. The Company reserves the right to review the charges deductible under the contracts, thus limiting the risk of under pricing.

a) Frequency and severity of claims

The Company measures concentration of risk by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.

However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

Benefits covered per life	**Sum cover at the end of 2018**			
	Total benefits covered			
Rupees	**Before retakaful**		**After retakaful**	
	(Rupees in '000)	**Percentage**	**(Rupees in '000)**	**Percentage**
0-200,000	**828,522**	**7.73%**	**585,668**	**9.03%**
200,000 - 400,000	**998,139**	**9.32%**	**920,793**	**14.19%**
400,001 - 800,000	**2,325,676**	**21.71%**	**2,128,015**	**32.79%**
800,001 - 1,000,000	**2,703,219**	**25.23%**	**1,747,685**	**26.93%**
More than 1,000,000	**3,858,403**	**36.01%**	**1,107,048**	**17.06%**
Total	**10,713,959**		**6,489,209**	

Benefits covered per life	Sum assured at the end of 2017			
	Total benefits covered			
Rupees	Before retakaful		After retakaful	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
0-200,000	111,623	2.69%	77,377	4.22%
200,000 - 400,000	361,031	8.71%	246,767	13.46%
400,001 - 800,000	833,846	20.11%	593,506	32.37%
800,001 - 1,000,000	904,258	21.81%	472,082	25.75%
More than 1,000,000	1,935,570	46.68%	443,725	24.20%
Total	4,146,328		1,833,457	

b) Sources of uncertainty in the estimation of future benefit payments and contribution receipts

Persistency: The business is developing and eventually the Company intends to conduct periodic analyses on its historic book of business, using statistical methods to determine its persistency experience. Persistency rates are expected to vary by product and more importantly the sales distribution channel. Allowance will then be made for any trend in the data to arrive at best estimates of future persistency rates for each sales distribution channel.

c) Process used to decide on assumptions

For long-term unit linked takaful contracts, assumptions are made in two stages. At inception of the contract, the Company determines assumptions on future mortality, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies are as follows:

Mortality: The Company assumes the expected mortality to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.

Persistency: Since the Company has recently started business, it has no own experience to which it can refer. Industry standards for anticipated persistency rates have been used initially. Eventually, a periodic analysis of the Company's recent and historic experience will be performed and persistency will be calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance will then be made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

Expense levels and inflation: As the business is new, estimates from business projections have been used. Once established, a periodic study will be conducted on the Company's current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.

Investment returns: The investment returns are based on the historic performance of the assets and asset types underlying the fund.

d) Changes in assumptions

There are no changes in assumptions.

e) Sensitivity analysis

Periodic sensitivity analyses of the Company's in-force business determine whether any reserve needs to be created or product prices for new business need to be revised in light of changing or anticipated changes in experience from that expected when pricing the existing book of business. The current nature, volume and age of in-force business does not require a detailed sensitivity analysis at this stage.

40.9 Liability Adequacy Test

Liability adequacy test is applied to all long term contracts where necessary, especially those products where actuarial liability estimation is based on conservative assumptions. Liability adequacy test is carried out using current best estimates of assumptions and future net cash flows, including premiums receivable, benefits payable and investment income from related assets.

To determine the adequacy of liabilities, assumptions must be based on realistic best estimates. We have compared our valuation mortality assumption (SLIC mortality table) with the mortality of developing Asian countries, namely: India and Malaysia. The comparison suggests that the best estimate assumption is better than the experience reflected in SLIC mortality table.

The table below compares total policyholder liabilities under existing valuation basis with policyholder liabilities calculated using best estimate assumptions:

Assumptions	**Policyholder liabilities on existing valuation basis**	**Policyholder liabilities using best estimate assumptions**
	------------- (Rupees in '000)	-------------
Mortality	**30,810,235**	**30,796,896**
Investment Returns	**30,810,235**	**30,808,326**

The liabilities evaluated under the assumptions suggest the recognised liabilities are adequate and no further provision is required.

40.10 Expense risk

The risk that the Company faces is that future expenses may be higher than those used in pricing of products causing an expense overrun. The Company mitigates this risk by incorporating a certain level of acceptable conservatism in building future policy expense factors in pricing and expects to maintain its actual expenses within these limits. Regular monitoring of expenses allows the Company to adjust its pricing in time to account for higher than expected expenses.

The Company closely monitors its expenses by regularly carrying out an expense analysis for its business. The assumptions for future policy expense levels are determined from the Company's most recent annual expense analysis, with an extra margin built-in to account for variability in future expenses. A review of product pricing is carried out each year based on the latest available expense factors. Constant monitoring of expenses enables the Company to take corrective actions in time

Based on the results of expense analysis, the Company apportions its management expenses to different lines of business.

40.11 Maturity Profile

Maturity profile of financial asset and liabilities are as follows

On balance sheet financial instruments	31 December 2018						
	Interest / Markup Bearing			Non Interest / Non Markup Bearing			
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total	Total
	(Rupees in thousands)						
Assets							
Investments	14,756,571	352,204	**15,108,774**	13,674,320	-	**13,674,320**	28,783,094
Loans and other receivables	309,209	-	**309,209**	-		**-**	309,209
Insurance / reinsurance receivables	-	-	**-**	128,484	-	**128,484**	128,484
Cash and bank	3,191,410	-	**3,191,410**	120,243	-	**120,243**	3,311,653
Loan secured against life insurance policies	34,556	-	**34,556**	-	-	**-**	34,556
	18,291,746	**352,204**	**18,643,949**	**13,923,047**	**-**	**13,923,047**	32,566,996
Liability							
Other creditors and accruals	-	-	**-**	599,461	-	**599,461**	**599,461**
	-	**-**	**-**	**599,461**	**-**	**599,461**	**599,461**
31 December 2018	**18,291,746**	**352,204**	**18,643,949**	**13,323,586**	**-**	**13,323,586**	**31,967,535**

On balance sheet financial instruments	31 December 2017 (Restated)						
	Interest / Markup Bearing			Non Interest / Non Markup Bearing			
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total	Total
	(Rupees in thousands)						
Assets							
Investments	16,103,798	-	16,103,798	10,606,453	-	10,606,453	26,710,251
Loans and other receivables	266,148	-	266,148	-	-	-	266,148
Insurance / reinsurance receivables	-	-	-	63,233	-	63,233	63,233
Cash and bank	1,281,498	-	1,281,498	70,137	-	70,137	1,351,635
Loan secured against life insurance policies	31,170	-	31,170	-	-	-	31,170
	17,682,614	-	17,682,614	10,739,823	-	10,739,823	28,422,437
Liability							
Other creditors and accruals	-	-	-	619,602		619,602	619,602
	-	-	-	619,602	-	619,602	619,602
31 December 2017	17,682,614	-	17,682,614	10,120,221	-	10,120,221	27,802,835

40.12 Sensitivity analysis

(a) Sensitivity analysis for variable rate instruments

Presently, the Company holds GoP Ijarah Sukuk and Term Finance Certificates exposing it to cash flow interest rate risk. In case of 100 basis points increase/decrease in interest yield on 31 December 2018 with all other variables held constant, the net assets of the statutory funds of the Company and net income of the statutory funds for the year would have been higher/lower by Rs. 13.670 million (2017: Rs. 3.221 million).

None of the financial instruments of the shareholder's fund are exposed to variable interest rate risk.

(b) Sensitivity analysis for fixed rate instruments

	2018	2017
	(Rupees in '000)	
Shareholder's Fund		
Bank balances	**16,227**	3,940
Investment in Government Securities (PIBs + T-bills)	**148,116**	154,755
	164,343	158,694
Statutory Funds		
Bank balances	**3,175,183**	1,277,558
Deposits maturing within 12 months	**11,070,000**	10,625,000
Investment in Government Securities (PIBs + T-bills+Sukuk)	**1,066,709**	3,688,874
Loans secured against Life Insurance Policies	**34,556**	31,170
	15,346,448	15,622,602

In case of a change of 100 basis points in financial instruments with all other variables held constant, the value of fixed rate financial instruments in shareholder's fund would been effected by Rs. 1.9 million (2017: Rs. 0.0049 million) and in statutory funds by Rs. 4.614 million (2017: Rs. 7.61 million).

Change of interest rate will not have any impact on bank balance and term deposits as these are not classified as fair value through profit and loss account.

40.13 Price Risk

The Company's listed securities are susceptible to market price risk arising from uncertainties about the future value of investment securities. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity, money market fund and term finance certificates (TFCs). In addition, the Company actively monitors the key factors that affect stock, money market and TFCs market. In the equity portfolio, the top three sectors by exposure are Oil and Gas, Banks and Mutual Funds.

In case of 5% increase in market prices of equity securities classified as:

a) at fair value through profit or loss, the post tax profit would have increased by Rs. 682.765 million (2017: Rs. 367.239 million);

b) available for sale, the post tax other comprehensive income would have increased by Rs. 0.9511 million (2017: Rs. 2.012 million)

In case of 5% decrease in market prices of equity securities classified as:

a) at fair value through profit or loss, the post tax profit would have decreased by Rs. 682.765 million (2017: Rs. 367.239);

b) available for sale, the net assets of the Company would have decreased by Rs. 0.9511 million (2017: Rs. 5.52 million).

41 Fair value measurement of financial instruments

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

Underlying the definition of fair value is the presumption that the company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs (Level 3)

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred.

	Note	31 December 2018										
		Available for sale	**Held to maturity**	**Fair value through P&L**	**Receivables and other financial assets**	**Cash and cash equivalents**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
		(Rupees in thousand)										
Financial assets - measured at fair value												
Investment												
Equity securities- qouted	*8*	16,477,936	-	13,653,862	-	-	-	**30,131,798**	30,131,798	-	-	**30,131,798**
Equity securities- unqouted	*8*	2,227,610	-	-	-	-	-	**2,227,610**	-	-	2,227,610	**2,227,610**
Debt securities	*9*	-	4,416,804	-	-	-	-	**4,416,804**	-	4,416,804	-	**4,416,804**
Investments of Window Takaful Operations - Operator's Fund	*15*	29,930	-	-	-	-	-	**29,930**	-	-	-	-
Financial assets - not measured at fair value												
Loans and other receivables *	*11*	-	-	-	552,070	-	-	**552,070**	-	-	-	-
Loan secured against life insurance policies*		-	-	-	34,556	-	-	**34,556**	-	-	-	-
Investment - Term deposits*	*10*	-	15,426,113	-	-	-	-	**15,426,113**	-	-	-	-
Insurance / reinsurance receivables - unsecured and considered good *	*12*	-	-	-	7,162,077			**7,162,077**	-	-	-	-
Reinsurance recoveries against outstanding claims *		-	-	-	6,046,905	-	-	**6,046,905**	-	-	-	-
Salvage recoveries accrued *		-	-	-	350,340	-	-	**350,340**	-	-	-	-
Prepayments *	*13*	-	-	-	3,116,455	-	-	**3,116,455**	-	-	-	-
Cash and bank *	*14*	-	-	-	-	5,523,097	-	**5,523,097**	-	-	-	-
Other Assets of Window Takaful Operations - Operator's Fund*	*15*	-	-	-	250,569	101,695	-	**352,264**	-	-	-	-
		18,735,476	19,842,917	13,653,862	17,512,972	5,624,792	-	**75,370,019**	30,131,798	4,416,804	2,227,610	**36,776,212**
Financial liabilities - not measured at fair value												
Underwriting provisions:												
Outstanding claims (including IBNR)*	*27*	-	-	-	-	-	10,461,975	**10,461,975**	-	-	-	-
Insurance / reinsurance payables *		-	-	-	-	-	2,709,714	**2,709,714**	-	-	-	-
Other creditors and accruals*	*23*	-	-	-	-	-	2,687,715	**2,687,715**	-	-	-	-
Total liabilities of Window Takaful Operations- Operator's Fund*	*15*	-	-	-	-	-	229,819	**229,819**	-	-	-	-
		-	-	-	-	-	16,089,223	**16,089,223**	-	-	-	-

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

41.1 Fair value measurement of financial instruments

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

Underlying the definition of fair value is the presumption that the company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs (Level 3)

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred.

		31 December 2017 (Audited) (Restated)										
31 December 2017 - Restated	*Note*	**Available for sale**	**Held to maturity**	**Fair value through P&L**	**Receivables and other financial assets**	**Cash and cash equivalents**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
		(Rupees in thousand)										
Financial assets - measured at fair value												
Investment												
Equity securities- qouted	*8*	18,358,327	-	10,491,602	-	-	-	28,849,929	28,849,929	-	-	28,849,929
Equity securities- unqouted	*8*	2,338,633	-	-	-	-	-	2,338,633	-	-	2,338,633	2,338,633
Debt securities	*9*	-	5,930,754	-	-	-	-	5,930,754	-	5,930,754	-	5,930,754
Investments of Window Takaful Operations - Operator's Fund	*15*	30,343	-	-	-	-	-	30,343	30,343	-	-	30,343
Financial assets - not measured at fair value												
Loans and other receivables *	*11*	-	-	-	597,273	-	-	597,273	-	-	-	-
Loan secured against life insurance policies*		-	-	-	31,170	-	-	31,170	-	-	-	-
Investment - Term deposits*	*10*	-	12,645,494	-	-	-	-	12,645,494	-	-	-	-
Insurance / reinsurance receivables - unsecured and considered good *	*12*	-	-	-	6,846,091	-	-	6,846,091	-	-	-	-
Reinsurance recoveries against outstanding claims *		-	-	-	7,709,161	-	-	7,709,161	-	-	-	-
Salvage recoveries accrued *		-	-	-	347,289	-	-	347,289	-	-	-	-
Prepayments *	*13*	-	-	-	2,563,627	-	-	2,563,627	-	-	-	-
Cash and bank *	*14*	-	-	-	-	3,630,249	-	3,630,249	-	-	-	-
Other Assets of Window Takaful Operations - Operator's Fund	*15*	-	-	-	169,787	41,119	-	210,906	-	-	-	-
		20,727,303	18,576,248	10,491,602	18,264,398	3,671,368	-	71,730,919	28,880,272	5,930,754	2,338,633	37,149,659
Financial liabilities - not measured at fair value												
Underwriting provisions:												
Outstanding claims (including IBNR)*	*27*	-	-	-	-	-	11,485,744	11,485,744	-	-	-	-
Insurance / reinsurance payables *		-	-	-	-	-	1,681,093	1,681,093	-	-	-	-
Other creditors and accruals*	*23*	-	-	-	-	-	2,564,188	2,564,188	-	-	-	-
Other Assets of Window Takaful Operations - Operator's Fund*	*15*	-	-	-	-	141,350	-	141,350	-	-	-	-
		-	-	-	-	141,350	15,731,025	15,872,375	-	-	-	-

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

42 Number of employees

The total average number of employees during the year and as at 31 December 2018 and 2017, are as follows:

	2018	2017
At year end		
Holding Company	**968**	945
Subsidiary Company	**765**	709
Average during the year		
Holding Company	**962**	914
Subsidiary Company	**677**	534

43 Date of authorization for issue

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

44 General

44.1 The effect of changes stated in note 3.1 have been accounted for retrospectively in accordance with IAS-8 'Accounting Policies, Change in Accounting Estimates and Errors' resulting in restatement of consolidtaed financial statements of prior years. Resultantly, the cummulative effect of adjustement that arose as at 01 January 2018 and 01 Januray 2017 have been pesented and disclosed as part of statement of changes in equity, while the corresponding period adjustement through other comprehensive income is restaed and disclosed as part of statement of comprehensive income. The statement of financial position also presents the prior number restated, due to said change.

44.2 Significant reclassification / rearrangement of corresponding figures have been made in this consolidated financial statements wherever necessary.

44.3 Figures in these consolidated financial statements have been rounded off to the nearest thousand of rupees unless otherwise stated.

Chairman **Director** **Director** **Chief Financial Officer** **Managing Director & Chief Executive Officer**

WINDOW TAKAFUL OPERATIONS

Financial Statements
for the Year ended
31 December 2018

Statement of Compliance with the Shariah Principles
For the year ended 31 December 2018

The financial arrangements, contracts and transactions, entered into by Window Takaful Operations of the Adamjee Insurance Company Limited (`the Company') for the year ended 31 December 2018 are in compliance with the Takaful Rules, 2012.

Further, we confirm that:

- The Company has developed and implemented all the policies and procedures in accordance with the Takaful Rules, 2012 and rulings of the Shariah Advisor along with a comprehensive mechanism to ensure compliance with such rulings and Takaful Rules, 2012 in their overall operations. Further, the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee / Shariah Advisor and the Board of Directors have been implemented;

- The Company has imparted trainings / orientations and ensured availability of all manuals / agreements approved by Shariah Advisor/Board of Directors to maintain the adequate level of awareness, capacity and sensitization of the staff and management;

- All the products and policies have been approved by Shariah Advisor and the financial arrangements including investments made, policies, contracts and transactions entered into by Window Takaful Operations are in accordance with the polices approved by Shariah Advisor; and

- The assets and liabilities of Window Takaful Operations (Participants' Takaful Fund and Operator's fund) are segregated from its other assets and liabilities, at all times in accordance with the provisions of the Takaful Rules, 2012.

This has been duly confirmed by the Shariah Advisor of the Company.

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director and
Chief Executive Officer

Lahore: 03 April 2019

Independent Reasonable Assurance Report

To the Board of Directors on the Statement of Management's Assessment of Compliance with the Shariah Principles

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

Applicable Criteria

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

Responsibilities of the management

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

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

Our Independence and Quality Control

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

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

Our responsibilities

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

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

Company's internal control over the Takaful Operations' compliance with the Takaful Rules, 2012. Reasonable assurance is less than absolute assurance.

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

The procedures performed included:

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

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

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

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

Conclusion

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

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

KPMG Taseer Hadi & Co.

Lahore: 03 April 2019

KPMG Taseer Hadi & Co.
Chartered Accountants
(Bilal Ali)

Shariah Advisor's Report to the Board of Directors

For the year ended 31 December 2018

الحمد ل رب العالمىن والصلو والسلم على
سىد النبىاء والمرسلىن وبعد !

I have reviewed Takaful products, details of underwriting and other related documents, as well as, the Participant Takaful Fund (PTF) Policy, PTF pool position, Investment Policy, Re-Takaful arrangements, claims details and the related transactions of Adamjee Insurance – Window Takaful Operations (hereafter referred to as "Takaful Operator").

I acknowledge that as Shariah Advisor of Takaful Operator, it is my responsibility to approve the above mentioned document and ensure that the financial arrangements, contracts and transactions entered into by the Takaful Operator with its participants and stakeholders are in compliance with the requirements of Shariah rules and principles.

It is the responsibility of the Takaful Operator to ensure that the rules, principles and guidelines set by the Shariah Advisor are complied with, and that all policies and services being offered are duly approved by the Shariah Advisor.

The Takaful Operator's activities, operations are periodically checked and monitored by Shariah Advisor.

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

i. Transactions undertaken by the Takaful Operator were in accordance with guidelines issued by Shariah Advisor as well as requirements of Takaful Rules 2012;
ii. The investments have been done from the Participant's Takaful Fund and Operator's Fund into Shariah Compliant avenues with Shariah Approval. Further, all bank accounts related to Window Takaful Operations have been opened in Islamic Banking Institutions (IBIs) with Shariah Approval; and
iii. The transactions and activities of Window Takaful Operations are in accordance with the Shariah principles in respect of the Participant's Takaful Fund (Waqf Fund) and Operator's Fund.

And Allah knows best

Mufti Muhammad Hassaan Kaleem
Shariah Advisor

Date: 03 April 2019

INDEPENDENT AUDITORS' REPORT

To the members of Adamjee Insurance Company Limited (the Company)

Report on the Audit of the Window Takaful Operations

Qualified Opinion

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

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

Basis for Qualified Opinion

As more fully explained in note 15 to the financial statements, sales tax liability of Rs. 35.42 million has not been recorded in the financial statements as of 31 December 2018. This amount has not been charged by the Company to its customers since the matter of the renewal of exemption is under discussion with the sales tax authorities. IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' requires that provision should be recognized when the entity has a present legal obligation as a result of past event. Accordingly, had the sales tax liability been recorded, profit after tax for the year and fund of the Company as of 31 December 2018 would have reduced by Rs. 35.42 million and sales tax liability would have increased by the same amount (excluding the amount of penalty, if levied).

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 the 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 qualified opinion.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have concluded that the Other Information is materially misstated for the same reason with respect to the amounts or other items in the Group's Annual Report affected by the matter described in the Basis for Qualified Opinion section of our report.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditors' 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Report on Other Legal and Regulatory Requirements

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

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

b) the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in fund and the 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 auditors' report is Bilal Ali.

KPMG Taseer Hadi & Co.

Lahore: 03 April 2019

KPMG Taseer Hadi & Co.
Chartered Accountants

Adamjee Insurance Company Limited

Window Takaful Operations

Statement of Financial Position

As at 31 December 2018

	Note	2018 Operator's Fund	2018 Participants' Takaful Fund	2018 Aggregate	2017 Aggregate	2016 Aggregate
		--------------------	--------------------	Rupees in '000	--------------------	--------------------
ASSETS					*(Restated)*	*(Restated)*
Qard-e-Hasna to Participants' Takaful Fund		146,460	-	**146,460**	117,000	30,000
Property and equipment	*5*	16,185	-	**16,185**	22,182	2,592
Intangible assets	*6*	20,633	-	**20,633**	-	-
Investments - Equity securities	*7*	29,930	-	**29,930**	30,343	30,026
Loans and other receivables	*8*	4,457	8,551	**13,008**	5,630	4,067
Takaful / re-takaful receivables	*9*	-	230,423	**230,423**	183,594	80,844
Re-takaful recoveries against outstanding claims		-	46,654	**46,654**	34,211	9,808
Salvage recoveries accrued		-	15,881	**15,881**	6,800	-
Wakala and mudarib fee receivable		23,342	-	**23,342**	8,815	10,863
Deferred wakala fee	*18*	-	134,721	**134,721**	89,452	36,376
Deferred commission expense / acquisition cost	*21*	39,148	-	**39,148**	20,213	6,347
Prepayments	*10*	-	83,260	**83,260**	64,631	19,099
Cash and bank	*11*	102,039	432,489	**534,528**	271,991	83,855
		235,734	951,979	**1,187,713**	737,862	283,877
Total Assets		382,194	951,979	**1,334,173**	854,862	313,877
FUNDS AND LIABILITIES						
Funds attributable to Operator and Participants						
Operator's Fund						
Statutory fund		50,000	-	**50,000**	50,000	50,000
Fair value reserve - available for sale investments		18	-	**18**	90	83
Unappropriated profit		102,357	-	**102,357**	49,809	2,791
		152,375	-	**152,375**	99,899	52,874
Waqf / Participants' Takaful Fund						
Ceded money		-	500	**500**	500	500
Accumulated deficit		-	(28,849)	**(28,849)**	(36,179)	(5,075)
		-	(28,349)	**(28,349)**	(35,679)	(4,575)
Qard-e-Hasna from Operator's Fund		-	146,460	**146,460**	117,000	30,000
Liabilities						
Underwriting provisions:						
Outstanding claims including IBNR	*17*	-	220,606	**220,606**	153,116	25,705
Unearned contribution reserve	*16*	-	500,111	**500,111**	284,406	113,516
Unearned retakaful rebate	*20*	-	12,735	**12,735**	10,156	3,510
Contribution deficiency reserve		-	24,103	**24,103**	1,919	-
Retirement benefit obligations		1,883	-	**1,883**	1,883	-
Deferred taxation	*12*	530	-	**530**	551	164
Contribution received in advance		-	10,158	**10,158**	4,116	1,667
Takaful / re-takaful payables	*13*	-	24,303	**24,303**	59,557	24,843
Wakala and mudarib fee payable		-	23,342	**23,342**	8,815	10,863
Unearned wakala fee	*18*	134,721	-	**134,721**	89,452	36,376
Other creditors and accruals	*14*	92,685	18,510	**111,195**	40,167	17,813
Taxation - provision less payments		-	-	**-**	19,504	1,121
Total Liabilities		229,819	833,868	**1,063,687**	673,642	235,578
Total Funds and Liabilities		382,194	951,979	**1,334,173**	854,862	313,877
Contingencies and commitments	*15*					

The annexed notes from 1 to 38 form an integral part of these financial statements.

Chairman **Director** **Director** **Chief Financial Officer** **Managing Director & Chief Executive Officer**

Adamjee Insurance Company Limited
Window Takaful Operations
Profit and Loss Account
For the year ended 31 December 2018

	Note	2018	2017
		------------Rupees in '000-----------	
Participant Takaful Fund - Revenue Account			
Net contribution revenue	16	**669,092**	437,735
Net takaful claims	17	**(401,550)**	(300,367)
Wakala fee	18	**(252,798)**	(175,846)
Direct expenses	19	**(41,182)**	(22,270)
Contribution deficiency		**(22,183)**	(1,919)
Retakaful rebate	20	**40,674**	24,565
Takaful claims and acquisition expenses		**(677,039)**	(475,837)
Underwriting results		**(7,947)**	(38,102)
Other income	22	**15,277**	6,998
Surplus/(deficit) for the year		**7,330**	(31,104)
Operator Takaful Fund - Revenue Account			
Wakala fee	18	**252,798**	175,846
Commission expense	21	**(68,284)**	(43,596)
Management expenses	24	**(105,168)**	(63,968)
		79,346	68,282
Other income	22	**5,305**	1,764
Investment income	23	**(311)**	310
Other expenses	25	**(5,391)**	(3,758)
Profit before tax		**78,949**	66,598
Income tax expense	26	**(26,401)**	(19,580)
Profit after tax		**52,548**	47,018

The annexed notes from 1 to 38 form an integral part of these financial statements.

Chairman	**Director**	**Director**	**Chief Financial Officer**	**Managing Director & Chief Executive Officer**

Adamjee Insurance Company Limited
Window Takaful Operations
Statement of Comprehensive Income
For the year ended 31 December 2018

	2018	2017
	------------Rupees in '000------------	
		(Restated)
Participant's Takaful Fund		
Surplus/(deficit) for the year	**7,330**	(31,104)
Other comprehensive income	-	-
Total comprehensive income for the year	**7,330**	(31,104)
Operator's Fund		
Profit after tax	**52,548**	47,018
Other comprehensive income for the year		
Unrealized (loss)/gain on 'available-for-sale investments - net of tax	**(72)**	7
Total comprehensive income for the year	**52,476**	47,025

The annexed notes from 1 to 38 form an integral part of these financial statements.

Chairman	**Director**	**Director**	**Chief Financial Officer**	**Managing Director & Chief Executive Officer**

Adamjee Insurance Company Limited

Window Takaful Operations

Cash Flow Statement

For the year ended 31 December 2018

	2018			2017		
	Operator's Fund	**Participants' Takaful Fund**	**Aggregate**	Operator's Fund	Participants' Takaful Fund	Aggregate
Operating cash flows	**-----Rupees in '000-----**					
(a) Takaful activities						
Takaful Contribution received	-	1,052,160	**1,052,160**	-	661,908	661,908
Retakaful / co-takaful contribution paid	-	(255,653)	**(255,653)**	-	(153,454)	(153,454)
Claims paid	-	(409,606)	**(409,606)**	-	(226,752)	(226,752)
Retakaful and other recoveries received	-	54,023	**54,023**	-	22,593	22,593
Commission paid	(84,861)	-	**(84,861)**	(39,751)	-	(39,751)
Retakaful rebate received	-	43,253	**43,253**	-	31,211	31,211
Wakala fee received / (paid)	283,540	(283,540)	**-**	230,970	(230,970)	-
Management and other expenses paid	(41,634)	-	**(41,634)**	(56,845)	-	(56,845)
Direct expenses paid	-	(46,728)	**(46,728)**	-	(33,156)	(33,156)
Net cash flow from takaful activities	**157,045**	**153,909**	**310,954**	134,374	71,380	205,754
(b) Other operating activities						
Income tax paid	(45,896)	-	**(45,896)**	(811)	(823)	(1,634)
Other operating payments	(6,791)	-	**(6,791)**	(3,758)	-	(3,758)
Other operating receipts	-	4,905	**4,905**	-	538	538
Net cash flow from other operating activities	**(52,687)**	**4,905**	**(47,782)**	(4,569)	(285)	(4,854)
Total cash flow from all operating activities	**104,358**	**158,814**	**263,172**	129,805	71,095	200,900
Investment activities						
Profit received on bank deposits	4,066	13,343	**17,409**	1,406	6,517	7,923
Qard-e-Hasna paid to Participants' Takaful Fund - net	(29,460)	-	**(29,460)**	(87,000)	-	(87,000)
Payment for investments	(119,195)	-	**(119,195)**	(60,319)	-	(60,319)
Proceeds from investments	119,195	-	**119,195**	60,319	-	60,319
Fixed capital expenditures	(18,044)	-	**(18,044)**	(20,687)	-	(20,687)
Total cash flow from investing activities	**(43,438)**	**13,343**	**(30,095)**	(106,281)	6,517	(99,764)
Financing activities						
Qard-e-Hasna received from Operator's Fund - net	-	29,460	**29,460**	-	87,000	87,000
Total cash flow from financing activities	-	29,460	**29,460**	-	87,000	87,000
Net Cash flow from all activities	**60,920**	**201,617**	**262,537**	23,524	164,612	188,136
Cash and cash equivalents at the beginning of year	41,119	230,872	**271,991**	17,595	66,260	83,855
Cash and cash equivalents at the end of year	**102,039**	**432,489**	**534,528**	41,119	230,872	271,991
Reconciliation to profit and loss account						
Operating cash flows	104,358	158,814	**263,172**	129,805	71,095	200,900
Depreciation expense	(2,041)	-	**(2,041)**	(1,097)	-	(1,097)
Amortization expense	(1,367)	-	**(1,367)**	-	-	-
Contribution deficiency	-	(22,183)	**(22,183)**	-	(1,919)	(1,919)
Provision for gratuity	-	-	**-**	(1,883)	-	(1,883)
Increase in assets other than cash	35,103	128,773	**163,876**	11,181	178,396	189,577
Increase in liabilities other than cash	(88,499)	(273,351)	**(361,850)**	(93,062)	(285,674)	(378,736)
(Loss)/profit on disposal of investments	(311)	-	**(311)**	310	-	310
Other income	5,305	15,277	**20,582**	1,764	6,998	8,762
Profit/surplus for the year	**52,548**	**7,330**	**59,878**	47,018	(31,104)	15,914
Attributed to						
Operator's Fund	52,548	-	**52,548**	47,018	-	47,018
Participants' Takaful Fund	-	7,330	**7,330**	-	(31,104)	(31,104)
	52,548	7,330	**59,878**	47,018	(31,104)	15,914

The annexed notes from 1 to 38 form an integral part of these financial statements.

Chairman	**Director**	**Director**	**Chief Financial Officer**	**Managing Director & Chief Executive Officer**

Adamjee Insurance Company Limited
Window Takaful Operations
Statement of Changes in Fund
For the year ended 31 December 2018

	Operator's Fund			
	Statutory Fund	Unappropriated Profit	Fair value reserve - available for sale invetments	Total
	---------------------------------Rupees in '000		-------------------------------	
Balance as at 31 December 2016 - (Audited)	50,000	2,791	-	**52,791**
Effect of restatement as disclosed in note 3.1.1.1 - net of tax	-	-	83	**83**
Balance as at 31 December 2016 - (Audited) - restated	50,000	2,791	83	**52,874**
Comprehensive income for the year ended 31 December 2017				
Profit after tax	-	47,018	-	**47,018**
Other comprehensive income for the year	-	-	7	**7**
Total comprehensive income for the year	-	47,018	7	**47,025**
Balance as at 31 December 2017 - (Audited) - restated	50,000	49,809	90	**99,899**
Comprehensive income for the year ended 31 December 2018				
Profit after tax	-	52,548	-	**52,548**
Other comprehensive income for the year	-	-	(72)	**(72)**
Total comprehensive income for the year	-	52,548	(72)	**52,476**
Balance as at 31 December 2018	50,000	102,357	18	**152,375**

The annexed notes from 1 to 38 form an integral part of these financial statements.

Chairman **Director** **Director** **Chief Financial Officer** **Managing Director & Chief Executive Officer**

Adamjee Insurance Company Limited
Window Takaful Operations
Statement of Changes in Fund
For the year ended 31 December 2018

	Participants' Takaful Fund			
	Ceded Money	**Accumulated deficit**	**Fair value reserve**	**Total**
	----------------------------Rupees in '000----------------------------			
Balance as at 31 December 2016 - (Audited)	500	(5,075)		**(4,575)**
Total comprehensive income for the year ended 31 December 2017				
Deficit for the year	-	(31,104)	-	**(31,104)**
Other comprehensive income for the year	-	-	-	-
Balance as at 31 December 2017 - (Audited)	500	(36,179)	-	**(35,679)**
Total comprehensive income for the year ended 31 December 2018				
Surplus for the year	-	7,330	-	**7,330**
Other comprehensive income for the year	-	-	-	-
Balance as at 31 December 2018	500	(28,849)	-	**(28,349)**

The annexed notes from 1 to 38 form an integral part of these financial statements.

Chairman **Director** **Director** **Chief Financial Officer** **Managing Director & Chief Executive Officer**

1 Legal status and nature of business

Adamjee Insurance Company Limited ("the Operator") is a public limited company incorporated in Pakistan on 28 September 1960 under the Companies Act, 1913 (now the Companies Act, 2017). The Operator is listed on Pakistan Stock Exchange and is engaged in general takaful business comprising fire & property, marine, motor, accident and health and miscellaneous. The registered office of the Operator is situated at Tanveer Building, 27-C-III, MM Alam Road, Gulberg III, Lahore.

The Operator was granted authorization on 23 December 2015 under Rule 6 of the Takaful Rules, 2012 to undertake Window Takaful Operations ("WTO") in respect of general takaful products by Securities and Exchange Commission of Pakistan ("SECP").

For the purpose of carrying on the takaful business, the Operator has formed a Waqf / Participant Takaful Fund (PTF) on 01 January 2016 under the waqf deed with a ceded money of Rs.500,000. The Waqf deed governs the relationship of Operator and Participants for management of takaful operations.

2 Basis of preparation and statement of compliance

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

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

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

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

2.1 Basis of measurement

These financial statements have been prepared under historical cost convention except for available for sale investments carried at fair value and defined benefit obligations under employee's benefits carried at present value. All transaction reflected in these financial statements are on accrual basis except for those reflected in cash flow statements.

2.2 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Operator operates ("the functional currency"). The financial statements are presented in Pak Rupees, which is the Operator's functional and presentation currency. All the financial information presented in Rupees has been rounded off to the nearest thousand in rupee, unless otherwise stated.

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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Operator's accounting periods beginning on or after 01 January 2018 but are considered not to be relevant or do not have any significant effect on the Operator's operations and therefore not stated in these financial statements.

Securities and Exchange Commission of Pakistan ("SECP") vide S.R.O 88(1)/2017 and S.R.O 89(1)/2017 dated 9 February 2017 has issued the Insurance Rules, 2017 Insurance Accounting Regulations, 2017 (the Rules and Accounting Regulations 2017). The application of these Rules and Accounting Regulations, 2017 for the purpose of preparation and presentation of the financial statements was effective from 1 April 2017. SECP vide letter ID/OSM/Adamjee/2017/12269 dated 11 October 2017 has granted exemption from application of Rules and Accounting Regulations 2017 to the Operator till 31 December 2017. Therefore, the application of Rules and Accounting Regulations 2017 became effective from the accounting year commencing from 01 January 2018.

The Rules and Accounting Regulations 2017 require significant disclosures / requirements, which are relevant to the Operator includes but not limited to: Presentation and disclosure of financial statements prescribed in Annexure II of the Insurance Rules, 2017, recognition of available-for-sale investments at fair value as per IAS 39 "Financial Instruments: Recognition and Measurement", recognition of contribution receivable under an contribution policy / cover note as written from the date of attachment of risk to the policy / cover note.

The Operator has adopted these Rules and Accounting Regulations 2017 and accordingly has changed its accounting policies refer note 3.1.

In addition, Companies Act 2017 also became effective for the financial statements for the year ended 31 December 2018. As the Operator's financial statements are prepared in accordance with the format prescribed by SECP, it did not have a direct impact on the financial statements.

2.4 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2019:

- IFRIC 23 ‘Uncertainty over Income Tax Treatments’ (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Operator’s financial statements.

- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Operator is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. However, SECP through its notification no S.R.O 229(I)/2019 dated 14 February 2019 has deferred the applicability of IFRS 9 for reporting period/year ending on or after 30 June 2019. The Operator is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-statement of financial position lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Operator is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Operator's financial statements.

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, the Operator now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Operator's financial statements.

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

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

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

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

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

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

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Operator's financial statements.

3 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements except for change in accounting policies as disclosed in below mentioned note 3.1 of these financial statements.

3.1 Change in accounting policies

3.1.1 Application of Insurance Rules 2017 And Insurance Accounting Regulation 2017

Securities and Exchange Commission of Pakistan ("SECP") vide S.R.O 88(1)/2017 and S.R.O 89(1)/2017 dated 9 February 2017 has issued the Insurance Rules, 2017 and Insurance Accounting Regulations, 2017 (the Rules and Accounting Regulations 2017). The application of these Rules and Accounting Regulations, 2017 for the purpose of preparation and presentation of the financial statements was effective from 1 April 2017. SECP has granted exemption from application of Rules and Accounting Regulations 2017 to the Operator till 31 December 2017. Therefore, the application of Rules and Accounting Regulations 2017 became effective from the accounting year commencing from 01 January 2018.

The Rules and Accounting Regulations 2017 require significant disclosures / requirements, which are relevant to the Operator includes but not limited to presentation and disclosure of financial statements prescribed in Annexure II of the Insurance Rules, 2017, recognition of 'available-for-sale' investments at fair value as per IAS 39 "Financial Instruments: Recognition and Measurement", recognition of contribution receivable under a takaful contract / cover note as written from the date of attachment of risk to the takaful contract / cover note.

The effect of the each of the above change is explained below.

3.1.1.1 Available for sale investments

Previously, the Operator recorded its 'available-for-sale' investments at cost and remeasured them at lower of cost or market value (market value being taken as lower of the reduction other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002. As per Insurance Rules 2017, 'available for sale' investments are now initially measured at cost and subsequently remeasured at fair value at each statement of financial position date. The unrealized gains and losses arising from changes in fair values are directly recognized in fund in the year in which these arise. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in fund are included in the profit and loss account as gains and losses from investment securities.

The Operator assesses at each statement of financial position date whether there is an objective evidence that the financial asset is impaired. If any such evidence exists for an 'available for sale' asset, the accumulated loss is removed from equity and recognized in the profit and loss account. Impairment loss recognized in the profit and loss account on equity instruments is not reversed through the profit and loss account. The said change in accounting policy has been made in accordance with the requirements of IAS 8 'Accounting Policies, change in accounting estimates and errors'.

Consequently to this change, investments as at 31 December 2017 have been increased by Rs. 128,000 with a corresponding increase in fair value reserve in equity and deferred taxation amounting to Rs. 90,000 and Rs. 38,000 respectively. Furthermore, fair value reserve as at 31 December 2016 has increased by Rs. 83,000 and other comprehensive income for the year ended 31 December 2017 has increased by Rs. 7,000. There is no impact on the profit of the Operator.

3.1.1.2 Presentation of financial statements

The Operator has adopted format for preparation and presentation of its financial statements in line with the requirements of the Rules and Accounting Regulations 2017. Significant changes in presentation are rearrangements in sequence of assets / liabilities in the statement of financial position; presentation of single Profit and loss account instead of segment wise (classes of business) presentation and discontinuation of separate statements of contributions, Claims, Expense and Investment Income. The segment wise contributions, claims and expenses and investment income is now included in notes to the financial statements.

3.1.1.3 Contribution revenue

The Insurance Accounting Regulations, 2017, requires the Operator, to recognize contribution receivable under a takaful contract / cover note as written from the date of attachment of risk to the takaful contract / cover note. Accordingly, the Operator is required to account for cover notes which are effective as at statement of financial position date. In previous years, the Operator recognized contribution under a takaful contract as written at the time of issuance of participant's membership document in accordance with the SEC Insurance Rules, 2002. The change is considered to be a change in accounting policy in accordance with IAS - 8. The impact of the same is not considered to be material to the financial statements and accordingly the comparative financial statements have not been restated for this change.

3.2 Property and equipment

Owned fixed assets, other than freehold land which is not depreciated and capital work-in-progress, are stated at cost, signifying historical cost, less accumulated depreciation and any provision for accumulated impairment.

Cost comprises of purchase price including import duties and non-refundable purchase taxes after deducting trade discounts, rebates and includes other costs directly attributable to the acquisition or construction including expenditures on the material, labour and overheads directly relating to constructions, errection and installation of operating fixed assets.

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 and loss account as and when incurred.

Depreciation is charged to income applying reducing balance method depending upon the nature of the asset, at the rates specified for calculation of depreciation after taking into account residual value, if any. The useful lives, residual values and depreciation method are reviewed, and adjusted if appropriate, at each statement of financial position date.

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.

An item of equipment is derecognized upon disposals when no future economic benefits are expected from its use or disposals. Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the assets disposed off. These are taken to profit and loss

3.3 Intangible

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 statement of financial position 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.

3.4 Takaful contracts

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

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

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

Takaful contracts issued by the PTF are generally classified in five basic categories i.e. Fire and property, Marine, Aviation and transport, Motor, Accident and health and Miscellaneous.

- Fire and property takaful contracts generally cover the assets of the participants 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, erection all risk, machinery breakdown and boiler damage, etc. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the takaful properties in their business activities.

- Marine aviation and transport takaful 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.

- Motor takaful 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.

- Accident and health takaful contracts mainly compensate hospitalization and out-patient medical coverage to the participant.

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

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

3.5 Deferred commission expense/ acquisition cost

Deferred commission expense represents the portion of commission expense relating to the unexpired period of takaful contract and is recognized as an asset. It is calculated in accordance with the pattern of its related unearned contribution income.

3.6 Unearned contributions

As explained in 4.2 of these financial statements, the Operator has changed its methodology for determining unearned contribution whereby instead of 1/365 method, uneanred contribution under a policy is determined as the ratio of the unexpired period of the policy and the total period, both measured to the nearest day except for marine cargo, where unearned contribution is determined as a ratio of the unexpired shipment period to the total expected shipment period, both measured to the nearest day.

Administrative surcharge is recognized as contribution at the time the policies are written and is included in above mentioned calculations.

3.7 Contribution deficiency reserve

The Operator maintains a provision in respect of contribution deficiency (also called unexpired risk reserve) for the class of business where the unearned contribution liability is not adequate to meet the expected future liability, after retakaful, from claims and other supplementary expenses expected to be incurred after the statement of financial date in respect of the unexpired takaful policies in that class of business at the statement of financial position date.

For this purpose, contribution deficiency reserve is determined by independent actuary. The actuary determines the prospective loss ratios for each class of business and applies factors of unearned and earned contributions and uses assumptions appropriate to arrive at the expected claims settlement cost which when compared with unearned contribution reserve (UCR) shows whether UCR is adequate to cover the unexpired risks. If these ratios are adverse, contribution deficiency is determined.

Based on actuary's advice the management has created a reserve for the same in these financial statements. The movement in the contribution deficiency reserve is recorded as an expense / income in profit and loss account for the year.

3.8 Retakaful contracts held

These are contracts entered into by the Operator with retakaful 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 Operator recognizes the entitled benefits under the contracts as various retakaful assets and liabilities.

Retakaful Contribution is recognized as an expense at the time the retakaful is ceded. Rebate from retakaful is recognized in accordance with the policy of recognizing contribution revenue. The portion of retakaful contribution not recognized as an expense is shown as a prepayment.

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

Retakaful liabilities represent balances due to retakaful operators and are primarily retakaful contributions payable for retakaful contracts and are recognized at the same time when retakaful contributions are recognized as an expense.

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

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

An impairment review of retakaful assets is performed at each statement of financial position date. If there is an objective evidence that the asset is impaired, the Operator reduces the carrying amount of that retakaful asset to its reciverable amount and recognize the impairment loss in profit and loss account.

3.9 Receivables and payables related to takaful contracts

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

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

3.10 Segment reporting

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

A business segment is a distinguishable component of the Operator that is engaged in providing services that are subject to risks and returns that are different from those of other business segments. The Operator accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000, the Insurance Rules, 2017 and Insurance Accounting Regulations, 2017. The reported operating segments are also consistent with the internal reporting framework provided to Board of Directors who are responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

Based on its classification of insurance contracts issued, the Operator has five primary business segments for reporting purposes namely fire, marine, motor, health and others including miscellaneous. The nature and business activities of these segments are disclosed in note 3.4 of these financial statements. Since the operation of the Operator are predominantly carried out in Pakistan, information relating to geographical segment is not considered relevant.

The accounting policies of operating segment are the same as those described in the summary of significant accounting policies.

Assets, liabilities and capital expenditure 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.

3.11 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of Financial Position at cost. For the purpose of cash flow statement, cash and cash equivalents include cash in hand, policy stamps and bank balances and excludes bank balance under lien.

3.12 Revenue recognition

3.12.1 Contribution

Contribution including administrative surcharge under an takaful contract are recognised as written from date of issuance to the date of attachment of risk to the policy / cover note. Where contributions for a policy are payable in installments, full contribution for the duration of the policy is recognised as written at the inception of the policy and related assets is recognised for contribution receivable.

Revenue from contributions is determined after taking into account the unearned portion of contributions. The unearned portion of contribution income is recognised as a liability.

Retakaful contribution is recognised as expense after taking into account the proportion of deferred contribution expense which is recognized as a proportion of the gross retakaful contribution of each policy, determined as the ratio of the unexpired period of the policy and the total period, both measured to the nearest day. The deferred portion of contribution expense is recognised as a prepayment.

3.12.2 Rebate from retakaful operators

Rebate from retakaful operators is deferred and recognized as revenue in accordance with the pattern of recognition of the retakaful contribution ceded to which it relates.

3.12.3 Investment income

- Gain / loss on sale of available-for-sale investments is recognized in profit and loss account in the year of sale.
- Dividend income is recognized when the Operator's right to receive the dividend is established.
- Profit on saving accounts are recognised on accrual basis.

3.13 Investments

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs. These are recognized and classified as follows:

- Investment at fair value through profit and loss account
- Held to maturity
- Available-for-sale

The classification depends on the purpose for which the financial assets were acquired. The Operator does not have any "investment at fair value through profit and loss account" and "held to maturity" at the statement of financial position date.

3.13.1 Available-for-sale

Investments which are not eligible to be classified as "fair value through profit or loss" or "held to maturity" are classified as 'available-for-sale'. These investments are intended to be held for an indefinite period of time which 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.

Quoted

Subsequent to initial recognition, these investments are remeasured at fair value. Gains or losses on investments on remeasurement of these investments are recognized in statement of comprehensive income.

Unquoted

Fair value of unquoted investments is determined on the basis of appropriate valuation techniques as allowed by IAS 39 'Financial Instruments: Recognition and Measurement". Where fair value cannot be measured reliably, these are carried at cost.

3.13.2 Fair / market value measurements

For investments in Government securities/mutual funds, fair / market value is determined by reference to rates quoted by Mutual Fund Association of Pakistan (MUFAP). For investments in quoted marketable securities, other than Term Finance Certificates, fair / market value is determined by reference to Stock Exchange quoted market price at the close of business on reporting date. The fair market value of Term Finance Certificates is as per the rates issued by the Mutual Funds Association of Pakistan (MUFAP).

3.13.3 Date of recognition

Regular way purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognized at the trade date. Trade date is the date on which the Operator commits to purchase or sell the investment.

3.14 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position if the Operator has legal enforceable right to set off the recognized amount and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

3.15 Creditors, accruals, provisions and contingencies

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

Provisions are recognized when the Operator has a legal or constructive obligation as a result of a past event and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. However, the provisions are reviewed at statement of financial position date and adjusted to reflect current best estimates.

Where outflow of resources embodying economic benefits is not probable, a contingent liability is disclosed, unless the possibility of outflow is remote.

3.16 Provision for outstanding claims including incurred but not reported (IBNR)

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

SECP through its circular 9 of 2016, dated 09 March 2016, issued "Guidelines for estimation of incurred but not reported (IBNR) claims reserve 2016" ("Guidelines") and required to comply with all provisions of these guidelines with effect from 01 July 2016.

The Guidelines require that estimation for provision for claims incurred but not reported for each class of business, by using prescribed method “Chain Ladder Method (CLM)” and other alternate method as allowed under the provisions of the Guidelines. The Chain Ladder Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level to derive an IBNR estimate.

As required under the guidelines, the Operator uses CLM by involving an actuary for determination of provision against IBNR. Accordingly, the actuarial valuation as at 31 December 2018 has been carried out by independent firm of actuaries for determination of IBNR for each class of business. The actuarial valuation is based on a range of standard actuarial claim projection techniques, based on empirical data and current assumptions (as explained in preceeding paragraph) that may include a margin for adverse deviation as required / allowed by the circular 9 of 2016. The methods used, and the estimates made, are reviewed regularly.

3.17 Taxation

Current

Provision for current taxation is based on taxable income for the year 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 year, if enacted. The charge for current tax also include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalized during the current year for such years.

Deferred

Deferred tax is accounted for using the statement of Financial Position 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 statement of Financial Position 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.

3.18 Employee benefit cost

Salaries, wages and benefits are accrued in the period in which the associated services are rendered by employees of the Operator and measured on an undiscounted basis. The accounting policy for employee retirement benefits is described below:

3.18.1 Defined contribution plan

The Operator operates an approved contributory provident fund scheme for all its eligible employees at entity level. Equal monthly contributions to the fund are made by the WTO and its employees at the rate of 8.33% of basic salary.

3.18.2 Defined benefit plans

The Operator operates a funded gratuity scheme for its employees as end of service benefits. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

3.18.3 Employees' compensated absences

The Operator accounts for these benefits in the period in which the absences are earned.

3.19 Impairment of assets

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 Operator's non-financial assets are reviewed at each statement of financial position 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 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 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.

3.20 Claims expense

Claims are charged against PTF income as incurred based on estimated liability for compensation owed under the takaful contracts. It includes claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years.

3.21 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 period.

3.22 Management Expenses

Expenses of management allocated to the underwriting business represent directly attributable expenses and indirect expenses allocated to the various classes of business on the basis of gross contribution written. Expenses not allocable to the underwriting business are charged as other expenses. Management expense of the Operator are charged to the Operator's Takaful Fund.

3.23 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 the de-recognition of the financial assets and liabilities is included in the profit and loss account.

Financial instruments carried in the statement of financial position include cash and bank, loans, investments, contribution due but unpaid, amount due from other takaful / retakaful, contribution and claim reserves retained by cedants, accrued investment income, retakaful recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amounts due to other takaful / retakaful, accrued expenses, other creditors and accruals. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.24 Commission expense/ acquisition cost

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

3.25 Wakala fees

The Operator manages the general takaful operations for the participants and charge wakala fee to PTF on gross contribution written including administrative surcharge to meet the general and administrative expenses of the operator including commission to agents at following rates:

Class	**Percentage**	
	2018	2017
Fire	**28.00%**	32.00%
Marine	**35.00%**	35.00%
Motor	**27.50%**	32.50%
Health	**25.00%**	27.50%
Misc.	**25.00%**	30.00%

Wakala fee is recognized on issuance of takaful contract. Wakala fee is recognized as income in OTF on the same basis on which the related contribution revenue is recognized in PTF. Unearned portion of Wakala fee is recognized as a liability in OTF and an asset in PTF.

3.26 Qard-e-Hasna

If there is a deficit of admissible assets over liabilities in the PTF, the Operator from the Operators Fund may provide Qard-e-Hasna to the PTF so that the PTF may become solvent as per Takaful Rules, 2012.

Qard-e-Hasna from the PTF can be recovered by the Operator over any period of time without charging any profit.

3.27 Mudarib's fee

The Operator 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.

4 Critical accounting estimates and judgements

4.1 Use of estimates and judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgment and complexity, or areas where assumptions and estimates are significant to these financial statements or judgment was exercised in application of accounting policies, are as follows:

		Note
-	Classification of Takaful contracts	*3.4*
-	Impairment	*3.19*
-	Rebate from retakaful operators	*3.12.2*
-	Provision for unearned contributions	*3.6*
-	Contribution deficiency reserve	*3.7*
-	Employee benefit cost	*3.18*
-	Provision for outstanding claims (including IBNR) and retakaful recoveries there against	*3.16*
-	Residual values and useful lives of property and equipment	*3.2*
-	Residual values and useful lives of intangibles	*3.3*
-	Taxation	*3.17*
-	Segment reporting	*3.10*

4.2 Change in accouting estimate

During the year, the Operator has changed its methodology for contribution income earned whereby instead of 1/365 method, contribution income earned under a policy is determined as the ratio of the expired period of the policy and the total policy period, both measured to the nearest day. This change has been accounted for as change in accounting estimate in accordance with the "IAS 8 Accounting Policies and Changes in Accounting Estimates & Errors" whereby the change has been applied prospectively. Had the Operator's accounting estimate not been changed, unearned contribution reserve would have been lower by approximately Rs. 6.87 million, prepaid retakaful would have been higher by approximately Rs. 2.59 million and contribution revenue would have been increased by approximately Rs. 9.46 million during the year.

			2018			2017
			Operator's Fund	Participants' Takaful Fund	Aggregate	Aggregate
5	**Property and equipment**	*Note*	Rupees in '000			
	Operating assets	*5.1*	12,506	-	**12,506**	12,182
	Capital work-in-progress	*5.2*	3,679	-	**3,679**	10,000
			16,185	-	**16,185**	22,182

5.1 Operating assets

	2018									
	Cost				**Depreciation**				**Written down value**	**Rate**
	As at 01 Jan 2018	**Additions**	**Disposals**	**As at 31 Dec 2018**	**As at 01 Jan 2017**	**On disposal**	**Charge for the year**	**As at 31 Dec 2018**	**As at 31 Dec 2018**	
	Rupees in '000									
Motor vehicles	11,283	1,743	-	13,026	873	-	1,583	2,456	**10,570**	15%
Office equipment	943	22	-	965	66	-	133	199	**766**	15%
Computer and related accessories	961	398	-	1,359	197	-	292	489	**870**	30%
Furniture and fixtures	135	202		337	4	-	33	37	**300**	15%
Total	**13,322**	**2,365**	-	**15,687**	**1,140**	-	**2,041**	**3,181**	**12,506**	

	2017									
	Cost				Depreciation				Written down value	Rate
	As at 01 Jan 2017	Additions	Disposals	As at 31 Dec 2017	As at 01 Jan 2017	On disposal	Charge for the year	As at 31 Dec 2017	As at 31 Dec 2017	
	Rupees in '000									
Motor vehicles	2,405	8,878	-	11,283	30	-	843	873	10,410	15%
Office equipment	60	883	-	943	2	-	64	66	877	15%
Computer and related accessories	170	791	-	961	11	-	186	197	764	30%
Furniture and fixtures		135		135		-	4	4	131	15%
Total	2,635	10,687	-	13,322	43	-	1,097	1,140	12,182	

5.2 Capital work-in-progress

	Note	2018	2017
		Rupees in '000	
As at 01 January		**10,000**	-
Additions during the year		**15,679**	10,000
Transfer to intangibles		**22,000**	-
As at 31 December	*5.2.1*	**3,679**	10,000

5.2.1 This includes an advance of Rs. 1.36 million and Rs. 2.32 million for the development of Web Portal for Takaful Operations and a motor vehicle, respectively.

6	Intangible assets	Note	2018	2017
			----------Rupees in '000---------	
	Cost			
	Cost as at 01 January		**-**	-
	Transfer from capital work-in-progress	*6.1*	**22,000**	-
	Cost as at 31 December		**22,000**	-
	Accumulated amortization			
	Accumulated amortization as at 01 January		**-**	-
	Amortization charged during the year		**1,367**	-
	Accumulated amortization as at 31 December		**1,367**	-
	Net book value as at 31 December		**20,633**	-
	Rate of amortization		**20%**	20%

6.1 This represents management information system, General Takaful System 'GTS' used for financial reporting of window takaful operations.

		2018			2017		
		Cost	**Impairment/ provision**	**Carrying value**	Cost	Impairment/ provision	Carrying value
		-----------Rupees in '000-----------					
7	**Investments in equity securities**						*(Restated)*
	Available-for-sale-Mutual Fund						
	Meezan Islamic Income Fund *[2018: 563,675 units (2017: 580,826 units)]*	**29,904**	**-**	**29,904**	30,215	-	30,215
	Unrealized gain on revaluation			**26**			128
				29,930			30,343

		2018			2017
		Operator's Fund	**Participants' Takaful Fund**	**Aggregate**	Aggregate
8	**Loans and other receivables - Considered good**	---------------Rupees in 000---------------			
	Sales tax recoverable	658	-	**658**	249
	Advance taxes	-	-	**-**	850
	Accrued profit	1,616	2,511	**4,127**	955
	Loan to employees	505	-	**505**	327
	Security deposits	1,125	-	**1,125**	600
	Bid money for tenders	-	6,040	**6,040**	2,624
	Advances	553	-	**553**	25
		4,457	8,551	**13,008**	5,630

9	Takaful / re-takaful receivables - Unsecured and considered good	Note	2018	2017
			-------------Rupees in '000-----------	
	Contribution due from takaful contract holders	*9.1*	**208,389**	152,981
	Less: provision for impairment of contribution from takaful contract holders		**-**	-
			208,389	152,981
	Amount due from other takaful/ re-takaful operators	*9.2*	**22,034**	30,613
	Less: provision for impairment of due from other takaful/ re-takaful operators		**-**	-
			22,034	30,613
			230,423	183,594

9.1 It includes contribution due from related parties of the Operator amounting to Rs. 16.61 million (2017: 29.61 million) .

9.2 It includes contribution due from Adamjee Insurance Company Limited on account of co-takaful contract amounting to Rs.8.48 million (2017: Rs. 9.20 million).

		Note	2018 Operator's Fund	2018 Participants' Takaful Fund	2018 Aggregate	2017 Aggregate
10	**Prepayments**	*Note*	---Rupees in '000---			
	Prepaid retakaful contribution ceded		-	64,493	**64,493**	52,244
	Prepaid monitoring charges (Tracking device)		-	18,767	**18,767**	12,387
			-	83,260	**83,260**	64,631
11	**Cash and bank**					
	Cash and cash equivalents:					
	Cash in hand		154	-	**154**	5
	Cash at bank:					
	Saving accounts	*11.1*	101,885	432,489	**534,374**	271,986
			102,039	432,489	**534,528**	271,991

11.1 Saving accounts carry expected profit rates ranging from 3.5% to 7% (2017: 3.5% to 5%) per annum.

		Note	2018 Operator's Fund	2018 Participants' Takaful Fund	2018 Aggregate	2017 Aggregate
12	**Deferred taxation**	*Note*	---Rupees in '000---			*Restated*
	Deferred tax liability arising in respect of:					
	Tax depreciation allowance		522	-	**522**	513
	Fair value reserve - available for sale investments		8	-	**8**	38
			530	-	**530**	551
13	**Takaful/retakaful payables**					
	Due to takaful contract holders		-	263	**263**	-
	Due to other takaful / retakaful operators		-	24,040	**24,040**	59,557
			-	24,303	**24,303**	59,557
14	**Other creditors and accruals**					
	Agents commission payable		25,901	-	**25,901**	23,543
	Federal excise duty		-	5,145	**5,145**	3,729
	Federal insurance fee		-	2,845	**2,845**	1,715
	Income tax deducted at source		2,423	9,583	**12,006**	6,840
	Payable to Adamjee Insurance Company Limited	*14.1*	46,986	678	**47,665**	-
	Accrued expenses	*14.2*	5,341	-	**5,341**	3,661
	Payable to vendors		10,000	-	**10,000**	-
	Others		2,034	259	**2,293**	679
			92,685	18,510	**111,196**	40,167

14.1 This represents payable in respect of common expenses incurred by Adamjee Insurance Company Limited on behalf of the Window Takaful Operations.

		2018 Operator's Fund	2018 Participants' Takaful Fund	2018 Aggregate	2017 Aggregate
14.2	**Accrued expenses**	---Rupees in '000---			
	Bonus payable	4,549	-	4,549	2,723
	Leave encashment payable	792	-	792	938
		5,341	-	5,341	3,661

15 Contingencies and commitments

15.1 Contingencies

Sales tax

Under the Sindh Sales Tax Act, 2011, sales tax is payable on contribution on corporate health insurance policies written in the province of Sindh. 'The Insurance Association of Pakistan' (IAP) on behalf of the insurance companies has taken up the matter with the SRB and has also approached the Honorable Chief Minister, Sindh, for a favorable resolution of the matter. The matter is still under the process of review. The Operator and other insurance companies carrying out corporate health insurance have not yet billed their customers for SST. The amount not yet billed by the Operator, works out to Rs. 19.87 million and 15.55 million for the period from 1 July 2016 to 31 December 2017 and from 1 January to 31 December 2018 respectively.

	2018	2017
	-------------Rupees in '000-----------	
15.2 Commitment in respect of operating leases		
Not later than one year	**3,420**	3,840
Later than one year and not later than five years	**4,851**	1,320
	8,271	5,160

16 Net contribution revenue

	2018	2017
Written gross contribution	**1,101,526**	743,468
Unearned contribution reserve as at 01 January	**284,406**	113,516
Unearned contribution reserve as at 31 December	**(500,111)**	(284,406)
Contribution earned	**885,821**	572,578
Re-takaful contribution ceded	**(228,978)**	(169,427)
Prepaid re-takaful contribution ceded as at 01 January	**(52,244)**	(17,660)
Prepaid re-takaful contribution ceded as at 31 December	**64,493**	52,244
Re-takaful expense	**(216,729)**	(134,843)
	669,092	437,735

17 Net claims

	Note	2018	2017
		-------------Rupees in '000-----------	
Claims Paid		**409,606**	226,752
Outstanding claims including IBNR at at 31 December	*17.1*	**220,606**	153,116
Outstanding claims including IBNR as at 01 January		**(153,116)**	(25,705)
Claims expense		**477,096**	354,163
Re-takaful and other recoveries received		**(54,023)**	(22,593)
Re-takaful and other recoveries in respect of outstanding claims as at 31 December		**(62,534)**	(41,011)
Re-takaful and other recoveries in respect of outstanding claims as at 01 January		**41,011**	9,808
Re-takaful and other recoveries revenue		**(75,546)**	(53,796)
Net claim expense		**401,550**	300,367

17.1 Claim Development

The following table shows the development of the claims over a period of time. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments.

	Accident year			
	2016	**2017**	**2018**	**Total**
	--------------------------------Rupees in '000----------------------------------			
Estimate of ultimate claims cost				
At the end of accident year with IBNR	40,025	352,789	510,467	**903,281**
One year later	27,080	114,902	-	**141,981**
Two years later	4,843	-	-	**4,843**
Current estimate of cumulative claims	4,843	114,902	510,467	**630,212**
Cumulative payments to date	(25)	(96,854)	(312,727)	**(409,606)**
Liability recognized in the statement of financial position	**4,818**	**18,048**	**197,740**	**220,606**

	2018	2017
	-------------Rupees in '000-----------	
18 Wakala fee		
Gross Wakala fee	**298,067**	228,922
Deferred wakala fee as at 01 January	**89,452**	36,376
Deferred wakala fee as at 31 December	**(134,721)**	(89,452)
	252,798	175,846
19 Direct Expenses		
Monitoring Charges	**37,479**	19,957
other taxes	**2,416**	-
Inspection fee	**1,083**	619
Bank charges	**166**	127
Others	**38**	1,567
	41,182	22,270
20 Re-takaful rebate		
Re-takaful rebate received	**43,253**	31,211
Unearned re-takaful rebate as at 01 January	**10,156**	3,510
Unearned re-takaful rebate as at 31 December	**(12,735)**	(10,156)
Net re-takaful rebate	**40,674**	24,565

		2018	2017
		---------------Rupees in '000-------------	

21 Commission expense

	2018	2017
Commission paid or payable	**87,219**	57,462
Deferred commission as at 01 January	**20,213**	6,347
Deferred commission as at 31 December	**(39,148)**	(20,213)
Commission expense	**68,284**	43,596

22 Other income

This represents profit on saving's account amounting to Rs. 5.30 million and Rs. 15.28 million (2017: Rs. 2.07 million and Rs. 6.99 million) pertaining to Operator's fund and Participants' Takaful fund respectively.

23 Investment income - net

This represents net realized (loss)/gain on sale of mutual fund units classified as available for sale investment in equity securities held by Operator's Fund.

24 Management expenses

	Note	2018	2017
		---------------Rupees in '000-------------	
Employees benefit cost	*24.1*	**65,968**	48,167
Depreciation		**2,041**	1,097
Amortization		**1,367**	-
Advertisement and sales promotion		**4,877**	278
Rent, rates and taxes		**3,840**	2,400
Communication		**1,738**	91
Legal and professional charges - business related		**1,340**	30
Travelling and conveyance expenses		**2,189**	1,730
Shared expenses		**14,103**	6,470
Entertainment		**2,573**	1,168
Printing, stationery and postage		**333**	828
Annual Supervision fee SECP		**374**	-
Bank charges		**23**	17
Others		**4,402**	1,692
		105,168	63,968

24.1 Employee benefit cost

	2018	2017
Salaries allowances and other benefits	64,233	45,420
Charges for post employment benefits	1,735	2,747
	65,968	48,167

	Note	2018	2017
		--------------Rupees in '000------------	

25 Other expenses

	Note	2018	2017
Shariah advisor's fee		**3,081**	3,080
Auditors remuneration	*25.1*	**673**	678
Workers Welfare Fund		**1,577**	-
Others		**60**	-
		5,391	3,758

25.1 Auditor's remuneration

	2018	2017
Annual audit fee	**350**	350
Half year review fee	**138**	138
Shariah's Compliance report	**150**	150
Out of pocket expenses	**35**	40
	673	678

26 Taxation

	2018	2017
Current tax:		
- for the year	**24,446**	19,193
- for prior year	**1,946**	-
Deferred tax:		
- for the year	**9**	387
	26,401	19,580

26.1 Tax charge reconciliation

	(Effective tax rate)	
	2018	2017
	---------(Percentage)----------	
Applicable tax rate	**29.00**	30.00
Tax effects of:		
- super tax	**2.00**	-
- prior year tax adjustment	**2.47**	
- tax rate adjustment	**(0.03)**	(0.59)
Average effective tax rate charged to profit and loss account	**33.44**	29.41

	Executives	
	2018	2017
27 Executives remuneration	---------------Rupees in '000------------	
Managerial remuneration	**15,447**	10,153
Leave encashment	**719**	379
Bonus	**1,339**	823
Rent and house maintenance	**5,178**	3,585
Medical	**1,151**	797
Conveyance	**4,215**	2,877
Charge for defined benefit plan	**254**	346
Contribution to defined contribution plan	**932**	631
Other perquisites and allowances	**1,363**	979
	30,598	20,570
Number of persons	**11**	8

28 Number of employees

Total number of employees at the end and average number of employees during the year ended 31 December 2018 and 2017 are as follows:

	2018	2017
As at 31 December	**50**	47
Average during the year	**49**	31

29 Transactions with related parties

The Operator has related party relationships with its associates, subsidiary company, entities with common directorship, employee retirement benefit plans, key management personnel and other parties. Transactions are entered into with such related parties for the issuance of policies to and disbursements of claims incurred by them and payments of rentals for the use of premises rented from them. There are no transactions with key management personnel other than those specified in their terms of employment. Contributions and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan.

Investments and bank deposits with related parties have been disclosed in note 11 of the financial statements. Other transactions with related parties are summarized as follows:

	2018	2017
i) Transactions	----------Rupees in '000-----------	
Subsidiary Company		
Contribution underwritten	**135**	82
Contribution received	**135**	94
Claims paid	**47**	-
Other related parties		
Contribution underwritten	**128,899**	39,847
Contribution received	**141,892**	32,002
Claims paid	**21,762**	13,589
Income on bank deposits	**1,792**	959
ii) Period end balances		
Other related parties		
Balances receivable	**16,613**	29,606
Balances payable	**8,343**	3,175
Contribution received in advance	**301**	-
Cash and bank balances	**77,808**	51,661

30 Segment Information

Each class of business has been identified as reportable segment. The following is a schedule of class of business wise assets, liabilities, revenue and results have been disclosed in accordance with the requirements of the Insurance Ordinance, 2000, the Insurance Rules, 2017, Insurance Accounting Regulations, 2017 and Takaful Rules, 2012:

30.1 Segment Information - PTF

	Participants' Takaful Fund					
	2018					
	Fire and Property Damage	**Marine, Aviation and Transport**	**Motor**	**Accident & Health**	**Miscellaneous**	**Total**
Participants' Takaful Fund	-----Rupees in '000-----					
Contribution receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)	162,445	28,374	752,286	236,438	108,480	**1,288,023**
Less: Federal Excise Duty	(22,215)	(3,880)	(102,877)	(32,333)	(14,835)	**(176,140)**
Federal Insurance Fee	(1,388)	(243)	(6,430)	(2,021)	(927)	**(11,009)**
Gross Direct Written Contribution (inclusive of Administrative Surcharge)	138,842	24,251	642,979	202,084	92,718	**1,100,874**
Facultative inward contribution	563	16	73	-	-	**652**
Gross Contribution Written	139,405	24,267	643,052	202,084	92,718	**1,101,526**
Contribution earned	125,333	23,688	501,146	141,546	94,108	**885,821**
Retakaful expense	(102,932)	(18,011)	(12,726)	-	(83,060)	**(216,729)**
Net contribution revenue	22,401	5,677	488,420	141,546	11,048	**669,092**
Rebate on re-takaful	20,583	3,838	-	-	16,253	**40,674**
Net underwriting income	42,984	9,515	488,420	141,546	27,301	**709,766**
Takaful claims	(11,136)	(4,592)	(294,713)	(129,726)	(36,929)	**(477,096)**
Re-takaful and other recoveries	10,286	3,768	27,908	-	33,584	**75,546**
Net claims	(850)	(824)	(266,805)	(129,726)	(3,345)	**(401,550)**
Wakala Fee	(36,717)	(8,291)	(146,636)	(36,497)	(24,657)	**(252,798)**
Direct expense	(295)	(76)	(39,980)	(442)	(388)	**(41,182)**
Contribution deficiency reserve	-	-	-	(22,183)	-	**(22,183)**
Net takaful claims and expenses	**(37,862)**	**(9,191)**	**(453,421)**	**(166,665)**	**(28,390)**	(717,713)
Underwriting results	**5,122**	**324**	**34,999**	**(25,119)**	**(1,089)**	(7,947)
Other income						**15,277**
Surplus for the year						**7,330**
Segment Assets	107,033	8,886	236,843	68,175	69,368	**490,305**
Unallocated assets	-	-	-	-	-	**461,674**
Total assets	**107,033**	**8,886**	**236,843**	**68,175**	**69,368**	**951,979**
Segment liabilities	91,054	5,907	488,533	170,589	59,356	**815,439**
Unallocated liabilities	-	-	-	-	-	**165,233**
Total liabilities	**91,054**	**5,907**	**488,533**	**170,589**	**59,356**	**980,328**

	2017					
	Fire and Property Damage	Marine, Aviation and Transport	Motor	Accident & Health	Miscellaneous	Total
Participants' Takaful Fund	-----Rupees in '000-----					
Contribution receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)	103,326	19,948	388,563	215,757	91,884	819,478
Less : Federal Excise Duty	(12,649)	(2,250)	(44,914)	(77)	(10,752)	(70,642)
Federal Insurance Fee	(899)	(175)	(3,404)	(2,060)	(803)	(7,341)
Gross Direct Written Contribution (inclusive of Administrative Surcharge)	89,778	17,523	340,245	213,620	80,329	741,495
Facultative inward contribution	1,788	173	12	-	-	1,973
Gross Contribution Written	91,566	17,696	340,257	213,620	80,329	743,468
Contribution earned	68,877	17,430	239,892	184,585	61,794	572,578
Retakaful expense	(54,859)	(13,400)	(11,390)	-	(55,194)	(134,843)
Net contribution revenue	14,018	4,030	228,502	184,585	6,600	437,735
Rebate on re-takaful	10,918	2,871	-	-	10,776	24,565
Net underwriting income	24,936	6,901	228,502	184,585	17,376	462,300
Takaful claims	(33,071)	(4,729)	(156,467)	(156,533)	(3,363)	(354,163)
Re-takaful and other recoveries	28,105	3,751	19,095	-	2,845	53,796
Net claims	(4,966)	(978)	(137,372)	(156,533)	(518)	(300,367)
Wakala fee	(22,108)	(6,100)	(78,084)	(50,946)	(18,608)	(175,846)
Direct expense	(181)	(29)	(21,248)	(417)	(395)	(22,270)
Contribution deficiency reserve	-	-	-	-	(1,919)	(1,919)
Net takaful claims and expenses	(27,255)	(7,107)	(236,704)	(207,896)	(21,440)	(500,402)
Underwriting results	(2,319)	(206)	(8,202)	(23,311)	(4,064)	(38,102)
Other income						6,998
(Deficit) for the year						(31,104)

	2017					
	-----Rupees in '000-----					
Segment assets	96,336	8,097	148,155	64,973	48,740	366,301
Unallocated assets	-	-	-	-	-	247,312
Total assets	96,336	8,097	148,155	64,973	48,740	613,613
Segment liabilities	89,248	6,610	277,897	111,240	37,090	522,085
Unallocated liabilities	-	-	-	-	-	127,207
Total liabilities	89,248	6,610	277,897	111,240	37,090	649,292

30.2 Segment Information - OTF

	Operator's Fund					
	2018					
	Fire and Property Damage	**Marine, Aviation and Transport**	**Motor**	**Accident & Health**	**Miscellaneous**	**Total**
Operator's Fund	**-----Rupees in '000-----**					
Wakala fee income	36,717	8,291	146,636	36,497	24,657	**252,798**
Less: Commission expense	(16,849)	(3,375)	(33,058)	(8,437)	(6,565)	**(68,284)**
Management expenses	(25,950)	(5,197)	(50,915)	(12,995)	(10,111)	**(105,168)**
	(6,082)	**(281)**	**62,663**	**15,065**	**7,981**	**79,346**
Other income						**5,305**
Other expense						**(5,391)**
Investment Income						**(311)**
Profit before tax						**78,949**
Segment assets	10,478	663	37,012	9,690	4,647	**62,490**
Unallocated assets	-	-	-	-	-	**319,704**
Total assets	**10,478**	**663**	**37,012**	**9,690**	**4,647**	**382,194**
Segment liabilities	15,303	338	87,536	26,244	5,300	**134,721**
Unallocated liabilities	-	-	-	-	-	**95,098**
Total liabilities	**15,303**	**338**	**87,536**	**26,244**	**5,300**	**229,819**

	2017					
	Fire and Property Damage	Marine, Aviation and Transport	Motor	Accident & Health	Miscellaneous	Total
Operator's Fund	-----Rupees in '000-----					
Wakala fee income	22,108	6,100	78,084	50,946	18,608	175,846
Less: Commission expense	(10,133)	(2,726)	(14,767)	(9,904)	(6,066)	(43,596)
Management expenses	(14,891)	(3,977)	(21,667)	(14,532)	(8,901)	(63,968)
	(2,916)	(603)	41,650	26,510	3,641	68,282
Other income						1,764
Other expense						(3,758)
Investment Income						310
Profit before tax						66,598

	2017					
	-----Rupees in '000-----					
Segment assets	7,298	229	12,513	5,517	3,471	29,028
Unallocated assets	-	-	-	-	-	212,221
Total assets	7,298	229	12,513	5,517	3,471	241,249
Segment liabilities	12,987	135	57,332	12,221	6,777	89,452
Unallocated liabilities	-	-	-	-	-	51,898
Total liabilities	12,987	135	57,332	12,221	6,777	141,350

31 Management of takaful and financial risk

The Operator's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest / mark-up rate risk, price risk and currency risk).The Operator'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 Operator's financial assets and liabilities are limited. The Operator consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below. The Board of Directors has overall responsibility for the establishment and oversight of Operator's risk management framework. The Board is also responsible for developing the Operator's risk management policies.

The individual risk wise analysis is given below :

31.1 Takaful risk

The principal risk that the Operator faces under takaful contracts is that the actual claims and benefit payments or the timing thereof may 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 Operator 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 takaful 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 retakaful arrangements. Further, strict claims 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 Operator. The Operator 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 Operator.

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

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

Experience shows that larger the portfolio is in similar retakaful 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 Operator has developed its takaful underwriting strategy to diversify the type of takaful 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 Operator principally issues the general takaful contracts e.g. fire and property damage, marine,aviation and transport, motor, accident & health and other miscellaneous. Risks under non-life takaful contracts usually cover twelve month or lesser duration. For general takaful contracts the most significant risks arise from accidental fire, atmospheric disaster and terrorist activities . Takaful contracts at times also cover risk for single incidents that expose the Operator to multiple takaful risks.

31.1.1 Geographical concentration of takaful 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.

31.1.2 Retakaful arrangements

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

	PTF					
	Gross sum covered		Retakaful covered		Net	
	2018	2017	**2018**	2017	**2018**	2017
	---Rupees in thousand---					
Fire	**158,661,616**	120,465,857	**129,320,489**	91,721,523	**29,341,127**	28,744,334
Marine	**39,044,999**	27,733,678	**31,142,081**	21,270,988	**7,902,918**	6,462,690
Motor	**28,612,875**	14,918,698	**585,072**	499,401	**28,027,803**	14,419,297
Accident & Health	**11,458,475**	15,665,182	**-**	-	**11,458,475**	15,665,182
Miscellaneous	**3,374,633**	2,323,674	**2,983,883**	2,064,451	**390,750**	259,223
	241,152,598	181,107,089	**164,031,525**	115,556,363	**77,121,073**	65,550,726

31.1.3 Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the statement of financial position date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to participants arising from claims made under takaful contracts. Such estimates are necessary based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty, and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as judicial decisions and government legislation affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the statement of financial position date.

31.1.4 Neutral assumptions for claim estimation

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

The estimation of IBNR is generally subject to a greater degree of uncertainty that the estimation of the cost of settling claims already notified to the Operator, in which case the information about the claim event is available. IBNR provision is initially estimated at a gross level and a separate calculation is carried out to estimate the size of the retakaful recoveries.

The estimation process takes into account the past claims reporting pattern and details of retakaful programs. The contribution liabilities have been determined such that the total contribution liability provisions (unearned contribution reserve and contribution deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of statement of financial poition date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

31.1.5 Sensitivity analysis

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

As the Operator enters into short term takaful contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on surplus/(deficit), net of retakaful.

	Surplus/ (deficit)	
	2018	2017
	--------**Rupees in thousand**---------	
10% increase in claims liability		
Net:		
Fire	**(85)**	(497)
Marine	**(82)**	(98)
Motor	**(26,681)**	(13,737)
Accident & Health	**(12,973)**	(15,653)
Miscellaneous	**(335)**	(52)
	(40,156)	(30,037)
10% decrease in claims liability		
Net:		
Fire	**85**	497
Marine	**82**	98
Motor	**26,681**	13,737
Accident & Health	**12,973**	15,653
Miscellaneous	**335**	52
	40,156	30,037

31.2 Financial Risk

Maturity profile of financial assets and liabilities:

	Markup bearing			Non-markup bearing			
Particiapnts' Takaful fund	**Maturity upto one year**	**Maturity after one year**	**Sub total**	**Maturity upto one year**	**Maturity after one year**	**Sub total**	**Total**
				Rupees in thousand			
2018							
Financial assets							
Loans and other receivables *	-	-	**-**	8,551	-	**8,551**	**8,551**
Takaful / retakaful receivables- unsecured and considered good	-	-	**-**	230,423	-	**230,423**	**230,423**
Retakaful recoveries against outstanding claims *	-	-	**-**	46,654	-	**46,654**	**46,654**
Salvage recoveries accrued	-	-	**-**	15,881	-	**15,881**	**15,881**
Cash and bank	432,489	-	**432,489**	-	-	**-**	**432,489**
	432,489	-	**432,489**	301,509	-	**301,509**	**733,998**
Financial liabilities							
Outstanding claims (including IBNR)	-	-	-	220,606	-	**220,606**	**220,606**
Takaful / retakaful payables	-	-	-	24,303	-	**24,303**	**24,303**
Wakala and mudarib fee payable	-	-	-	23,342	-	**23,342**	**23,342**
Other creditors and accruals	-	-	-	937	-	**937**	**937**
	-	-	-	269,188	-	**269,188**	**269,188**
	432,489	**-**	**432,489**	**32,321**	**-**	**32,321**	**464,810**

2017	Markup bearing Maturity upto one year	Markup bearing Maturity after one year	Markup bearing Sub total	Non-markup bearing Maturity upto one year	Non-markup bearing Maturity after one year	Non-markup bearing Sub total	Total
			Rupees in thousand				
Financial assets							
Loans and other receivables *	-	-	-	3,203	-	3,203	3,203
Takaful / retakaful receivables- unsecured and considered good	-	-	-	183,594	-	183,594	183,594
Retakaful recoveries against outstanding claims *	-	-	-	34,211	-	34,211	34,211
Salvage recoveries accrued	-	-	-	6,800	-	6,800	6,800
Cash and bank	230,872	-	**230,872**	-	-	-	230,872
	230,872	-	**230,872**	227,808	-	227,808	458,680
Financial liabilities							
Outstanding claims (including IBNR)	-	-	-	153,116	-	153,116	153,116
Takaful / retakaful payables	-	-	-	59,557	-	59,557	59,557
Wakala and mudarib fee payable	-	-	-	8,815	-	8,815	8,815
Other creditors and accruals	-	-	-	105	-	105	105
	-	-	-	221,593	-	221,593	221,593
	230,872	-	**230,872**	6,215	-	6,215	237,087

Operators' Fund

2018							
Financial assets							
Investment - Equity securities	-	-	-	29,930	-	**29,930**	**29,930**
Loans and other receivables *	-	-	-	3,246	-	**3,246**	**3,246**
Wakala and mudarib fee receivable	-	-	-	23,342	-	**23,342**	**23,342**
Cash and bank	101,885	-	**101,885**	154	-	**154**	**102,039**
	101,885	-	**101,885**	56,672	-	**56,672**	**158,557**
Financial liabilities							
Other creditors and accruals	-	-	-	90,262	-	**90,262**	**90,262**
	-	-	-	90,262	-	**90,262**	**90,262**
	101,885	-	**101,885**	**(33,590)**	-	**(33,590)**	**68,295**
2017							
Financial assets							
Investment - Equity securities	-	-	-	30,343	-	**30,343**	**30,343**
Loans and other receivables *	-	-	-	1,200	-	**1,200**	**1,200**
Wakala and mudarib fee receivable	-	-	-	8,815	-	**8,815**	**8,815**
Cash and bank	41,114	-	**41,114**	5	-	**5**	**41,119**
	41,114	-	**41,114**	40,363	-	**40,363**	**81,477**
Financial liabilities							
Other creditors and accruals	-	-	-	24,117	-	**24,117**	**24,117**
	-	-	-	24,117	-	**24,117**	**24,117**
	41,114	-	**41,114**	**16,246**	-	**16,246**	**57,360**

31.2.1 Mark - up rate risk

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

	Effective interest rate (%) 2018	Effective interest rate (%) 2017	Carrying amounts 2018	Carrying amounts 2017
			-----Rupees in thousand----	
Floating rate financial instruments				
Financial assets:				
Cash at bank - saving account	**3.50% - 7.00%**	3.50% - 7.00%	**534,374**	271,986

31.2.2 Sensitivity analysis

The Operator does not have any fixed rate financial assets and liabilities. For cash flow sensitivity analysis of variable rate instruments, a hypothetical change of 100 basis points in mark-up rates at the statement of financial position date would have decreased / (increased) profit for the year by the amounts shown below. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variation in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	Effect on profit before tax		Effect on funds	
	Increase	Decrease	Increase	Decrease
	-----Rupees in thousand----		-----Rupees in thousand----	
As at 31 December 2018 - Fluctuation of 100 bps				
Cash flow sensitivity - variable rate financial liabilities	-	-	-	-
Cash flow sensitivity - variable rate financial assets	53,437	(53,437)	37,941	(37,941)
As at 31 December 2017 - Fluctuation of 100 bps				
Cash flow sensitivity - variable rate financial liabilities	-	-	-	-
Cash flow sensitivity - variable rate financial assets	27,199	(27,199)	19,039	(19,039)

Foreign 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 Operator, at present is not materially exposed to currency risk as majority of the transactions are carried out in Pak Rupees.

Price risk

Price risk represents the risk that the fair value of financial instruments 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 factors specific to individual financial instrument or its issuer, or factors affecting all or similar financial instrument traded in the market. The Operator is exposed to equity price risk that arises as a result of changes in the net asset value of mutual funds. The equity price risk arises from the Operator's investment in equity securities of mutual funds.

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

The Operator has investments in quoted equity securities amounting to Rs. 29,930 thousands (2017: Rs. 30,343 thousands) at the statement of financial position date. The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the statement of financial position date. Market prices are subject to fluctuation which may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions.

31.2.3 Sensitivity analysis

As the entire investment portfolio has been classified in the 'available-for-sale' category, a 10% increase / decrease in unit prices at year end would have increased / decreased Operator's fund as follows:

	Impact on profit before tax	Impact on operator's fund
	-----Rupees in thousand----	
2018		
Effect of increase in unit price	-	2,125
Effect of decrease in unit price	-	(2,125)
2017		
Effect of increase in unit price	-	2,124
Effect of decrease in unit price	-	(2,124)

31.3 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 Operator attempts to control credit risk by monitoring credit exposure 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 a similar manner. The Operator's credit risk exposure is not significantly different from that reflected in these financial statements. The management monitors and limits the Operator'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:

	2018			2017
	Operator's Fund	Participants' Takaful Fund	Aggregate	Aggregate
	-----Rupees in thousand----			
Investment in equity securities	**29,930**	**-**	**29,930**	30,343
Loans and other receivable	**3,246**	**8,551**	**11,797**	4,506
Due from takaful contract holders	**-**	**208,389**	**208,389**	152,981
Due from other takaful / other retakaful	-	**22,034**	**22,034**	30,613
Retakaful recoveries against outstanding claims	**-**	**46,654**	**46,654**	34,211
Salvage recoveries accrued	**-**	**15,881**	**15,881**	6,800
Wakala and mudarib fee receivable	**23,342**	**-**	**23,342**	8,815
Bank deposits	**101,885**	**432,489**	**534,374**	271,986
	158,403	**733,998**	**892,401**	540,255

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

Age analysis of due from takaful contact holders (net of provision) other than related parties is as follows:

	2018	2017
	-----Rupees in thousand----	
Upto one year	**175,881**	117,815
Above one year	**15,895**	5,560
	191,776	123,375
Less: provision for doubtful balances	**-**	-
	191,776	123,375

Age analysis of due from related parties against takaful contracts is as follows:

Upto one year	**16,611**	29,483
Above one year	**2**	123
	16,613	29,606
Less: provision for doubtful balances	**-**	-
	16,613	29,606

The credit quality of Operator's bank balance can be assessed with reference to external credit rating as follows:

	Rating		Rating	2018	0
	Short Term	Long Term	Agency	-----Rupees in thousand----	
Dubai Islamic Bank Limited	A-1	AA-	JCR-VIS	**403,477**	205,971
MCB Islamic Bank Limited	A1	A	PACRA	**77,783**	51,661
Meezan Bank Limited	A-1+	AA+	JCR-VIS	**28,297**	14,354
Bank Islami Pakistan Limited	A1	A+	PACRA	**24,816**	-
				534,373	271,986

The credit quality of amount due from other co-takaful/retakaful operators (gross of provisions) can be assessed with reference to external credit rating as follows:

	Amounts due from other co-takaful / retakaful operators	Retakaful and other recoveries against outstanding claims	2018	2017
	------------------- Rupees in thousand -------------------			
A or Above (including PRCL)	**22,034**	**26,263**	**48,297**	55,138
BBB	**-**	**4,635**	**4,635**	8,175
Others	**-**	**15,756**	**15,756**	1,511
Total	**22,034**	**46,654**	**68,688**	64,824

31.4 Capital adequacy risk

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

32 Fair values of financial instruments

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

Underlying the definition of fair value is the presumption that the company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs (Level 3)

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred.

		2018								
		Carrying amount					Fair value			
		Available-for-sale	Loans and receivables	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Participants' Takaful Fund	*Note*	-----Rupees in '000-----								
Financial assets measured at fair value		-	-	-	-	-	-	-	-	-
Financial assets not measured at fair value										
Loan and other receivables *	*8*	-	8,551	-	-	8,551	-	-	-	-
Takaful / re-takaful receivables *	*9*	-	230,423	-	-	230,423	-	-	-	-
Re-takaful recoveries against outstanding claims *		-	46,654	-	-	46,654	-	-	-	-
Salvage recoveries accrued *		-	15,881	-	-	15,881	-	-	-	-
Cash and bank *	*11*	-	-	432,489	-	432,489	-	-	-	-
		-	301,509	432,489	-	733,998	-	-	-	-
Financial liabilities not measured at fair value										
Takaful / retakaful payables *	*13*	-	-	-	24,303	24,303	-	-	-	-
Outstanding claims including IBNR*	*17*	-	-	-	220,606	220,606	-	-	-	-
Wakala and mudarib fee payable*		-	-	-	23,342	23,342	-	-	-	-
Other creditors and accruals *	*14*	-	-	-	937	937	-	-	-	-
		-	-	-	269,188	269,188	-	-	-	-

	Note	2017								
		Carrying amount					Fair value			
		Available-for-sale	Loans and receivables	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		----Rupees in '000----								
Financial assets measured at fair value		-	-	-	-	-	-	-	-	-
Financial assets not measured at fair value										
Loan and other receivables *	*8*	-	3,203	-	-	3,203	-	-	-	-
Takaful / re-takaful receivables *	*9*	-	183,594	-	-	183,594	-	-	-	-
Retakaful recoveries against outstanding claims *		-	34,211	-	-	34,211	-	-	-	-
Salvage recoveries accrued *		-	6,800	-	-	6,800	-	-	-	-
Cash and bank *	*11*	-	-	230,872	-	230,872	-	-	-	-
		-	227,808	230,872	-	458,680	-	-	-	-
Financial liabilities										
Outstanding claims including IBNR*	*17*	-	-	-	153,116	153,116	-	-	-	-
Takaful / retakaful payables *	*13*	-	-	-	59,557	59,557	-	-	-	-
Wakala and mudarib fee payable*		-	-	-	8,815	8,815	-	-	-	-
Other creditors and accruals *	*14*	-	-	-	105	105	-	-	-	-
		-	-	-	221,593	221,593	-	-	-	-

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

		2018								
		Carrying amount					**Fair value**			
		Available-for-sale	**Loans and receivables**	**Cash and cash equivalents**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Operators' Fund	*Note*	**Rupees in '000**								
Financial assets measured at fair value										
Investments - Equity securities	*7*	**29,930**	**-**	**-**	**-**	**29,930**	**29,930**	**-**	**-**	**29,930**
Financial assets not measured at fair value										
Loan and other receivables *	*8*	**-**	**3,246**	**-**	**-**	**3,246**	**-**	**-**	**-**	**-**
Wakala and mudarib fee receivable*		**-**	**23,342**	**-**	**-**	**23,342**	**-**	**-**	**-**	**-**
Cash and bank *	*11*	**-**	**-**	**102,039**	**-**	**102,039**	**-**	**-**	**-**	**-**
		29,930	**26,588**	**102,039**	**-**	**158,557**	**29,930**	**-**	**-**	**29,930**
Financial liabilities not measured at fair value										
Other creditors and accruals *	*14*	**-**	**-**	**-**	**90,262**	**90,262**	**-**	**-**	**-**	**-**
		-	**-**	**-**	**90,262**	**90,262**	**-**	**-**	**-**	**-**

		2017								
		Carrying amount					Fair value			
		Available-for-sale	Loans and receivables	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	Note	Rupees in '000								
Financial assets measured at fair value										
Investments - Equity securities	*7*	30,343	-	-	-	30,343	30,343	-	-	30,343
Financial assets not measured at fair value										
Loan and other receivables *	*8*	-	1,200	-	-	1,200	-	-	-	-
Wakala and mudarib fee receivable*		-	8,815	-	-	8,815	-	-	-	-
Cash and bank *	*11*	-	-	41,119	-	41,119	-	-	-	-
		30,343	10,015	41,119	-	81,477	30,343	-	-	30,343
Financial liabilities										
Other creditors and accruals *	*14*	-	-	-	24,117	24,117	-	-	-	-
		-	-	-	24,117	24,117	-	-	-	-

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

33 Statement of solvency - 'Participants' Takaful Fund

	2018 (Rupees in '000)
Assets	
Loans and other receivables	8,551
Takaful / re-takaful receivables	230,423
Re-takaful recoveries against outstanding claims	46,654
Salvage recoveries accrued	15,881
Deferred wakala fee	134,721
Prepayments	83,260
Cash and bank	432,489
	951,979
Total sssets (A)	**951,979**
In-admissible assets as per following clauses of Section 32(2) of the Insurance Ordinance, 2000	
Contribution due more than three months	(71,455)
Receiveable from co-takaful more than three months	(19,529)
Prepayments	(18,767)
Loans and other receivables	(6,040)
Total of in-admissible assets	**(115,791)**
Total Admissible Assets	**836,188**
Liabilities	
Underwriting provisions:	
Outstanding claims including IBNR	220,606
Unearned contribution reserve	500,111
Unearned retakaful rebate	12,735
Contribution deficiency reserve	24,103
Contributions received in advance	10,158
Takaful / Retakaful Payables	24,303
Wakala and mudarib fee payable	23,342
Other Creditors and Accruals	18,510
	833,868
Total Liabilites	**833,868**
Total net admissible assets	**2,320**

33.1 The law is silent with regard to the inadmissibility of the "Prepaid retakaful contribution ceded" and "Deferred commision expense in Section 32(2) of the Insurance Ordinance, 2000 and, hence, these have been treated as admissible assets for the purpose of this statement.

		2018	2017
34	**Movement in investment - Available for sale**	**--------------Rupees in '000---------------**	
	As at 01 January	**30,343**	30,026
	Additions	**119,195**	60,318
	Disposals (redemption)	**(119,506)**	(60,008)
	Fair value (loss) / gains (excluding net realized gain)	**(102)**	7
	Impairment / (reversal) of losses	**-**	-
	As at 31 December	**29,930**	30,343

35 Corresponding figures

The effect of changes stated in note 3.1 has been accounted for retrospectively in accordance with IAS-8 'Accounting Policies, Change in Accounting Estimates and Errors' resulting in restatement of financial statements of prior years. Resultantly, the cummulative effect of adjustement that arose as at 01 January 2018 and 01 Januray 2017 have been pesented and disclosed as part of statement of changes in fund, while the corresponding period adjustement through other comprehensive income is restaed and disclosed as part of statement of comprehensive Income. The statement of financial position also presents the prior number restated, due to said change.

Significant reclassification / rearrangement of corresponding figures have been made in these financial statements wherever necessary.

36 Subsequent events - non adjusting event

There are no significant events that need to be disclosed for the year ended 31 December 2018.

37 Date of authorization for issue

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

38 General

Figures have been rounded off to the nearest thousand rupees unless other wise stated.

Chairman **Director** **Director** **Chief Financial Officer** **Managing Director & Chief Executive Officer**

FORM 34

THE COMPANIES ACT 2017

THE COMPANIES(GENERAL PROVISIONS & FORMS)REGULATION, 2018 [Section 227(2)(f)]

PATTERN OF SHAREHOLDING

1.1 Name of the Company ADAMJEE INSURANCE COMPANY LIMITED.

2.1 Pattern of holding of the shares held by the shareholders as at 31-12-2018

2.2

No. of Shareholders	Shareholdings				Total Shares Held
1,063	Shareholding From	1	To	100	28,851
1,011	Shareholding From	101	To	500	319,033
560	Shareholding From	501	To	1000	469,008
2,101	Shareholding From	1001	To	100000	26,590,935
122	Shareholding From	100001	To	500000	24,825,544
35	Shareholding From	500001	To	1020000	25,602,636
16	Shareholding From	1045001	To	2740000	26,416,704
7	Shareholding From	3630001	To	6960000	32,909,036
1	Shareholding From	14350001	To	14355000	14,354,000
1	Shareholding From	16105001	To	16110000	16,107,420
1	Shareholding From	19410001	To	19415000	19,413,878
1	Shareholding From	27225001	To	27230000	27,229,235
1	Shareholding From	27760001	To	27765000	27,763,351
1	Shareholding From	37970001	To	37975000	37,970,369
1	Shareholding From	69995001	To	70000000	70,000,000
4,922					**350,000,000**

2.3	Categories of Shareholders		Shareholders	Shares held	Percentage
2.3.1	**Directors, Chief Executive Officer their spouses & minor children**				
		Ibrahim Shamsi	1	16,797	0.005
		Imran Maqbool Malik	1	7,073	0.002
		Mian Umer Mansha	1	60,335	0.017
		Mohammad Arif Hameed	1	2,500	0.001
		Muhammad Anees	1	20,000	0.006
		Muhammad Umar Virk	2	43,073	0.012
		S.M.Jawed	1	2,500	0.001
		Muhammad Ali Zeb	1	7,073	0.002
2.3.1(a)	**Executives**		1	104	0.000
2.3.2	**Associated Companies, undertakings & related parties**				
	a)	MCB Bank Limited - Treasury	2	70,861,241	20.246
	b)	D.G. Khan Cement Company Limited	1	27,229,235	7.780
	c)	Nishat Mills Limited	1	102,809	0.029
2.3.3	**NIT and ICP**		2	2,606	0.001
2.3.4	**Banks, Development Finance Institutions, Non-Banking Finance Companies**		20	18,509,440	5.288
2.3.5	Insurance Companies		12	31,339,709	8.954
2.3.6	Modarabas and Mutual Funds		31	18,871,451	5.392

2.3.7 Shareholders holding 5% or more voting interest
(reflected in relevant category, reference given)

i) MCB Bank Ltd (2.3.2a)	70,861,241	20.246
ii) Trustee-MCB Employees Pension Fund(2.3.9)	37,970,369	10.277
iii) Security General Insurance Co Ltd (2.3.5)	27,771,587	7.935
iv) D.G. Khan Cement Company Limited (2.3.2b)	27,229,235	7.780
v) Anjum Nisar (2.3.8a)	19,413,878	5.547

			Shareholders	Shares held	Percentage
2.3.8	**General Public**				
	a)	Local-Individuals	4604	76,570,034	21.877
	b)	Foreign Individuals	2	109,000	0.031
	c)	Foreign Companies/ organizations/ Individuals (on repatriable basis)	24	37,125,565	10.607
2.3.9	**Others:** (Joint Stock Cos., Pension/Provident Funds etc.)		213	69,119,455	19.748
			4,922	**350,000,000**	**100.000**

MUHAMMAD ALI ZEB
Managing Director & Chief Executive Officer

Lahore: 03 April 2019


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SECP
*Mobile apps are also available for download for android and ios devices

Notes

FOR YOUR IMMEDIATE ACTION

E-dividend mandate form for shareholders of Adamjee Insuracne Company Limited in Compliance of Section 242 of the Companies Act 2017

آپ کی فوری کارروائی کے لیے

آدمجی انشورنس کمپنی کے شیئر ہولڈرز کے لیے
برقی ذریعہ سے منافع کی ادائیگی کا فارم - کمپنیز ایکٹ ۲۰۱۷ء کے سیکشن ۲۴۲ کے مطابق

Please fill the following details & forward by e-mail/letter to any of the following three (not to AICL):

1. Investor Account Services - Central Depository Company of Pakistan Limited. If you have an investor account in CDC, the email is mentioned below.

2. In case of a sub account with any of the broker participants, kindly convey information to your broker participant.

3. In case of Physical Shares, by post at the following address:

Central Depository Company of Pakistan Limited
Share Registrar
Adamjee Insurance Company Limited
CDC House, 99-B, Block B, S.M.C.H.S.,
Main Shahrah-e-Faisal, Karachi – 74400.

فارم مکمل کرنے کے بعد ۳ میں سے کسی ایک کو ارسال کریں **(آدمجی انشورنس کو نہیں)**

(نمبر۱) اگر آپ کا انویسٹر اکاؤنٹ سی ڈی سی میں ہے تو سی ڈی سی کے شعبۂ انویسٹر اکاؤنٹ کو (ای-میل نیچے درج ہے)

(نمبر۲) اگر آپ کا سب اکاؤنٹ کسی بروکر کے پاس ہے تو ان کے ڈاک/ای-میل کے پتے پر (یہ آپ کے پاس موجود ہوگا)

(نمبر۳) اگر آپ کے پاس فزیکل شیئر سرٹیفکیٹس موجود ہیں تو آدمجی انشورنس کے شیئر رجسٹرار کو دیے ہوئے پتے پر بذریعہ ڈاک ارسال کریں

سینٹرل ڈپازٹری کمپنی آف پاکستان لمیٹڈ
شیئر رجسٹرار
آدمجی انشورنس کمپنی لمیٹڈ
سی ڈی سی ہاؤس، 99-بی، ایس ایم سی ایچ ایس، مرکزی شاہراہِ فیصل، کراچی-74400

Participant Id	
Investor / Sub Account No.	
Folio In case of Physical Shareholder	
Title of Account	
IBAN Number	
Bank Name	
Branch	
Branch Address	
Mobile Number	
Email address	

Authorized Signatories
(to be signed as per operating instruction)

آپ کے دستخط ہمارے ریکارڈ کے مطابق ہونے چاہئیں
(آپ کی درج شدہ ہدایات کے تحت)

1) ______________________ 2) ______________________

3) ______________________ 4) ______________________

For information:

A) IBAN Number (24 Digit) : PK37 HABB 0000 0700 3333 9999
B) E-mail Investor Account Services CDC : ias-khi@cdcpak.com
C) CDC Participant : in case of a sub account with any of the broker participants, kindly convey information to your broker participants.

معلومات برائے سہولت:

ا) IBAN نمبر (24 ہندسے)
ب) ای میل انویسٹر اکاؤنٹ سروسز CDC
ج) CDC پارٹیسیپنٹ: کسی بروکر پارٹیسپنٹ کے ساتھ سب اکاؤنٹ کی صورت میں براہِ کرم اپنے بروکر پارٹیسپنٹ کو معلومات پہنچائیں۔

For receipt of future dividend, the submission of this form is mandatory.

آئندہ منافع کی ادائیگی کے لیے اس فارم کا بھرنا اور فراہم کرنا لازمی ہے۔

Form also available on website: **www.adamjeeinsaurance.com**

فارم ویب سائٹ پر بھی دستیاب ہے: **www.adamjeeinsaurance.com**

Notes

ADAMJEE INSURANCE COMPANY LIMITED

Registered Office: 4th Floor, 27-C-III, Tanveer Building, M.M. Alam Road, Gulberg-III, Lahore.

PROXY FORM

I/We .... of .... being a member of Adamjee Insurance Company Limited and holder of .... shares as per Folio No. .... CDC Participant ID# .... and Sub Account #................................ / CDC Investors Account #................................ hereby appoint Mr./Miss/Mrs. .... of .... (Folio No .... CDC Participant ID# .... and Sub Account # .... / CDC Investors Account # ....) or failing him Mr./Miss/Mrs. .... of .... (Folio No. .... CDC Participant ID# .... and Sub Account # .... / CDC Investors Account #.........................) as my/our Proxy to attend, speak and vote for me/us and on my/our behalf at the 58th Annual General Meeting of the Company to be held on Monday, April 29, 2019 at 11:00 a.m. and any adjournment there of at The Nishat Hotel, Finance and Trade Center Block, Near Expo Center, Abdul Haq Road, Johar Town, Lahore.

Signed this .... day of 2019

WITNESSES:

1- Signature ....
Name ....
Address ....
CNIC No. ....

2- Signature ....
Name ....
Address ....
CNIC No. ....

Rupees Five
Revenue
Stamp

Signature of Member ....

NOTES

1. A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote. The Instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarial attested copy of the power of attorney must be deposited at the registered office of the Company at least 48 hours before the time of the meeting. A proxy must be a member of the company. A Company or a Corporation being a member of the Company may appoint a representative through a resolution of board of directors for attending and voting at the meeting.

2. Members, who have deposited their shares into Central Depositary Company of Pakistan Limited, are being advised to bring their original Computerized National Identity Cards along with CDC Participant ID and account number at the meeting venue.

3. Members who have deposited their shares into Central Depository Company of Pakistan Limited ("CDC") 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 and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original CNIC or, original Passport at the time of attending the Meeting.

ii. In case of corporate entity, the Board's resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies

i. In case of individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.

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

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

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

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

آدمجی انشورنس کمپنی لمیٹڈ

رجسٹرڈ آفس: چوتھی منزل، تنویر بلڈنگ، 27-C III، ایم ایم عالم روڈ، گلبرک -III، لاہور

نمائندگی نامہ

میں/ہم .... مقیم .... آدمجی انشورنس کمپنی لمیٹڈ کے ایک ممبر اور .... شیئرز کی ملکیت/فولیو نمبر ....
سی ڈی سی پارٹسپنٹ آئی ڈی نمبر .... اور سب اکاؤنٹ نمبر ..../سی ڈی سی انویسٹرز اکاؤنٹ نمبر .... کے مطابق محترم/محترمہ ....
مقیم ....(فولیو نمبر .... سی ڈی سی پارٹسپنٹ آئی ڈی نمبر .... اور سب اکاؤنٹ نمبر ..../سی ڈی سی انویسٹرز اکاؤنٹ نمبر ....)
یا اُن کے شریک نہ ہونے پر محترم/محترمہ .... مقیم .... (فولیو نمبر ....
سی ڈی سی پارٹسپنٹ آئی ڈی نمبر .... اور سب اکاؤنٹ نمبر ..../سی ڈی سی انویسٹرز اکاؤنٹ نمبر ....) کو بذریعہ ہٰذا نشاط ہوٹل، فنانس اینڈ ٹریڈ سینٹر بلاک نزد ایکسپو سینٹر، عبدالحق روڈ، جوہر ٹاؤن، لاہور میں بروز پیر مورخہ 29 اپریل 2019ء بوقت صبح 11:00 بجے یا کسی ممکنہ التوائی وقت پر منعقد ہونے والے 58ویں سالانہ اجلاسِ عام میں شریک ہونے، گفتگو کرنے اور ووٹ دینے کیلئے میرے/ہمارے نمائندے کے طور پر نامزد کرنا چاہتا ہوں/چاہتے ہیں۔

آج بروز .... بتاریخ .... 2019ء دستخط کیے گئے۔

گواہان

1. دستخط ....
نام ....
پتہ ....
کمپیوٹرائزڈ قومی شناختی کارڈ نمبر ....

-/5 روپے کی
ریوینیو اسٹیمپ

2. دستخط ....
نام ....
پتہ ....
کمپیوٹرائزڈ قومی شناختی کارڈ نمبر ....

ممبر کے دستخط ....

ملاحظات (نوٹس):

1- سالانہ اجلاسِ عام میں شرکت اور رائے دہی کا حق رکھنے والا ممبر کسی دوسرے ممبر کو اپنی بجائے شرکت اور حقِ رائے دہی کے استعمال کیلئے اپنا نمائندہ (پروکسی) مقرر کر سکتا ہے۔ کوئی کارپوریشن یا کمپنی، بحیثیت کمپنی، بحیثیت کمپنی کی ممبر، اپنے افسران میں سے کسی کی تقرری بورڈ ریزولوشن کے ذریعے کر سکتی ہے۔ نمائندگی نامہ (Proxy(s اِس اجلاس کے انعقاد کے مقررہ وقت سے کم از کم 48 گھنٹے قبل کمپنی کے رجسٹرڈ آفس میں وصول ہو جانا چاہیے۔

2- ایسے ممبران جو سینٹرل ڈپازٹری کمپنی آف پاکستان میں شیئرز جمع کروا چکے ہیں وہ اصل کمپیوٹرائزڈ قومی شناختی کارڈ اور سی ڈی سی پارٹسپنٹ آئی ڈی نمبر ساتھ لائیں۔

3- CDC اکاؤنٹ ہولڈرز کو سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی طرف سے جاری کردہ درج ذیل ہدایات کی مزید پیروی کرنا ہوگی:

(A) اجلاس میں شرکت کیلئے:

i) افراد کی صورت میں، اکاؤنٹ یا سب اکاؤنٹ ہولڈر جس کی رجسٹریشن کی تفصیلات CDC ضوابط کے مطابق اپ لوڈ کی جا چکی ہیں، اجلاس میں شرکت کے وقت اپنی شناخت کی تصدیق کیلئے اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) یا اصل پاسپورٹ دکھائے گا۔

ii) کاروباری ادارے کی صورت میں اجلاس کے موقع پر بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ نامزد نمائندے کے دستخط کے نمونے کے ساتھ پیش کرنا ہوگا (ماسوائے اس کے کہ وہ پہلے ہی پیش کیا جا چکا ہو)۔

(B) نمائندوں کی تقرری کیلئے:

i) افراد کی صورت میں، اکاؤنٹ یا سب اکاؤنٹ ہولڈر جس کی رجسٹریشن کی تفصیلات CDC ضوابط کے مطابق اپ لوڈ کی جا چکی ہیں، اجلاس میں شرکت کے وقت درج بالا تقاضوں کے مطابق نمائندگی نامہ (Proxy Form) جمع کروائے گا۔

ii) نمائندگی نامے پر دو افراد کی گواہی موجود ہونی چاہیے جن کے نام، پتے اور CNIC نمبر تقرری نامے میں درج ہوں۔

iii) نمائندگی نامے کے ہمراہ اصل مالکان (beneficial owner) اور نمائندے کے CNIC یا پاسپورٹ کی تصدیق شدہ نقول مہیا کی جائیں۔

iv) نمائندے کو اجلاس کے موقع پر اپنا اصل CNIC یا اصل پاسپورٹ پیش کرنا ہوگا۔

v) کاروباری ادارے کی صورت میں، اجلاس کے موقع پر نمائندگی نامے کے ہمراہ بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ نمائندے/اٹارنی کے دستخط کے نمونے کے ساتھ پیش کرنا ہوگا (ماسوائے اس کے کہ وہ پہلے ہی پیش کیا جا چکا ہو)۔