

May 08, 2020

FORM 5

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi.

Transmission of Annual Report for the Year Ended December 31, 2019

Dear Sir,

We have to inform you that the Annual Report of the Company for the year ended December 31, 2019 has been transmitted through PUCARS and is also available on Company's website.

You may please inform the TRE Certificate Holders of the Exchange accordingly.

Yours sincerely,



Danish Qazi
Company Secretary

Enclosure: As above.



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Vision

To evolve as a dominant insurance player in Pakistan by exploring profitable niches through the deployment of cutting-edge technology and proficient human capital.

Mission

To combine strategic marketing with efficient operational execution; providing incomparable service and product innovations to create sustainable value for our stakeholders.

Core Values

Ethics & Integrity
Our People
Innovation
Customer Focus
Corporate Social Responsibility

2019 in Review

Strong Market Position

6th

Largest Insurer in Pakistan
in terms of NEP

3rd

Largest Motor Insurer

2nd

Largest Window
Takaful Operator

A+

PACRA Rating

300K+

Retail Customer Base

23%

CAGR against industry's
12% in past 5 years
upto FY 2018

Largest

Distributor of Auto Insurance
Through Dealerships

9 Times

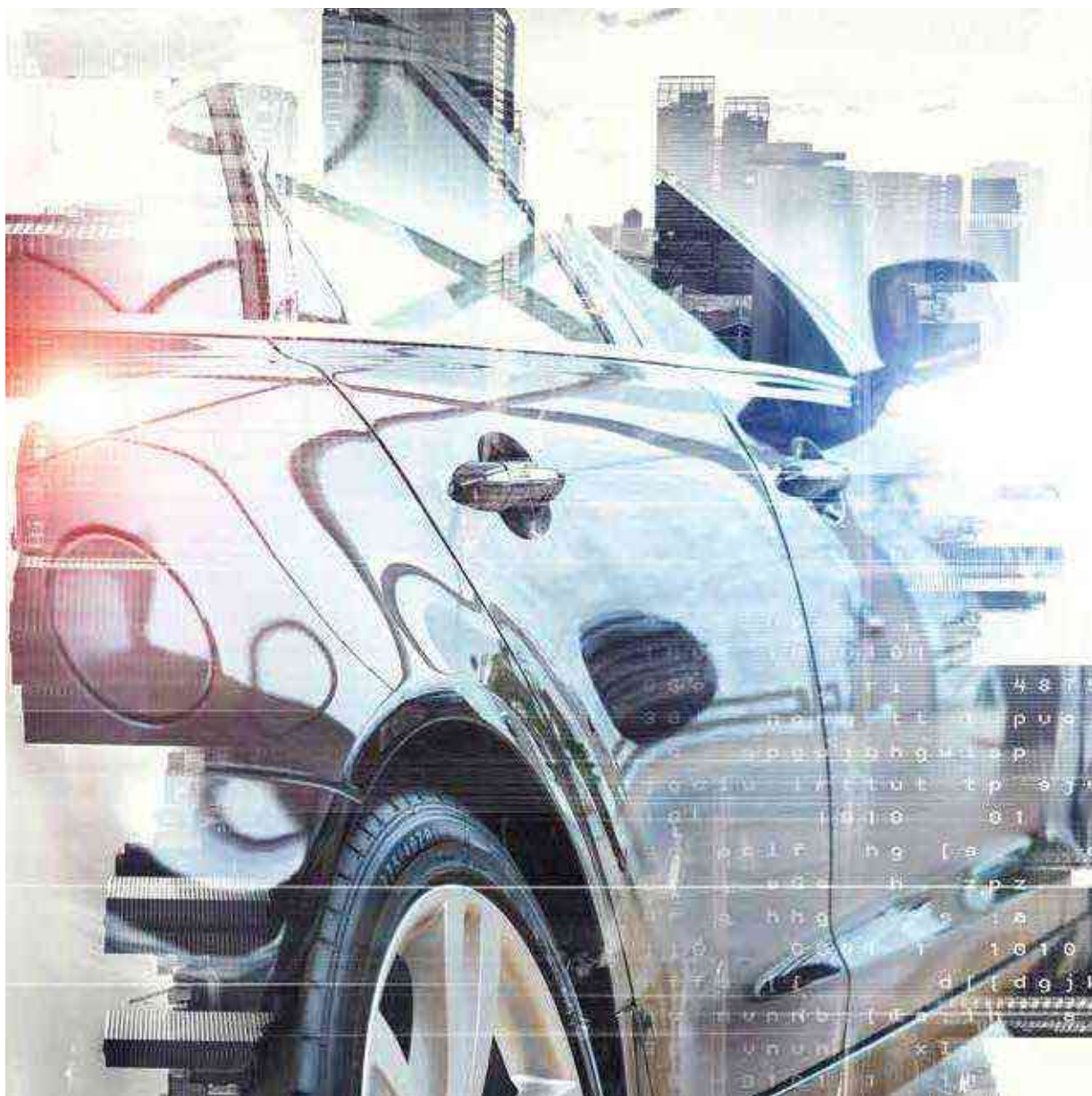
Winner of "Brands of the Year Award"

Achievements

Certificate of
Merit 2018
SAFA

ISO (9001:2015)
Certified

Best Corporate
Report 2018



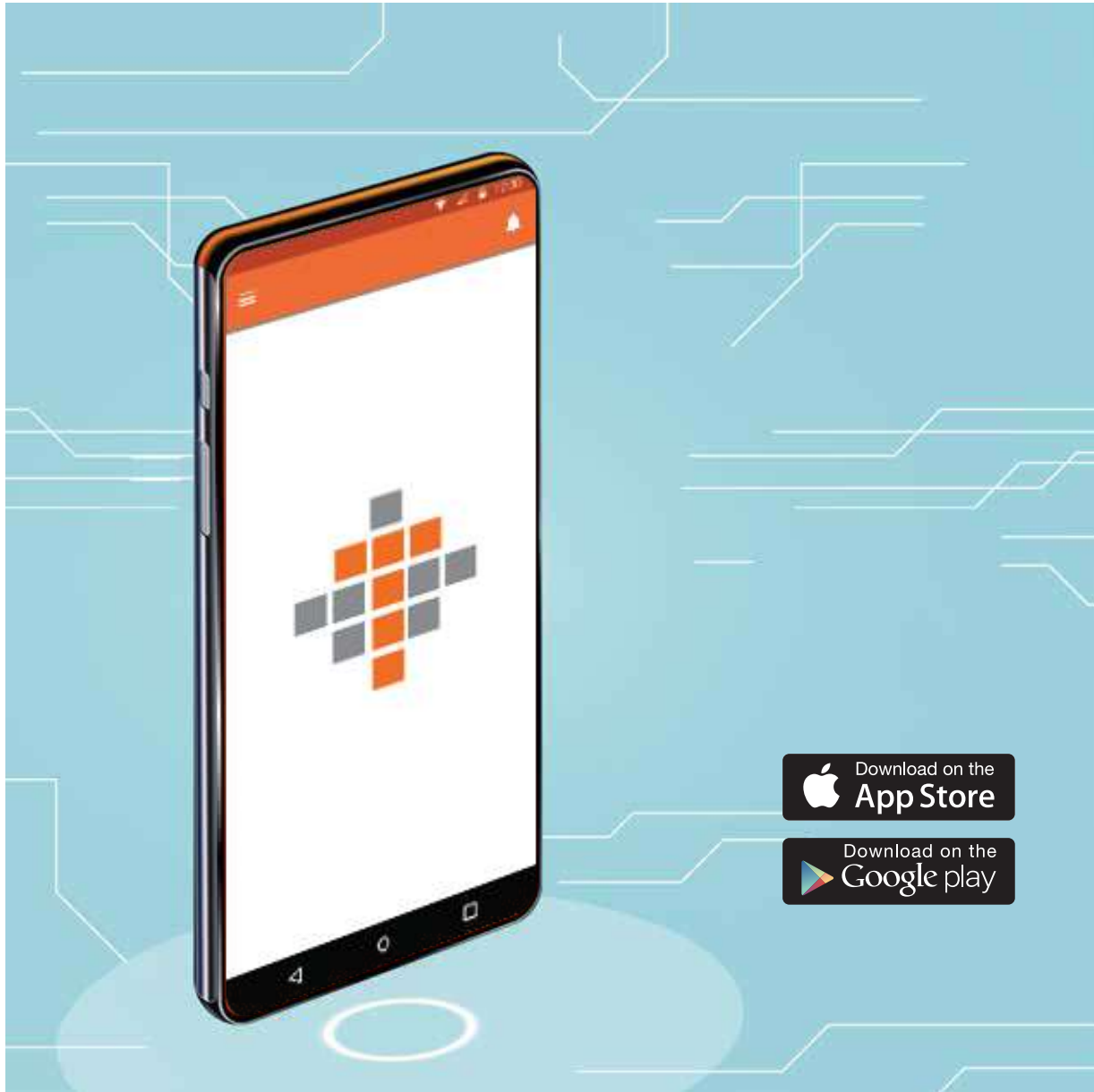
TPL Insurance is a pioneer in offering a wide variety of innovative products and value added features for Auto Insurance. Our auto portfolio includes DrivePro, Pakistan's first telematics based insurance, value offerings of Comprehensive Insurance with Trakker and Kar4Kar bundles, old car coverage of Secure-T, 5T, 3T & 2T and risk sharing Self Insurance. TPL offers unparalleled servicing through its value additions like Courtesy Car, Emergency EVAC services and personal accident coverage along with benefits of No Claim Bonus and discounts for Senior Citizens and female drivers.

Auto Insurance

TPL offers one of the most comprehensive Travel Insurance portfolios available in Pakistan. With this coverage, one can get treatment for any medical emergency or assistance for hospitalization, emergency evacuation, delivery of medicines, accidental death & disability, burial & repatriation, loss of cash, loss of checked-in baggage, loss of documents, baggage and flight delays, trip cancellation, hijacking, kidnapping and ransom, etc. Travel coverage includes international and domestic destinations for business, religious, education or leisure purposes via air, train or road.

Travel Insurance





The TPL Insurance App is Pakistan's only insurance app which allows users to buy insurance, lodge claims and manage and renew their insurance policies on the go. With Pakistan's first Self-Survey feature, users experience hassle-free claim settlement and an escape from the conventional document-driven insurance process. The app is free to use for both customers and non-customers and is available on Android and iOS.

Mobile App

Pakistan's First Telematics Auto Insurance

DrivePro is Pakistan's first telematics based auto insurance which enables users to harness the power of real-time driver analytics. Based on a point system, customers can track the driving score of any driver, view driving and violation data and spot areas for improvement. Over time, DrivePro customers will learn to drive safer and accumulate points for redemption. The product is available on the TPL Insurance App.

DrivePro





Home Insurance offers flexible packages for homeowners, landlords and tenants to cover either the structure or the possessions within a home in case of loss or damage. TPL ensures that any unexpected event such as burglary and housebreaking, natural calamities, riots and accidents, water damage and acts malicious of persons which may devastate a home are financially covered.

Home Insurance

TPL Insurance offers technologically advanced solutions for marine cargo import, export and inland transit to support the developing needs of this segment. We offer comprehensive coverage for goods in transit for manufacturers, importers and exporters, commodity traders operating locally and internationally, logistics companies and more. Our Marine Liability products provide coverage for charterers, marine operators, ship repairers, stevedores, terminal operators and wharfingers on both a primary and excess basis.

Marine Insurance





TPL Insurance's Fire & Property product is designed to cover insured properties (i.e. buildings, stock, machinery and other contents) against loss or damage caused by fire and lightning, riot, strike and civil commotion, explosions (limited or domestic), atmospheric disturbance, earthquake, fire and shock, burglary and housebreaking, aircraft or aerial devices falling, malicious damage, impact by road vehicles and water and sprinkler leakage. With an experienced team of underwriters, in-house risk assessors and claim settlement teams, we provide highly reliable services to our policyholders.

Fire Insurance

TPL Insurance's Agriculture Insurance mitigates the underlying risks involved in crop cultivation and livestock rearing. Farmers can buy financial coverage of their crops and livestock against fire, lightning, storms, earthquakes, flooding, landslides, subsidence, snowfall and external accidents caused by illness, disease and insects. While the majority of our country's population is employed in agriculture, this segment remains extremely under penetrated and vulnerable, requiring improved efforts on the insurance front to provide financial stability.

Agriculture Insurance





TPL Insurance's Engineering Insurance ensures that all financial risks of this segment are protected against any unforeseen incident. Coverage is available against machinery, electronic equipment, Erection All Risks, Machinery Loss of Profit, contractor's plant and machinery, all risks of contractor and deterioration of stock and boiler pressure vessel. We provide comprehensive coverage against the perils mentioned above while guaranteeing a smooth & swift claims process. This allows our customers to operate confidently and consistently through their business cycle.

Engineering Insurance

TPL Insurance's Health coverage protects customers from expensive medical treatments in the event of hospitalization resulting from serious illness or accidents. The financially vulnerable segment of our society can avail our Micro Health offering where our policyholders can get treated at any hospital of their convenience throughout Pakistan. TPL has the largest network of cashless hospitalization in the Micro Health segment.

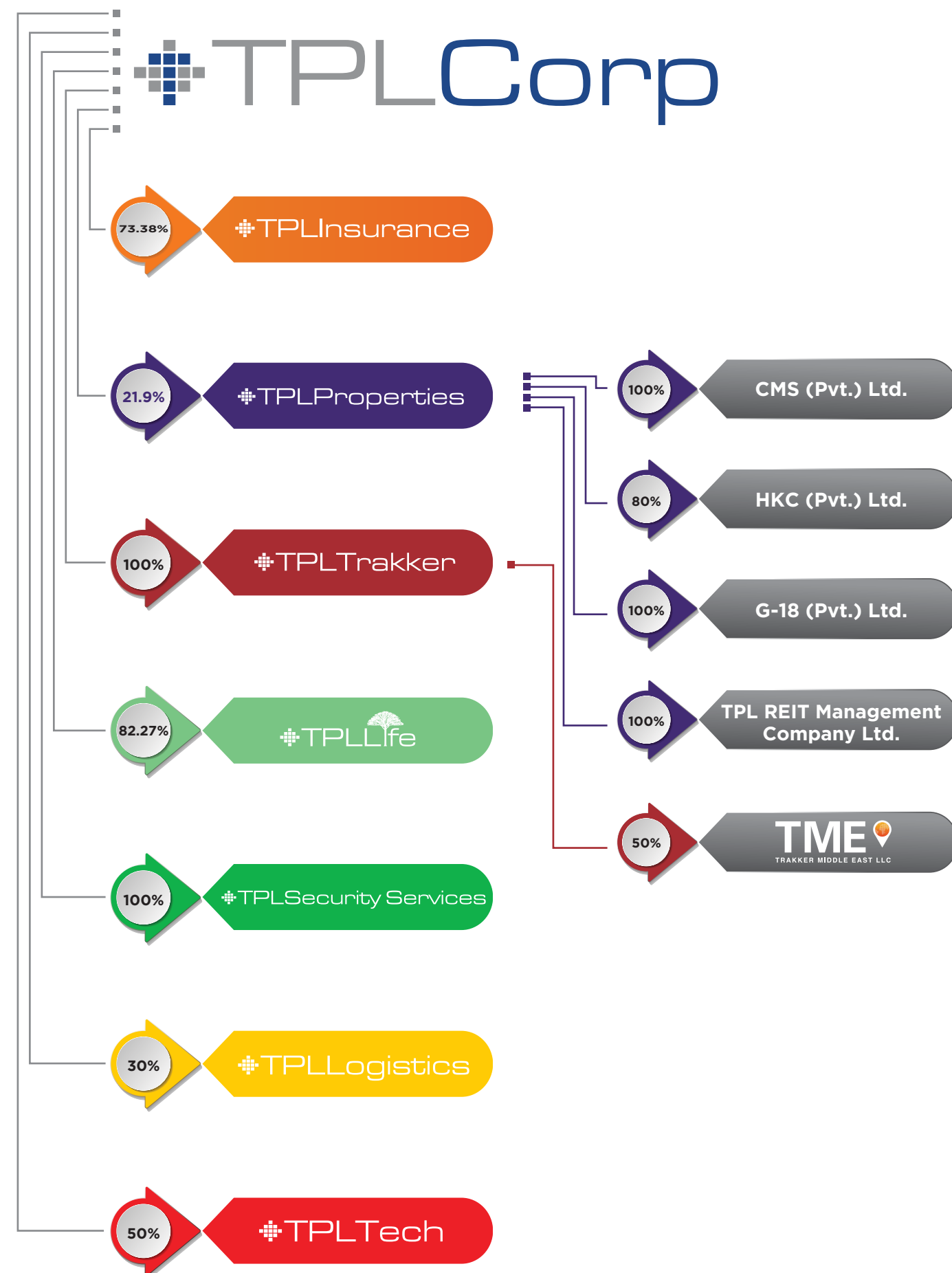
Health Insurance



Company Profile

TPL Insurance is a pioneer in offering seamless insurance services to its customers in Pakistan through its state-of-the-art Insurtech infrastructure and 24/7 Call Center. The TPL Insurance Mobile App is one of the leading Insurtech platforms in Pakistan that offers its customers an end-to-end insurance experience from policy issuance, to claim lodging, self-surveys, endorsements and renewals. The Company introduced DrivePro, Pakistan's first Usage based Insurance product, enabling customers to track, monitor and earn rewards for their driving behavior.

TPL Insurance has disrupted the existing insurance ecosystem by servicing its customers through integration with multiple business partners spanning startups and established players. These initiatives have enabled us to achieve new industry benchmarks, processing claims within 60 seconds while remaining customer friendly and maintaining superior service standards. We offer all lines of general insurance including Auto, Fire, Marine, Health, Home, Travel and Agriculture with both conventional and Takaful (Islamic insurance) solutions for our customers.



Geographical Presence



Karachi Head Office
11th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Adjacent K.P.T. Interchange, Karachi - 74900
Tel: 021.37130223 Fax: 021.35316031-2
UAN: 021.111.000.301

Export Processing Zone (EPZ)
Branch Office
EPZ Landhi, Plot # N-4, Sector B-III, Phase-I, Export Processing Zone, Landhi, Karachi.

Lahore Branch Office
51-M, Denim Road, Quaid-e-Azam Industrial Estate, Kot Lakhpat, Lahore.
Tel: 042-35209000 UAN: 042.111.000.301
Fax: 042.35157233

Islamabad Branch Office
55-B, 10th Floor (South) ISE Tower, Jinnah Avenue, Blue Area, Islamabad.
UAN: 051.111.000.301 Fax: 051.2895073

Faisalabad Branch Office
Office No. 4-02, 4th floor Meezan Executive Tower, Civil Lines, Faisalabad.
UAN: 051.111.000.301 Tel: 041.8501471-3
Fax: 041.8501470

Multan Branch Office
Haider Street, Shalimar Colony Northern Bypass-Boson Road Multan.
UAN: 061.111.000.301 Fax: 061.44243451

Hyderabad Branch Office
A-8, District Council Complex, Hyderabad.
Tel: 022.2728676 Fax: 022.2783154

Product Portfolio

Capitalizing on our ability to develop cutting edge technology and innovative products, TPL Insurance is on a mission to provide unrivaled services and create value for our stakeholders. This mission has led us on a journey to provide the highest standards of service to our customers for over a decade.

TPL Insurance offers a holistic range of products to meet customer needs and ensure a hassle-free claims settlement experience. Our commercial segment includes Conventional and Takaful offerings in Property, Marine, Engineering, Health, Auto, Home and Travel Insurance.

Keeping Insuretech as a core tenet of our business, the TPL Insurance App offers customers the convenience to buy, claim and renew policies, as well as monitor driver behavior.



- Drive Pro
- Comprehensive
- Self Insurance
- Secure T
- 2 T
- 3 T
- 5 T



- Retail / Corporate
- Micro Health



- Owner
- Landlord
- Tenant



- International Travel
- Domestic Travel
- Students Guard
- Hajj & Umrah coverage
- Ziarat coverage



- Business Interruption
- Comprehensive Machinery
- Hotel Owners All Risk
- Terrorism
- Fire
- Engineering



- Inland Transit
- Import
- Export
- Hull & Machinery
- Container Insurance



- Crop
- Livestock



- Shop Insurance
- Cash in Safe
- Cash in Transit
- Cyber Insurance
- Fidelity Guarantee
- Liability Insurance
- Workmen Compensation
- Mobile Insurance
- Financial Line Insurance
- Bond & Guarantee

SWOT Analysis

- Pakistan's first end-to-end digital insurance company
- DrivePro - Pakistan's first telematics based insurance
- Mobile App, 24/7 call centre and digitized processes enabling fastest claim settlement in the industry
- Pakistan's second largest window Takaful operations
- Diversified Retail portfolio
- Agriculture insurance including crop and live stock
- Development of agency and brokerage network for commercial lines segments
- Extremely low penetration and awareness of insurance in Pakistan
- Partnerships with Telcos and mobile wallets to expand our footprints
- Development of new mass retail channels



- Relatively low penetration in the Corporate sector
- Low capacity to underwrite large risks
- Higher operating cost compared to the industry
- Change in economic indicators due to new policies has significantly affected the auto industry
- Innovation is easily replicated

Pestel Analysis



Political

Political interventions have been seen as necessary to ensure the stabilization of the financial services industry. The government may have a more indirect effect on the industry, for instance, an increase in enforcement could considerably impact insurers.



Environmental

Climate change is fast becoming a risk to society as the increase in emissions of greenhouse gases has taken its toll on our climate. One catastrophic event can have disastrous effects and leave insurance companies obliged to pay out large amounts of money as compensation to policyholders.



Social

Family formation, trends in fertility, mortality and migration have also experienced a seismic shift over the past few decades resulting in changing demographics and socio-economic structures of societies. Consequently, they have an impact on the demand for insurance.



Technological

The growth of IoT devices affecting the availability of real-time information gives insurers an opportunity to have an edge over the competition. This information can be used to offer more affordable prices with better underwriting and loss control. Advances in Artificial Intelligence techniques will allow insurers to make data driven decisions.



Economical

Low interest rates can cause insufficient returns which could have compensated weak underwriting results or offset the effects of inflation. Inflation causes the value of items insured to increase, which in turn will increase the value of claims. This is because the cost to repair or replace an item is equivalent to the current market value. Insurers might also face higher medical care costs due to continuous advances in modern medicine.



Legal

Apart from introducing regulatory measures, governments may decide to introduce laws that affect just one class of insurance. Such decisions can impact the industry as a whole. This might lead to an increase in premium prices because of the high demand and the higher probability of a claim. Alternatively, the size of the market might attract larger players and greater price competition.

Calendar of major events during the year 2019

February

- Launched Cell Phone Insurance covering theft risk
- BOD Meeting - Annual Financial Statements of the Company for the year ended Dec 31, 2018

April

- BOD Meeting - Financial Statements of the Company for the quarter ended Mar 31, 2019
- Annual General Meeting

July

- Launched Afghan Transit Trade Custom Guarantee insurance covering custom duty to the Government of Pakistan

August

- BOD Meeting - Financial Statements of the Company for the half-year ended Jun 30, 2019

October

- Launched Pakistan’s first Health and Personal Accident Policy on per day basis
- Launched Pakistan’s first Cell Phone Breakage Insurance on per day basis
- BOD Meeting - Financial Statements of the Company for the nine months ended Sep 30, 2019

December

- Opening of a new branch in Export Processing Zone Karachi
- Launched DrivePro – Pakistan’s first usage based insurance

During the year, all Board Meetings are held in Pakistan.

Significant changes from prior years

During the year, the Company faced challenges in terms of currency devaluation, increase in interest rates, and the imposition of Federal Excise Duty on motor vehicles. This increased the price of vehicles and reduced the demand for motor insurance, thereby impacting the profitability of the Company.

Other Information

Bankers

- Al-Baraka Bank Pakistan Ltd.
- Bank Al Habib Ltd.
- Bank Islami Pakistan Ltd.
- Dubai Islamic Bank Pakistan Ltd.
- Faysal Bank Ltd.
- Habib Bank Ltd.
- Habib Metropolitan Bank Ltd.
- JS Bank Ltd.
- MCB Bank Ltd.
- Meezan Bank Ltd.
- Mobilink Micro Finance Bank Ltd.
- National Bank of Pakistan
- Silk Bank Ltd.
- Summit Bank Ltd.
- Telenor Micro Finance Bank Ltd.
- United Bank Ltd.
- Samba Bank Ltd.
- MCB Islamic Bank Ltd

Auditors

EY Ford Rhodes
Chartered Accountants

Legal Advisor

Lari & Co.
Maritime & Insurance Advocates





Share Registrar

THK Associates (Pvt) Limited
1st Floor, 40-C Block-6, P.E.C.H.S
Karachi-75400, Pakistan.
Tel: 021.34168270
UAN: 021.111.000.322
Fax: 021.34168271

Registered Office

11th & 12th Floor, Centrepont,
Off Shaheed-e-Millat Expressway,
Adjacent KPT Interchange Flyover,
Karachi, Postal Code: 74900
Fax: 021.35316032
UAN: 021.111.000.301
Tel: 021.37130223

Web Presence

-  www.tplinsurance.com
-  [insurancetpl](https://www.facebook.com/insurancetpl)
-  [tplinsurance](https://www.instagram.com/tplinsurance)
-  [tplinsurance](https://www.linkedin.com/company/tplinsurance)



Transformation and turbulence have been at the epicentre of 2019. In a world that has been riddled with uncertainty, we have recognized that it is critical for us to remain on a path that has clear goals and commitments in an environment that is increasingly more competitive and where service is the primary differentiator. We have focused our energies on building on our strengths, multiplying our sources of growth and ensuring the long-term sustainability of our business. I am pleased to share below a snapshot of the achievements and innovations we have made in 2019 and hope that these enable TPL Insurance to continue to create and deliver value for all our stakeholders.

For the year under review, our key areas of focus included research-driven product innovation, the strategic expansion of our sales channels and customer-led tech transformation. On our journey to ensuring that TPL Insurance remains ahead of the curve in the digital arena, we successfully launched Pakistan's first Usage Based Insurance under the brand "DrivePro". This product will bring greater customer engagement and awareness in terms of driving behaviour while simultaneously improving underwriting discipline and allowing us to manage our costs more efficiently.

We have increased our digital footprint, collaborating with both start-ups and established players to reach a much larger customer base. Heavy investment in IT infrastructure is aimed at improving the Company's digital offerings, pricing and underwriting capabilities. Our digital offerings remain unparalleled in the market and we will continue to remain at the forefront of delivering change. I strongly believe that these initiatives have helped position TPL Insurance as a progressive Company - contributing not only to the well-being of our customers and our Company, but society as a whole.

On the retail side, we continued to explore new channels of portfolio enhancement opportunities and introduced a pre-underwritten Shop Insurance - a product that serves local and modern trade stores with no pre-insurance survey requirement. We booked our first livestock insurance product in 2019, catering to a large customer segment in the Thar District. This will enhance our capability and risk appetite to disrupt the agricultural insurance sector with tech-based product solutions. Our Corporate insurance segment is also gearing up with improved reinsurance arrangements, higher market acceptability and a positive customer experience.

The Auto Insurance sector was particularly challenging with pressure on foreign exchange reserves, a depreciation of PKR against USD by 11.5%, an increase in the State Bank's benchmark lending rate from 10% to 13.25% and additional tax filer vs. non-filer restrictions that compromised new vehicle sales. These factors impacted our business growth as prices for new cars increased and the import of used vehicles significantly declined. However, we continued to work diligently with our business partners, including banks, insurance brokers, motor dealerships and travel agents, and were able to overcome some of these hurdles, ending the year at a gross premium growth of 4% vs. last year.

As we surge ahead, we will continue to combine strong brands with rich data. I am confident that we will strengthen our presence in the retail and micro-segments, while keeping our stakeholders, business partners, customers and employees at the heart of everything we do.

In the end, change and transformation happen from the inside out and the key players for this will always be our people. They have repeatedly shown agility, collaboration and a true spirit of entrepreneurship, no matter how hard targets and goals become. Our business has, and remains, inclusive and personal, with a passion to serve our customers effectively and efficiently.

I would like to express my sincere appreciation and thanks to those who have extended their trust in TPL Insurance.

Warm Regards,
Muhammad Aminuddin

Horizontal Analysis

Statement of Financial Position	2019	2018	2017	2016	2015	2014
-----Rupees in million-----						
Property and equipment	429.1	129.6	91.4	361.2	384.7	313.5
Investments	729.4	1,026.3	1,213.3	1,056.8	930.4	49.9
Loans and other receivables	287.9	335.4	260.4	102.6	244.9	567.4
Insurance / reinsurance receivables	308.3	298.3	448.6	381.3	198.5	116.1
Reinsurance and other recoveries against outstanding claims	89.8	126.8	102.0	71.7	31.0	23.6
Deferred commission expense	156.8	164.8	105.6	74.0	80.7	87.2
Deferred taxation	44.1	32.0	21.2	-	1.3	-
Prepayments	218.3	259.6	209.3	117.9	78.3	60.3
Cash and bank balances	702.4	251.9	247.2	240.9	30.4	89.8
Total Assets	2,966.1	2,624.7	2,699.0	2,406.4	1,980.2	1,307.8
Issued, subscribed and paid up share capital	938.7	938.7	755.2	755.2	755.2	460.0
Unappropriated profits	(114.0)	16.9	253.9	148.9	45.7	12.4
Share premium - net of share issuance cost	8.0	8.0	138.7	138.7	138.7	(7.7)
Available-for-sale reserve	(29.7)	(26.7)	(26.4)	2.3	-	-
Total Shareholders' Fund	803.0	936.9	1,121.4	1,045.1	939.6	464.7
Participant's Takaful Fund	(48.9)	(170.3)	(201.7)	(121.9)	(55.1)	(1.9)
Total Equity	754.1	766.6	919.7	923.2	884.5	462.8
Provision for outstanding claims [including IBNR]	252.5	275.4	228.4	190.3	175.4	157.4
Provision for unearned premium	1,211.2	1,147.8	1,149.8	1,053.0	787.3	593.4
Premium deficiency reserves	-	-	-	-	7.3	5.3
Deferred commission income	41.4	24.2	5.4	4.6	-	-
Deferred taxation	-	-	-	2.4	-	15.1
Premiums received in advance	15.7	8.7	4.4	1.6	1.8	2.2
Insurance / reinsurance payables	206.9	189.3	158.9	77.3	24.5	16.8
Other creditors and accruals	193.7	195.9	198.6	141.5	88.9	52.4
Taxation - provision less payments	14.0	16.8	33.8	12.5	10.5	2.4
Lease liability against right-of-use asset	276.6	-	-	-	-	-
Total Shareholders' Equity and Liabilities	2,966.1	2,624.7	2,699.0	2,406.4	1,980.2	1,307.8
Statement of Comprehensive Income	2019	2018	2017	2016	2015	2014
-----Rupees in million-----						
Net insurance premium	2,136.2	2,246.6	2,068.8	1,750.5	1,419.3	1,049.1
Net Insurance claims	(882.9)	(965.4)	(893.2)	(800.7)	(691.1)	(531.7)
Management expenses	(867.2)	(915.2)	(836.5)	(716.2)	(552.6)	(380.1)
Net commission expense	(274.4)	(236.1)	(160.1)	(158.6)	(177.0)	(146.2)
Underwriting results	111.7	129.9	179.0	75.0	(1.4)	(8.9)
Investment income	80.9	0.9	28.0	58.2	49.6	15.6
Other income	71.2	69.8	33.9	48.6	43.9	77.2
Financial charges	(29.6)	(1.6)	(0.8)	(0.5)	(0.6)	(0.6)
Other expenses	(178.2)	(164.3)	(146.5)	(99.3)	(99.1)	(48.4)
Profit / (Loss) before tax for the year	56.0	34.7	93.6	82.0	(7.6)	34.9
Taxation	(25.5)	(10.9)	(58.3)	(45.7)	(12.3)	(13.0)
Profit / (Loss) after tax	30.5	23.8	35.3	36.3	(19.9)	21.9
Profit / (Loss) after tax attributable to shareholders	(107.2)	3.6	105.2	103.1	33.3	25.8
Profit / (Loss) after tax attributable to PTF	137.7	20.2	(69.9)	(66.8)	(53.2)	(3.9)

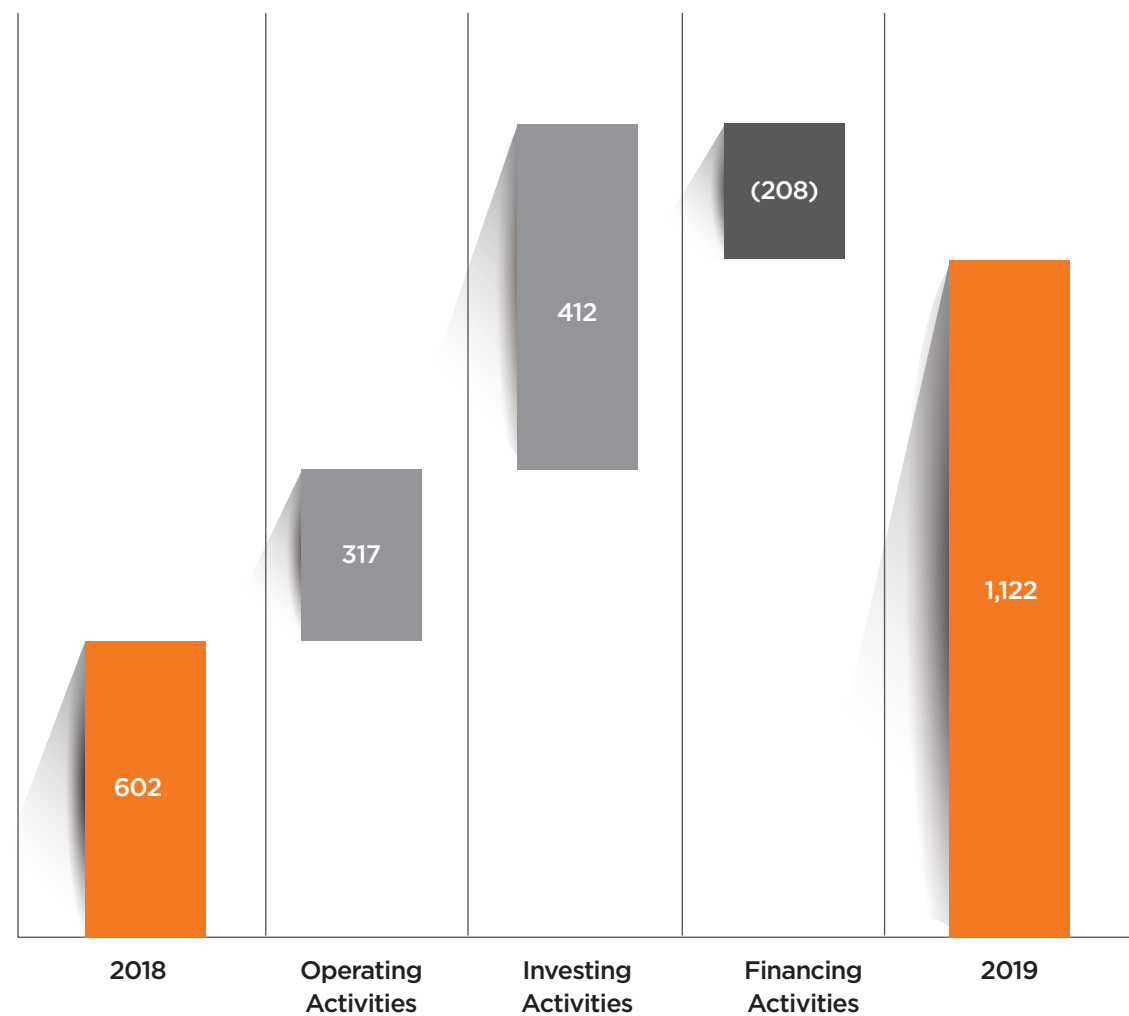
Vertical Analysis

Statement of Financial Position	2019	2018	2017	2016	2015	2014
Property and equipment	14.5%	4.9%	3.4%	15.0%	19.4%	324.0%
Investments	24.6%	39.1%	45.0%	43.9%	47.0%	3.8%
Loans and other receivables	9.7%	12.8%	9.7%	4.3%	12.4%	43.4%
Insurance / reinsurance receivables	10.4%	11.4%	16.6%	15.9%	10.0%	8.9%
Reinsurance and other recoveries against outstanding claims	3.0%	4.8%	3.8%	3.0%	1.6%	1.8%
Deferred commission expense	5.3%	6.3%	3.9%	3.1%	4.1%	6.7%
Deferred taxation	1.5%	1.2%	0.8%	0.0%	0.1%	0.0%
Prepayments	7.4%	9.9%	7.8%	4.9%	4.0%	4.6%
Taxation - payments less provision	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash and bank balances	23.7%	9.6%	9.2%	10.0%	1.5%	6.9%
Total Assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Issued, subscribed and paid up share capital	31.7%	35.8%	28.0%	31.4%	38.1%	35.2%
Unappropriated profits	-3.8%	0.6%	9.4%	6.2%	2.3%	1.0%
Share premium - net of share issuance cost	0.3%	0.3%	5.1%	5.8%	7.0%	-0.6%
Available-for-sale reserve	-1.0%	-1.0%	-1.0%	0.1%	0.0%	0.0%
Total Shareholders' Fund	27.1%	35.7%	41.6%	43.4%	47.5%	35.5%
Participant's Takaful Fund	-1.7%	-6.5%	-7.5%	-5.1%	-2.8%	-0.2%
Total Equity	25.4%	29.2%	34.1%	38.4%	44.7%	35.4%
Provision for outstanding claims [including IBNR]	8.5%	10.5%	8.5%	7.9%	8.9%	12.0%
Provision for unearned premium	40.8%	43.7%	42.6%	43.8%	39.8%	45.4%
Deferred commission income	1.4%	0.9%	0.2%	0.2%	0.0%	0.0%
Premium deficiency reserves	0.0%	0.0%	0.0%	0.0%	0.4%	0.4%
Deferred taxation	0.0%	0.0%	0.0%	0.1%	0.0%	1.2%
Premiums received in advance	0.5%	0.3%	0.2%	0.1%	0.1%	0.2%
Insurance / reinsurance payables	7.0%	7.2%	5.9%	3.2%	1.2%	1.3%
Other creditors and accruals	6.5%	7.5%	7.4%	5.9%	4.5%	4.0%
Taxation - provision less payments	0.5%	0.6%	1.3%	0.5%	0.5%	0.2%
Lease liability against right-of-use asset	9.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Shareholders' Equity and Liabilities	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Statement of Comprehensive Income	2019	2018	2017	2016	2015	2014
Net insurance premium	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net Insurance claims	-41.3%	-43.0%	-43.2%	-45.7%	-48.7%	-50.7%
Management expenses	-40.6%	-40.7%	-40.4%	-40.9%	-38.9%	-36.2%
Net commission expense	-12.9%	-10.5%	-7.7%	-9.1%	-12.5%	-13.9%
Underwriting results	5.2%	5.8%	8.7%	4.3%	-0.1%	-0.9%
Investment income	3.8%	0.0%	1.4%	3.3%	3.5%	1.5%
Other income	3.3%	3.1%	1.6%	2.8%	3.1%	7.4%
Financial charges	-1.4%	-0.1%	0.0%	0.0%	0.0%	-0.1%
Other expenses	-8.3%	-7.3%	-7.1%	-5.7%	-7.0%	-4.6%
Profit / (Loss) before tax for the year	2.6%	1.6%	4.5%	4.7%	-0.5%	3.3%
Taxation	-1.2%	-0.5%	-2.8%	-2.6%	-0.9%	-1.2%
Profit / (Loss) after tax	1.4%	1.1%	1.7%	2.1%	-1.4%	2.1%

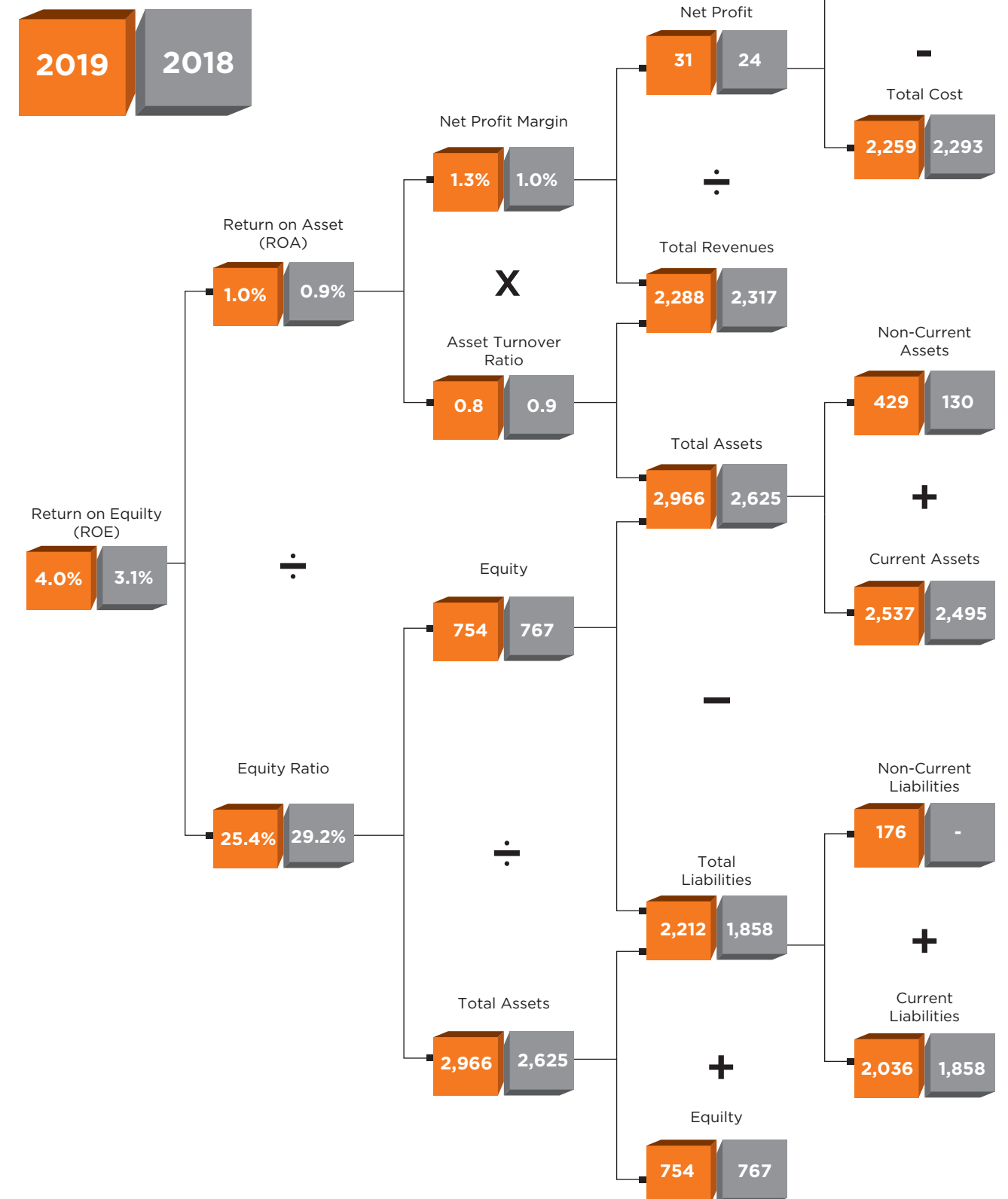
Cash Flow Analysis

Particulars	2019	2018	2017	2016	2015	2014
-----Rupees in million-----						
Net Cash Flows from Operating Activities	317.3	212.7	(76.6)	344.8	263.5	244.3
Net Cash Flows from Investing Activities	411.5	(101.8)	(438.3)	(10.9)	65.1	(212.2)
Net Cash Flows from Financing Activities	(208.3)	(186.2)	(0.8)	(0.5)	441.0	(50.6)
Net Cash Inflow / (Outflow)	520.5	(75.3)	(515.6)	333.5	769.6	(18.5)
Cash and cash equivalent at the start of the year	601.9	677.2	1,192.9	859.4	89.8	108.4
Cash and cash equivalent at the end of the year	1,122.4	601.9	677.2	1,192.9	859.4	89.8

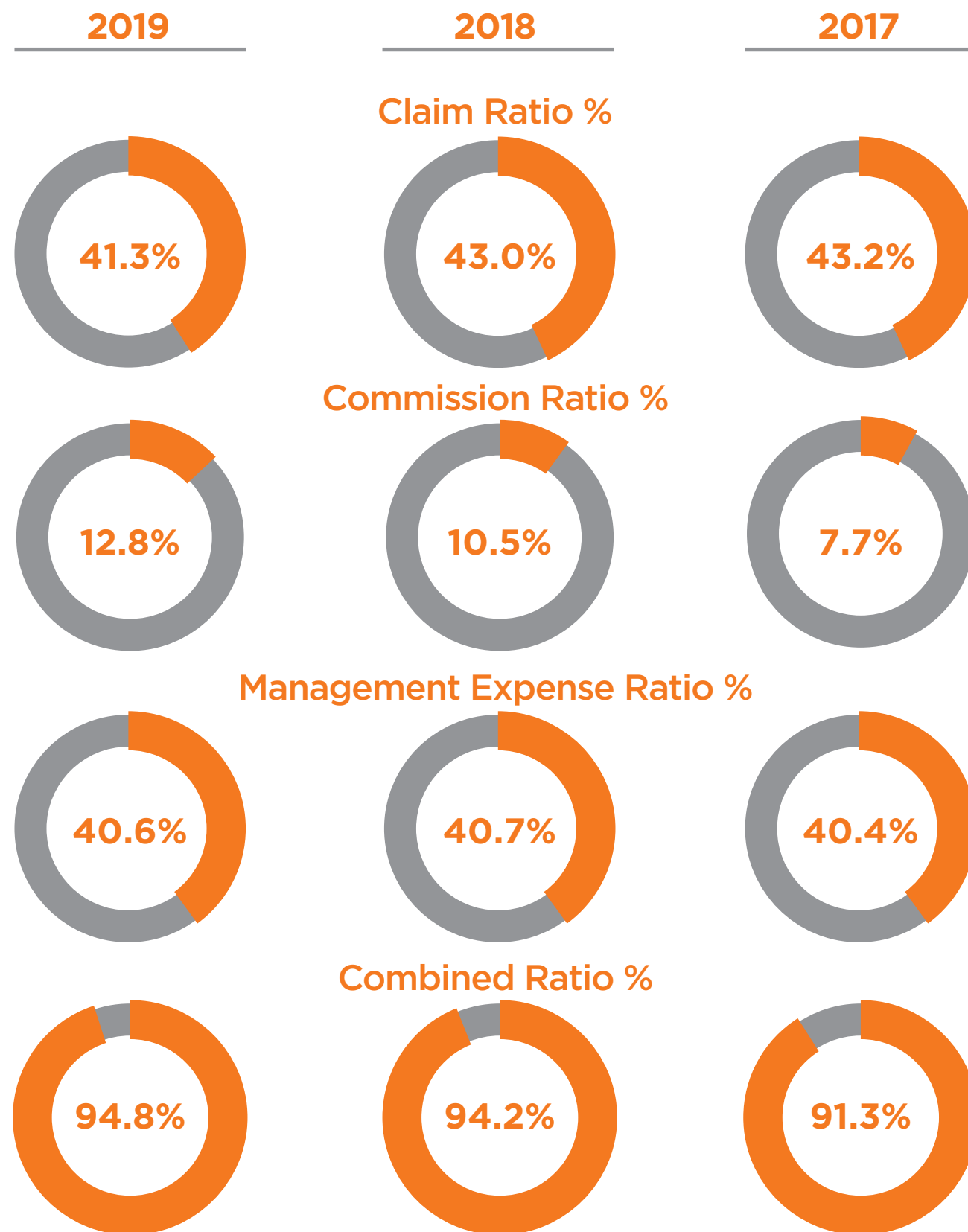
Cash & Cash Equivalent



DuPont Analysis



Ratio Analysis



Profitability

		2019	2018	2017	2016	2015	2014
Profit Before Tax / Gross Premium	%	2.2%	1.4%	4.1%	4.0%	-0.5%	2.9%
Profit Before Tax / Net Premium	%	2.6%	1.5%	4.5%	4.7%	-0.5%	3.3%
Profit After Tax / Gross Premium	%	1.2%	1.0%	1.5%	1.8%	-1.2%	1.8%
Profit After Tax / Net Premium	%	1.4%	1.1%	1.7%	2.1%	-1.4%	2.1%
Underwriting Result / Gross Premium	%	4.5%	5.4%	7.8%	3.7%	-0.1%	-0.7%
Underwriting Result / Net Premium	%	5.2%	5.8%	8.7%	4.3%	-0.1%	-0.8%
Profit Before Tax / Total Income	%	2.4%	1.5%	4.4%	4.4%	-0.5%	3.1%
Profit After Tax / Total Income	%	1.3%	1.0%	1.7%	2.0%	-1.3%	1.9%
Combined Ratio	%	94.8%	94.2%	91.3%	95.7%	100.1%	100.8%
Net Claims / Net Premium	%	41.3%	43.0%	43.2%	45.7%	48.7%	50.7%
Management Expenses / Net Premium	%	40.6%	40.7%	40.4%	40.9%	38.9%	36.2%
Net Profit Margin	%	1.3%	1.0%	1.7%	2.0%	-1.3%	1.9%

Return to Shareholders

Return on Equity	%	4.0%	3.1%	3.8%	3.9%	-2.2%	4.7%
Return on Capital Employed	%	3.3%	3.1%	3.8%	3.9%	-2.2%	4.7%
Return on Assets	%	1.03%	0.91%	1.31%	1.51%	-1.00%	1.67%
Earnings / (Loss) Per Share Attributable to Shareholders' Fund	Rs.	(114)	0.04	1.12	1.10	0.36	0.27
Price Earning Ratio	Times	N/A	564.8	22.1	17.3	67.0	93.8
Price to Book Ratio	Times	3.0	2.2	2.1	1.7	2.4	5.2
Breakup Value per Share	Rs.	8.6	10.0	11.9	11.1	10.0	5.0

Market Data

Market Price per Share at the end of the Year	Rs.	25.7	21.9	24.8	19.0	23.8	25.8
Market Price per Share - Highest During the Year	Rs.	29.7	25.67	28.4	23.2	24.5	28.0
Market Price per Share - Lowest During the Year	Rs.	18.3	19.28	17.1	14.0	16.4	8.5

Performance / Liquidity

Current Ratio	Times	1.2	1.3	1.5	1.4	1.5	1.2
Cash / Current Liabilities	%	34.5%	13.6%	13.9%	16.2%	2.8%	10.6%
Total Assets Turnover	Times	0.77	0.88	0.8	0.8	0.8	0.9
Fixed Assets Turnover	Times	5.3	17.9	23.3	5.1	3.9	3.6
Total Liabilities / Equity	Times	2.9	2.4	1.9	1.6	1.2	1.8
Cash Flow from Operations Margin	%	14.9%	9.5%	-3.7%	19.7%	18.6%	23.3%
No. of Days in Premium Receivable	Days	45	45	71	68	44	35
No. of Days in Claim Settlement	Days	67	56	52	54	76	92
Paid-up Capital / Total Assets	%	31.6%	35.8%	28.0%	31.4%	38.1%	35.2%
Earning Assets / Total Assets	%	48.3%	48.7%	54.1%	53.9%	48.5%	10.7%
Shareholders' Equity / Total Assets	%	27.1%	35.7%	41.5%	43.4%	47.4%	35.5%

Comments on Key Financial Data

Performance Ratios

- Claims ratio has improved by 1.7% at 41.3% (2018: 43%). This is attributed to recovery of theft vehicles, changes in tax laws allowing recovery of input tax on parts, and improved vendor management.
- Commission ratio reported increase of 2.3% at 12.8% (2018: 10.5%). This is due to increased engagement costs on some distribution channels.
- Net profit margin increased by 0.3% against last year at 1.3%.

Balance Sheet

- The Company's total assets have increased by 130% to Rs. 3.0 billion at the end of 2019 from Rs. 1.3 billion at the end of 2014.
- The value of total investments has increased to Rs. 729.38 million as at 31 December 2019 compared to Rs. 49.94 million as at 31 December 2014.
- Number of days in premium receivable maintained same as last year of 45 days at the end of 2019. This is due to effective receivables management.
- The total shareholders' equity stood at Rs. 802.95 million as at 31 December 2019 compared to Rs. 464.76 million as at 31 December 31, 2014 which reflects increase of 73% over last six years.
- Breakup value per share has reduced from Rs. 10.0 per share in 2018 to Rs. 8.6 per share at the end of 2019, mainly due to loss attributable to the shareholders' Fund during the year.

Profit and Loss Account

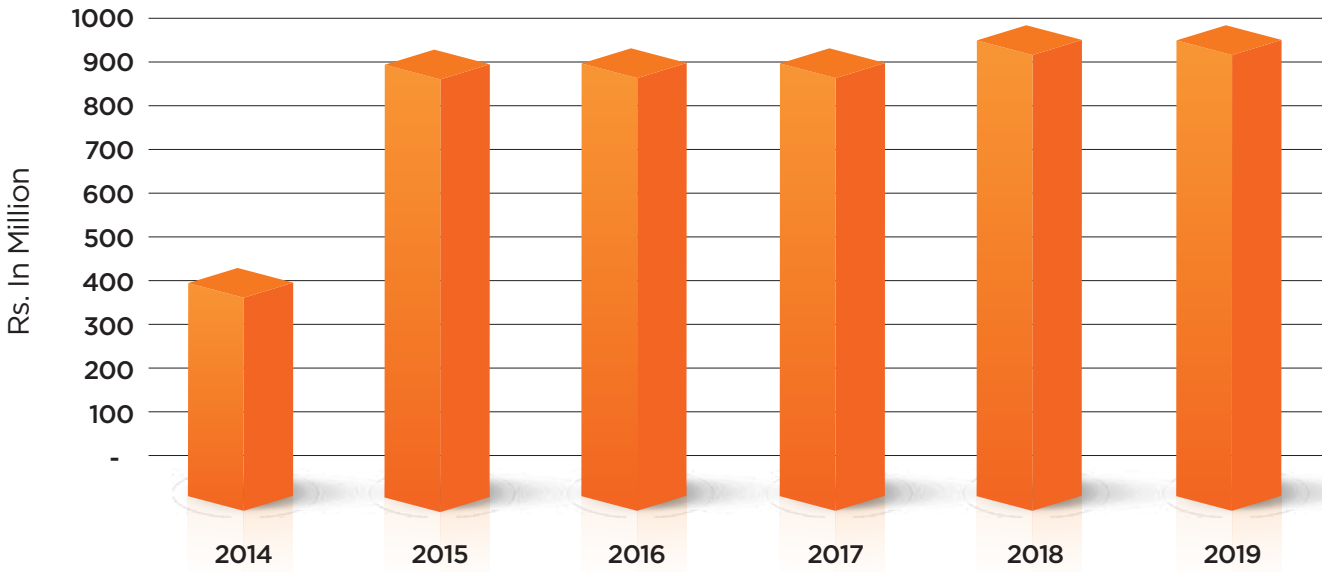
- The gross and net premium have reported growth of 105.2% and 103.6% respectively over the period of six years.
- The profit before tax increase by Rs. 21.3 million at Rs. 56.0 million compared to the last year.

Cash Flows

- The positive trend of the cash inflow from operating activities of the Company over the 6 years is a sound foundation for the Company's thriving future.
- During the year, the Company generated cash flow from operations of Rs. 317.3 million (Rs. 212.7 million). Further, the Company generated cash from investing activity by Rs. 411.52 million due to reduction in mutual fund portfolio. The company maintains strong liquidity position to carry out its operations smoothly.

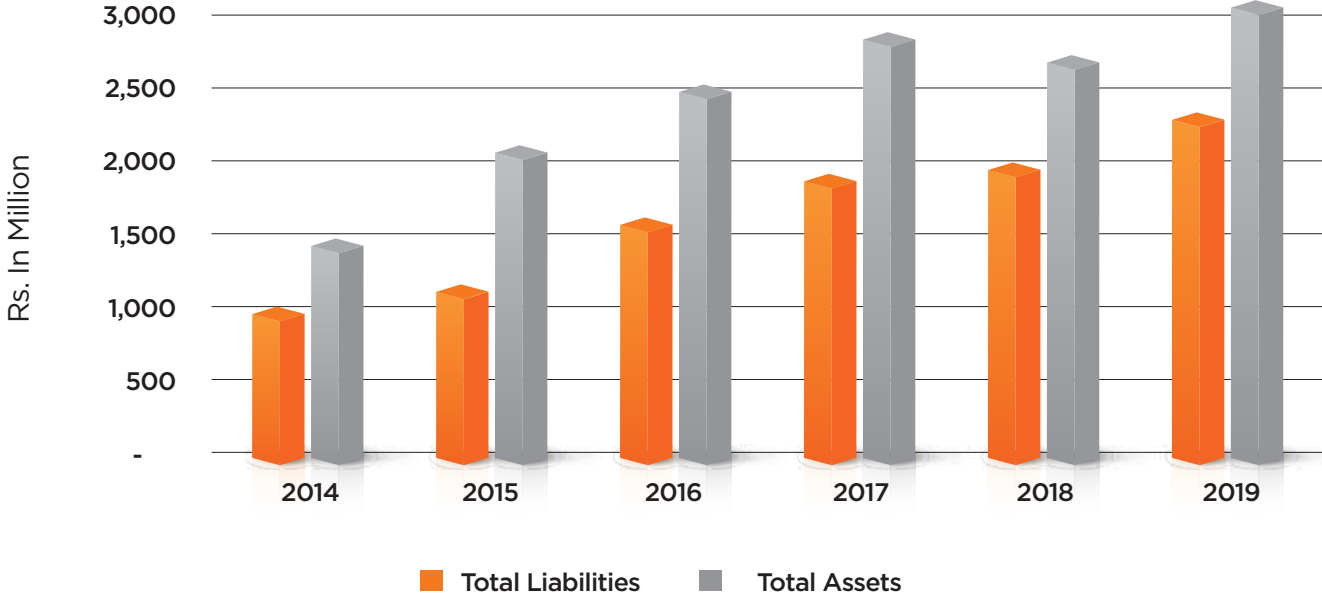
Performance at Glance

Share Capital

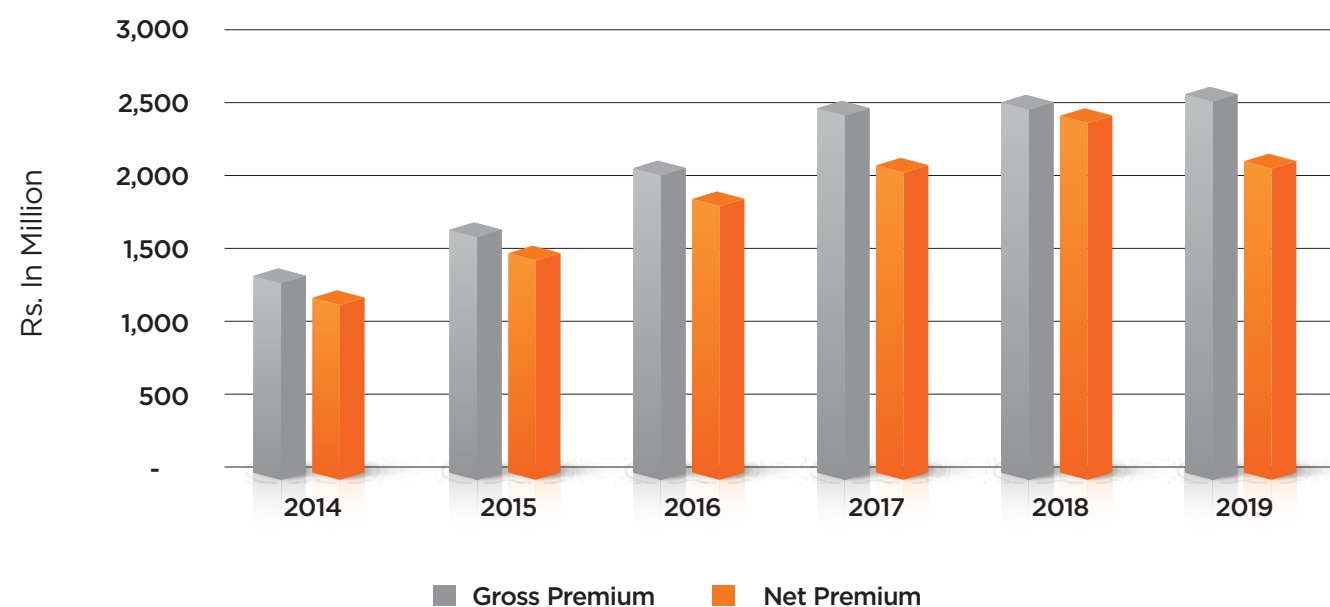


*Share capital includes share capital and share premium reserve

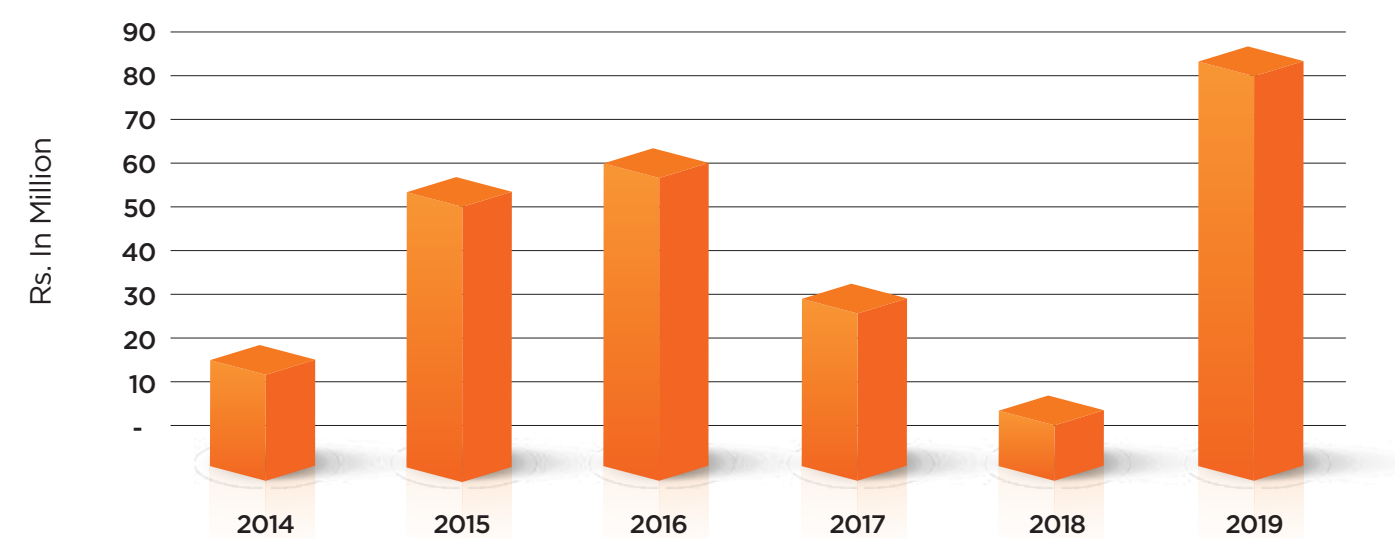
Assets vs. Liabilities



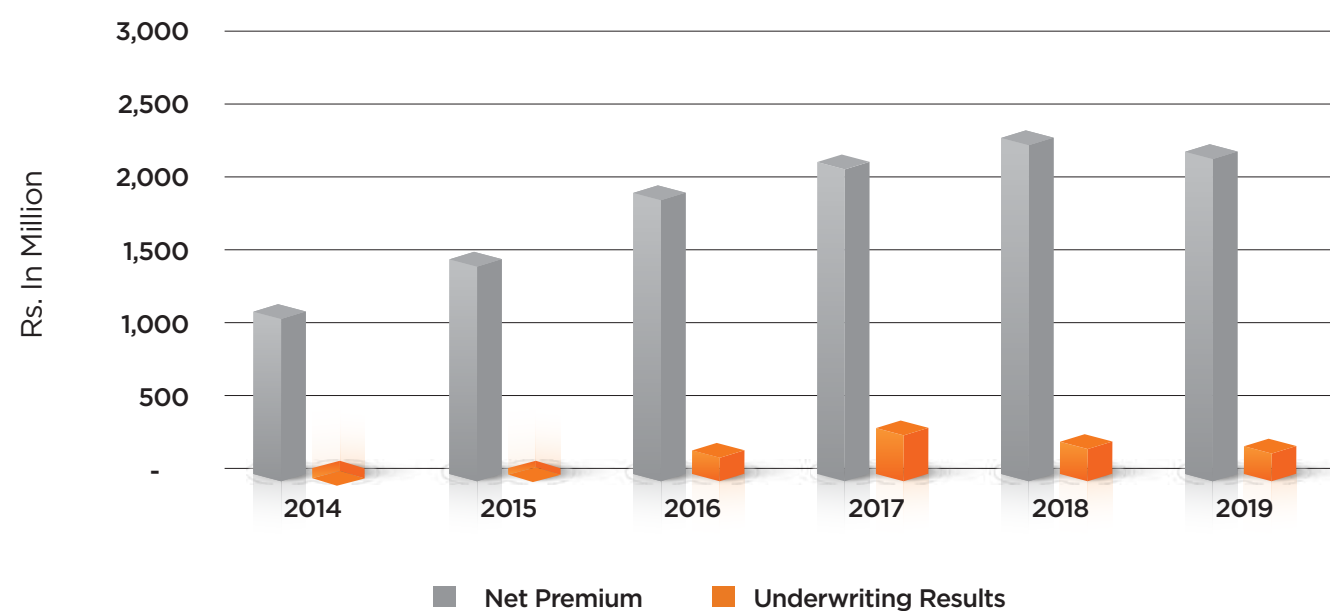
Gross Premium vs. Net Premium



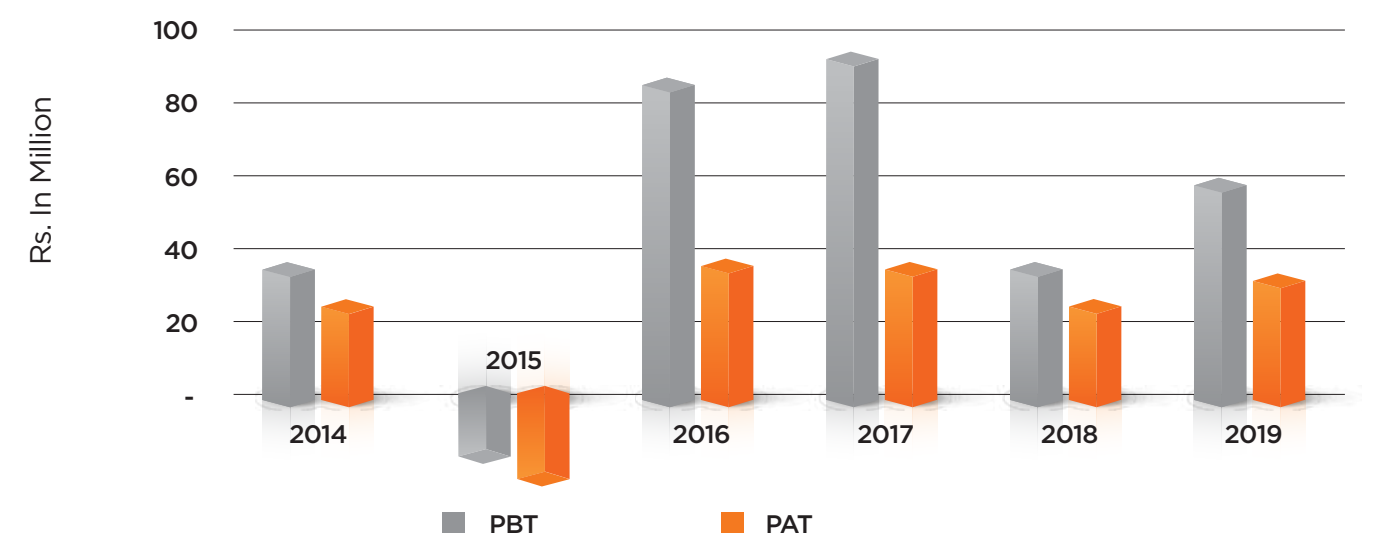
Investment Income



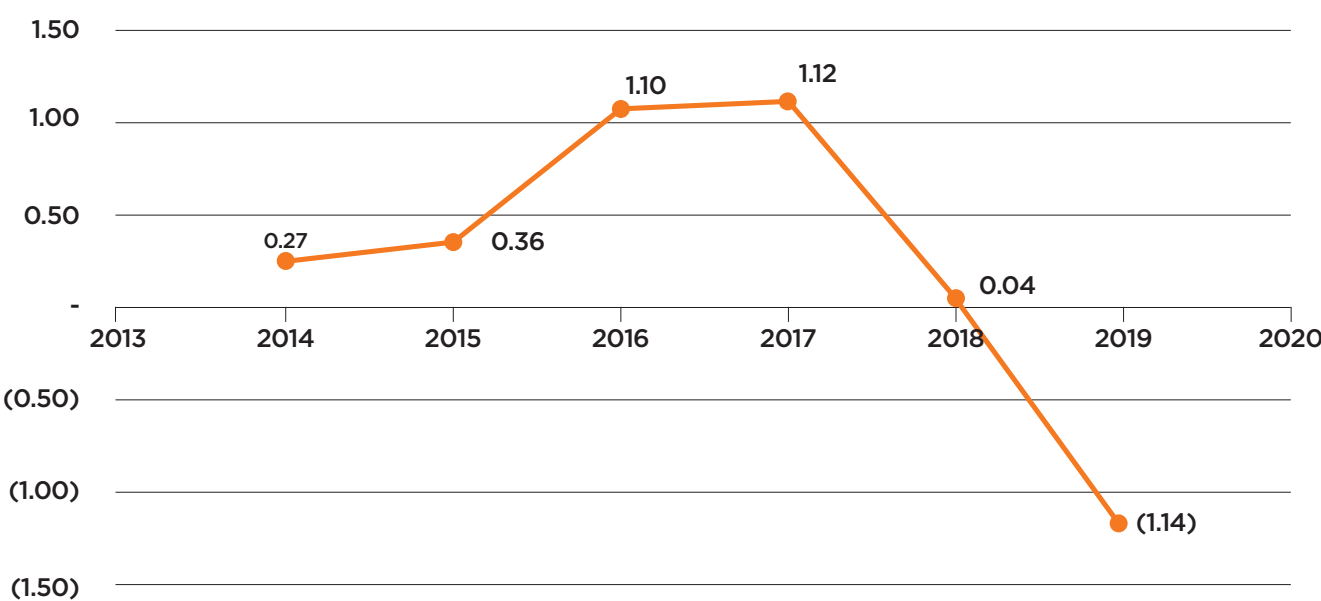
Net Premium vs. Underwriting Results



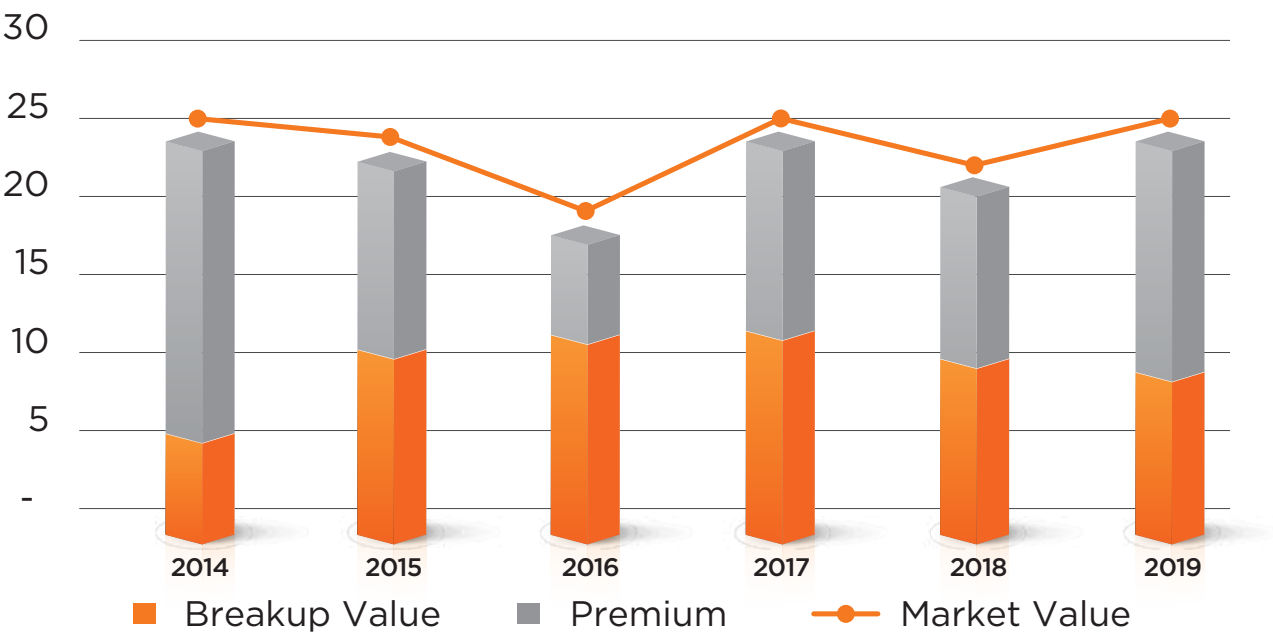
PBT vs. PAT



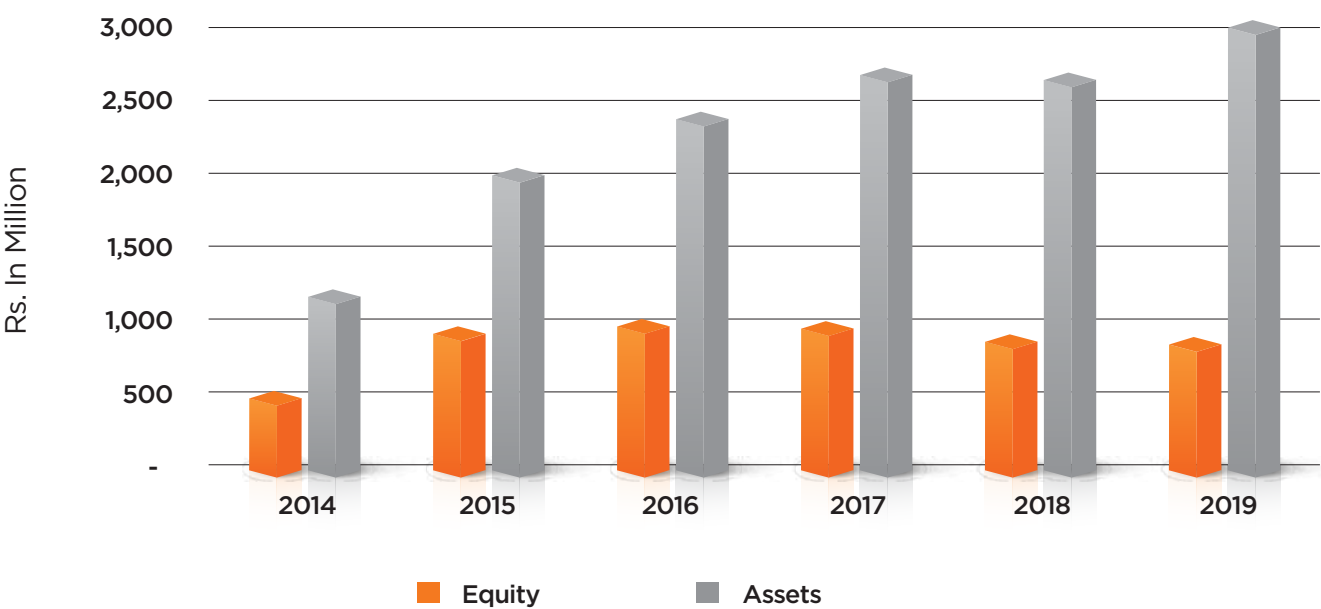
Earning per share (Rs.)



Breakup Value Per Share vs. Market Value Per Share (Rs.)



Equity vs. Total Assets



Share Price Sensitivity Analysis

Month		Max	Min	Average Volume	Closing
Jan	2019	21.50	21.50	500	21.50
Feb	2019	20.49	20.49	61,500	20.49
Mar	2019	21.16	20.25	7,750	21.16
Apr	2019	20.03	20.00	273,000	20.25
May	2019	19.99	18.99	77,833	18.99
Jun	2019	20.98	19.98	165,000	20.94
Jul	2019	24.89	21.75	500	22.30
Aug	2019	24.03	22.60	13,000	22.94
Sep	2019	24.08	22.00	1,167	22.50
Oct	2019	25.74	18.26	4,333	25.06
Nov	2019	29.00	22.94	39,136	27.60
Dec	2019	29.68	23.52	238,690	25.67

Statement of Value Addition

Statement of value addition and its distribution

Wealth Generated

Net premium earned
Commission from reinsurers
Investment and other income

2019		2018	
Rupees	%	Rupees	%
2,136,242,523		2,246,604,949	
60,953,639		22,838,240	
152,174,263		70,726,887	
2,349,370,425		2,340,170,076	
Less: Claims, Expenses (excluding employees remuneration, donation, depreciation and taxes)			
(1,226,513,405)		(1,568,446,148)	
1,122,857,020	100%	771,723,928	100%

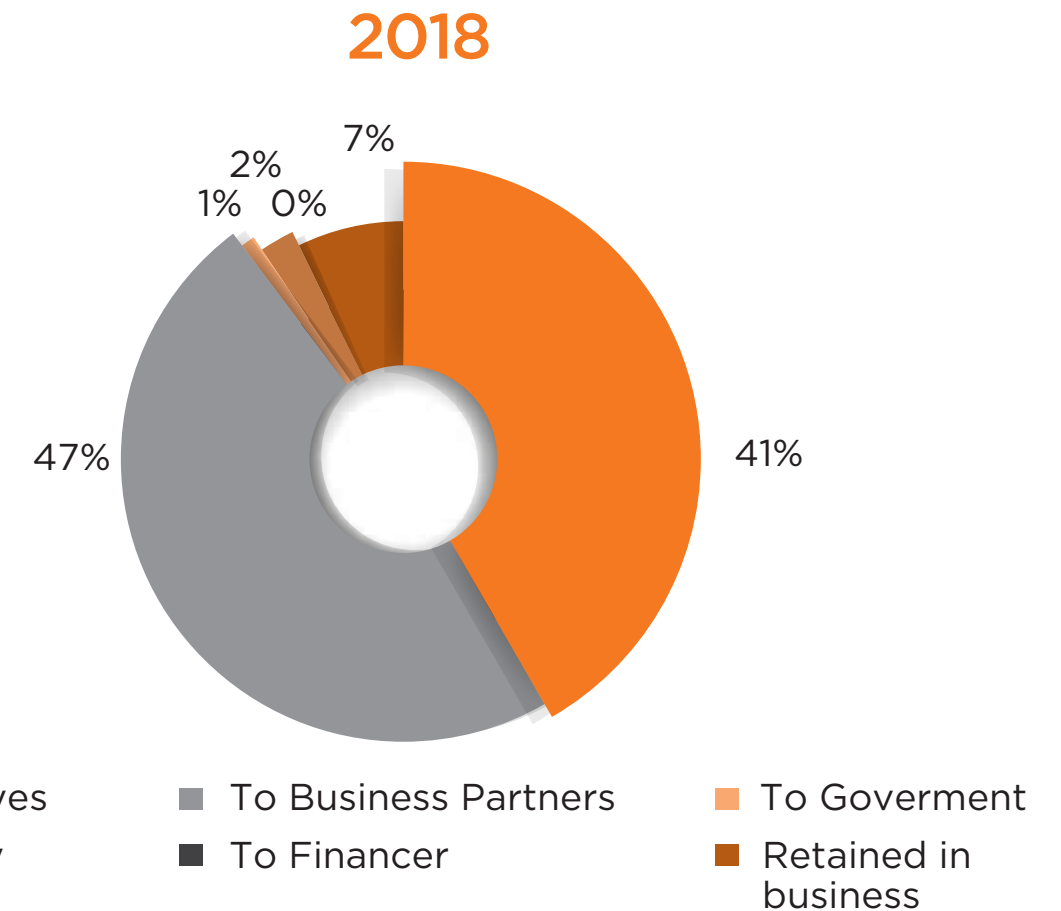
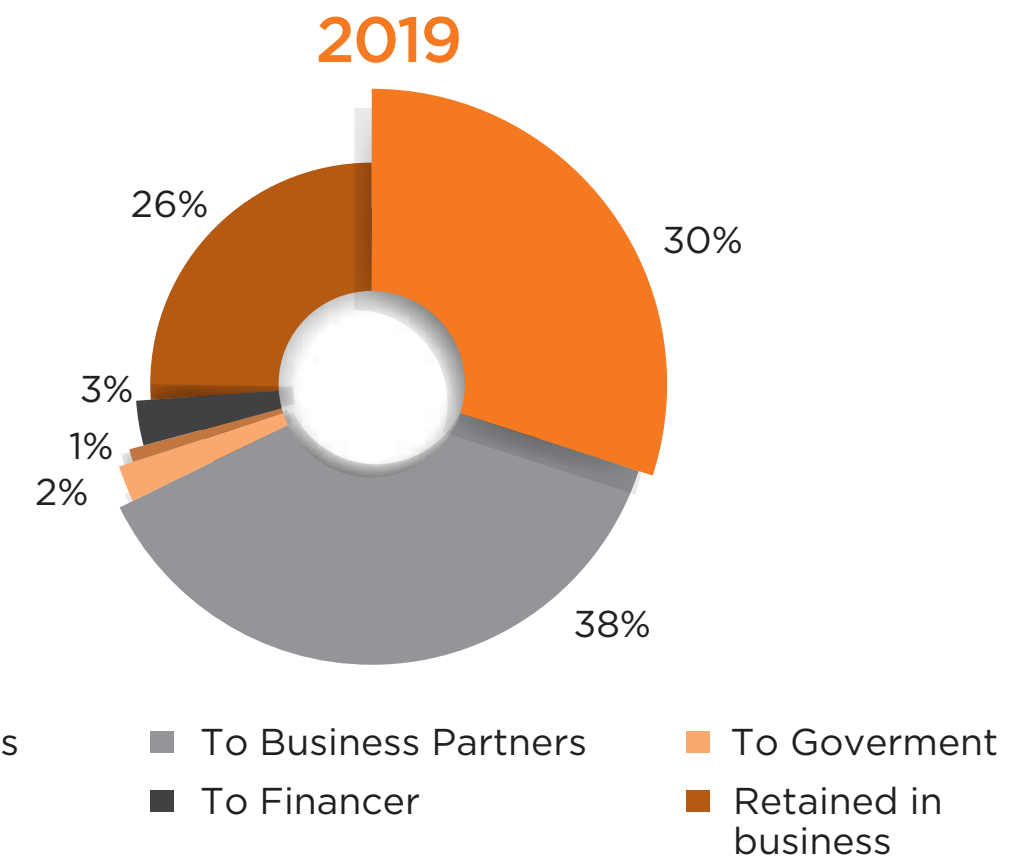
Wealth Distributed

To employees
To business partners
To government
To society
To financier
Retained in business
Depreciation and amortization
Retained profit

2019		2018	
Rupees	%	Rupees	%
337,996,142	30.1%	318,863,417	41.3%
431,527,325	38.4%	366,097,252	47.4%
25,514,021	2.3%	10,936,073	1.4%
10,883,994	1.0%	18,952,523	2.5%
29,639,112	2.6%	1,642,832	0.2%
256,780,977	22.9%	31,492,451	4.1%
30,515,449	2.7%	23,739,380	3.1%
287,296,426	25.6%	55,231,831	7.2%
1,122,857,020	100%	771,723,928	100%

In pursuit of robust digitization company has taken Boards approval for CAPEX of Rs.28.8m. This is imperative to address digitization, software security and the hardware upgrades. Further, an amount of Rs.18.5m is also approved that is intended for addition to the intangible assets (software and licenses) proposed for the year 2020.

Other CAPEX includes amount of Rs.7m allocated under Equipment and Furniture and Fixtures for the Head Office and Branches.



Statement of Charity Account

S.No	Particulars	2019	2018
Rupees in Million			
1	Education	0.38	3.97
2	General Donations	0.44	2.05
3	Health Care and Environment	10.00	12.94
Total		10.82	18.95

Stakeholders' Engagement

Institutional Investors

TPL Insurance Limited convenes Annual and Extra Ordinary General Meetings in accordance with the Companies Act, 2017. The Company's quarterly financial reports, annual reports and complete financial statements are published and hosted on the Company's website (www.tplinsurance.com). This transparency allows shareholders to remain connected with the Company as well as reaffirm their trust in the Company's promising performance and growth. Additionally, it facilitates potential investors in making their investment choices. In compliance with the Listed Companies (Code of Corporate Governance) Regulations and the Listing Regulations of the stock exchange, the Company notifies information to the Stock Exchange and the Securities and Exchange Commission of Pakistan regarding the dates of Board of Directors meetings and financial results in a timely manner.

Minority Shareholders

In order to ensure that the minority shareholders of the Company attend the general meetings of the Company, notices are circulated to the shareholders well in advance. The notices of the general meeting are published in widely circulated newspapers of the country and the same are published in both English and Urdu.

Customers

The Company's philosophy has always been to keep its customers and policy holders above all. The Company, with its customer-centric service philosophy, offers three 24/7 platforms such as the call center, Company website and Customer App. Our dedicated teams for sales, claims, renewals, and customer services have been acknowledged and awarded for observing, maintaining and raising the Quality and Standard in the industry. The Company also reaches out and engages its customers and policy holders through social media and the Company website in order to get feedback and eradicate grievances (if any). This results in solidifying our customer's trust and satisfaction.

Banks

The Company holds true to its values and relationships. We partner with various forerunners of finance and banking industry and forge relations in the FI sector. This collaboration is always aimed at providing mutual benefits.

Media

Events, achievements, product launches, expansions, briefings, press releases and advertisements keep the Company in the news often. The Company has a strong presence in the media and its promotional and social activities are thoroughly covered and published in various forms including print, radio, TV, digital, etc.

Regulators

In compliance with applicable laws and regulations, the Company's statutory returns and forms are filed with various regulatory bodies and federal and provisional taxation authorities periodically. The Company ensures that all requirements are met and complied with.

Analysts

The Company is recognized by Pakistan Credit Rating Agency (PACRA) with a rating of "A+".

Steps taken by the Board towards Stakeholders Engagement

The Company ensures adequate level of engagement of its stakeholders and, in this regard, does maintain a policy covering the interest of its stakeholders including institutional investors, minority shareholders, customers, banks, media, regulators, analysts and others. In order to solicit and understand the views of its stakeholders, the Company holds corporate briefing sessions at least once in a year and post the same on its website for the disclosure to its stakeholders.

Issues raised in the last AGM and decisions taken

No major issues were raised by the shareholders during the meeting. Chairman of Audit Committee was also available to answer the queries of shareholders. The following matters were taken up in the meeting as per the Agenda and were approved by the shareholders:

1. Approval of minutes of Annual General Meeting held on April 19, 2018.
2. Approval of audited financial statements of the Company for the year ended 31 December 2018.
3. Appointment of auditors for the year ending 31 December 2019.
4. Approval of interim bonus shares to the shareholders.
5. Approval of interim cash dividend to the shareholders.
6. Approval of special resolution for investment in associated company

Statement of Adherence with the International Integrated Reporting Framework

TPL Insurance has adopted the Integrated Reporting Framework to give an overview of our Company’s philosophy to explain connection between its financial and non-financial information, which would enhance the users understanding as to how the Company is working to improve its performance keeping in view the stakeholders interest.

This Integrated Reporting Framework facilitates sustainable value creation over the long term by minimizing risks, improving harmony, generating cost efficiencies, and making capital allocation more efficient. The Company is well aware that information needs of stakeholders are changing in keeping with the dynamic environment we operate in. Investors in particular are increasingly becoming interested in the past performance as well as non-financial information which is becoming more and more relevant for ascertaining the future potential. Accordingly, the company has enhanced its disclosures of non-financial information in this Annual Report. This report is developed in accordance with the International Integrated Reporting Council’s (IIRC) principal based International Integrated Reporting <IR> Framework to communicate with all our stakeholders with a concise and transparent assessment of the company to perform and create sustainable value.

In Annual Report 2019, we have covered following elements of International Integrated Reporting Framework.

- Organizational Overview
- Governance
- Risk and Opportunities
- Strategy and Resource allocation
- Financial Performance
- Future Outlook
- Basis of Preparation and Presentation

In the future, we will continue to make improvements to this report so as to make it even easier to understand, while taking into account the opinions of stakeholders regarding this report.

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Board of Directors



Jameel Yusuf (S.ST.)
Chairman



Ali Jameel
Director



Muhammad Aminuddin
Chief Executive Officer



Naila Kassim
Director



Waqar Ahmed Malik
Director



Syed Nadir Shah
Director



Rana Assad Amin
Director



Andrew Borda
Director

Shariah Advisor's Profile

Mufti Muhammad Talha Iqbal

Mufti Muhammad Talha Iqbal is a qualified and certified Islamic scholar and recognized Mufti from Jamia Darul-Uloom Karachi, a premier institution of Pakistan for quality religious education and leading institute for promoting Islamic Economics and Finance setting up the guidelines of Islamic Banking and Takaful System.

He has Takhassus fil Ifta / specialization in Fatwa (Islamic jurisprudence) and has vast experience in Islamic Fiqh and Islamic banking and Finance to provide solutions in corporate related matters in the light of Shariah Principles.

Mufti Talha has expertise on Shariah Standards and Takaful. He was awarded degree of PGD from Centre for Islamic Economics (CIE).

He serves as teacher of Dars-e-Nizami at Jamiah Darul-Uloom Karachi since 2006 till date and is also faculty member of Centre for Islamic Economics (CIE) since 2010.

Composition of Board and Management Committees

a) Board Committees:

Ethics, Human Resource, Remuneration and Nomination Committee		
1.	Syed Nadir Shah	Chairman
2.	Mr. Ali Jameel	Member
3.	Mr. Rana Assad Amin	Member
4.	Mr. Waqar Ahmed Malik	Member
5.	Mr. Nader Nawaz	Secretary
Investment Committee		
1.	Mr. Ali Jameel	Chairman
2.	Mr. Andrew Borda	Member
3.	Mr. Waqar Ahmed Malik	Member
4.	Mr. Muhammad Aminuddin	Member
5.	Syed Kazim Hasan	Secretary
Audit Committee		
1.	Syed Nadir Shah	Chairman
2.	Mr. Rana Assad Amin	Member
3.	Mr. Andrew Borda	Member
4.	Mr. Yousuf Zohaib Ali	Secretary

b) Management Committees:

Risk Management and Compliance Committee		
1.	Mr. Waqar Ahmed Malik	Chairman
2.	Syed Kazim Hasan	Member
3.	Mr. Muhammad Aminuddin	Member
4.	Ms. Shayan Mufti	Secretary
Underwriting Committee		
1.	Mr. Andrew Borda	Chairman
2.	Mr. Shumail Iqbal	Member
3.	Syed Kazim Hasan	Secretary
Claim Settlement Committee		
1.	Mr. Muhammad Aminuddin	Chairman
2.	Syed Ali Hassan Zaidi	Member
3.	Syed Kazim Hasan	Member
4.	Mr. Ovais Alam	Secretary
REINSURANCE & CO-INSURANCE COMMITTEE		
1.	Mr. Andrew Borda	Chairman
2.	Syed Athar Abbas	Member
3.	Ms. Shadab Khan	Secretary

Structure of the Board

Category	
Independent Directors	Syed Nadir Shah and Ms. Naila Kassim
Executive Directors	Mr. Muhammad Aminuddin (Chief Executive Office) and Mr. Ali Jameel
Non-Executive Directors	Mr. Jameel Yusuf (S. St.), Mr. Andrew Borda, Mr. Waqar Ahmed Malik, and Mr. Rana Assad Amin

Terms of Reference - Board and Management Committees

1- Audit Committee:

The Committee is responsible for:

- a. recommending the appointment of external auditors by the Company's shareholders and shall consider any question of resignation or removal of external auditors, audit fees and provision by external auditors of any service to the Company in addition to audit of its financial statements;
- b. determining appropriate measures to safeguard the Company's assets;
- c. reviewing preliminary announcements of results prior to publication;
- d. reviewing quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing on:
 - major judgmental areas;
 - significant adjustments resulting from the audit;
 - the going-concern assumption;
 - any changes in accounting policies and practices;
 - compliance with applicable accounting standards; and
 - compliance with statutory and regulatory requirements.
- e. facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- f. reviewing management letter issued by external auditors and management's response thereto;
- g. ensuring coordination between the internal and external auditors of the Company;
- h. reviewing the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;
- i. consideration of major findings of internal investigations and management's response thereto;
- j. ascertaining the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;
- k. reviewing the Company's statement on internal control systems prior to endorsement by the Board of Directors;
- l. instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body;
- m. determination of compliance with relevant statutory requirements;
- n. monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and
- o. consideration of any other issue or matter as may be assigned by the Board of Directors.

2- Human Resource, Remuneration and Nominations Committee

The Committee is responsible for:

- a. proposing remuneration approach and related policies;
- b. preparing remuneration reports and disclosures on compensation practices, on an annual basis but at least prior to the convening of the annual general meeting for the immediate preceding year;
- c. reviewing and making recommendations to the Board of Directors regarding the specific remuneration, retirement, succession planning of the Board members, the CEO, senior management and key officers;
- d. reviewing and approving training need assistance at all levels of the organization;
- e. establishing code of business and corporate ethics that are circulated to all the staff members;
- f. implementing the Board's policy on Board's renewal so that the Board individually and collectively continues to maintain target skill levels and independence;
- g. making recommendation to the Board with regard to the nomination for appointment or reappointment of members of the Board consistent with appropriate criteria established in their profile and any succession plans;
- h. ensuring proper orientation of Board members in respect of their responsibilities; and
- i. establishing a mechanism for the formal assessment of the effectiveness of the Board as a whole as well as the contribution of individual Board members along with ongoing training to fulfill their role requirements.

3- Finance and Investment Committee:

The Committee is responsible for:

- a. setting investment policies (subject to approval of the Board) and guidelines, including policies and guidelines regarding asset classes, asset allocation ranges, and prohibited investments in compliance with regulatory requirements;
- b. overseeing investment and reinvestment of the funds and maintenance of adequate solvency as laid down under Insurance Ordinance 2000 and rules framed thereunder;
- c. monitoring the management of the funds by reviewing written reports from investment staff and by discussions with investment staff at Committee meetings that focus on the primary determinants of returns, including asset allocation and investment strategy;
- d. evaluating investment performance based on a comparison of actual returns and benchmarks as the Board or Committee may from time to time select. The evaluation will take into account compliance with investment policies and guidelines and risk levels; and
- e. conducting a quarterly performance evaluation of the Committee and report its findings to the Chairman of the Board.

4- Risk Management Committee

The committee shall be responsible for:

- a. overseeing the activities of the Risk Management function of the Company, and make appropriate recommendation to the Board;
- b. assisting the Board in implementation of the decision taken by the Board to mitigate probable risks falling within the scope of the risk management function;
- c. assessing, quantifying, monitoring and controlling the nature, significance and interdependence of the risk (at individual level and aggregate level) to which the Company is or may be exposed and shall also manage them accordingly;
- d. ensuring that the Company's Risk Management system is well integrated into its organization structure, decision making process and corporate culture and that there is a clear link to other functions;
- e. assisting the Board in its oversight of the risk profile, Risk Management framework and the risk reward strategy determined by the Board;
- f. reviewing and approving the Company's Risk Management policy including risk appetite and risk strategy.
- g. reviewing the adequacy and effectiveness of risk management and controls;
- h. assisting in oversight of management's process for the identification of significant risks across the Company and the adequacy of prevention, detection and reporting mechanisms;
- i. reviewing Company's compliance level with applicable laws and regulatory requirements that may impact the Company's risk profile;
- j. periodically reviewing changes in the economic and business environment, including emerging trends and other factors relevant to the Company's risk profile; and
- k. reviewing and recommending approval of the Board risk management procedures and controls for new products and services.

5- Ethics and Compliance Committee:

The Committee shall be responsible for:

- a. monitoring the compliance function and the Company's risk profile in respect of compliance with the laws applicable to it as well as the internal policies and procedure (including the Company's code of ethics or conduct);
- b. reviewing reports detailing the Company's risk profile and the compliance activities undertaken proactively aiming at determination of the Company's ability to meet its legal and ethical obligations;
- c. identifying weaknesses, lapses, breaches or violations and checking whether the controls and other measures are in place to help detect and address the same;
- d. supervising and monitoring the matters reported using the Company's whistleblowing or other confidential mechanisms for employees and others to report ethical and compliances concerns or potential breaches, violations or frauds;
- e. advising the Board, from time to time, on the effect of the above on the Company's conduct of business; and
- f. assisting the Board in setting up adequate controls or taking such measures so as to mitigate any risks relating to compliance, ethics and/or potential breaches, violations or frauds.

6- Underwriting Committee

The Committee is responsible for:

- a. reviewing periodically the policies and guidelines governing the Company's insurance and reinsurance underwriting;
- b. reviewing periodically the policies and guidelines regarding the Company's agent, broker, insured, ceding Company, and reinsurer counterparty risk in connection with its insurance and reinsurance underwriting activities;
- c. evaluating the Company's professional development plans for key insurance and reinsurance underwriting and actuarial functions; and
- d. performing such other responsibilities regarding the Company's insurance and reinsurance underwriting activities or policies or other matters as the Board may from time to time assign the Committee.

7- Claims Settlement Committee

The Committee is responsible for:

- a. establishing, implementing and maintaining the claims processing time;
- b. claims monitoring and ensuring the transparency, fairness and equality;
- c. reviewing and analyzing periodically the feedback & complains obtained through the mechanism;
- d. reviewing claims for suggesting corrective underwriting measures; and
- e. ensuring that salvage sales made are at their optimum price and with transparency.

8- Reinsurance / Coinsurance Committee

The Reinsurance and Coinsurance Committee is responsible for:

- a. Monitoring on an ongoing basis;
 - the processes and procedures;
 - the policies and guidelines;
 - the counterparty risk;
 - the level of risk assumed; and
 - the performance of the insurance or reinsurance component of any investment by the Company in any security whose return is determined in whole or in part by reference to the performance of an actual or hypothetical single insurance or reinsurance risk or portfolio of insurance or reinsurance risks;
- b. performing such other responsibilities regarding the Company's insurance and reinsurance underwriting activities or policies or other matters as the Board may from time to time assign the Committee; and
- c. monitoring that proper commission are charged on outward cessions.

Management Team

Muhammad Aminuddin

Chief Executive Officer

Nader Nawaz

Group Head HR & Admin

Yousuf Ali

Chief Internal Auditor

Danish Qazi

Company Secretary &
Group General Counsel

Syed Kazim Hasan

Chief Financial Officer &
DMD Operations

Muhammad Talal Ibrahim

Chief Information Officer

Anika Zain Effendi

Group Head Sustainability

Owais Shahid Khan

Group Head IT
Infrastructure & Operations

Farah Sayeed

Group Head Marketing &
Communication

Altaf Ahmed Siddiqui

Chief Underwriting Officer

Syed Ali Hassan Zaidi

Chief Strategy &
Transformation Officer

Directors' Training Program

All Directors on the Board are fully conversant with their duties and responsibilities as Directors of the Company. Three out of Eight Directors of the Company have undertaken the Directors' Training Program (DTP) from SECP approved institutions whereas one Director stands exempted from the requirement of certification of DTP. The remaining Directors are yet to obtain the certification.

Names of Directors who have already obtained the Certification are as follows:

1. Mr. Waqar Ahmed Malik
2. Mr. Jameel Yusuf
3. Syed Nadir Shah

Names of Director who has been granted exemption from the Certification by SECP is as follows:

1. Mr. Ali Jameel

As regards the requirement of Head of Departments and Female Executives to undertake the Directors' Training Program, the Company shall comply with the said requirement within the time prescribed under the Listed Companies (Code of Corporate Governance) Regulations, 2019.

Other Directorships of Company's Executive Directors

Mr. Muhammad Ali Jameel and Mr. Muhammad Aminuddin hold Non- Executive Director positions in the following companies:

Mr. Muhammad Ali Jameel

- TRG Pakistan Limited
- Agriauto Industries Limited

Mr. Muhammad Aminuddin

- TPL Life Insurance Limited

Role of Chairman and Chief Executive Officer (CEO)

The roles and responsibilities of the Chairman and the Chief Executive Officer are distinct and complementary. The same are set out below:

Chairman

The Chairman is in charge of the leadership of the Board. In particular, he is responsible for the following:

- to set the agenda and tone of the meetings of the Board in order to stimulate productive debate and ensure appropriate decision making regarding issues pertinent to those areas which are considered by the Board;
- to set a performance-oriented agenda which is largely fixated on strategizing, value creation and answerability;
- to manage the meetings of the Board to make sure that suitable time is allowed for discussion of all items on the agenda;
- to also ensure that complex or contentious issues are dealt with meritoriously, making sure in particular that non-executive directors have sufficient time to consider them;
- to ensure the constructive running of the Board and its relevant committees while in compliance of the maximum standards set by the Code of Corporate Governance;
- to ensure active, accurate and timely communication with shareholders and Board members alike regarding inter alia the performance of the Company;
- to ensure that the Board defines, to the best of its ability, the extent of the significant risks the Company can afford to and is willing to take in the employment of its devised plans;
- to warrant that the members review, consistently and continuously, the effectiveness of risk management and internal control systems;

Chief Executive Officer

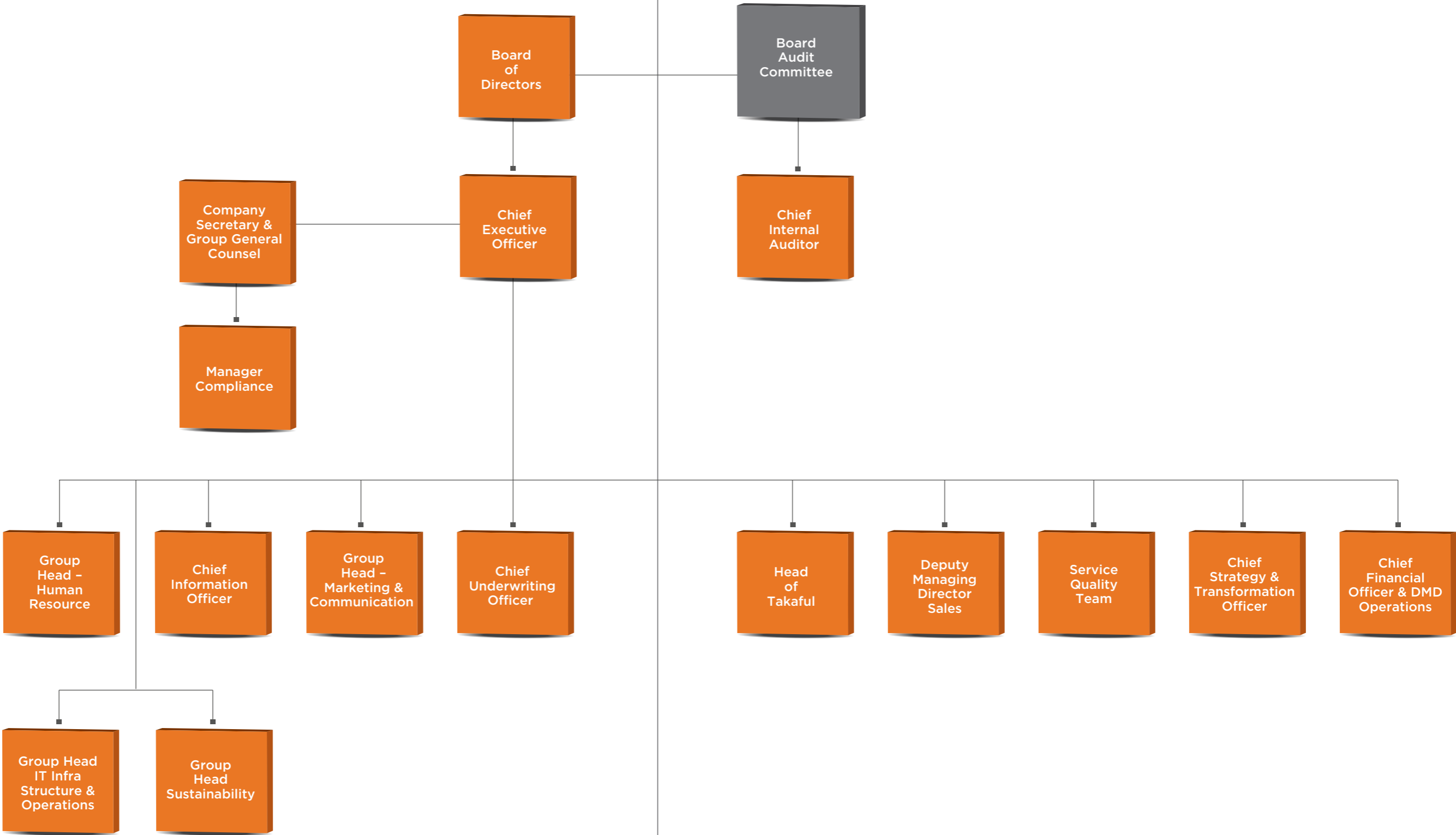
The CEO is responsible to lead the business, supervising it within the authorities delegated to him by the Board. He oversees the implementation and development of the devised policies. In particular, he is responsible for the following:

- to lead, in conjunction with the Board, the development of the Company's strategy;
- to lead and oversee the implementation of the Company's long and short term plans in accordance with its strategy;
- to ensure the Company is appropriately organized and appropriately staffed and to enable it to achieve the approved strategy;
- to assess the principal risks of the Company and to ensure that these risks are being monitored and managed;
- to ensure that the Company has appropriate systems to enable it to conduct its activities both lawfully and ethically;
- to ensure that the Company maintains high standards of corporate citizenship and social responsibility wherever/ whenever it does business;

- to act as a liaison between management and the Board and to provide information to the Board to enable the Directors to form appropriate judgments;
- to communicate effectively with shareholders, employees, Government authorities, other stakeholders and the public;
- to keep abreast of all material undertakings and activities of the Company and all material external factors affecting the Company, and ensure the integrity of all public disclosures by the Company;
- in concert with the Chairman, to develop focused agendas to be discussed by the Board in its meetings;
- to request that special or general meetings of the Board and shareholders be called when appropriate;
- to sit on committees of the Board where appropriate as determined by the Board;
- to abide by specific internally established control systems and authorities, to lead by personal example and encourage all employees to conduct their activities in accordance with all applicable laws and the Company's standards and policies, including its environmental, safety and health policies.

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Organization Chart



Whistleblowing Policy

1. Introduction

All employees of TPL Insurance Limited are under an obligation implied in their contract of employment to give honest and faithful service to the Company. This includes an obligation not to disclose to external sources any trade secrets or confidential information acquired during the course of employment or act in a manner that will undermine the mutual trust and confidence on which the employment relationship is based. The Company complements obligations by providing protection to employees for disclosure made without malice and in good faith of certain specific confidential information to a third party in defined circumstances. These are outlined below in document. The purpose of this policy is to provide a means by which employees are enabled to raise concerns with the appropriate authorities if they have reasonable grounds for believing there is serious malpractice within the Company. The Company encourages employees to raise matters of concern responsibly through the procedures laid down in this policy statement.

2. Scope of the Policy

The policy is designed to deal with concerns raised in relation to the specific issues which are in the public interest and are detailed in below document, and which fall outside the scope of other policies and procedures. The policy will not apply to personal grievances concerning an individual's terms and conditions of employment, or other aspects of the working relationship, complaints of bullying or harassment, or disciplinary matters. Such complaints will be dealt with under existing procedures on grievance, bullying and harassment, discipline and misconduct. Details of these procedures will be found in the relevant employee handbook. They are also published on the online HR portal.

The policy may deal with specific concerns which are in the public interest and may include:

- a criminal offence
- failure to comply with legal obligations or with the Statutes, Ordinances, Code of Conduct, and Regulations of the Company
- financial or non-financial maladministration or malpractice or impropriety or fraud
- academic or professional malpractice
- a risk to the health or safety of any individual
- environmental damage
- a miscarriage of justice
- improper conduct or unethical behavior
- attempts to suppress or conceal any information relating to any of the above.

If in the course of investigation any concern raised in relation to the above matters appears to the investigator to relate more appropriately to grievance, bullying or harassment, or discipline, those procedures will be invoked.

3. Who can raise a concern?

Any employee, who has a reasonable belief that there is serious malpractice relating to any of the protected matters specified in above document, may raise a concern under the procedure detailed in section 6 below. The issues raised under the protected list may relate to another employee, a group of employees, the individual's own department or another part of the Company. Concerns must be raised without malice and in good faith, and the individual must reasonably believe that the information disclosed, and any allegations contained in it, are substantially true. The disclosure must not be made for purposes of personal gain, and in all the circumstances it must be reasonable to make the disclosure. The Company will ensure that any member of staff who makes a disclosure in such circumstances will not be penalized or suffer any adverse treatment for doing so. However, a member of staff who does not act in good faith or makes an allegation without having reasonable grounds for believing it to be substantially true, or makes it for purposes of personal gain, or makes it malicious or vexatious may be subject to disciplinary proceedings.

In view of the protection afforded to an employee raising a bona fide concern, it is preferable if that individual puts his/her name to any disclosure. The identity of the person raising the matter will be kept confidential, if so requested, for as long as possible provided that this is compatible with a proper investigation. Anonymous complaints are not covered by this procedure, but may be reported, investigated or acted upon as the person receiving the complaint sees fit (including the use of this procedure), having regard to the seriousness of the issue raised, the credibility of the complaint, the prospects of being able to investigate the matter, and fairness to any individual mentioned in the complaint.

4. Procedure

4.1 Raising a concern

To raise a concern under the policy employees are required to complete the whistle blowing complaint form. The employee is requested to duly fill the form and submit it to Internal Audit/ Human Resources department.

If employee is unsure about whether his/her concerns are best dealt with under this policy or grievance procedure, employees are expected to consult his / her HR Business Manager for further advice.

4.2 Process

The person to whom the disclosure is made will normally consider the information and decide whether there is a prima facie case to answer. He or she will decide whether an investigation should be conducted and what form it should take. This will depend on the nature of the matter raised and may be,

- investigated internally
- referred to the relevant departments
- the subject of independent enquiry

If the person to whom the disclosure is made decides not to proceed with an investigation, the decision will be explained as fully as possible to the individual who raised the concern. It is then open to the individual to make the disclosure again either to another of the persons specified in the paragraph above or to the Head of the Internal Audit or HR department.

4.3 Investigation

Any investigation will be conducted as sensitively and speedily as possible. The employee will be notified of the intended timetable for the investigation. The person to whom the disclosure is made may authorize an initial investigation to establish the relevant facts. The investigation may be conducted by the internal auditor in the case of a financial irregularity, or by another person. The investigator will report his or her findings to the person to whom the disclosure was made, who will then decide if there is a case to answer and what procedure to follow. This may include taking steps with the competent authority to set up a special internal independent investigation or reference to some other authority, for further investigation. The decision may be that the matter would be more appropriately handled under existing procedures for grievance, bullying and harassment, or discipline. The individual making the disclosure will be informed of what action is to be taken.

4.4 Records

An official written record will be kept of each stage of the procedure.

4.5 Reporting of outcomes

A report of all disclosures and subsequent actions taken will be made by the persons deciding on the issues. This record should be signed by the Investigating Officer and the person who made the disclosure, and dated. Where appropriate the formal record need not identify the person making the disclosure, but in such a case that person will be required to sign a document confirming that the complaint has been investigated. Such reports will normally be retained for at least five years. In all cases a report of the outcome will be made to the relevant authorities, which will refer the report on appropriately if necessary.

5. Confidentiality and Protection Mechanism

The Policy assures that all complaints will be handled in complete confidence, and that the identity of the complainant will not be revealed to Management. In the unlikely event that the identity of Whistle Blower is revealed to any person in the Company, it will be ensured that the complainant is not subjected to any form of detrimental treatment.

5.1 Complaints of retaliation as a result of disclosure

The company accepts that it has an obligation to ensure that employee who make a disclosure without malice and in good faith are protected, regardless of whether or not the concern raised is upheld. An employee who has made a disclosure and who feels that, as a result, he or she has suffered adverse treatment should submit a formal complaint under the grievance procedure as set out in the relevant employee handbook detailing what has been done to him or her. If it appears that there are reasonable grounds for making the complaint, the onus will be on the person against whom the complaint of adverse treatment has been made to show that the actions complained of were not taken in retaliation for the disclosure.

Where it is determined that there is a prima facie case that an employee has suffered adverse treatment, harassment or victimization as a result of his or her disclosure, a further investigation may take place and disciplinary action may be taken against the perpetrator in accordance with the relevant procedure.

6. Success of the Policy and its implementation

All stakeholders are responsible for the success of this Policy and should ensure that they use it to disclose suspected danger or wrongdoing. If a stakeholder has any question about the content or application of this Policy, he or she may contact the Internal Audit & Human Resources Department for obtaining necessary clarification.

7. Number of instances reported

No instances have been reported during the year 2019

Code of Business Conduct and Ethical Principles

Ethical Obligations

TPL Insurance Limited strives to maintain a positive work environment where employees treat each other with respect and courtesy. Certain guidelines of acceptable conduct such as responsibility and diligence towards work duties, courteous and civil behavior towards colleagues and customers alike, and high standards of integrity and honesty must be observed by all employees of the organization at all times. This includes avoiding using abusive or insulting language in communication (verbal or written). Any language which is deemed offensive by normal standards and practice is prohibited.

Code of Conduct

It is our aim to establish business principles for the professional conduct of the employees of TPL Insurance. All employees are liable for disciplinary action if found in violation of the policies. In general, the use of good judgment, based on high ethical principles, is the standard of acceptable conduct.

The successful business operation and reputation of TPL Insurance is built upon the principles of fair dealing and ethical conduct of our employees. Our reputation for integrity and excellence require careful observance of the spirit and letter of all applicable laws and regulations, as well as a scrupulous regard for the highest standards of conduct and personal integrity.

The continued success of TPL Insurance is dependent upon our customers' trust and we are dedicated to preserving that trust. Employees owe a duty to TPL Insurance customers, and shareholders to act in a way that will merit the continued trust and confidence of the public. TPL Insurance will comply with all applicable laws and regulations and expects its directors, officers, and employees to conduct business in accordance with the letter, spirit, and intent of all relevant laws and to refrain from any illegal, dishonest, or unethical conduct.

Conflict of Interest

TPL Insurance's policy regarding possible conflict of interest is based on the principle that an employee's decisions in the business must be made solely in the best interest of the company. In reaching these decisions, an employee should not be influenced by personal or family considerations which might consciously (or unconsciously) affect his or her judgment as to what is in the best interest of the company. Each employee has an obligation to conduct business within guidelines that prohibit actual or potential conflicts of interest.

This document establishes only the framework within which the company wishes the business to operate. As a principle, relatives are not hired. On a later occasion if it is found out that a relative was hired with prior knowledge of an employee, this could become grounds for termination.

Child Labor and Worker Exploitation Policy

TPL Insurance does not use child or forced labor in any of our operations or facilities. We do not tolerate unacceptable worker treatment, such as exploitation of children, physical punishment or abuse, or involuntary servitude. We expect our suppliers and contractors with whom we do business to uphold the same standards. We do not commit to exposing workers to situations in or outside of the workplace that are hazardous, unsafe, or unhealthy. The company does not hire any employee under the age of 18 years for employment.

Confidentiality

All employees must protect confidential information, and prevent such information from being improperly disclosed to others inside or outside the organization. Any employee may not disclose any confidential information obtained from their position at the company to others or use any such information to obtain any benefit. Employees should not communicate or transmit confidential or sensitive information through external online communications services, such as the Internet. Interaction with competitors beyond the approved level will be regarded as gross misconduct. Appropriate disciplinary actions will be taken in case of negligence in case of non-compliance with the above policy.

Privacy of Records

It is vital that all employees maintain the utmost confidentiality with regards to work and employee information. All employees must ensure that organization work files are returned to their appropriate location at the end of each working day. All aspects of the employee records and information must be treated in the strictest confidence. Any violation will be treated under Gross Misconduct as applicable under the service rules. Access to HR files is provided to relate HR Officials, HODs, Internal/External Auditors, CEO and CFO and is viewed in the HR offices only.

Environmental Friendly

We are committed to running our business in an environmentally sound and sustainable manner. Accordingly, our aim is to ensure that, our processes and services have the minimum adverse impact commensurate with legitimate needs of the business.

Bribery & Fraud

Bribery is not tolerated in any form and any such matters are reported to HR immediately. In acting on the Company's behalf, the employee is strictly prohibited from offering, paying, soliciting or accepting bribes/gifts. External and internal bribery risks are regularly and systematically assessed and preventative measure are in place to avoid such matters. Engaging in fraud is a fundamental breach of our core value of honesty and we treat it as the most serious breach of discipline. The management is required to establish and maintain sufficient controls to ensure that fraud risk is properly identified, monitored and mitigated.

Gifts, Entertainment and Gratuities

We conduct our business on the basis of the superior value of goods and services we buy and sell. Our policy on gifts, entertainment and gratuities is designed to preserve and maintain the Company's reputation as a global enterprise, which acts with integrity and bases decisions only on legitimate business considerations. Receiving gifts, entertainment or other gratuities from people with whom we do business is generally not acceptable because doing so would imply an obligation on the part of the Company and potentially pose a conflict of interest.

Misconduct

The following acts are considered as misconduct and are liable for termination of service without notice and benefits. The service of an employee is suspended without pay (14 days' maximum) in case of misconduct, during the pendency of the proceedings initiated.

- Habitual late attendance
- Absent from duty without information for more than 03 days.
- Habitual negligence or neglect of work
- Insubordination or disobedience of senior member of the employee
- Resorting to strike or instigating other employees to stop working or go slow or spreading discontentment
- Giving or possessing classified/unclassified information to unauthorized persons
- Any act bringing disrepute to the company
- Any fraudulent act or forgery or another criminal act
- Misuse of company assets
- Non-adherence to the Code of Conduct

Health & Fire Safety

To build awareness on the Health, Safety and Environment standards, the organization on recurring basis, provide relevant information and training to the employees. The Administration/Security department ensures safe and healthy environment, conduct regular fire drills, so as to prepare every employee of the organization in the case of emergency situation. There are emergency exit routes, fire exits and fire extinguishers placed strategically. Associates will have the opportunity to have hands-on training on fire extinguisher and briefings on the proper use of firefighting equipment in their areas.

Anti-Money Laundering & Combating Financing of Terrorism:

The Company is strongly committed to preventing the use of its operations for money laundering or any activity, which facilitate money laundering or criminal activities. Accordingly, the Company will comply with Anti Money Laundering Act 2010, Anti Money Laundering and Countering Financing of Terrorism Regulations, 2018 and all applicable laws, and regulations designed to combat money laundering activity, enacted by the Government of Pakistan, all International Laws to which the Government of Pakistan is a signatory and will cooperate with the appropriate authorities in efforts to prevent any such misuse of the financial channels. Every employee is required to act in furtherance of this policy statement to protect the Company from exploitation by money launders, failing to do so can lead to immediate termination from services and initiation of a legal proceeding.

Non-compliance would result in penalties ranging from suspension to termination from the organization.

Environmental Safety

All employees are requested to ensure a safe work environment is maintained at all times. The use of alcohol, chewing of betel nut, illegal drugs may seriously affect a person's ability to perform their duties in a proper and safe manner and therefore are strictly prohibited while on duty both on and off premises. Smoking of cigarettes is prohibited on all office premises.

Legal Proceedings

It is essential that an employee, who becomes involved in legal proceedings, whether civil or criminal, should immediately inform his/her superior with a copy to the HR in writing. Failure to do so may result in termination of employment.

Compliance

Compliance with Business Ethics and Conduct is the responsibility of every employee. Disregarding or failing to comply with this standard of Business Ethics and Conduct could lead to disciplinary action, up to and including the possible termination of employment. It is the responsibility of the HR and all the immediate managers to ensure that the principles embodied in this code are communicated to, understood and observed by all employees.

Succession Planning

Our succession planning process covers the following areas:

Step 1 - Identify Key Positions

Criteria for key positions include:

- Positions that require specialized job skills or expertise.
- High-level leadership positions.
- Positions that are considered "critical" to the organization.

Step 2 - Build Job Profiles for each Key Position

- Determine the key success factors of the job and how proficient the job holder would need to be. This information can be obtained several ways, including performing on the job analysis or gathering critical information during the performance appraisal process. The information that is gathered includes the knowledge, skills, abilities, and attributes that the current employee in a position possesses that allow for competent and efficient performance of the function.

Step 3 - Competency Gap Analysis

- Using relevant tools, gather data on current employee competencies for the key positions
- Analyze the difference between current employee competencies and future needs
- Document findings for development opportunities

Step 4 - Development Opportunities

- Assess the abilities and career interests of employees
- Candidates should demonstrate high potential or ability that will enable them to achieve success at a higher level within the organization.

Step 5 - Individual Development Plans

- Design a plan for each candidate - developmental plans should be available for candidates and then incorporated into their performance management plans. Plans may include identifying career paths for high-potential candidates and others who have the interest and ability to move upward in the organization
- Provide development opportunities - This can be accomplished through job assignments, training, or on job rotation, and it is one of the best ways for employees to gain additional knowledge and skills

Step 6 - Maintain Skills Inventory

- Continually monitor skills and needs to determine any gaps and develop plans to meet deficiencies
- Keep an inventory of current and future needs and maintain the information for individual and group development

Policy for Actual and Perceived Conflict of Interest

TPL Insurance maintains the highest standards in ensuring that business ethics are always upheld and no corruption takes place. The Company ensures all Directors uphold and adhere to the code of conduct and recognize their fiduciary duty to act in the highest standards of Corporate Governance and avoid conflict of interests. Every director of the Company whose interest lies in any of the Company's dealings or arrangements are required to fully divulge their interests to the Board. They would not be a part of voting system for those matters. Each director is required to disclose the names of the Companies and their associations with them

Policy for Safety of Records of the Company

TPL Insurance ensures safety of records in the following ways:

- we have properly documented and tested Business Continuity Plan / Disaster Recovery Plan (BCP / DRP) which elucidates the safety of company records and ensure continuity of business operations in the event of a disaster.
- every department in the Company is self-responsible for daily backups on the server
- advanced machines are in place through which electronic retrieval of printed data can be extracted.

Policy for Security Clearance of Foreign Directors

In accordance with the requirements of Ministry of Interior (Mol), foreign directors cannot resume charge of their position unless the Mol provides security clearance of the foreign director.

The Company obtains declarations along with other requisite documents from the Foreign Directors, which are submitted with the Securities and Exchange Commission of Pakistan for onward submission to Mol.

In the event, the Mol refuses to provide clearance of the Foreign Director(s), the Company takes adequate steps to replace the said Director.

Policy on Diversity

The Company believes in cultural diversity and has blend of employees with varying characteristics. The Company promotes and encourages diversity in the form of gender, ethnicity and physical ability and ensures that the employees are treated in a fair and impartial manner.

Policy of Retention of Board Fee by the Executive Director in other Companies

Mr. Mohammad Ali Jameel and Mr. Muhammad Aminuddin who hold Position of Executive Directors in the Company also hold Non-Executive Director positions on the Boards of other Companies and receive remuneration in compliance with the respective Company's policies approved by their Board of Directors.

Investor's Grievances Policy

TPL Insurance has a well-defined mechanism for handling investor grievances and the subsequent redressal of the grievance. Our Compliance team undertakes to ensure that the investors are provided impeccable services.

The Company has set the following guidelines to handle investor queries and complaints:

- timely responses to investor grievances;
- fair treatment of all investors;
- corrective measures to be taken instantly to avoid complaints in the future

The Company Secretary is the point of contact in such cases. Investors may directly write to the Company at the following address:

The Company Secretary
TPL Insurance Limited
12th Floor, CenterPoint,
Off Shaheed-e-Millat Expressway,
Adjacent KPT Interchange, Karachi.

Shareholders' enquiries about their shareholding, dividends or share certificates etc. can be directed to the Share Registrar at the following address:

THK Associates (Pvt) Limited
1st Floor, 40-C, Block-6,
P.E.C.H.S., Karachi - 75400
UAN: (92-21):111-000-322
Tel: (92-21) 34168266-70

Alternatively, the investors can also send an email to designated email address info@tplinsurance.com for their queries/complaints.

In other cases, an investor who is not satisfied can also approach the Securities & Exchange Commission of Pakistan (SECP) complaint cell through the interactive link available on our website.

IT Governance Framework

TPL Insurance is keen on strengthening its internal controls, therefore, it has an approved Information Security Policy in place. The policy aims to define an IT & information security governance framework by defining the roles and responsibilities, acceptable practices, protocols and procedures to ensure operations are running effectively and risks are treated accordingly.

The Policy entails the following aspects:

- Roles and Responsibilities
- Physical & Environmental Security Measures
- Access Management
- Acceptable Use of Network & Communication
- System Development Life Cycles (SDLC)
- Asset Management
- Network Security
- Disaster Recovery Management

Annual Evaluation of Board's Performance

The Board has developed a mechanism to evaluate its own performance, on an annual basis, through a questionnaire which evaluates the performance of the Board as whole and that of individual directors. The said questionnaire is prepared in accordance with the Code of Corporate Governance and is circulated to all the Directors covering inter-alia the following areas:

- Fiduciary Duties
- Business Strategy
- Compliance with the Law
- Participation on the Board
- Corporate Reporting

This performance evaluation exercise helps the Board to evaluate its processes and effectiveness with the aim of ensuring the more efficient and effective operation and its functions, focusing on succession planning, the Board composition and the use of Board time.

Performance Review of the CEO

The Chief Executive Officer is appointed by the Board of Directors for tenure of three years. The Human Resource & Remuneration Committee of the Board sets operational, financial and strategic objectives to evaluate his performance. The Committee reviews and monitors the CEO's performance on an annual basis.

Chairman's Review Report

I am honored to share notable performance of the Board of TPL Insurance Limited (Company) with its shareholders which helped the Company in maintaining the growth momentum of the previous year, scaling new highs in the industry and enhancing stakeholders' concerns. The Board remained committed ensuring the efficient functionality of the businesses of the Company, despite the challenging circumstances of the industry in which the Company operates at the moment.

The Board is well balanced in term of skills and experience; assisting the Company to thrive in its business and to benefit the management from its thoughtful engagement and regular support. The expertise of the Board has enabled the Company to effectively partake varied businesses in complex and fast-changing markets.

The Board remained well focused to high standards of corporate governance and conducted its review, on a self-assessment basis, for the year to evaluate its processes and effectiveness with the aim of ensuring the more efficient and effective operation and its functions, focusing on succession planning, the Board composition and the use of Board time.

The Committees of the Board also played vital role in ensuring adherence to all regulatory requirements by the Management. The Human Resources Committee assisted in injecting and retaining key management personnel and the Audit Committee provided independent review and supervision of financial reporting and monitoring, thus, ensuring that the audit functions fairly represent the financial position of the Company.

I would like to acknowledge the expertise and counsel that the Board and its committees have contributed to the progression of the Company throughout the year. Similarly, my thanks to our leadership team and employees, led by Management.

Importantly, on behalf of the Board, I would like to express our gratitude to the valued shareholders of the Company and pray that the growth and profit trajectory of the Company continues to grow in the year to come.



Jameel Yusuf S.St.
Chairman of the Board

25 March 2020

Audit Committee Report

The Audit Committee

The Audit Committee (AC) is delegated with the authority from the Board to provide independent oversight of the Company's financial reporting and internal control systems, and the adequacy of the external and internal audits. The AC is provided with sufficient resources to perform its duties including support, as necessary, from the Internal Audit Department (IAD), the external auditor, legal counsel and management in examining all matters relating to the Company's adopted accounting policies and practices, and in reviewing all material financial, operational and compliance controls. The AC comprises of one independent director, and two non-executive directors, and includes a member who is financially literate. The AC held four meetings in 2019.

Review of Financial Results

The AC reviewed the 2019 Financial Statements in conjunction with the Company's external auditors. Based on this review and discussions with management, the AC was satisfied that the Financial Statements were prepared in accordance with applicable accounting standards and fairly present the Company's financial position and results for the year ended 31 December 2019. The AC therefore recommended the Financial Statements for the year ended 31 December 2019 be approved by the Board.

Review of Internal Control Systems

The AC reviewed the effectiveness of the Company's policies and procedures regarding internal control systems by reviewing the work of the IAD and the Company's external auditor, and regular reports from management including those on risk management, regulatory compliance and legal matters. In conjunction with the Risk Committee, the AC reviewed and concurred with the management confirmation that for the year ended 31 December 2019, the Company's risk management and internal control systems were effective. The AC is satisfied that the Company has adopted necessary control mechanisms to ensure that it satisfactorily complies with the requirements of the Code of Corporate Governance in respect of internal control systems.

Review of Accounting, Financial Reporting and Internal Audit Functions

The AC reviewed and was satisfied with the adequacy of the resources, staff qualifications and experience, training programs and budget of the Company's accounting, financial reporting and internal audit functions.

Review of Related Party Transactions

During 2019, the Company entered into certain related party transactions as disclosed in the notes to the financial statements. The AC reviewed these transactions. The AC confirmed that the transactions were entered into by the Company are in accordance with the applicable requirements.

Independence of External Auditor

The AC is mandated to monitor the independence of the Company's external auditor, EY Ford Rhodes (EYFR) Chartered Accountants. With respect to the independence of the Company's external auditor, the AC received confirmation from and discussed with EYFR on its independence and objectivity. During the year, the AC reviewed EYFR's statutory audit scope and concurred with it.

Re-appointment of External Auditors

The AC has reviewed the external auditors' independence and objectivity. External auditors have confirmed that they have been given satisfactory rating under Quality Control Review program of the Institute of Chartered Accountants of Pakistan.

EYFR has completed their statutory term of five years, in accordance with the requirements of Code of Corporate Governance. TPL Corp Limited, the parent of the Company and its subsidiaries continue to be audited by EYFR. In accordance with the requirements of CCG, all inter-related companies engaged in financial services are required to appoint the same firm of auditors. Accordingly, the AC, based on approval from SECP, recommend appointment of EY Ford Rhodes Chartered Accountants as statutory auditors of the Company for the year ending 31 December 2020.



Syed Nadir Shah
Chairman of Audit Committee

25 March 2020

Directors' Report 2019

On behalf of the Board of Directors of TPL Insurance Limited ("the Company"), I am pleased to present the Annual Report of the Company for the year ended December 31, 2019.

Business Review

Gross Written Premium

The Company has been allowed by SECP to report its results on consolidated basis i.e. conventional accounts clubbed with Takaful accounts on line by line basis. This facilitates true reflection of the Company's performance as a whole which is also imperative from the investors' point of view. Previously, the results of Participants' Takaful Fund were not included in the Company's results. The financial statements for the year ended 31 December 2019 have been presented on this basis and comparative information has been restated.

During the year, the Company reported Gross Written Premium ("GWP") of Rs. 2,505 Million registering growth of 4.0%. The premium includes contribution written by window takaful operations of the Company which amounts to Rs. 1,179.4 Million (2018: 1,058.5 Million). The growth of 4.0% is despite challenging market conditions in motor insurance segment. Current macroeconomic policies of increase in discount rate and devaluation of Pak Rupee has impacted motor vehicle industry. Discount rate continued to increase from 10.00% at the beginning of the year to 13.25% at the end of the year, which caused increase in financing cost for consumers significantly. On the external account front, Pak Rupee has been further devalued by 10.8% during the year, which, coupled with imposition of Federal Excise Duty on high value vehicles, made purchase of motor vehicles unaffordable for large segment of the population. As a result car sales plunged by 40% and consequently impacted the demand for fresh motor insurance. However, the Company still reported 4.9% growth in its motor portfolio which increased from 2,058 Million to 2,159 Million. The Company continues to maintain its 3rd position in the motor market on overall basis and 6th rank in the industry (based on Net Earned Premium for the ended 31 Decemeber 2018).

Year	Gross Written Premium (Rs. in Millions)	Growth %
2014	1,220.8	40%
2015	1,635.5	34%
2016	2,054.5	26%
2017	2,292.7	12%
2018	2,408.7	5%
2019	2,505.3	4%

During 2019, the Company continued to expand into fire and marine segments. Fire and marine segments reported growth of 42% and achieved premium of Rs. 208 Million (2018: Rs. 146 Million). Health business, however, declined to Rs. 98 Million (2018: Rs. 181 Million), mainly due to temporary suspension of business by one of our major bancassurance partner.

The Company is pursuing selective growth strategy while focusing on digitalization initiatives to further improve service quality for our customers. During 2019, we have successfully launched Pakistan's first usage based insurance - Drive Pro, which enables our customers to earn discount for safe driving, and also ensures reduction in our underwriting risk. We are also targeting to penetrate in

agriculture insurance whereby we have successfully underwritten first livestock insurance covering more than two thousand cattle in Thar District. We have also launched shop insurance during 2019 and plan to aggressively penetrate in this segment over the next couple of years. With all these new initiatives along-with increasing depth in our traditional distributional channels, we expect to overcome challenging market conditions and achieve profitable growth in future.

Claims Analysis

In 2020, the Company has introduced further improvements in its vendor management. Further, due to change in tax laws, the Company is now able to claim input sales tax on motor parts, which it could not previously claim. This has also had positive impact on claim performance during the year. As a result, claim ratio has improved by 2% at 41% during the year.

No major claim costs has been incurred in commercial lines business to date due to prudent underwriting and lower retention of risk

Reinsurance

The Company continues to have strong relationship with reinsurance partners. The Company has treaty arrangements with blue-chip A rated insurers. During the year, the Company has enhanced its natural catastrophe cover for motor class from Rs. 300 Million to Rs. 900 Million.

Yearly Claims Incurred

Year	% of Earned Premium
2014	51%
2015	49%
2016	46%
2017	43%
2018	43%
2019	41%

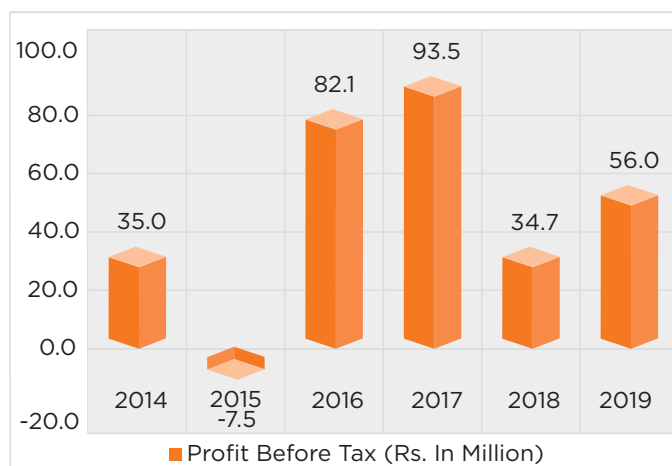
Window Takaful Operations

The Company's Window Takaful Operations (WTO) continue to grow and has underwritten contributions amounting to Rs. 1,179.4 Million (2018: Rs. 1,058.5 Million). This represents YoY growth of 11.4%. The consolidated assets of operator fund and participant takaful fund amounts to Rs. 1,330.9 Million (2018: Rs. 1,255.7 Million). The Company continues to maintain 2nd position in motor takaful market.

During the year, the participant takaful fund reported a surplus of Rs. 137.7 Million (2018: Rs. 20.2 Million). This was achieved as a result of prudent underwriting and reduction in Wakala fee. It is projected that participant takaful fund profitability would further improve in the next years and the Company will recover the Qard e Hasna provided to the fund in full.

Financial Review

Profitability and Growth



The Company has recorded a post-tax profit of Rs 30.5 Million (2018: Rs. 23.7 Million). The results include surplus attributable to Participants' Takaful Fund amounting to Rs. 137.7 Million (2018: Rs. 20.2 Million). The loss attributable to shareholders' fund amounted to Rs. 107.2 Million (2018: Profit of Rs. 3.6 Million). The pre-tax and post-tax basic loss per share are 0.87 and 1.14 respectively (2018: Earning per share of Rs. 0.15 and Rs. 0.04).

The lower profitability is attributed to investment made in development of new products, penetration in fire and marine segments, digitization initiatives

undertaken by the Company, as well as reduced Wakala fee charged to participant's takaful fund.

While these measures have had a short term negative impact on profitability of the Company, we believe that these steps will enable us to achieve sustainable profitable growth in the coming years.

Investments

As at 31 December 2019, investments made by the Company (including investments made by Participant's Takaful Fund) stands at Rs. 729.4 Million (2018: Rs. 1,026.3 Million). These mainly comprise of investments in term deposits amounting to 420 Million (2018: 350 Million), investment in government securities amounting to Rs. 95.7 Million (2018: Rs.292.8 Million), investment in corporate debt instruments amounting to Rs. 125 Million (2018: Rs. 50 Million) and investment in equities and mutual funds amounting to Rs. 88.7 Million (2018: 333.5 Million). The aggregate market value of these investments is Rs. 728.5 Million (2018: Rs. 1,023.4 Million).

Cash & Bank Balances

The cash and bank balances of the Company stands at Rs. 702.4 Million (2018: Rs. 251.9 Million). This includes cash and bank balances Participants' Takaful Fund amounting to Rs.149.7 Million (2018: Rs. 93.8 Million).

Dividend

Due to loss for the year attributable to the Shareholders' Fund, the Board of Directors have decided not to declare dividend for the year ended 31 December 2019 (2018: bonus shares of 13% and cash dividend of 20%).

Credit Rating

The Pakistan Credit Rating Agency Ltd (PACRA) has maintained the credit rating of the Company to "A+" with a stable outlook.

Key Financial Data for the Last Six Years

Income Statement

(Rupees in Millions)

	2019	2018	2017	2016	2015	2014
Gross premium written	2,505.3	2,408.7	2,292.7	2,054.5	1,635.5	1,220.8
Net premium revenue	2,136.2	2,246.6	2,068.8	1,750.5	1,419.3	1,049.1
Underwriting expenses	(2,024.5)	(2,116.7)	(1,957.1)	(1,724.6)	(1,368.3)	(973.3)
Underwriting results	111.7	129.9	111.7	25.9	51.0	75.8
Investment income and other income	152.1	70.7	61.9	106.8	93.5	92.8
Other expenses	(207.8)	(165.9)	(80.1)	(50.6)	(152.0)	(133.6)
Profit / (Loss) before tax for the year	56.0	34.7	93.5	82.1	(7.5)	35.0
Profit / (Loss) after tax	30.5	23.8	35.2	36.4	(19.8)	22.0

Balance Sheet

(Rupees in Millions)

Balance Sheet	2019	2018	2017	2016	2015	2014
Paid up share capital	946.7	955.6	1,009.1	904.1	800.9	464.7
Accumulated (losses) / Unappropriated profits	(114.0)	8.0	138.7	138.7	138.7	-
Unrealized gain (loss) on revaluation of available-for-sale investments	(29.7)	(26.7)	(26.4)	2.3	-	-
Participant's Takaful Fund	(48.9)	(170.3)	(201.7)	(121.9)	(55.1)	(1.9)
Total Equity	754.1	766.6	919.7	923.2	884.5	462.8
Investments	729.4	1,026.3	1,213.3	1,056.8	930.4	49.9
Fixed assets	426.5	122.0	70.0	361.2	384.7	308.7
Capital work in progress	2.6	7.6	21.4	-	-	4.8
Cash and bank deposits	702.4	251.9	247.2	240.9	30.4	89.8
Other assets	1,105.2	1,216.9	1,147.1	759.0	635.7	834.6
Total Assets	2,966.1	2,624.7	2,699.1	2,417.9	1,981.2	1,287.8
Underwriting liabilities	1,505.1	1,447.4	1,383.6	1,247.9	970.0	756.1
Other liabilities	706.9	410.7	395.7	246.8	126.7	68.9
Total Liabilities	2,212.0	1,858.1	1,779.4	1,494.7	1,096.7	825

Auditors

M/s EY Ford Rhodes, Chartered Accountants ("EYFR") have completed the statutory term of five years as stipulated in the Code of Corporate Governance ("CCG"). TPL Corp Limited, the parent of the Company and its subsidiaries continue to be audited by EYFR. In accordance with the requirements of CCG, all inter-related companies engaged in financial services are required to appoint the same firm of auditors. Accordingly, the Board of Directors, based on approval from SECP, recommend appointment of EY Ford Rhodes Chartered Accountants as statutory auditors of the Company for the year ending 31 December 2020, at a fee to be mutually agreed.

Related Party Transactions

The related party transactions were placed before the Board of Audit Committee and approved by the Board, being executed on an arm's length basis. These transactions were in line with the International Financial Reports Standards and the Companies Act, 2017.

Anti-Money Laundering and Counterfinancing of Terrorism

The Company is working towards ensuring compliance of the Anti-Money Laundering and Counter-Financing of Terrorism Regulations, 2018 and in this regard the Board of Directors' of the Company have also approved the AML/CFT Policy

Corporate Social Responsibility

We have an articulated CSR vision, which is aligned with our business vision. We have made the pursuit of co-prosperity through our CSR initiatives one of our core values, and will thus keep working with local communities, our country, and humanity to benefit all stakeholders. By targeting need based interventions for community welfare, we have curated impactful interventions in the key areas of HealthCare, Education, Training & Skill Development, Women Empowerment and the Environment including countermeasures against climate change. As we head in 2020, we seek to strengthen our initiatives through a focus on innovation, impact and expanding our outreach through partnerships. By proactively addressing social and environmental issues, we will be able to create sustainable value for the community at large and build a prosperous nation.

Statement on Corporate and Financial Reporting Framework

The Board is fully aware of its corporate responsibilities as envisaged under the Code of Corporate Governance, prescribed by the Securities and Exchange Commission of Pakistan and is pleased to certify that:

- The financial statements prepared by the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- The Company has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of financial statements except as disclosed in the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, International Financial Reporting Standard and other regulations (including but not limited to the Shariah guidelines /principles) as applicable in Pakistan, have been followed in the preparation of the financial statements and any departure there from have been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- The fundamentals of the Company are strong and there are no doubts about Company's ability to continue as a going concern.
- The Company has followed the best practices of the Corporate Governance and there has been no material departure there from.
- Key operating and financial data for the last six years in summarized form, is included in this annual report.

- Significant deviations from last year's operating results have been explained in this report
- Statutory payments on account of taxes, duties, levies and charges outstanding are in the normal course of business
- The board is duly complying in respect of the Directors' Training Program as referred under the Clause 19(1)(i) of the Listed Companies (Code of Corporate Governance) Regulations, 2019
- The value of investments of provident fund on the basis of unaudited financial statements of the provident fund as on 31 December 2019 is Rs. 53.8 Million (2018: Rs. 39.4 Million).

Directors' Remuneration

The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Companies Act 2017. The details of remuneration to directors is mentioned in notes to the Financial Statements.

Composition of Directors is disclosed in Statement of Compliance with Code of Corporate Governance.

Insurance Ordinance 2000

As required under the Insurance Ordinance 2000 and rules framed there under, the Directors confirm that:

- In their opinion and to the best of their belief, the annual statutory accounts of the Company set out in the forms attached with this statement have been drawn up in accordance with Insurance Ordinance 2000 and Insurance Rules made there under.
- The Company has at all times in the year complied with the provisions of the Ordinance and the rules made there under relating to the paid up capital, solvency and reinsurance arrangements; and as at the date of the statement, it continues to be in compliance with the provisions of the Ordinance and rules framed there under as mentioned above.

Code of Conduct

The Company ensures that all its activities are carried out in a transparent manner strictly following the code of business ethics with zero tolerance.

Pattern of Share - Holding

A statement of pattern of share-holding of the Company as at 31 December 2019 is as follows:

Shareholder's Category	Number of Shares Held	Percentage of Shareholding
Parent Company - TPL Corp Limited	69,952,950	74.52%
Directors	17,481	0.02%
Banks, DFIs & NBFIs	14,310,435	15.25%
Mutual Funds	5,442,790	5.80%
General Public (Local)	3,561,391	3.79%
General Public (Foreign)	7,872	0.01%
Others	573,342	0.61%
Total	93,866,261	100.00%

Trading In Company's Shares

Details of trade in shares of the Company by major shareholders, Directors, CEO, CFO, Company Secretary, Head of Internal Audit, other employees and their spouses and minor children are reported under Pattern of Shareholding.

Board Meetings

The Board of Directors held four meetings in 2019. Attendance of Directors is indicated below:

Name of Director	Meetings Attended
Mr. Jameel Yusuf (S.St)	4
Mr. Ali Jameel	4
Mr. Rana Assad Amin	4
Mr Andrew Borda	4
Mr. Waqar Ahmed Malik	3
Syed Nadir Shah	4
Mr. Muhammad Aminuddin *	4**
Ms Naila Kassim***	3

* resigned during the year

** Mr. Muhammad Aminuddin attended one (1) meeting in the capacity of a Director and upon his resignation from the Directorship of the Company he attended the remaining meetings in the capacity of a deemed director

*** filled casual vacancy during the year

Future Outlook

The Company is targeting focused growth in personal lines business as well as investing in digitalization initiatives to increase its outreach in the market. This, along-with diversification benefits through penetration into non-motor segment would significantly strengthen Company's position in future. We are confident that initiatives taken by the government to improve foreign investments and GDP growth would bring economic stability and would supplement insurance industry growth. Although with high discount rate and automobile prices cast doubt on auto insurance growth, but Company is confident to improve market share through product development, channel deepening and penetration through digitalization initiatives.

The company is fully conscious of the recent global outbreak of Coronavirus that is impacting the overall business scenario in the country. Our business contingency plans have been activated and on account of our end to end digital sales and servicing infrastructure we are almost fully functional.

That said, the company is aware of the overall challenging economic environment with the resultant low fresh business volumes. In response we have initiated a multi-faceted strategy to engage with our business partners and customers to assure them of our availability for any support or business requirements that they may have from the company.

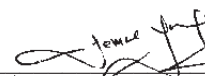
Acknowledgement

We would like to thank the shareholders of the Company for the confidence they have reflected in us. We also appreciate the valued support and guidance provided by the Pakistan Stock Exchange, Federal Board of Revenue, Provincial Revenue Authorities, Central Depository Company and Securities and Exchange Commission of Pakistan over time. We would also express our sincere thanks to the employees, strategic partners, vendors, bankers and customers for their support in pursuit of our corporate objectives.

For and on behalf of the Board of Directors,



Muhammad Aminuddin
Chief Executive Officer



Jameel Yusuf (S.St)
Chairman

25 March 2020

Management responsibilities towards 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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement.

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.

Pattern of Shareholding

No. of Shareholders	From	To	Shares Held	Percentage
220	1	100	1,366	0.0015
39	101	500	10,973	0.0117
105	501	1,000	66,534	0.0709
104	1,001	5,000	216,011	0.2301
18	5,001	10,000	119,591	0.1274
11	10,001	15,000	132,883	0.1416
5	15,001	20,000	89,407	0.0952
4	20,001	25,000	97,603	0.1040
2	25,001	30,000	59,386	0.0633
2	30,001	35,000	65,406	0.0697
2	35,001	40,000	74,763	0.0796
1	40,001	45,000	43,307	0.0461
1	45,001	50,000	48,064	0.0512
1	55,001	60,000	59,790	0.0637
3	60,001	65,000	184,485	0.1965
1	75,001	80,000	80,000	0.0852
1	80,001	85,000	83,500	0.0890
1	85,001	90,000	86,000	0.0916
1	90,001	95,000	93,394	0.0995
1	120,001	125,000	124,300	0.1324
1	160,001	165,000	161,357	0.1719
1	355,001	360,000	358,641	0.3821
1	370,001	375,000	373,290	0.3977
1	400,001	405,000	400,020	0.4262
1	405,001	410,000	405,919	0.4324
1	445,001	450,000	450,000	0.4794
1	515,001	520,000	519,654	0.5536
1	535,001	540,000	535,620	0.5706
1	620,001	625,000	625,000	0.6658
1	675,001	680,000	676,970	0.7212
1	750,001	755,000	750,483	0.7995
1	1,140,001	1,145,000	1,141,252	1.2158
1	1,250,001	1,255,000	1,251,935	1.3337
1	3,075,001	3,080,000	3,078,397	3.2796
2	3,995,001	4,000,000	8,000,000	8.5228
1	8,970,001	8,975,000	8,975,000	9.5615
1	11,795,001	11,800,000	11,800,000	12.5711
1	13,740,001	13,745,000	13,740,363	14.6382
1	38,885,001	38,890,000	38,885,597	41.4266
543	Company Total		93866261	100

Category of Shareholding

Category of Shareholders as of December 31, 2019

Particulars	No of Folio	Balance Share	Percentage
Directors, CEO & their Spouse and Minor Children	6	17,481	0.02
Mr. Jameel Yousuf		620	0.00
Mr. Ali Jameel		620	0.00
Mr. Andrew Borda		1	0.00
Syed Nadir Shah		620	0.00
Mr. Waqar Ahmed Malik		620	0.00
Mr. Muhammad Aminuddin		15000	0.016
Associated Companies	7	69,952,950	74.52
TPL Corp Limited		68,875,960	73.38
TPL Holdings Pvt. Ltd.		1,076,990	1.15
Banks, DFI & NBF	4	14,310,435	15.25
National Bank of Pakistan		8,975,000	9.56
Pearl Securities Limited		1,251,935	1.33
Arif Habib Limited		4,000,000	4.26
Pearl Securities Limited - MF		83,500	0.09
Mutual Funds	6	5,442,790	5.80
Golden Arrow Selected Stocks Fund Limited		373,290	0.40
CDC - Trustee PICIC Investment Fund		535,620	0.57
CDC - Trustee PICIC Growth Fund		750,483	0.80
CDC - Trustee AKD Opportunity Fund		3,078,397	3.28
CDC - Trustee Hbl - Stock Fund		705,000	0.75
General Public (Local)	503	3,561,391	3.79
General Public (Foreign)	4	7,872	0.01
Others	17	573,342	0.61
Toyota Hyderabad Motors		33,412	0.04
Bonus Fraction B-2018		189	0.00
CDC Stay Order Cases With Fraction		405,919	0.43
Bonus Fraction B-2019		168	0.00
Habib Sugar Mills Ltd		60,062	0.06
Maple Leaf Capital Limited		1	0.00
Fawad Yusuf Securities (Pvt.) Limited		329	0.00
Federal Board Of Revenue		16734	0.02
Sherman Securities (Private) Limited		367	0.00
Ncc - Pre Settlement Delivery Account		1,000	0.00
Falcon-i (Private) Limited		1	0.00
Toyota Sahara Motors (Pvt) Ltd		38,038	0.04
Paradigm Factors (Private) Limited		17,122	0.02
Company Total	543	93,866,261	100

Details of sell of shares by directors and majority shareholders during the year 2019 are as follows;

Name of Director	No. of Shares	Price Per Share	Nature of Transaction
Mr. Waqar Ahmed Malik	100,000	27.34	Sell
Mr. Waqar Ahmed Malik	24,000	26.51	Sell
Mr. Waqar Ahmed Malik	300	24.95	Sell
TPL Corp Limited	1,000,000	25.00	Sell
TPL Corp Limited	1,990,550	25.04	Sell
TPL Corp Limited	4,000	25.05	Sell
TPL Corp Limited	5,000	25.10	Sell
TPL Corp Limited	500	25.11	Sell
TPL Corp Limited	500,000	25.00	Sell
TPL Corp Limited	1,000,000	25.00	Sell
TPL Corp Limited	1,000,000	25.00	Sell
TPL Corp Limited	6,750,000	25.00	Sell
TPL Corp Limited	2,250,000	25.00	Sell
TPL Corp Limited	4,000,000	25.00	Sell

Independent Auditor's Review Report

To the members of TPL Insurance Limited (the Company)

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

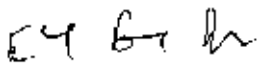
We have reviewed the enclosed Statement of Compliance with Code of Corporate Governance Regulations, 2019 prepared by the Board of Directors of TPL Insurance Limited for the year ended 31 December 2019 in accordance with the requirements of regulation 36 of the Listed Companies Code of Corporate Governance Regulations, 2019 (the Regulations) and Code of Corporate Governance for Insurers, 2016 (the Code).

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. 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 2019.



Chartered Accountants

Place: Karachi

Date: 27 April 2020

Statement of Compliance with the Code of Corporate Governance

For the year ended December 31, 2019

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

TPL Insurance Limited (the "Company") has applied the principles contained in the Code in the following manner:

1. The total number of directors are 7 as per the following
 - a. Male : 6
 - b. Female : 1
2. The Company encourages representation of Independent and Non-Executive Directors representing the minority's interests on its Board of Directors. At present the Board includes:

Category	Name
Independent Director(s)	Syed Nadir Shah, Ms. Naila Kassim
Executive Director(s)	Mr. Muhammad Aminuddin (Chief Executive Officer), Mr. Muhammad Ali Jameel
Non-Executive Director(s)	Mr. Jameel Yusuf, Mr. Andrew Borda, Mr. Waqar Ahmed Malik, Mr. Rana Assad Amin

All Independent Directors meet the criteria of independence as laid down under the 2016 Code.

3. The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
4. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of stock exchange, has been declared as a defaulter by a stock exchange.
5. The casual vacancies were duly filled up by the Directors as follows:

S. No.	Resigned	Date	Appointment	Dated
1.	Mr. Muhammad Aminuddin	January 20, 2019	Ms. Naila Kassim	January 25, 2019

6. The Company has prepared a Code of Conduct, which has been disseminated among all the Directors and employees of the Company.
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 powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other Executive Directors and the key officers, have been taken by the Board.
9. The meetings of the Board were presided over by the Chairman and in his absence, by a Director elected by the Board for this purpose, and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven (7) days before the meeting. The minutes of the meeting were appropriately recorded and circulated.
10. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Companies Act, 2017 and these Regulations.
11. The Board has established a system of sound internal control, which is effectively implemented at all levels within the Company. The Company has adopted and complied with all the necessary aspects of internal controls given in the 2016 Code.
12. An orientation of the Board of Directors was conducted to apprise them of their duties and responsibilities including the fiduciary duties as contained in the Companies Act, 2017.

13. The board approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and condition of employment.
14. The Directors' Report for this year has been prepared in compliance with the requirements of the 2016 Code and fully describes the salient matters required to be disclosed.
15. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
16. The Directors, Chief Executive Officer and other executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding.
17. The Company has complied with all the corporate and financial reporting requirements of the 2016 Code.
18. The Board has formed the following Management Committees:

Underwriting Committee:

Name of the Member	Category
Mr. Andrew Borda	Chairman
Mr. Shumail Iqbal	Member
Syed Kazim Hasan	Secretary

Claim Settlement Committee:

Name of the Member	Category
Mr. Muhammad Aminuddin	Chairman
Syed Ali Hassan Zaidi	Member
Syed Kazim Hassan	Member
Mr. Ovais Alam	Secretary

Reinsurance and Co-insurance Committee

Name of the Member	Category
Mr. Andrew Borda	Chairman
Mr. Athar Abbas	Member
Ms. Shadab Khan	Secretary

Risk Management and Compliance Committee:

Name of the Member	Category
Mr. Waqar Ahmed Malik	Chairman
Syed Kazim Hasan	Member
Mr. Muhammad Aminuddin	Member
Ms. Shayan Mufti	Secretary

19. The Board has formed the following Board Committees:

Ethics, HR, Remuneration and Nomination Committee:

Name of the Member	Category
Syed Nadir Shah	Chairman
Mr. Ali Jameel	Member
Mr. Rana Assad Amin	Member
Mr. Waqar Ahmed Malik	Member
Mr. Nader Nawaz	Secretary

Investment Committee:

Name of the Member	Category
Mr. Ali Jameel	Chairman
Mr. Andrew Borda	Member
Mr. Waqar Ahmed Malik	Member
Mr. Muhammad Aminuddin	Member
Syed Kazim Hasan	Secretary

20. The Board has formed an Audit Committee. It comprises of three members of whom one is an independent director and two non-executive directors with one member of the audit committee duly qualifying the requirement of being financially literate. The Chairman of the Committee is an independent director. The composition of the Audit Committee is as follows:

Audit Committee:

Name of the Member	Category
Syed Nadir Shah	Chairman
Mr. Rana Assad Amin	Member
Mr. Andrew Borda	Member
Mr. Yousuf Zohaib Ali	Secretary

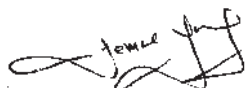
21. The meetings of the Committees, except Ethics, Human Resources and Remuneration Committee, were held at least once every quarter prior to approval of interim and final results of the insurer and as required by the Code of Corporate Governance for Insurers, 2016. The terms of references of the Committees have been formed, documented and advised to the Committees for Compliance.
22. The Board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company and is involved in the internal audit function on a regular basis.
23. The Chief Executive Officer, Chief Financial Officer, Compliance Officer, Company Secretary and the Head of Internal Audit possess such qualification and experience as is required under the 2016 Code. Moreover, the persons heading the underwriting, claim, reinsurance and risk management departments possess qualification and experience of direct relevance to their respective functions, as required under Section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000):

Name of Person	Designation
Mr. Muhammad Aminuddin	Chief Executive Officer
Syed Kazim Hasan	Chief Financial Officer
Mr. Danish Qazi	Compliance Officer
Mr. Danish Qazi	Company Secretary
Mr. Yousuf Zohaib Ali	Head of Internal Audit
Mr. Shumail Iqbal	Head of Underwriting
Mr. Ovais Alam	Head of Claims
Ms. Shadab Khan	Head of Reinsurance
Syed Ali Hassan Zaidi	Head of Strategy & Risk Management
Ms. Sania Hassan Khan	Head of Grievance Dept.

24. The statutory auditors of the Company have been appointed from the panel of auditors approved by the Commission in terms of Section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the international Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

25. The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
26. The Board ensures that the investment policy of the Company has been drawn up in accordance with the provisions of the 2016 Code.
27. The Board ensures that the risk management system of the Company is in place as per the requirements of the 2016 Code. The Company has set up a risk management function/ department, which carries out its tasks as covered under the 2016 Code.
28. The Company has been rated by PACRA and the rating assigned by the rating agency on August 27, 2019 is A+ with stable outlook.
29. The Board has set up a grievance department/function, which fully complies with the requirements of the 2016 Code.
30. The Company has obtained exemption from the Securities and Exchange Commission of Pakistan in respect of the following requirement of the Code of Corporate Governance for Insurers, 2016:
"Extension of Appointment of Auditors for one year".
31. We confirm that all other material principles contained in the Code of Corporate Governance for Insurers, 2016 have been complied with.

By Order of the Board



Chairman

Date : March 25, 2020

Social and Environmental Responsibility Policy

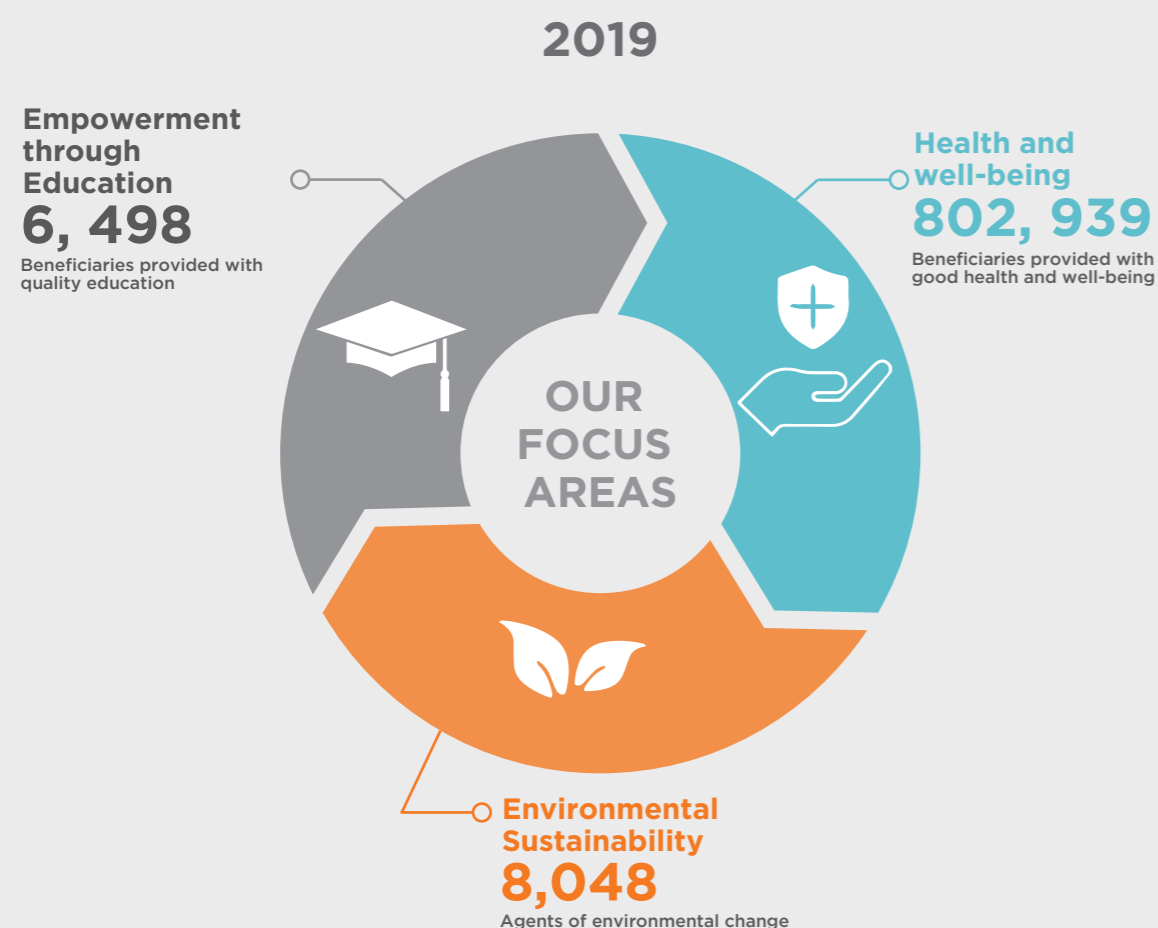
Our social and environmental responsibility policy outlines how the company will address the environmental and social impacts of its initiatives by:

- Defining the respective responsibilities of both TPL and the institution (asking for support of the cause via sponsorship or donation) in implementing and operating projects in line with this Policy and the Evaluation Criteria set by the department
- Donating to causes that are aligned with Sustainable Development Goals. Our primary focus is on education, health and financial support at times of distress.
- Mainstreaming environmental and social sustainability considerations into all activities and business operations
- Measurement of environmental performance by use of a framework to set and review objectives and targets, audit progress and report to senior management and external stakeholders
- Compliance with all applicable environmental laws and regulations
- Our Environmental policy includes company's energy use, waste, pollution, natural resource conservation, and treatment of animals. We regularly evaluate environmental risks that we may face and how the company is managing those risks. The review includes disposal of hazardous waste, its management of toxic emissions, or its compliance with government environmental regulations.
- On the Social front we closely manage our business relationships. Does it work with suppliers that hold the same values as it claims to hold? Does the company donate a percentage of its profits to the local community or encourage employees to perform volunteer work there? Do the company's working conditions show high regard for its employees' health and safety? Are other stakeholders' interests taken into account.
- With regard to governance, company uses accurate and transparent accounting methods and that stockholders are given an opportunity to vote on important issues. TPL ensures to avoid conflicts of interest while choosing the board members.



Our Sustainability Agenda

At TPL, we proactively integrate sustainability into our routine decision making processes. Dedicated to driving positive change, we are aligned with the goals of the United Nation's 2030 Agenda for Sustainable Development.



Business Impact Assessment

Micro Insurance Segment

TPL Insurance launched its first micro insurance product with a leading micro finance bank in Pakistan in 2014 to facilitate the economic independence and stability of low income group of society. Since it is difficult for this segment to afford mainstream insurance products, special low cost products are designed to meet their needs.

Other than underwriting health risks, TPL Insurance is also creating awareness through medical camps and training sessions across the country and by educating the customers through onboarding calls. TPL Insurance is now working with multiple partners and developing new products to expand and serve the masses in this segment.



Retail Insurance Segment

TPL Insurance registered itself as the first direct insurer in Pakistan in 2005 with a focus on risk coverage and service to the retail segment. We have contributed to the social welfare of our customers by providing insurance through risk sharing, risk pooling and risk prevention mechanisms. By providing 24/7 call centre, EVAC and Ambulance services, Door Step Settlements and without survey settlements, we provide quality customer services to this segment.

During the year, TPL Insurance has introduced Pakistan's First Telematics Insurance product – DrivePro which will help customers in improving their driving behaviour and making our roads safer.



Corporate Insurance Segment

TPL Insurance entered into mainstream corporate insurance in 2017 with the aim to serve the corporate segment with its known service centric approach. Growth in the corporate sector ensures the creation of jobs, competitive products in the market and improved returns for all stakeholders which creates an overall impact in society. Our insurance serves as a risk mitigation tool for corporates to cover risks like business interruptions, product liabilities, catastrophic events etc., which assists them in taking higher risks and generating higher returns.



Rs. 215.1 million
paid in claims till 2019, to support all stakeholders of our corporate customers in keeping their finances afloat



Health and Well-being

58th TPL Sindh Open Boys Swimming Championship

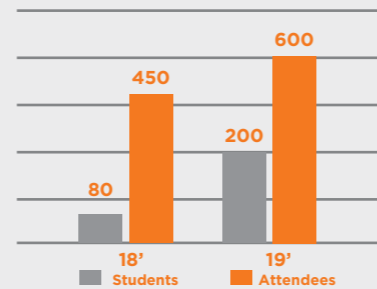
TPL Corp was the proud Sponsor of 58th TPL Sindh Open Boys Swimming Championship 2019. Organized by the Sindh Swimming Association (SSA), the three-day championship is one of the largest sporting events of the province. This sponsorship is a testament to the company's vision and belief in the potential of Pakistan's youth who will become the leaders of tomorrow.



Fut'school League

Fut'School League is a TPL initiative organized to support the inclusion of the marginalized children of our society. It gives them a chance to be included as equals and take part in healthy competition.

Audience at Fut'school League



Surgical Complex - Patient's Aid Foundation (PAF)

TPL has partnered with PAF to contribute to the development of a new surgical complex with state of the art medical facilities at Jinnah Post Graduate Medical Center.



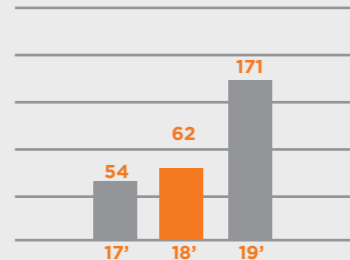
Rs. 40 million
contributed for the development of
Surgical Complex

70,000 Surgeries annually
20 Operating Theatres
420 Beds

Blood Donation Drive

TPL promotes values of civic responsibility with its annual blood donation drive. This year, we were able to expand our initiative by partnering with The Indus Hospital and Pakistan Red Crescent Society to conduct the drive at our offices nationwide.

Number of blood units drawn since three preceding years



OPD Building - Lady Dufferin

The Lady Dufferin Hospital provides Out-Patient services to lower income segments by ensuring low clinic charges and providing free of cost deliveries and gynaecological surgeries. TPL has contributed to the construction of the new OPD building which will provide a hassle-free environment to patients.



Rs. 2 million
donated for construction of the OPD building
that will result in a 10% increase in capacity



Empowerment through Education

Children Education Benefit Policy

TPL, through its Children Education Benefit Policy provides our non-managerial employees' children with full academic scholarships every year.



111 children
provided with
educational opportunities

Over 36 schools
supported through
this initiative

Karachi Biennale 19'

TPL believes in spreading awareness on social issues and has been sponsoring Karachi Biennale since its inception. This year, we were the exclusive sponsor of the "Educational Program" which reached out to multiple schools. Through a series of art tours, it aimed to bring the community together and focused on the theme of green ecosystems.



Impact of KB 19'
The community
3000 students
200 teachers
30 schools

Multipurpose Basketball Court At Habib University

We believe that physical education is as important as academic development. TPL has committed an amount of Rs. 12.7 million for the infrastructural development of the multipurpose basketball court at Habib University.



895
Total sporting event
football per year

Family Educational Services Foundation (FESF) - Educating The Marginalized

In Pakistan, less than 5% out of 1 million children with hearing disabilities currently attend school. TPL has been assisting FESF, a non-profit educational organization, by investing in the educational development of these children and by providing them with the correct developmental tools.



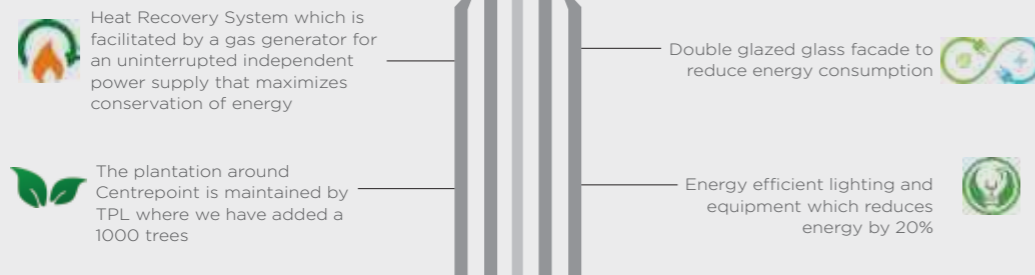
Rs. 300,000
provided as donations
to support FESF Schools

42 children
whose schooling expenses
were covered in 2019



Environmental Sustainability

Centrepont



In April 2019, TPL Properties partnered with WWF to organise Pakistan's first environment-friendly food festival in Karachi. It aimed to reduce food waste and raise awareness about responsible food disposal.



TPL Vertical Garden

TPL aims to install vertical gardens across institutes catering to the underprivileged segments of our society. These gardens have been created using recycled materials to promote responsible consumption. The first Vertical Garden sponsored by TPL was installed at the Kiran School in Lyari to enable the students to produce their own food, along with other environmental & health benefits.



48
agents of change engaged in plantation



Value Creation through Human Capital

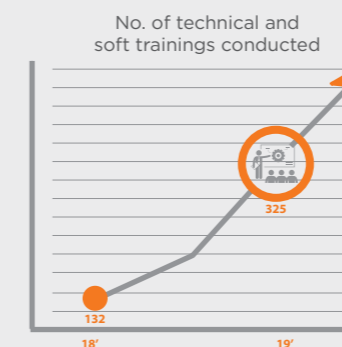
Diversity and Inclusion

A key component of TPL's commitment to operate with integrity is to value and promote diversity and inclusion at our workplace. We ensure that we recruit people from varying backgrounds, religion, gender, ethnicity, culture, marital status, age or disability. We do not discriminate in salary or remuneration on the basis of gender. Various initiatives are being undertaken to enhance the representation of females at Senior Management Levels. Aiming to constitute an inclusive workforce, TPL Insurance supports the creation of job opportunities for differently abled persons.



Training and Development

TPL Insurance is committed to creating a dynamic and inclusive workplace that fosters a healthy, highly engaged and skilled workforce where everyone can excel. We ensure that everyone working with us feels welcomed, supported and valued for their talents. To ensure the continuous growth of our employees in their professional endeavors, we regularly conduct training sessions which include both soft and technical trainings.



Health and Safety at the workplace

Occupational health and safety management is an essential element of our sustainability practices. As a company, we are responsible for guaranteeing a workplace environment that is safe and healthy for everyone. Ensuring this is also vital to customers, suppliers, regulatory authorities and other stakeholders. Working towards these goals, we are addressing occupational health and safety through effective policies as well as targeted training programs.



2 Fire Drills
conducted in 2019 to help employees prepare for a fire hazard



0
fatalities reported in 2019



20%
illness absence rate



Scaling for Impact- Working in Partnership

Over the years, TPL has supported more than 40 nonprofit organizations and charitable trusts across Pakistan, ranging from local charities to international NGOs and universities.

We are committed to helping public sector institutions solve their most pressing challenges in education, health and environmental sustainability. In order to contribute to society, it is necessary to share the same principles and focus areas with our partners. Our selection and evaluation criteria takes aspects into consideration such as screening the organization's profile, their core values, scope of their past projects and their respective impact. Furthermore, once we choose partners and engage with them to conduct a CSR activity, we actively pursue the progress and impact of that initiative through the compilation of impact data. We respect our partners and work with them with a belief that mutual growth is based on mutual trust. By engaging in CSR initiatives we aim to become an agent of positive change.

We have developed these relationships with our partners and seek to develop new ones in the future, to understand the challenges being faced by our communities and where we can make collective change.



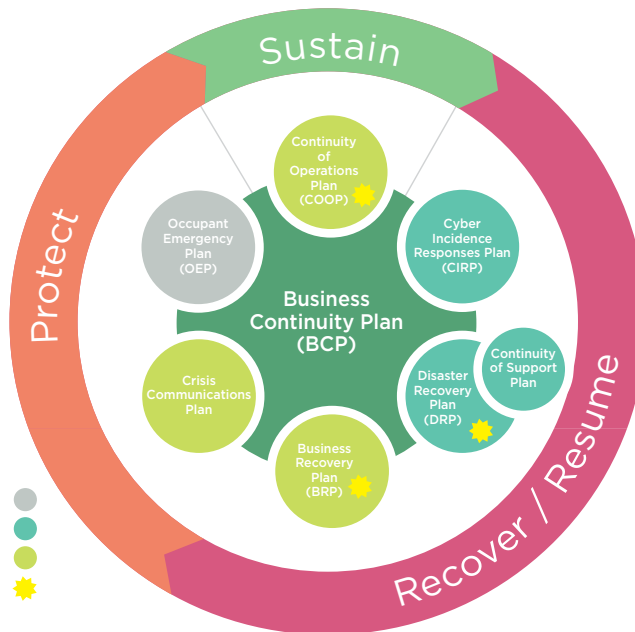
Management Objectives, KPI and Significant Changes

Management Objectives, Strategies and KPIs		
Objective No. 1	Enhance Customer Satisfaction	KPI
Strategy	Improve the efficiency of complaint management system, reduce the complaints and providing the best value for Money	<ul style="list-style-type: none"> - No. of Complaints - Time taken to resolve those complaints - Value for Money-
Objective No. 2	Augment Premium and to attain persistent economic advancement	KPI
Strategy	Through innovation and digitization, we will pull the demand for our products and engage a new channel of business for this purpose	<ul style="list-style-type: none"> - Growth in the turnover
Objective No. 3	Grooming of Human Capital	KPI
Strategy	Through appropriate trainings and reward and recognition system in place and by reducing employee turnover ratio, we can achieve highly effective and efficient human capital as they are the ones who represent us to the customers	<ul style="list-style-type: none"> - No. of trainings - Employee turnover ratio
Objective No. 4	Maximising Shareholder Returns	KPI
Strategy	By enhancing the Company's overall performance, the shareholder returns would be maximized	<ul style="list-style-type: none"> - EPS - ROE - Asset Turnover
Objective No. 5	Enhance operational efficiency to achieve synergies	KPI
Strategy	By aligning our strategies to our processes and through innovation and digitization, we can achieve synergies	<ul style="list-style-type: none"> - Target vs. achieved

Significant Changes in Objectives & Strategies

TPL Insurance's strategies and objectives are aligned and no significant changes have been made, however, our focus for digitization has enhanced in order to achieve operational efficiencies and augment sales and profitability.

Business Continuity Plan



Core objective

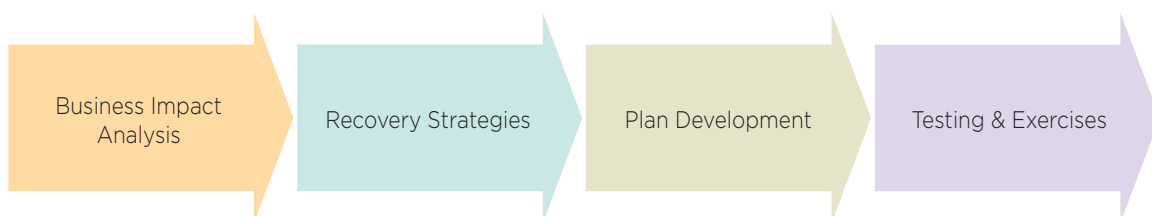
To ensure that operations remain uninterrupted as a consequence of an event that is capable of disrupting the business. Events like power failure, strikes, lockdowns, fire, accessibility to office, IT breakdown, inclement weather, acts of subversive activity.

Plans Enforced

Business Continuity Planning (BCP) as a part of Risk Management entails Risk Identification, Assessment, and Mitigation measures. This is again stretched to operations, IT and sales. For operations company has set up facilities at a different location, facility to work from home, communication policy in case of any major issues, and back up offices. For IT company has a robust Disaster Recovery Plan (DRP) in force. This caters for periodic data backup policy, data security policy is in force to combat cyber-attacks, maintenance of servers, review of third party vendors, proper software and hardware licensing and their maintenance agreements. Periodic Drills are conducted to ensure and data checks applied on periodic basis.

The Company, in its BCP/DRP, has covered risks pertaining to the overall operations of the Company, considered their impacts upon occurrence, implemented preventive controls and devised backup strategies for each of the key business processes.

Business Continuity Planning Process Diagram



Forward Looking Statement

Analysis of last year's statement & status of projects:

Based on our last year's forward looking statement, TPL Insurance took multiple initiatives and launched insurance solutions for retail and corporate customers to further diversify its product offerings. TPL Insurance developed its capacity to offer Shop, Mobile, Crop & Livestock and Domestic Travel Insurance during the year. Further, keeping up with its product and technological innovation agenda, TPL Insurance became the first insurance company in Pakistan to offer Telematics based insurance - 'DrivePro' to its esteemed customers. Moreover, TPL Insurance partnered with various non-traditional insurance channels such as Telecoms, Digital Aggregators, Ride Hailing Apps and Digital Classifieds for distribution of its insurance solutions which will pave way for its mass market penetration in near future. Also, TPL Insurance improved its penetration in existing channels of banks and dealerships by partnering with new banks and dealerships across Pakistan.

Forward looking statement:

Keeping in view the government's initiatives to bring economic stability in the year 2020, the company is determined to achieve growth and profitability in the upcoming year. Recent initiatives under socio-economic agenda of current government has increased awareness on importance of insurance amongst masses which has started showing positive results for the industry. Considering the size of market, TPL Insurance has increased focus on SMEs and Agriculture Industry to address the risks associated in these segments. However, persistently high discount rates and increased price of automobiles cast doubt on the recovery of auto industry volumes in the near future. Nevertheless, the company is confident to grow through offering of diversified insurance solutions, product development & penetration through new digital & non-digital retail channels as recently launched mass micro & retail channels has shown potential of growth into major premium streams of the Company. The company is also projecting substantial growth in its Window Takaful Operations considering emerging awareness amongst masses on Shariah compliant solutions. TPL Insurance has always been a fore runner in product innovation and tech based solutions and realizing the importance of "Insurtech" going forward, the management launched Pakistan's 1st Telematics based insurance solution - Drive Pro in the market. The management is committed to develop Drive Pro further with new features and improved customer experience along with development on other digital initiatives.

The operating results of companies in the insurance industry have historically been subject to significant fluctuations. The factors which could affect the company's future results include, but are not limited to, general economic conditions and the known trends and uncertainties which are discussed more in detail below.

1) The Company is exposed to the risks of natural disasters, pandemics, malicious and terrorist acts that could adversely affect the Company's operations.

Since TPL Insurance is in the business of providing risk absorption for its customers, it covers its risk by obtaining reinsurance for underwritten risks, implement risk management and contingency plans and take appropriate preventive measures. However, no exact predictions of specific scenarios can be made nor an assurance be given for any adverse effect on the company. A natural disaster, pandemic or an outbreak could adversely affect the company and its reinsurers. An untoward event could also have an adverse effect on existing policies, as well as new policies due to a slowdown in the economic activity.

2) The Company operates in a highly competitive industry which could limit its ability to gain or maintain its position in the industry and negatively affect profitability.

Insurance is a highly competitive industry and in current economic scenario with reduced economic activity particularly in auto and marine business, the company faces great competition in all lines of business from its competitors. TPL Insurance is a medium sized insurance company with limited resources at its disposal and competition especially with big three insurers having majority of the industry business and operating at lower costs will pose a major challenge on premium pricing.

However, the company's ability to compete is based upon, among other things, its ability to attract and retain distribution channels to market its insurance products, its ability to develop competitive and profitable products, its ability to provide unmatched services and dilute costs by digitizing its processes further.

3) Changes in the legal and tax framework

Changes in tax regulations affects insurance premiums. Recent application of advance tax on non-filer, increase of duty on automobile sector and applicability of general sales tax on premium are hindrance in growth of insurance industry in Pakistan.

Similarly, non-enforcement of third party motor insurance, no requirement for travel insurance for passengers travelling outside Pakistan or no awareness for agriculture based insurance for farmers results in significant loss to the insurance industry and public at large.

4) The company's claims may fluctuate from time to time resulting in earnings volatility along with other risks

The Company's results may fluctuate due to fluctuations in claims received by the company. Although, TPL Insurance has one of the best claims ratio in Pakistan's Insurance Industry, a higher claims cannot be ruled out especially in the commercial lines segment where one significant loss can distort the financial position of the Company. The management ensures that it should not retain large risks and effective reinsurance arrangements are in place to cede excessive risks.

The Company has developed risk management policies and procedures and expects to continue to do so in the future. Nonetheless, the company's policies and procedures to identify, monitor and manage both internal and external risks may not predict future exposures which could be different or significantly greater than expected.

The risk management committee updates and evaluates all risks identified to the Company on a quarterly basis and take appropriate measures which are also presented to the Board of Directors.

5) Dependencies on various partners

The performance of the Company is dependent on its partners such as banks, dealerships for premium sales and call center, workshop for servicing of claims and has entered into various such arrangements. Any negligence on part of a partner can adversely affect the Company and the company may be held responsible for obligations that arise from the acts or omissions of these partners.

The management is well cognizant of the risk and therefore all arrangements with partners are well documented including responsibilities and expected deliverables from each partner. Management team continually evaluates all its arrangements and ensure that commitments are fulfilled by all partners.

Source of Information & Assumptions for Projections and external assistance:

Company's key source of information are its core business functions including sales and marketing, operations, customer services, claims, underwriting etc. In addition to this the statement is backed by Government policies, initiatives, economic indicators, regulatory policies, market trends, competitor's offering, partner feedbacks etc. The team creates meaningful & practical forecasts to draft company's formal plan through sources mentioned earlier which is then further approved by the Board.

The Company is committed to accomplish its objectives by developing internal capacities and capabilities through affiliation and consultations with relevant and impactful partners, corporates & consultants where a continuous review ensures alignment with desired results.

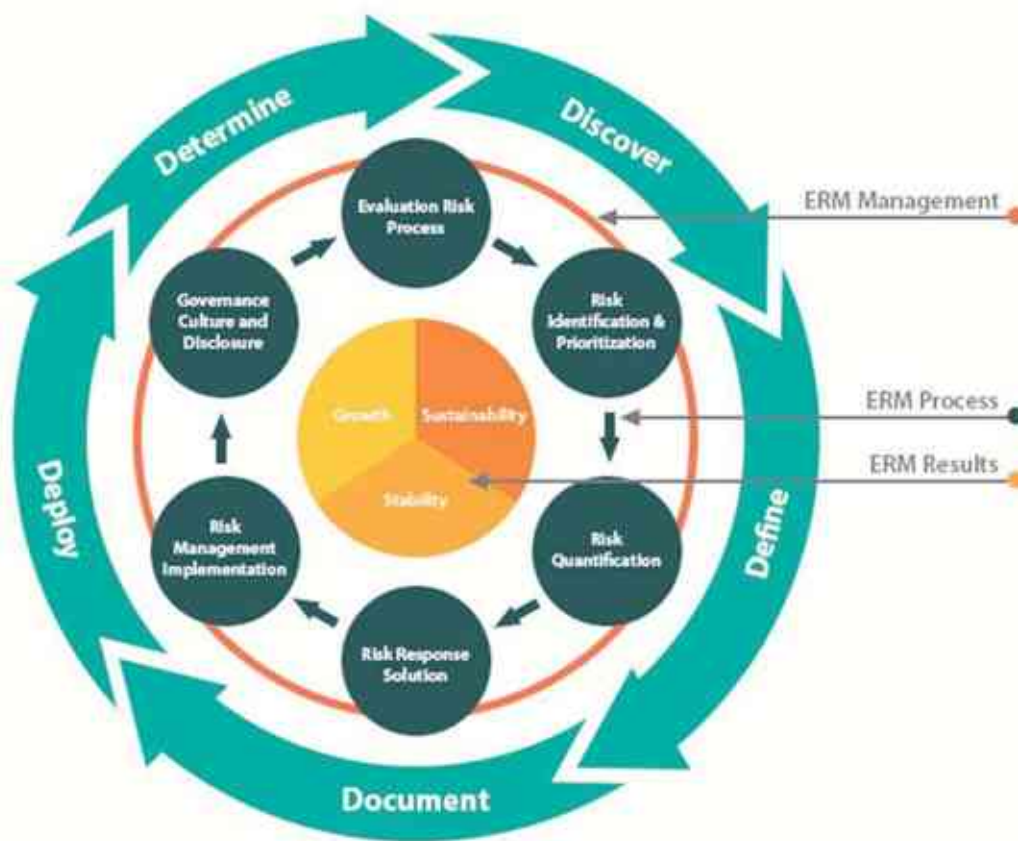
Risk and Opportunity Report

Enterprise Risk Management

The Board of TPL Insurance (TPLI) has approved an Enterprise Risk Management (ERM) Policy prepared by the Risk Management Committee.

TPL Insurance has a formal Risk Management Committee under the supervision of Chairman that ensures the implementation of Enterprise Risk Management Program. The program aims effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations such that all the measures for managing risks entity-wide are addressed and strategic objectives gets achieved. The program incorporates the following aspects:

- Identification of Risk.
- Quantification & Prioritization of Risk.
- Risk Responses.
- Risk Management Implementation and Evaluation.



Below mentioned is the list of risks faced by TPLI and mitigating strategies that are in place to alleviate those risks:

Risks	Mitigating Strategies
Political and Economic Risks	
Challenges in the business due to the political instability and changes in the interest rates may become a snag in the achievement of Business objectives.	The Company is working on diversifying its insurance portfolio to reduce its exposure to political risk. The Company also has established the Strategy & Transformation Department to monitor and devise strategies to minimize exposure to political and economic risks.
Regulatory Risk	
The Company is operating in an industry with high regulations. Failure to meet those regulatory standards and requirements would expose the Company to various penalties and would increase reputational risk	The Company is cognizant of its responsibilities and thus has established a Compliance Department which is responsible to keep tracks of important deadlines and ensures all the mandatory requirements are met timely.
Reinsurance Risks	
Reinsurance risk is the risk that reinsurance partners are unable to discharge their liabilities which makes the Company liable to the insured fully.	The Company only deals with reinsurance counterparties having strong financial strength ratings to minimize these risks
Investment Risk	
Changes in the macro economic factors may affect the stock market and interest rates which impacts the Company's cash flows	The Company observes a prudent policy to minimize its risks through diversification of its portfolio and dedicating a specialized department to continuously monitor relevant fixed income, mutual funds and equity investments.
Liquidity Risk	
The Company may not be able to meet its financial obligations towards insured.	The Company manages its liquidity by sustaining strong cash flow position and regular monitoring of maturity profile of financial assets and liabilities.
Cyber Risk	
Any risk of financial loss, disruption or damage to the reputation of TPLI from failure of its information technology systems.	The Company has implemented strong controls including firewall, antivirus solutions and backup and recovery systems to minimize the risks posed by cyber risks.
People & Environment Risk	
People are the single most important asset in any business but they are also the most vulnerable asset.	In TPLI, High graduate Level Intake as per HR policy with background checks. Market based remuneration and adjustments made at annual appraisals. Long term benefits like PF is offered. Group insurance, health insurance covers are taken for each employee. Training is regularly imparted across the board.
Solvency Risk	
The Company may not be able to meet its Solvency requirement as define by regulatory bodies.	Quarterly solvency margin calculations are prepared to gauge the excess solvency.

		LIKELIHOOD				
		Rare < 10%	Unlikely >10% <35%	Possible >25% <65%	Likely > 65% < 90%	Certain > 90%
IMPACT	Critical > 1b	1				
	Major > 500m < 1b		2			
	Material > 50m < 500m	3		5 4 6		
	Minor > 10m < 50m			7		
	Insignificant < 10m		9 8			

Risk Management Methodology

TPL Insurance Limited's risk management policy captures the spine of risk management not only limited to insurance risks but also operational, regulatory, environmental, cyber, reputation, financial performance, human resource related risks that can cause material impact on the organization and its objectives. Given the imperatives of risk management, TPL Insurance Limited has formulated a risk management methodology comprising of follows following phases:

- Risk Assessment
 - Risk Identification
 - Risk Analysis
 - Risk Evaluation
- Risk Treatment
- Review, Monitoring & Reporting

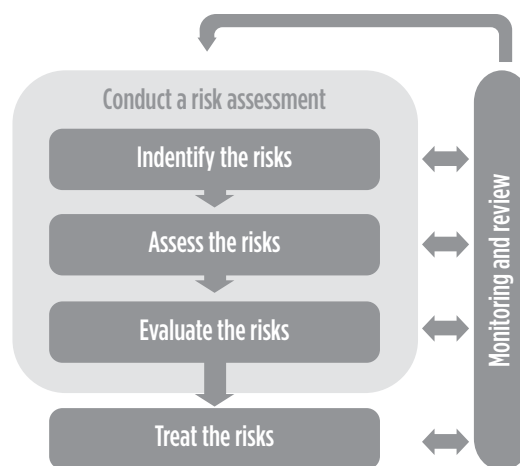
Risk Assessment

This phase comprises of:

- Risk identification
- Risk analysis and
- Risk evaluation

Risk Identification

The aim of the risk identification step is to identify a list of risks based on events, threats or vulnerabilities that might create, enhance, prevent, degrade, accelerate or delay the achievement of business's objectives, and to document these possible risks in the risk register.



Risk Register

For documenting the Risk Management activity a risk register template is in place. The process of Risk Analysis, Risk Evaluation and Risk Treatment are documented within the template which comprises of following components:

- Category
- Risk Description
- Likelihood
- Impact
- Inherent Risk
- Existing Control(s)
- Perceived Control Effectiveness
- Residual Risk
- Planned Controls

Risk Category	Risk Description	Likelihood	Impact	Inherent Risk	Existing Control(s)	Perceived Control Effectiveness	Residual Risk	Planned Controls

Risk Analysis

Risk analysis involves consideration of the causes of risk, its consequence and likelihood that those consequences can occur.

Controls represent any process, policy, practice or other actions taken by management which reduce the likelihood of a risk occurring or the potential damage arising from the risk. The risk analysis process involves the assignment of an overall residual risk rating for each risk documented in the risk register through the following three steps.



To support staff in risk assessment, TPL Insurance Limited has adopted standardized criteria and rating scales to be applied across all risk management activities. These criteria and rating scales and their application to the three risk assessment steps outlined above, have been detailed in the following section:

Step 1: Analyze the Inherent Risk

For each risk identified in the risk register, the likelihood of the risk occurring in the absence of controls should be assessed. Likelihood refers to the chance of something happening. The TPL Insurance Limited's risk likelihood criteria are outlined in the following table.

Probability Scale	Guiding Measures
Rare	There is less than 10% chance of occurrence.
Unlikely	There is 11-25% chance that the risk will occur.
Possible	There is 26 - 65% chance that the risk will occur.
Likely	There is 66 – 90% chance that the risk will occur.
Almost Certain	There is more than 90% chance that the risk will occur.

For each risk identified in the risk register, the consequence of the risk occurring in the absence of controls should also be assessed using the Consequence/ Impact Criteria. Consequence refers to the outcome of an event affecting objectives.

Consequence/ Impact Scale	Guiding Measures										
Insignificant	<p>The risk may cause temporary operational inefficiency; however, business may be able to run as usual.</p> <table> <tr> <th colspan="2">Implications</th></tr> <tr> <td>Financial</td><td>Less than Rs. 10 Million</td></tr> <tr> <td>Operational</td><td>Temporary service disruption.</td></tr> </table>	Implications		Financial	Less than Rs. 10 Million	Operational	Temporary service disruption.				
Implications											
Financial	Less than Rs. 10 Million										
Operational	Temporary service disruption.										
Minor	<p>The risk is likely to have a limited adverse effect on organizational operations, organizational assets, or individuals; and may cause temporary operational inefficiency. It may arise due to non-compliance with standard operating procedures or their absence etc.</p> <table> <tr> <th colspan="2">Implications</th></tr> <tr> <td>Financial</td><td>More than Rs. 10 Million but less than Rs. 50 Million</td></tr> <tr> <td>Operational</td><td>Minor impact on product/ service delivery.</td></tr> <tr> <td>Legal/ Regulatory</td><td>Regulatory/ police investigation of organization and/or Board without adverse findings.</td></tr> </table>	Implications		Financial	More than Rs. 10 Million but less than Rs. 50 Million	Operational	Minor impact on product/ service delivery.	Legal/ Regulatory	Regulatory/ police investigation of organization and/or Board without adverse findings.		
Implications											
Financial	More than Rs. 10 Million but less than Rs. 50 Million										
Operational	Minor impact on product/ service delivery.										
Legal/ Regulatory	Regulatory/ police investigation of organization and/or Board without adverse findings.										
Material	<p>The risk is likely to have a material adverse effect on the organization or individuals associated with the organization (e.g., employees, customers). It may arise due to fundamental control weaknesses, non-compliance of policies, minor errors in financial information, etc.</p> <table> <tr> <th colspan="2">Implications</th></tr> <tr> <td>Financial</td><td>More than Rs. 50 Million but less than Rs. 500 Million.</td></tr> <tr> <td>Operational</td><td>Widespread discontent of customers and suppliers.</td></tr> <tr> <td>Brand/ Reputation</td><td>Failure of prominent project, service or product. Localized negative media coverage. Investigation of serious individual misconduct.</td></tr> <tr> <td>Legal/ Regulatory</td><td>Regulatory/ police investigation with adverse findings against organization and/or Board.</td></tr> </table>	Implications		Financial	More than Rs. 50 Million but less than Rs. 500 Million.	Operational	Widespread discontent of customers and suppliers.	Brand/ Reputation	Failure of prominent project, service or product. Localized negative media coverage. Investigation of serious individual misconduct.	Legal/ Regulatory	Regulatory/ police investigation with adverse findings against organization and/or Board.
Implications											
Financial	More than Rs. 50 Million but less than Rs. 500 Million.										
Operational	Widespread discontent of customers and suppliers.										
Brand/ Reputation	Failure of prominent project, service or product. Localized negative media coverage. Investigation of serious individual misconduct.										
Legal/ Regulatory	Regulatory/ police investigation with adverse findings against organization and/or Board.										
Major	<p>The risk is likely to have a serious effect on organizational operations, reputation, organizational assets, or individuals.</p> <table> <tr> <th colspan="2">Implications</th></tr> <tr> <td>Financial</td><td>More than Rs.500 Million but less than Rs. 1 Billion</td></tr> <tr> <td>Operational</td><td>Widespread failure or loss of product/service standards.</td></tr> <tr> <td>Brand/ Reputation</td><td>Loss of a large number of customers to competitor organization. Loss of suppliers/ service providers. Loss of significant skills from Board or Senior Management. Sustained public criticism of the organization.</td></tr> <tr> <td>Legal/ Regulatory</td><td>Civil action against organization and/or Board due to negligence. New regulations that impede operations.</td></tr> </table>	Implications		Financial	More than Rs.500 Million but less than Rs. 1 Billion	Operational	Widespread failure or loss of product/service standards.	Brand/ Reputation	Loss of a large number of customers to competitor organization. Loss of suppliers/ service providers. Loss of significant skills from Board or Senior Management. Sustained public criticism of the organization.	Legal/ Regulatory	Civil action against organization and/or Board due to negligence. New regulations that impede operations.
Implications											
Financial	More than Rs.500 Million but less than Rs. 1 Billion										
Operational	Widespread failure or loss of product/service standards.										
Brand/ Reputation	Loss of a large number of customers to competitor organization. Loss of suppliers/ service providers. Loss of significant skills from Board or Senior Management. Sustained public criticism of the organization.										
Legal/ Regulatory	Civil action against organization and/or Board due to negligence. New regulations that impede operations.										
Critical	<p>A risk that can prove catastrophic or terminal for the whole organization. It may affect organizational operations, reputation, organizational assets, or individuals; it may lead to loss of significant customer(s), litigations and hefty financial penalties.</p>										

	Implications	
	Financial	More than Rs. 1 Billion
	Operational	Unable to deliver product/ services. Prohibited from service delivery at any level. Loss of significant number of customers to competitor organization.
	Brand/ Reputation	Collapse of organization. Major inquiry into systemic misconduct. Wholesale resignation of Board Members or Senior Management.
	Legal/ Regulatory	Criminal prosecution of organization and/or Board due to failure to comply with the law.
It may be caused due to significant errors in financial information, non-compliance with regulatory requirements, or contractual terms, security breach of mission critical system; significant control weaknesses, etc.		

Once a risk likelihood and consequence assessment has been made for each risk in the risk register, the inherent risk rating is then determined by combining the likelihood and indicative consequence level of the risk as per the following matrix.

		Likelihood/ Probability				
		Rare	Unlikely	Possible	Likely	Highly Probable
Impact/ Consequence	Critical	Low	Medium	High	High	Extreme
	Major	Low	Medium	Medium	High	High
	Material	Low	Medium	Medium	Medium	High
	Minor	Low	Low	Medium	Medium	Medium
	Insignificant	Low	Low	Low	Low	Low

Step 2: Identify and Assess Controls

A control is any process, policy, device, practice, or other actions that prevent, detect or mitigate. The controls should be identified and assessed. The assessment of the control's operating effectiveness should be determined using the criteria below.

Control Effectiveness	Description
Unsatisfactory	The control is not applied.
Weak	The control design does not meet the objective; or The control is applied incorrectly.
Satisfactory	The control design meets the objective and the control is usually operational but occasionally not applied when it should be, or not as intended.
Good	The control design meets the objective and the control is operating majority of the time.
Very good	The control design meets the objective and the control is operating effectively.

Step 3: Analyze the Residual Risk

Once the inherent risk and the effectiveness of relevant controls have been considered, the residual risk can be assessed. The residual risk will be determined by following a similar process to analyzing the inherent risk (in Step 1) however, the likelihood and consequence will be reassessed based on the effectiveness of the current controls as assessed in Step 2.

Risk Evaluation

The purpose of risk evaluation is to assist in decision making based on the outcomes of risk analysis, about the risks that need treatment, and the implementation priority for these treatments. TPL Insurance Limited has adopted the following matrix to guide the communication escalation and risk management actions required for risks based on their overall risk rating (as determined in Step 3). However, this matrix is purposely broad and may be added to or amended where appropriate.

Risk Rating	Required action
Extreme	Intolerable level of risk <ul style="list-style-type: none"> • CEO to be informed ASAP and requested to provide urgent attention, guidance and approval of mitigation strategy. • Operations / activity should ideally be discontinued until level of risk is able to be reduced. Written instruction for such activity needs to be provided by the CEO of TPL Insurance Limited.
High	Tolerable level of risk <ul style="list-style-type: none"> • Issues to be highlighted to the CEO and to the Risk Management & Compliance Committee. • Action plan and attention of Senior Management required.
Medium	Tolerable level of risk <ul style="list-style-type: none"> • Action plan and attention of Concerned Manager required.
Low	Tolerable level of risk <ul style="list-style-type: none"> • Manage through routine procedures. • Concerned Manager to be intimated about it and its treatment. • Unlikely to need specific application of resources. • Protection to be sought in case of large impact through rare. <p>Please Note:- There may be instances where existing control is deemed as effective, therefore, residual risk rating may be computed as LOW; for such instances no risk treatment plans will be required.</p>

Risk Treatment

Risk treatment involves selecting one or more options for modifying risks and implementing those options; once implemented, treatments provide or modify the controls. Generally, there are a number of options when treating a risk:

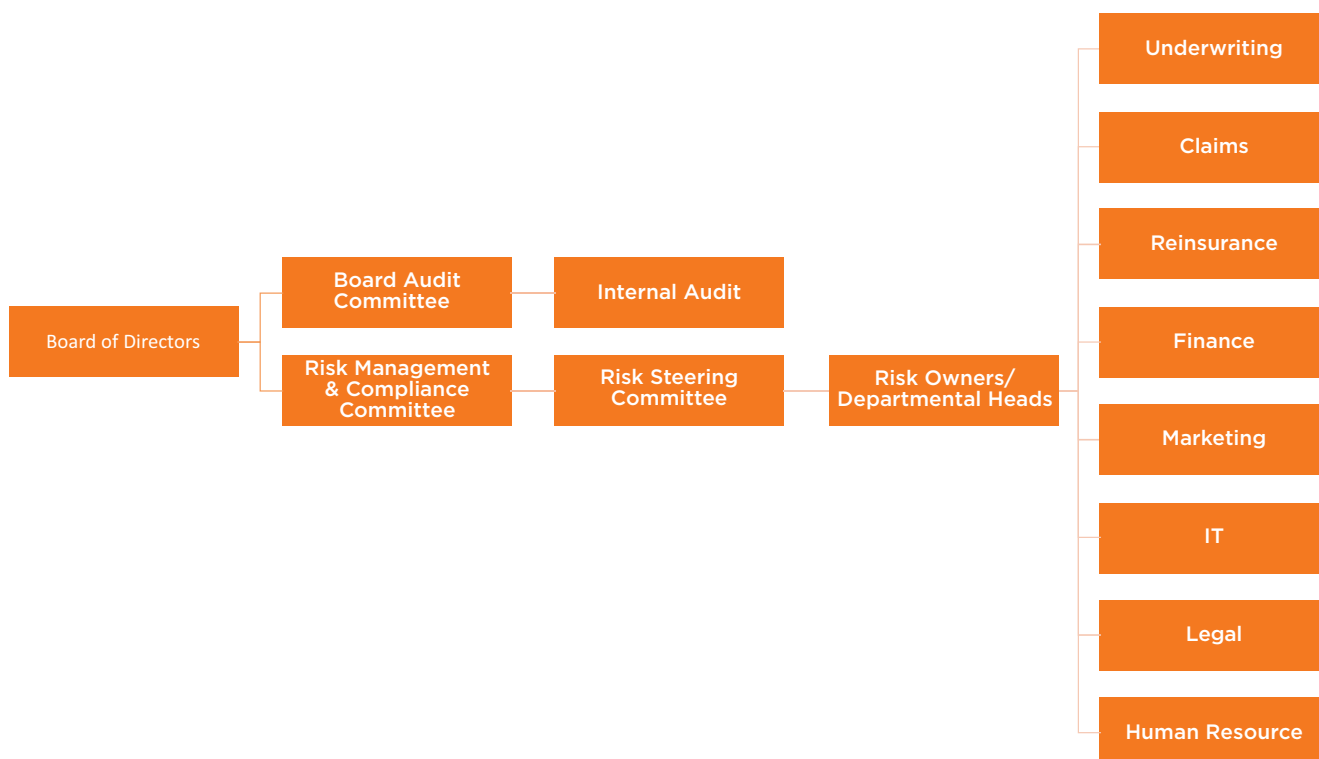
- Mitigate the risk (e.g. implement controls to reduce the impact and likelihood of any negative event from occurring)
- Avoid the risk (e.g. avoid the activity/partnership/sponsorship altogether);
- Transfer the risk (e.g. obtain a specialized insurance premium, additional contract clause); or
- Accept the risk.

As a range of options may be available to treat a risk, efficiency of treatment and reduction of the overall cost of the risk is an important consideration. Management should consider what approaches are available to treat the risk, the cost-benefit ratio for each viable treatment, and how such treatments will be implemented.

Board's efforts for determining the company's level of risk tolerance by establishing risk management policies.

The Board of Directors have established risk management committee which comprises of three members. The committee oversees and approves the company-wide risk management practices and provide an infrastructure to address the enterprise risks. Each member has an understanding of risk management expertise commensurate with the Company's size, complexity and capital structure. The committee is responsible for:

- Overseeing the development and implementation of risk management policy / framework which will set the risk management tone in the Company. The policy / framework will provide the guidelines to help in the identification of risks, assess the priorities according to their impacts and likelihoods and implement the relevant procedures to mitigate those risks to an acceptable level.
- Overseeing compliance framework which will report on compliances with legislation and regulations of risks pertaining to the entity.
- Provide an analysis regarding Company's approved risk appetite level and communicate the same to the entire enterprise.
- Review and confirm that all responsibilities outlined in the framework have been carried out.
- Review and monitor the steps taken to mitigate the risks identified.
- Continually, obtain reasonable assurance from the management that all known and emerging risks have been identified, mitigated and managed and monitor the adequacy of risk identification process.
- Make such recommendations with respect to any of the above and other matters as the Committee deems necessary or appropriate.
- Receive and review risk based reports and ensure entity-wide risks are mitigated to an acceptable level.



Opportunity Report

The insurance sector in Pakistan has remained dormant. This is reflected in very low level of insurance density and insurance penetration in the country. The Company is proficient of availing all arising opportunities, and focused to digitize its operations by providing innovative insurance solutions to the customers and providing them risk transfer solutions.

The Company is also concentrating on the other line of business and to maximize its return on earning assets.

Materiality Approach

Financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework. Judgements about materiality are made in the light of surrounding circumstances. The primary purpose for setting overall materiality when preparing the accounts is that it is used to identify performance materiality which is needed.

Key sources of uncertainty

International Financial Reporting Standards require management to make judgments, estimates and assumptions while preparing financial statements which affects the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Debt Repayment

The Company has not defaulted in payment of any debts and there is not any pending litigation against company, other than in ordinary course of business, as at December 31, 2019.

Quality Policy

TPL Insurance Limited is committed to become a market leader in non-life insurance focusing on all client segments by provision of quality services through innovation, product development and customer engagement. Our management team has a continual commitment to:

- Consistently provide services in a manner which satisfies customer requirements and expectations with the aim of achieving customer satisfaction
- Communicate the quality policy within organization to all employees and to interested external parties along with benchmark best practices to surpass to customer expectations
- Ensure all employees are fully competent to carry out their assigned tasks
- Implement risk management through a process of plan, control and mitigate in line with business requirements and norms
- Comply as a minimum with all applicable statutory and regulatory requirements for quality management system.
- Establish measureable quality objectives and conduct review of Quality Management System (QMS)'s performance at regular intervals to monitor the effectiveness and efficiency of the QMS.
- Encourage the continual improvement using strategy of risk based thinking.

Independent Auditor's Report

To the members of TPL Insurance Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements, which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Company's affairs as at 31 December 2019 and of the total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the Key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
1.	Minimum solvency requirements	
	The Company is required to maintain minimum solvency margins under the requirement of Insurance Ordinance, 2000. Reviewing compliance with the minimum solvency requirements and Company's plans to maintain minimum solvency margins are significant aspects for our audit since it may have an impact on the going-concern assumption used for the preparation of the financial statements. Therefore, we have considered this area as a key audit matter.	<ul style="list-style-type: none"> - We reviewed management's calculation of solvency margin as of 31 December 2019 in accordance with the requirements of Insurance Ordinance, 2000; - We evaluated Company's future financial projections and underlying assumptions as approved by the Board, as well as the sensitivity analysis prepared in this context. We assessed the possible mitigating actions

S. No.	Key audit matters	How the matter was addressed in our audit
1.	Minimum solvency requirements	
	Refer note 39 to the financial statement for details.	<p>identified by management in the event that actual results are below projected results;</p> <ul style="list-style-type: none"> - We reviewed letter of support from the holding company to provide financial support to the Company to maintain future solvency requirements, if required; <p>We also assessed the adequacy of the Company's disclosure regarding the status of compliance with minimum solvency requirements and its plans to maintain the future required solvency margins, which are included in note 39 to the financial statements.</p>
2.	Revision in the presentation of the financial statements	
	<p>As referred to in note 2.1.2 to the financial statements, SECP has allowed the Company to present on a consolidated basis, the financial statements of conventional and WTO (including PTF). This resulted in change in the accounting policy with regard to the presentation of WTO from previous years.</p> <p>The impact of the above change in presentation of the financial statements is disclosed in note 2.1.2 to the financial statements.</p> <p>We considered the above change in presentation a key audit matter because of its significant impact on the current year's financial statements.</p>	<p>Our key audit procedures included the following:</p> <ul style="list-style-type: none"> - We reviewed the relevant regulations and the relaxation allowed by SECP in this regard which forms the basis for the change in the presentation of the financial statements. - We checked the working of consolidation of WTO including adjustments for the inter-company / fund transaction and balances. - We reviewed the adequacy of the disclosures of change in presentation including the disclosure of impact of the change in presentation.
3.	Adoption of IFRS 16 during the year	
	<p>As referred to in note 2.4.1 to the financial statements, IFRS 16 'Leases' has become effective for the current financial year.</p> <p>IFRS 16 has introduced a new accounting model for operating lease contracts from the standpoint of a lessee. As per the new requirements, the Company is required to recognize right of use assets for leased assets and liabilities for the lease payments over the lease term.</p> <p>The impacts of the adoption of the standard are disclosed in note 2.4.1 to the financial statements.</p> <p>The application of the new standard requires management to make significant estimates and judgements such as in related to determination of lease term and appropriate discount rate for measurement of lease liability.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none"> - We evaluated the appropriateness of the new accounting policies for recognition of lease contracts and their measurement in the financial statements; - We obtained an understanding of the process and controls in place for identification of in-scope and material lease contracts and capturing of relevant data regarding the terms and condition of the lease contracts; - We corroborated the completeness of the leases identified by the management by reviewing the reconciliations of leases with the list of office properties and tracker devices in the use of the Company and reviewing the rent expense ledgers for the year;

S. No.	Key audit matters	How the matter was addressed in our audit
	We considered the adoption of the standard as a key audit matter due to the significance of the accounting change in respect of the application of the new standard.	<ul style="list-style-type: none"> - We performed independent checks of lease accounting computations for a sample of lease contracts through re-performance of such computations and tracing the terms with the relevant contracts; - We evaluated the appropriateness of the assumptions used by the management in measuring lease liabilities such as discount rate and lease term; and - We evaluated the adequacy of disclosures made regarding the application of the standard and its impact on the financial statements of the Company for the year.
4.	Liabilities in respect of insurance contracts	
	<p>The liabilities in respect of insurance contracts issued as of 31 December 2019 amounts to Rs. 206.886 million (note 19 to the financial statement), which represent 9.35% of the Company's total liabilities. We considered adequacy of insurance liabilities as a key audit matter due to significant judgments involved in estimating the liabilities and use of experts in this regard.</p> <p>(Refer to note 3.4 and 37.1.8 to the financial statements for relevant disclosures).</p>	<p>Our key audit procedures included the following:</p> <ul style="list-style-type: none"> - We assessed the controls over recording and settlement of claims in respect of insurance business and performed tests of such controls to check their effectiveness in relation to the year under audit. - In respect of adequacy of insurance contract liabilities (including IBNR and premium deficiency reserve) which are measured on the basis of undiscounted value of expected future payments, we involved our expert to review the methodology used by the management's expert in estimating claims liabilities in accordance with the prescribed methodology. As part of our testing we also considered the competence and objectivity of the experts used by the management for this purpose. - for insurance claims we also evaluated the management estimates regarding cost of claims settlements by considering reports of independent surveyors and the estimates regarding salvage values of insured assets; - we performed subsequent review to identify any significant claims reported post year end which pertain to the financial year under audit; and - we assessed the adequacy of disclosures made in respect of insurance contract liabilities in accordance with the approved accounting standards as applicable in Pakistan.

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

Management is responsible for the other information. The other information comprises the information included in the 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 nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

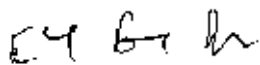
We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the company's business; and
- d) 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 auditor's report is Arslan Khalid.



Chartered Accountants

Karachi

Date: 29 April 2020

Statement of Financial Position

As at 31 December 2019

		2019	2018 (Restated) (Note 2.1.2)	2017 (Restated) (Note 2.1.2)
	Note	----- Rupees -----		
Assets				
Property and equipment	5	419,574,248	120,491,630	79,476,151
Intangible assets	6	9,565,236	9,107,599	11,913,934
Investments				
Equity securities and mutual fund units	7	88,701,696	333,515,346	683,859,842
Government securities	8	95,677,804	292,834,095	99,457,402
Debt securities	9	125,000,000	50,000,000	-
Term deposits	10	420,000,000	350,000,000	430,000,000
Loans and other receivables	11	287,866,809	335,407,560	260,425,122
Insurance / reinsurance receivables	12	308,341,598	298,304,048	448,614,954
Reinsurance recoveries against outstanding claims		34,249,686	15,609,383	22,385,406
Salvage recoveries accrued		55,541,409	111,164,987	79,586,076
Deferred commission expense	25	156,754,128	164,770,392	105,576,967
Deferred taxation	13	44,064,267	31,981,982	21,237,574
Prepayments	14	218,325,462	259,600,668	209,320,304
Cash and bank balances	15	702,441,602	251,924,040	247,237,936
Total assets		2,966,103,945	2,624,711,730	2,699,091,668
Equity and Liabilities				
Equity				
Ordinary share capital	16	938,662,610	938,662,610	755,158,990
Share premium - net of share issuance cost	17	8,033,837	8,033,837	138,676,334
Unappropriated profits / (Accumulated losses)	17	(114,008,588)	16,898,950	253,917,563
Available-for-sale reserve	17	(29,742,761)	(26,697,564)	(26,446,916)
Total shareholders' fund		802,945,098	936,897,833	1,121,305,971
Participant's Takaful Fund				
Ceded money	18	2,000,000	2,000,000	2,000,000
Accumulated deficit	18	(50,891,618)	(173,589,343)	(193,753,691)
Available-for-sale reserve	18	-	1,311,533	(9,900,875)
Total Participant Takaful Fund		(48,891,618)	(170,277,810)	(201,654,566)
Total Equity		754,053,480	766,620,023	919,651,405
Liabilities				
Underwriting provisions				
Outstanding claims including IBNR	23	252,522,221	275,414,335	228,411,917
Unearned premium reserves	22	1,211,232,507	1,147,809,592	1,149,828,418
Unearned reinsurance commission	25	41,427,063	24,233,783	5,398,601
Premium received in advance		15,653,265	8,695,344	4,440,861
Insurance / reinsurance payables	19	206,886,319	189,328,809	158,924,906
Other creditors and accruals	20	193,713,970	195,908,240	198,577,288
Lease liability against right-of-use asset	2.4.1	276,621,459	-	-
Taxation - provision less payment		13,993,661	16,701,604	33,858,272
Total Liabilities		2,212,050,465	1,858,091,707	1,779,440,263
Total equity and liabilities		2,966,103,945	2,624,711,730	2,699,091,668
Contingencies and commitment				
	21			

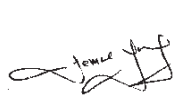
The annexed notes from 1 to 44 form an integral part of these financial statements.


Chief Financial Officer


Director


Director


Chief Executive Officer


Chairman

Statement of Comprehensive Income

For the year ended 31 December 2019

		2019	2018 (Restated) (Note 2.1.2)
	Note	Rupees	
Net insurance premium	22	2,136,242,523	2,246,604,949
Net Insurance claims	23	(882,931,195)	(965,439,825)
Net commission expense	25	(274,403,670)	(236,070,224)
Insurance claims and commission expense		(1,157,334,865)	(1,201,510,049)
Management expenses	26	(867,196,077)	(915,228,939)
Underwriting results		111,711,581	129,865,961
Investment income	27	80,930,597	913,053
Other income	28	71,243,666	69,813,834
Other expenses	29	(178,217,262)	(164,274,563)
Results of operating activities		85,668,582	36,318,285
Financial charges	30	(29,639,112)	(1,642,832)
Profit before tax for the year		56,029,470	34,675,453
Income tax expense	31	(25,514,021)	(10,936,073)
Profit after tax		30,515,449	23,739,380
Other comprehensive income:			
Unrealised gain / (loss) on available-for-sale investments during the year - net		17,249,889	(30,029,768)
Less: net (gain) / loss transferred to profit and loss on disposal / redemption / Impairment of investment		(22,850,418)	41,968,854
		(5,600,529)	11,939,086
Related tax impact		1,243,799	(977,326)
Other comprehensive income / (loss) for the year		(4,356,730)	10,961,760
Total comprehensive income for the year		26,158,719	34,701,140
(Loss) / earning (after tax) per share attributable to Shareholders' fund - Rupees	32	(1.14)	0.04
Net profit / (Loss) attributable to Shareholders' Fund		(107,157,578)	3,575,032
Net surplus attributable to Participants' Takaful Fund		137,673,027	20,164,348
		30,515,449	23,739,380
Other comprehensive loss attributable to Shareholders' Fund		(3,045,197)	(250,648)
Other comprehensive income / (Loss) attributable to Participants' Takaful Fund		(1,311,533)	11,212,408
		(4,356,730)	10,961,760

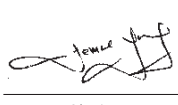
The annexed notes from 1 to 44 form an integral part of these financial statements.


Chief Financial Officer


Director


Director


Chief Executive Officer


Chairman

Statement of Changes In Equity

For The Year Ended 31 December 2019

	Reserves						Total
	Capital reserve			Revenue reserves			
	Share premium	Share issuance cost	Net share premium	Unappropriated profit / (accumulated loss)	Revaluation loss on available-for-sale investments	Total	
----- Rupees -----							
	755,158,990	147,579,495	(8,903,161)	138,676,334	253,917,563	(26,446,916)	1,121,305,971
Net profit for the year	-	-	-	-	3,575,032	-	3,575,032
Change in fair value of available for sale investments	-	-	-	-	-	(250,648)	(250,648)
Total comprehensive income / (loss) for the year	-	-	-	-	3,575,032	(250,648)	3,324,384
Bonus shares issued during the year	183,503,620	(130,642,497)	-	(130,642,497)	(52,861,123)	-	-
Cash dividend paid during the year	-	-	-	-	(187,732,522)	-	(187,732,522)
Balance as at December 31, 2018	938,662,610	16,936,998	(8,903,161)	8,033,837	16,898,950	(26,697,564)	936,897,833
Balance as at January 1, 2019 as reported	938,662,610	16,936,998	(8,903,161)	8,033,837	16,898,950	(26,697,564)	936,897,833
Effect of change in accounting policy (Note - 2.4.1)	-	-	-	-	(23,749,961)	-	(23,749,961)
Balance as at January 1, 2019 as restated	938,662,610	16,936,998	(8,903,161)	8,033,837	(6,851,011)	(26,697,564)	913,147,872
Net loss for the year	-	-	-	-	(107,157,577)	-	(107,157,577)
Change in fair value of available for sale investments	-	-	-	-	-	(3,045,197)	(3,045,197)
Total comprehensive loss for the year	-	-	-	-	(107,157,577)	(3,045,197)	(110,202,774)
Balance as at December 31, 2019	938,662,610	16,936,998	(8,903,161)	8,033,837	(114,008,588)	(29,742,761)	802,945,098

Statement Of Changes In Equity (Continued)

For the year ended 31 December 2019

	Ceded money	Accumulated deficit	Unrealized gain on revaluation of available for sale investments	Total
----- Rupees -----				
Participants' Takaful Fund:				
Balance as at 1 January 2018	2,000,000	(193,753,691)	(9,900,875)	(201,654,566)
Surplus for the year	-	20,164,348	-	20,164,348
Change in fair value of available for sale investments	-	-	11,212,408	11,212,408
Total comprehensive surplus for the year	-	20,164,348	11,212,408	31,376,756
Balance as at 31 December 2018	2,000,000	(173,589,343)	1,311,533	(170,277,810)
Balance as at 1 January 2019 as reported	2,000,000	(173,589,343)	1,311,533	(170,277,810)
Effect of change in accounting policy (Note - 2.4.1)	-	(14,975,302)	-	(14,975,302)
Balance as at 1 January 2019 as restated	2,000,000	(188,564,645)	1,311,533	(185,253,112)
Surplus for the year	-	137,673,027	-	137,673,027
Change in fair value of available for sale investments	-	-	(1,311,533)	(1,311,533)
Total comprehensive surplus for the year	-	137,673,027	(1,311,533)	136,361,494
Balance as at 31 December 2019	2,000,000	(50,891,618)	-	(48,891,618)

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


Chief Financial Officer


Director


Director


Chief Executive Officer


Chairman

Statement of Cash Flow

For the year ended 31 December 2019

	2019	2018
	----- Rupees -----	
Operating activities		
(a) Underwriting activities		
Insurance premium received	2,484,821,565	2,569,226,900
Reinsurance premium paid	(308,984,660)	(213,856,680)
Claims paid	(1,258,995,777)	(1,183,968,507)
Reinsurance and other recoveries received	392,390,943	345,803,294
Commission paid	(320,762,965)	(331,348,042)
Commission received	78,146,920	34,680,982
Management and other expenses paid	(702,609,202)	(809,806,464)
Net cash flow from underwriting activities	364,006,824	410,731,483
(b) Other operating activities		
Income tax paid	(22,026,683)	(43,000,742)
Other operating payments	(26,723,054)	(153,217,804)
Loans advanced	(4,272,364)	(4,960,221)
Loan repayment received	6,313,440	3,156,546
Net cash used in other operating activities	(46,708,661)	(198,022,221)
Total cash generated from operating activities	317,298,163	212,709,262
Investment activities		
Profit / return received	94,570,731	54,008,787
Dividend received	64,798	-
Payment for investments	(656,614,297)	(546,953,675)
Proceeds from investments	1,006,349,371	481,638,651
Proceeds from sale of property and equipment	186,000	3,017,000
Fixed capital expenditure	(33,036,962)	(93,490,981)
Total cash generated from / (used in) investing activities	411,519,641	(101,780,218)
Financing activities		
Cash dividend paid	(1,604,946)	(184,600,108)
Lease obligation paid	(193,176,026)	-
Financial charges paid	(13,519,270)	(1,642,832)
Total cash used in financing activities	(208,300,242)	(186,242,940)
Net cash generated from / (used in) all activities	520,517,562	(75,313,896)
Cash and cash equivalents at beginning of period	601,924,040	677,237,936
Cash and cash equivalents at end of period	1,122,441,602	601,924,040

Statement of Cash Flow

For the year ended 31 December 2019

	2019	2018
	----- Rupees -----	
Reconciliation to profit and loss account		
Operating cash flows	317,298,163	212,709,262
Depreciation / amortization / bad debt expense	(272,752,851)	(36,513,283)
Income tax paid	22,026,683	43,000,742
Provision for taxation	(25,514,021)	(10,936,073)
Financial charges	(32,707,941)	(1,642,832)
Investment Income	80,930,597	913,053
Increase in assets other than cash	(141,151,628)	91,508,309
(Increase) / decrease in liabilities other than borrowings	82,386,447	(275,299,798)
Profit after taxation	30,515,449	23,739,380

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

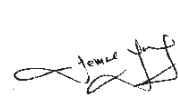
The annexed notes from 1 to 44 form an integral part of these financial statements.


Chief Financial Officer


Director


Director


Chief Executive Officer


Chairman

Notes to the Financial Statements

For the year ended 31 December 2019

1. Legal Status and Nature of Business

1.1 TPL Insurance Limited (the Company) was incorporated in Pakistan in 1992 as a public limited company under the Companies Ordinance, 1984 (now Companies Act, 2017) to carry on general insurance business. The Company was allowed to work as Window Takaful Operator on 04 September 2014 by Securities and Exchange Commission of Pakistan (SECP) under SECP Takaful Rules, 2012 to carry on General Window Takaful Operations in Pakistan. The Company is listed at Pakistan Stock Exchange Limited. The principal office of the Company is located at 12th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near KPT Interchange Flyover, Karachi, Pakistan. The Company is owned 73.38% by TPL Corp Limited.

1.2 The Company operates through the following locations in Pakistan;

Locations	Address
Head Office	11th & 12th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near KPT Interchange Flyover, Karachi Postal Code: 74900.
Lahore Branch	51-M, Quaid-e-Azam Industrial Estate, Kot Lakhpat, Lahore.
Islamabad Branch	55-B, 10th Floor (South), ISE Towers, Jinnah Avenue, Blue Area, Islamabad.
Faisalabad Branch	P-6161, West Canal Road, adjacent to Toyota Faisalabad Motors & behind HBL Canal Road Br, Faisalabad.
Multan Branch	Haider Street, Shalimar Colony, Northern Bypass-Boson Road, Multan.
Hyderabad Branch	A-8/9, District Council Complex, Hyderabad.
Export Processing Zone Branch	Plot # N-4, Sector B-III, Phase-1, Export Processing Zone Landhi, Karachi.

1.3 The status of Company's compliance with regulatory minimum paid-up capital and solvency requirements is disclosed in note 38.4 and 39 respectively to the financial statements. Considering the fact that the Company has been allowed temporary relaxation from applying IFRS 16 for the purpose of computing solvency margin, the Company may be required to increase its equity base through future profits from business or additional equity injection in order to remain compliant with the solvency requirements.

In view of the above and as an abundant caution, the Holding Company has provided a financial commitment to continue its financial support to the Company, if required for the purposes of ensuring sustainable operations in the foreseeable future.

2. Basis of Preparation and Statement Of Compliance

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules 2017, Insurance Accounting Regulations, 2017 and Takaful Rules, 2012.

Incase requirement differ, the provisions or directives of the Companies Act, 2017, Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017 and Takaful Rules, 2012, shall prevail.

2.1.1 These financial statements have been presented in accordance with the format prescribed under Insurance Rules, 2017.

Notes to the Financial Statements

For the year ended 31 December 2019

2.1.2 In terms of the requirements of the Takaful Rules 2012, read with SECP Circular 25 of 2015 dated 09 July 2015, the assets, liabilities and profit and loss of the Operator's Fund of the Window Takaful Operations (WTO) of the Company were presented as a single line item in the balance sheet and profit and loss account of the Company for the year ended 31 December 2018 respectively. Further, the PTF was not consolidated with the conventional insurance business. The similar requirements have been prescribed by General Takaful Accounting Regulations 2019 issued by SECP. However, as per SECP letter number ID/MDPR/ GTAR/2020/760 dated 19 February 2020, the Company has been granted relaxation from the above requirements and has been allowed line by line consolidation of financial statements of conventional and WTO (including PTF) upto the period ending 31 December 2020. Accordingly, these financial statement represent the consolidated financial position, results of operations and cashflows of the conventional business and WTO (including PTF) for the year ended 31 December 2019. Comparative figures have also been restated to correspond to current year's presentation.

2.1.3 A separate set of financial statements of the General Takaful operations has been annexed to these financial statements as per the requirements of the Takaful Rules 2012.

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except for certain investment which are carried at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees which is also the Company's functional currency. All financial information presented in Pak Rupees has been rounded to nearest Rupees, unless otherwise stated.

2.4 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

2.4.1 IFRS 16 "Leases"

The company has adopted IFRS 16 "Leases" with effect from 01 January 2019. IFRS 16 supersedes IAS 17 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single "on balance sheet" model.

The Company has lease contracts for various items of property and equipment. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as an operating lease. In an operating lease, the leased property / equipment was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other receivables and other liabilities, respectively.

The Company has elected to apply IFRS 16 under modified retrospective approach, recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of unappropriated profits at the date of initial application as allowed by IFRS 16.

Under IFRS 16, the Company, as a Lessee, has recognised right-of-use asset representing its right to use the underlying asset and lease liability representing its obligation to make lease payments.

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Notes to the Financial Statements

For the year ended 31 December 2019

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The effects of adoption of IFRS 16 as at 01 January 2019 and at 31 December 2019 are as follows:

	As at 31 December 2019	As at 1 January 2019
	----- Rupees -----	
Impact on Statement of Financial Position		
Increase in fixed assets - right-of-use assets	306,109,674	195,957,177
Decrease in advances and other prepayments	(101,404,227)	(89,277,287)
Increase in total assets	204,705,447	106,679,890
(Increase) / decrease in other liabilities -		
Increase in lease liability against right-of-use assets	(276,621,459)	(157,784,142)
Decrease in accrued rent	24,757,982	12,378,989
Decrease in net assets	(47,158,030)	(38,725,263)
Impact on Shareholders' Fund	(37,894,282)	(23,749,961)
Impact on Participants' Takaful Fund	(9,263,748)	(14,975,302)

	For the year ended 31 December 2019
	----- Rupees -----
Impact on Statement of Comprehensive Income	
Increase in financial charges - lease liability against right-of-use assets	(217,392,585)
(Increase) / decrease in administrative expenses	
- Depreciation on right-of-use assets	(217,392,584)
- Rent, rates and taxes	63,790,496
- Tracker Rental expense	173,715,713
	20,113,625
Decrease in profit	(8,432,767)
Impact on profit attributable to Shareholder's Fund	(14,144,321)
Impact attributable to Participants' Takaful Fund	5,711,554

2.4.2 Amendment to IFRS 17 "Insurance Contracts" - Applying IFRS 9 "Financial Instruments" with IFRS 17 "Insurance Contracts"

The company has taken the benefit of temporary exemption of applying IFRS 9 "Financial Instruments" with IFRS 17 "Insurance Contracts" as allowed under IFRS.

Notes to the Financial Statements

For the year ended 31 December 2019

2.4.3 There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for current accounting period. However, these do not have any significant impact on the Company's financial reporting and therefore have not been detailed in these financial information.

2.5 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned there against:

Standard or Interpretation	Effective date (annual periods beginning)
- IFRS 3 - Definition of a Business (Amendments)	January 01, 2020
- IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
- IAS 1/ IAS 8 - Definition of Material (Amendments)	January 01, 2020
- IFRS 14 - Regulatory Deferral Accounts	July 01, 2019

The above standards, amendments and interpretations are not expected to have any material impact on the Company's financial statements in the period of initial application.

Further, a new standard i.e. IFRS 17 - Insurance Contracts have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

3. Significant Accounting Policies

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as stated in note 2.4 to the financial statements and consolidation of financial statements of WTO as described below:

Consolidation of financial statement of conventional business and Window Takaful Operations

As described in note 2.1.2 to the financial statements, the financial statements of WTO have been consolidated on line by line basis in the financial statements of conventional business. The transactions between the Company and the WTO (OF and PTF) and between the OF and the PTF, including Wakala fee, Mudarib fee, Qard-e-hasna and other intercompany / interfund receivables and payables have been eliminated.

The impacts of change in method of presentation are disclosed in note 43 to the financial statements.

3.1 Insurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policy holders) 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 period, even if the insurance risk reduces significantly during this period, unless all rights and liabilities are extinguished or expired.

Notes to the Financial Statements

For the year ended 31 December 2019

The Company underwrites non-life insurance contracts that can be categorised into Fire and Property Damage, Marine, Aviation and Transport, Health, Motor and Miscellaneous contracts. Contracts may be concluded for a fixed term of one year, for less than one year and in some cases for more than one year. However, most of the contracts are for twelve months duration. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) of a facultative nature are included within the individual category of insurance contracts, other than those which fall under Treaty. The insurance risk involved in these contracts is similar to the contracts undertaken by the Company as insurer.

Fire and Property insurance contracts mainly compensate the customers for damage suffered to their property. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

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

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

All other insurances like cash in hand, cash in transit, personal accident, travel are included under Miscellaneous Insurance cover.

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

These contracts are made with group companies, corporate clients and individuals residing or located in Pakistan.

3.2 Premium

Premium income under a policy is recognized, evenly over the period of insurance from the date of issuance of the policy till the date of its expiry.

Administrative surcharge is recognised as income at the time policies are written.

Revenue from premiums is determined after taking into account the unearned portion of premium by applying 1/24th method as prescribed by the Insurance Rules, 2017. The unearned portion of premium income is recognised as liability.

Premium due but unpaid under insurance contracts are recognised when due, at the fair value of the consideration receivable less provision for doubtful debts, if any. If there is objective evidence that the receivable is impaired, the Company reduces the carrying amount of the receivable accordingly and recognizes it as impairment loss.

3.3 Reinsurance contracts

Insurance contracts entered into by the Company with reinsurers for compensation of losses suffered on insurance contracts issued are reinsurance contracts. These reinsurance contracts include both facultative and treaty arrangement contracts and are classified in same categories of insurance contracts for the purpose of these financial statements. The Company recognises the entitled benefits under the contract as various reinsurance assets. Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or accepted reinsurance business being reinsured.

Notes to the Financial Statements

For the year ended 31 December 2019

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

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

The deferred portion of reinsurance premium ceded is recognised as a prepayment which is calculated by using 1/24th method as prescribed by the Insurance Rules, 2017.

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

3.4 Claims expense

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

The Company recognises liability in respect of all claims incurred upto the balance sheet 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 an insurance contract.

The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs. Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates.

The provision for claims incurred but not reported (IBNR) is made at the balance sheet date. In accordance with SECP circular no. 9 of 2016, the Company takes actuarial advice for the determination of IBNR claims. The Company follows Chain ladder method for determination of provision for claims IBNR by analyzing the pattern of the incurred cases (on net of reinsurance basis) of a given accident year in the succeeding development years. Thereafter link ratios of the accumulated incurred claims (benefits) through the development years are used for the estimation of the incurred claims (benefits) ultimately expected.

3.5 Reinsurance recoveries against outstanding claims

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

3.6 Commission

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

Commission income from reinsurers is recognised at the time of issuance of the underlying insurance policy. These are deferred and recognised as liability and recognised in the profit and loss account as revenue in accordance with the pattern of recognition of the reinsurance premiums.

Notes to the Financial Statements

For the year ended 31 December 2019

3.7 Premium deficiency reserve

The Company is required as per Insurance Rules, 2017 and IFRS-4, to maintain a provision in respect of premium deficiency for the class of business where the unearned premium reserve is not adequate to meet the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the balance sheet date. The charge for premium deficiency reserve is recorded as an expense in the profit and loss account.

For this purpose, loss ratios for each class are estimated based on historical claim development. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. If these ratios are adverse, premium deficiency is determined. Further actuarial valuation has been carried out to determine the amount of premium deficiency reserve in respect of Health insurance as required by SRO 16 (I) / 2012 issued by Securities and Exchange Commission of Pakistan on 9 January 2012.

3.8 Staff retirement benefits

The Company operates a funded contributory provident fund (defined contribution plan) for all permanent employees. Equal contributions are made by the Company and the employees at the rate 8.33% of basic salary, to the fund.

3.9 Taxation

3.9.1 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 finalised during the current year for such years.

3.9.2 Deferred

Deferred tax is accounted for using the balance sheet liability method, in respect of temporary differences arising at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recognised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is utilized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the profit and loss account except in the case of items credited or charged to equity in which case it is included in equity.

Notes to the Financial Statements

For the year ended 31 December 2019

3.10 Investments

3.10.1 Recognition

All investments are initially recognised at cost, being the fair value of the consideration given and include transaction costs except for held for trading investments in which case transaction costs are charged to the profit and loss account. All purchase and sale of investments that require delivery within the required time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investments. These are recognised and classified as follows:

- Investment at fair value through profit and loss (held for trading)
- Available for sale
- Held to maturity
- Investment in Subsidiary Company
- Investment in Associates

3.10.2 Measurement

3.10.2.1 Investment at fair value through profit or loss (held for trading)

At the time of acquisition, quoted investments which are acquired principally for the purpose of generating profit from short term fluctuations in price or are part of portfolio for which there is a recent actual pattern of short term profit taking are classified as held for trading.

Subsequent to initial recognition these are remeasured at fair value by reference to quoted market prices with the resulting gain or loss being included in net profit or loss for the period in which it arises.

3.10.2.2 Available for sale

Available for Sale investments are those non-derivative instruments /contracts that are designated as available for sale or are not classified in any other category.

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

3.10.2.3 Quoted

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

These are reviewed for impairment at year end. The Company considers that available-for-sale equity investments and mutual funds are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. The Company considers that a decline of 30% in the market value of any scrip below its cost shall constitute as a significant decline and where market value remains below the cost for a period of one year shall constitute as a prolonged decline. Any losses arising from impairment in values are charged to the profit and loss account.

3.10.2.4 Held-to-maturity

At the time of acquisition, investments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held-to-maturity.

Notes to the Financial Statements

For the year ended 31 December 2019

Subsequently, these are measured at amortised cost less provision for impairment in value, if any. Amortised cost is calculated by taking into account any discount or premium on acquisition by using the effective yield method.

The difference between the redemption value and the purchase price of the held-to-maturity investments is amortised and taken to the profit and loss account over the term of the investment.

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

3.10.2.5 Investment in Subsidiary and Associate

Subsidiary is an entity in which the Company directly or indirectly controls, beneficially owns or holds more than fifty percent of its voting securities or otherwise has power to elect and appoint more than fifty percent of its directors.

Investments in associates are initially recognised at cost and the carrying amounts are increased or decreased to recognise the Company's share of the profit or loss of the associates after the date of acquisition, less impairment losses, if any.

Distributions received from associates reduce the carrying amount of the investment. Adjustments to the carrying amounts are also made for changes in the Company's proportionate interest in the associates arising from changes in the associates' equity that have not been recognised in the associates' profit or loss. The Company's share of those changes is recognised directly in equity of the Company.

3.11 Management expenses

Underwriting expenses have been allocated to various classes of business on a basis deemed equitable by the management. Expenses not attributable to the underwriting business are charged as administrative expenses.

3.12 Creditors, accruals and provisions

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

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

Provisions are reviewed at each balance sheet date and adjusted to reflect the current estimate.

3.13 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand, stamps in hand and deposits with banks (except for the deposit placed with statutory requirement) net off short term running finance.

3.14 Sundry receivable

These are recognised at cost, which is the fair value of the consideration given. However, an assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognised for the difference between the recoverable amount and the carrying amount.

Notes to the Financial Statements

For the year ended 31 December 2019

3.15 Fixed assets

3.15.1 Tangible assets - owned

These are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged to income over the useful life of the asset on a systematic basis applying the straight line method at the rates specified in note 5.1 to the financial statements. Depreciation is charged on additions from the month of acquisition and no depreciation is charged in the month of disposal. An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gain and loss on disposal of fixed assets is included in income currently.

The assets residual values, useful lives and methods are reviewed and adjusted, if appropriate at each financial year end.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and assets so replaced, if any, are retired. Gain or loss on disposal of fixed asset is included in income currently.

3.15.2 (a) Tangible assets - leased (policy applicable before 01 January 2019)

Assets subject to finance lease are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligation under the lease less financial charges allocated to future period are shown as a liability.

These financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

Leased assets are depreciated on a straight line basis at the same rate as Company's owned assets as disclosed in note 5.1 to the financial statements. Depreciation is charged on additions from the month of acquisition, and no depreciation is charged in the month of disposal.

3.15.2 (b) Right of use asset (policy applicable after 01 January 2019)

At the inception of the contract, the Company assesses whether a contract is, or contains, a lease. The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are presented within note 5 and are subject to impairment in line with the Company's policy as described in note 3.17.

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities.

Notes to the Financial Statements

For the year ended 31 December 2019

3.15.3 Ijara

The rental paid / payable on Ijara under Islamic financial accounting standard - 'Ijara' (IFAS 2) are recorded as expense.

3.15.4 Intangible assets - owned

These are stated at cost less accumulated amortisation and impairment, if any. Amortisation is charged to income over the useful life of the asset on a systematic basis applying the straight line method at the rates specified in note 6 to the financial statements. Amortisation is calculated from the month the assets are available for use. While on disposal, no amortisation is charged in the month in which the assets are disposed off. Software development costs are only capitalised to the extent that future economic benefits are expected to be derived by the Company.

3.15.5 Capital work-in-progress

Capital work-in-progress is stated at cost less any impairment in value.

3.16 Operating lease

Operating lease payments are recognised as an expense in the profit and loss account over the lease term.

3.17 Impairment

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

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

3.18 Financial instruments

Financial assets and financial liabilities within the scope of IAS - 39 are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expire or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liabilities is recognised in the profit and loss account of the current year.

Financial instruments carried on the balance sheet include bank deposits, investments, premium due but unpaid, premium received in advance, amount due from other insurers / reinsurers, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, advances deposits and prepayments provision for outstanding claims, amount due to other insurers / reinsurers, accrued expenses, other creditors and accruals, short term running finance and obligation under finance lease. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.19 Off setting of financial assets and financial liabilities

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

Notes to the Financial Statements

For the year ended 31 December 2019

3.20 Foreign currency translations

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

3.21 Revenue recognition

3.21.1 Premium

The revenue recognition policy for premiums is given under note 3.2.

3.21.2 Commission from reinsurers

The revenue recognition policy for commission from reinsurer is given under note 3.6.

3.21.3 Dividend income

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

3.21.4 Gain / loss on sale / redemption of investments

Gain / loss on sale / redemption of investments is taken to profit and loss account in the year of sale / redemption.

3.21.5 Income on held to maturity investment

Income from held to maturity investments is recognised on a time proportionate basis taking account the effective yield on the investment.

3.21.6 Profit on bank accounts and deposits

Profit on bank accounts and deposits is recognised on accrual basis.

3.22 Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The Company presents segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the SECP (Insurance) Rules, 2017 as the primary reporting format.

The Company has five primary business segments for reporting purposes namely, fire and property, marine, health, motor and miscellaneous. The nature and business activities of these segments are disclosed in note no. 3.1.

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.

Notes to the Financial Statements

For the year ended 31 December 2019

3.23 Dividend declaration and reserve appropriation

Dividend declaration and reserve appropriations are recognized when approved.

4. Critical Accounting Estimates and Judgements

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

The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgment or complexity, or areas where assumption and estimates are significant to the financial statements, or judgments was exercised in application of accounting policies, are as follows:

Classification of Insurance Contracts (note 3.1)

Provision for unearned premium (note 3.2)

Provision for outstanding claims including IBNR (note 3.4)

Premium deficiency reserve (note 3.7)

Provision for current and deferred tax (note 3.9)

Classification of investments and impairment (note 3.10)

Useful lives and residual value of assets and methods of depreciation (note 3.15)

Provision for impairment (note 3.17)

		31 December 2019	31 December 2018
5. Property and Equipment	Note	----- (Rupees) -----	
Operating Assets	5.1	110,855,162	112,939,895
Capital work-in-progress	5.1.4	2,609,412	7,551,735
Right-of-use assets	5.2	306,109,674	-
		419,574,248	120,491,630

Notes to the Financial Statements

For the year ended 31 December 2019

5.1 Operating Assets Owned

	2019						
	Cost			Accumulated Depreciation		Written Down Value	Depreciation Rate %
	As at 1 January 2019	Additions	Disposals / Write-offs*	As at 31 December 2019	Charge for the Year	Disposals / Write-offs*	As at 31 December 2019
-----Rupees-----							
Leasehold Improvements	27,946,025	6,095,685	-	34,041,710	3,152,693	-	14,303,456
Computer equipments	28,351,496	24,425,514	(146,000)	50,234,980	10,832,331	(59,417)	28,315,255
Furniture and fixtures	24,885,580	1,561,912	-	26,447,492	2,084,791	-	9,798,454
Office equipments	15,931,497	36,300	-	15,967,797	2,452,651	-	15,423,536
Motor vehicles	88,919,023	1,855,000	(295,313)	90,478,710	17,318,689	(295,313)	38,474,826
	186,033,621	33,974,411	(441,313)	217,170,689	35,841,155	(354,730)	106,315,527
			(2,396,030)			(2,264,623)	
							110,855,162
-----Rupees-----							
	2018						
	Cost			Accumulated Depreciation		Written Down Value	Depreciation Rate %
	As at 1 January 2018	Additions	Disposals / Write-offs*	As at 31 December 2018	Charge for the Year	Disposals / Write-offs*	As at 31 December 2018
-----Rupees-----							
Leasehold Improvements	27,946,025	-	-	27,946,025	2,794,602	-	11,150,763
Computer equipments	32,981,321	4,781,144	(1,900,000)	28,351,496	6,992,675	(369,444)	19,806,964
Furniture and fixtures	18,742,797	6,142,783	(7,510,969)	24,885,580	2,719,793	(7,510,969)	7,713,663
Office equipments	21,308,340	377,562	(372,300)	15,931,497	3,047,349	(196,682)	12,970,885
Motor vehicles	18,859,223	74,637,754	(2,650,000)	88,919,023	13,131,697	(2,098,333)	21,451,450
			(1,927,954)			(1,927,954)	
	119,837,706	85,939,243	(4,922,300)	186,033,621	28,686,116	(2,664,459)	73,093,725
			(14,821,028)			(14,718,844)	
							112,939,896

Notes to the Financial Statements

For the year ended 31 December 2019

5.1.1 The remaining useful life of material assets are estimated to be 5 years.

5.1.2 Disposal of operating

2019					
	Cost	Accumulated Depreciation	Book value	Sale proceeds	Net gain
----- Rupees -----					
Computer Equipment					
HP Laptop I5-BS072TX	55,000	(36,667)	18,333	25,450	7,117
HP Laptop Probook 450G5	91,000	(22,750)	68,250	70,700	2,450
	146,000	(59,417)	86,583	96,150	9,567
Motor Vehicles					
Unique Bike	45,313	(45,313)	-	9,000	9,000
Suzuki Mehran Vxr	250,000	(250,000)	-	177,000	177,000
	295,313	(295,313)	-	186,000	186,000
	441,313	(354,730)	86,583	282,150	195,567

5.1.3 Fully depreciated assets amount to Rs. 31,377 million (purchase price) at year end (2018: 12,719 million).

5.1.4 Capital work in progress includes advance to a supplier for IT related equipment.

5.2 Right-of-use assets

2019					
	Cost	Accumulated Depreciation			Written Down Value
	As at 1 January 2019	As at 31 December 2019	Effect of change in accounting policy (Note 2.4.1)	As at 1 January 2019	As at 31 December 2019
----- Rupees -----					
Office Premises	-	183,032,299	183,032,299	197,964,281	380,996,580
Tracking Devices	-	402,143,050	402,143,050	129,580,800	531,723,850
	-	585,175,349	585,175,349	327,545,081	912,720,430
	-	-	-	389,218,171	606,610,756
	-	-	-	217,392,585	306,109,674

Depreciation Rate %

20

50

Notes to the Financial Statements

For the year ended 31 December 2019

6. Intangible Assets

2019						
Owned	Cost			Accumulated Amortisation		Written Down Amortisation Rate %
	As at 1 January 2019	Additions	Disposals	As at 31 December 2019	Charge for the Year	As at 31 December 2019
----- Rupees -----						
Software licences	14,031,675	4,004,873	-	18,036,548	3,547,236	9,565,236
					8,471,312	20

2018						
Owned	Cost			Accumulated Amortisation		Written Down Amortisation Rate %
	As at 1 January 2018	Additions	Disposals / Write-off	As at 31 December 2018	Charge for the Year	As at 31 December 2018
----- Rupees -----						
Software licences	18,900,233	-	(4,868,558)	14,031,675	2,806,335	9,107,599
					(4,868,558)	20

6.1 The remaining useful life of material assets are estimated to be 3 years.

Notes to the Financial Statements

For the year ended 31 December 2019

7. Investment in Equity Securities and Mutual Funds

	2019			2018		
	Cost	Impairment / Revaluation	Carrying Value	Cost	Impairment / Revaluation	Carrying Value
	----- Rupees -----					
Available-for-sale						
Related party						
Listed shares						
TPL Properties Limited (3% holding)	100,000,000	(42,544,000)	57,456,000	100,000,000	(20,519,200)	79,480,800
	100,000,000	(42,544,000)	57,456,000	100,000,000	(20,519,200)	79,480,800
Others						
Listed shares						
Business Industrial Insurance Company Limited	251,260	(251,260)	-	251,260	(251,260)	-
Bank of Punjab Limited	357,727	(270,135)	87,592	357,727	(265,187)	92,540
Hub Power Company Limited	357,000	576,500	933,500	357,000	500,900	857,900
Bank of Khyber	162,975	43,069	206,044	162,975	33,800	196,775
Summit Bank Limited	514,765	(496,205)	18,560	514,765	(501,645)	13,120
	1,643,727	(398,031)	1,245,696	1,643,727	(483,392)	1,160,335
Mutual funds						
AKD Opportunity	-	-	-	95,312,797	(21,192,841)	74,119,956
Alfalsh GHP Stock Fund	-	-	-	68,825,591	(17,646,477)	51,179,114
Faysal Asset Allocation	-	-	-	44,970,104	(13,948,969)	31,021,135
UBL Stock Advantage	-	-	-	16,957,212	(3,348,998)	13,608,214
Askari Sovereign Yield Enhance	30,000,000	-	30,000,000	-	-	-
MCB Arif Habib AlHamra Islamic Stock Fund	-	-	-	72,079,965	(15,445,707)	56,634,258
AKD Islamic Income Fund	-	-	-	25,000,000	1,311,534	26,311,534
	30,000,000	-	30,000,000	323,145,669	(70,271,458)	252,874,211
	131,643,727	(42,942,031)	88,701,696	424,789,396	(91,274,050)	333,515,346

8. Investment in Government Securities - Held to maturity

		2019	2018
	Note	----- Rupees -----	
Treasury Bills		-	98,374,678
Pakistan Investment Bonds (PIBs)	8.1	95,677,804	94,180,429
Government of Pakistan Sukuk		-	100,278,988
		95,677,804	292,834,095

8.1 This represents five and ten years Pakistan Investment Bonds having face value of Rs. 101 million (market value of Rs. 95.763 million) [2018: Rs. 95 million (market value of Rs. 91.240 million)]. These carry mark-up ranging from 7.75% to 12% (2018: 7.75% to 12%) per annum and will mature between 18 August 2021 to 12 July, 2023. These have been deposited with the State Bank of Pakistan (SBP) as statutory deposit in accordance with the requirements of Section 29 of the Insurance Ordinance 2000 and circular No. 15 of 2008 dated 7 July 2008 issued by the Securities and Exchange Commission of Pakistan.

9. Investment in Debt Securities - Available for sale

		2019	2018
	Note	----- Rupees -----	
Sukuks			
- Dubai Islamic Bank Pakistan Limited	9.1	50,000,000	50,000,000
Term Finance Certificates			
- JS Bank Limited	9.1	25,000,000	-
- Habib Bank Limited	9.1	50,000,000	-
		75,000,000	-
		125,000,000	50,000,000

9.1 The terms and conditions of sukuks and listed term finance certificates outstanding as at 31 December 2019.

Notes to the Financial Statements

For the year ended 31 December 2019

Name of the Investee Company	Rating	Tenure	Profit Payments / Principal	Rate of return
Sukuks				
Dubai Islamic Bank Pakistan Limited	AA-	Perpetual	Monthly	3 months KIBOR + 1.75%
Term Finance Certificates				
JS Bank Limited	A+	Perpetual	Half yearly	6 months KIBOR + 2.25%
Habib Bank Limited	AAA	Perpetual	Quarterly	3 months KIBOR + 1.60%

2019	2018
----- Rupees -----	
420,000,000	350,000,000

10. Term Deposits

Deposits maturing within 12 months

10.1

10.1 These carry profit rate of 12.00% to 12.75% per annum (2018: 8.00% to 9.50% per annum) and have maturities upto 11 January 2020.

11. Loans and Other Receivables

Considered good

	Note	2019	2018
----- Rupees -----			
Advance to a related party	11.1	70,000,000	200,000,000
Receivable from related parties	11.2	36,149,399	77,846,578
Deposit for hospital enlistment	11.3	5,290,000	5,290,000
Accrued investment income		12,666,006	10,772,322
Loan and advance to employees	11.4	2,158,328	4,634,838
Placement with a company	11.5	25,000,000	25,000,000
Advance Ijara Rentals		7,600,000	7,600,000
Security Deposit		3,048,920	3,932,734
Receivable from broker	11.6	124,636,758	-
Other receivable		1,317,398	331,088
		287,866,809	335,407,560

Considered doubtful

Margin deposit placed against purchase of shares - unsecured	-	8,500,000
Receivable in respect of sublet of offices	-	884,936
Provision against doubtful debt	-	(9,384,936)
	-	-
	287,866,809	335,407,560

11.1 This represents advance to a related party. A special resolution of the shareholders authorising the Company to extend advance upto Rs.300 million was passed in Annual General Meeting of the Company held on 24 April 2019. The balance carries interest at the rate of 1 year KIBOR + 3.5% with a floor of 10% per annum.

11.2 This represents receivable from following related parties.

	2019	2018
----- Rupees -----		
TPL Trakker Limited	287,376	69,336,860
TPL Properties Limited	6,169,128	5,215,569
TPL Security Services (Private) Limited	794,655	1,934,239
TPL Corp Limited	28,809,083	129,577
TPL E-Venture (Private) Limited	89,157	-
TPL Maps (Amalgamated with TPL Trakker Limited w.e.f. 1 July 2019)	-	1,186,671
TPL Rupiya (Amalgamated with TPL Trakker Limited w.e.f. 1 July 2019)	-	43,662
	36,149,399	77,846,578

Notes to the Financial Statements

For the year ended 31 December 2019

- 11.3** This represent a refundable deposit placed for various hospital enlistments for services to the policy holders.
- 11.4** These include loans that were given to employees for domestic purposes and are secured against provident fund balances of employees. These loans carry a mark-up rate ranging from 0% - 5% (2018: 0% - 5%) per annum, and are maturing at various dates until November 2021.
- 11.5** This represents placements with Pearl Securities Limited and carries mark up at the rate of 11% per annum (2018: 8%) and will mature by 10 January 2020.
- 11.6** This represents receivable from broker in respect of sale of investment. This has been realised subsequent to the year end.

12. Insurance / Reinsurance Receivables - unsecured

	2019	2018
	----- Rupees -----	
Due from insurance contract holders		
Considered good	291,008,651	288,215,003
Considered doubtful	33,403,095	24,578,198
Less: provision for impairment of receivables from Insurance contract holders	(33,403,095)	(24,578,198)
	-	-
	291,008,651	288,215,003
Due from other insurers / reinsurers		
Considered good	17,332,947	10,089,045
Considered doubtful	2,754,393	2,754,393
Less: provision for impairment of due from other insurers / reinsurers	(2,754,393)	(2,754,393)
	-	-
	17,332,947	10,089,045
	308,341,598	298,304,048

13. Deferred Taxation - Net

Deferred debits arising in respect of :

Provision for doubtful debts / deposits	5,607,328	8,618,042
Provision for IBNR	1,073,000	1,174,500
Unrealized loss on available for sale investments	12,453,189	22,066,955
Unused tax losses	35,968,257	-

Deferred credits arising in respect of :

Accelerated depreciation	(11,037,507)	122,485
	44,064,267	31,981,982

13.1 Reconciliation of deferred tax

Opening balance	31,981,982	21,237,574
Reversal for the year	12,082,285	10,744,408
Closing balance	44,064,267	31,981,982

- 13.2** The net deferred tax asset has been recognised in accordance with the Company's accounting policy disclosed in note 3.9.2 to the financial statements. The management, based on financial projections as approved by the Board of Directors, estimates that sufficient taxable profits would be available in future against which the deferred tax asset could be realised.

Notes to the Financial Statements

For the year ended 31 December 2019

		2019	2018
	Note	----- Rupees -----	
14. Prepayments			
Prepaid			
- annual monitoring and other charges	14.1	47,849,850	123,902,899
- rent		64,000	1,967,181
- maintenance charges	14.2	2,639,814	2,066,724
- reinsurance premium ceded		158,195,968	127,304,702
- subscription		4,928,409	4,186,263
- insurance		4,647,421	172,899
		218,325,462	259,600,668

14.1 This includes prepaid annual monitoring charges amounting to Rs. 39.706 million (2018: Rs. 114.432 million) paid to TPL Trakker Limited (Associated company) against the tracking services provided to the insurance policy holders of the Company.

14.2 This represents maintenance charges paid to Centrepont Management Services (Private) Limited (a related party) for the principal office space of the Company.

		2019	2018
	Note	----- Rupees -----	
15. Cash and Bank Balances			
Cash and cash equivalent			
- Cash in hand		122,950	30,866
- Policy and Revenue stamps, Bond papers etc.		848,626	395,843
Cash at bank			
- Current accounts		53,540,775	62,072,932
- Profit and loss sharing accounts	15.1	647,929,251	189,424,399
		701,470,026	251,497,331
		702,441,602	251,924,040

15.1 These accounts carry mark-up at a rate between 6.00% to 13.00% (2018: 4.75% to 7.00%) per annum.

Cash and cash equivalents for the purpose of statement of cash flows:

	2019	2018
	----- Rupees -----	
Cash and cash equivalent	702,441,602	251,924,040
Term deposit receipts	420,000,000	350,000,000
	1,122,441,602	601,924,040

Notes to the Financial Statements

For the year ended 31 December 2019

16 Share Capital

16.1 Authorized Capital

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

16.2 Issued, Subscribed and paid- up share capital

2019	2018		2019	2018
-----Number of Shares-----			----- Rupees -----	
93,866,261	75,515,899	Ordinary shares of Rs. 10 each at the beginning of the year	938,662,610	755,158,990
-	18,350,362	Bonus Shares issued during the year	-	183,503,620
93,866,261	93,866,261	Ordinary shares of Rs. 10 each at the end of the year	938,662,610	938,662,610

16.3 As at 31 December 2019 shares held by related parties are as follows:

	2019		2018	
	Number of Shares	Holding	Number of Shares	Holding
TPL Corp Limited	68,875,960	73.38%	87,375,960	93.09%
TPL Holdings (Private) Limited	1,076,990	1.15%	1,076,990	1.15%
Directors	2,481	0.00%	126,781	0.14%
	69,955,431	74.53%	88,579,731	94.38%

17. Reserves

Capital Reserves

Share premium

Share issuance cost

Net share premium

Revenue Reserves

Unappropriated profit / (accumulated losses)

Available-for-sale revaluation losses

Note

2019	2018
----- Rupees -----	
16,936,998	16,936,998
(8,903,161)	(8,903,161)
8,033,837	8,033,837
(114,008,588)	16,898,950
(29,742,761)	(26,697,564)
(143,751,349)	(9,798,614)
(135,717,512)	(1,764,777)

17.1 Available-for-sale revaluation losses

Unrealised loss on available-for-sale investment

Related deferred tax

(41,891,102)	(37,602,106)
12,148,341	10,904,542
(29,742,761)	(26,697,564)

Notes to the Financial Statements

For the year ended 31 December 2019

		2019	2018
		----- Rupees -----	
18. Participants' Takaful Fund	Note		
18.1 Ceded Money		2,000,000	2,000,000
18.2 Accumulated deficit			
Balance at the beginning of the year as reported		(173,589,343)	(193,753,691)
Effect of change in accounting policy (Note - 2.4.1)		(14,975,302)	-
Balance at the beginning of the year as restated		(188,564,645)	(193,753,691)
Surplus for the year		137,673,027	20,164,348
Balance at the end of the year		(50,891,618)	(173,589,343)
18.3 Available-for-sale revaluation gain			
Balance at the beginning of the year		1,311,533	(9,900,875)
Unrealized gain on revaluation of available-for-sale investments		(1,311,533)	11,212,408
Balance at the end of the year		-	1,311,533
Participant's Takaful Fund		(48,891,618)	(170,277,810)
19. Insurance / Reinsurance Payables			
Due to other insurers / reinsurers		206,886,319	189,328,809
20. Other Creditors and Accruals			
Commission payable		35,116,517	35,953,586
Creditors	20.1 & 20.2	26,537,573	27,187,920
Federal Insurance Fee		2,429,958	1,945,502
Federal Excise Duty (FED) - net		29,530,489	25,583,778
Margin deposit from customers		1,379,911	1,208,313
Security deposit from customers		3,000,000	3,000,000
Unearned service income		-	5,843,734
Withholding tax payable		24,100,662	9,997,673
Advance tax on premium		3,734,315	5,691,084
Accrued Expenses		56,636,544	61,782,699
Dividend Payable		1,527,468	3,132,414
Payable to Provident Fund		1,581,599	4,770,815
Payable to related parties		213,612	896,108
Others		7,925,322	8,914,614
		193,713,970	195,908,240

20.1 This includes outstanding claims in respect of which cheques aggregating to Rs. 7.562 million (2018: Rs. 2.758 million) have been issued by the Company for claim settlement but the same have not been encashed by the claimant.

The following is the ageing as required by SECP circular 11 of 2014 dated 19 May 2014:

	2019	2018
	----- Rupees -----	
-More than 6 months	4,994,233	2,764,105
-1 to 6 months (included in provision for outstanding claims)	18,872,600	24,668,541
	23,866,833	27,432,646

Notes to the Financial Statements

For the year ended 31 December 2019

Claims not encashed	Age-Wise Breakup					TOTAL
	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months	
2019	18,872,600	1,924,119	3,070,114	-	-	23,866,833
2018	24,668,541	1,507,917	1,256,188	-	-	27,432,646

20.2 This includes Rs. 5.839 million (2018: Rs. 0.66 million) payable to Centre Point Management Services (Private) Limited (related party).

21. Contingencies and Commitment

21.1 Contingencies

Federal Government, through Finance Act 2017, has imposed a tax on undistributed profits at the rate of 7.5% of profit before tax, in case the Company does not distribute at least 40% of its profit after tax to its shareholders either through cash dividend or issuance of bonus shares.

The legislation requires tax to be paid for Tax Year 2017 and onwards. In respect of Tax Year 2017 (Financial Year 2016) the Company did not make distribution to its shareholders. The Company has filed a constitutional petition in the High Court of Sindh challenging the tax on undistributed reserves.

The constitutional petition is pending in the High Court of Sindh and the Company has been granted stay order by the Court. The Company believes based on the opinion of its legal counsel, that outcome of this would be in its favour and accordingly, no provision for taxation on undistributed reserve amounted to Rs. 11.162 million has been made in these financial statements.

21.2 Ijarah commitments

The Company has entered into various non-cancellable operating lease agreements. The lease term is five years.

The future minimum lease payments under non-cancellable operating leases are as follows:

	2019	2018
	----- Rupees -----	
No later than 1 year	9,060,276	8,402,748
Later than 1 year and no later than 5 years	21,016,263	27,634,797
	30,076,539	36,037,545

22. Net Insurance Premium

Written net premium	2,505,278,485	2,408,661,510
Add: Unearned premium reserve opening	1,147,809,592	1,149,828,418
Less: Unearned premium reserve closing	(1,211,232,507)	(1,147,809,592)
Premium earned	2,441,855,570	2,410,680,336
Less: Reinsurance premium ceded	336,504,313	244,260,583
Add: Prepaid reinsurance premium opening	127,304,702	47,119,506
Less: Prepaid reinsurance premium closing	(158,195,968)	(127,304,702)
Reinsurance expense	305,613,047	164,075,387
Net insurance Premium	2,136,242,523	2,246,604,949

Notes to the Financial Statements

For the year ended 31 December 2019

	2019	2018
	----- Rupees -----	
23. Net Insurance Claims Expense		
Claims paid/ payable	1,258,995,777	1,332,435,628
Add: Outstanding claims including IBNR closing	252,522,221	275,414,335
Less: Outstanding claims including IBNR opening	(275,414,335)	(228,411,917)
Claims expense	1,236,103,663	1,379,438,046
Less: Reinsurance and other recoveries received	390,155,743	389,195,334
Add: Reinsurance and other recoveries in respect of outstanding claims net of impairment - closing	89,791,095	126,774,370
Less: Reinsurance and other recoveries in respect of outstanding claims net of impairment - opening	(126,774,370)	(101,971,483)
Reinsurance and other recoveries revenue	353,172,468	413,998,221
Net insurance claims expense	882,931,195	965,439,825

24. Claim Development

Claim Development table is included in note 37.1.8 to the financial statements.

	2019	2018
	----- Rupees -----	
25. Net Commission Expense		
Commissions paid or payable	327,341,045	318,101,889
Add: Deferred commission - opening	164,770,392	105,576,967
Less: Deferred commission - closing	(156,754,128)	(164,770,392)
Commission expense	335,357,309	258,908,464
Less: Commission from reinsurers		
Commission received or receivable	78,146,919	41,673,422
Add: Deferred commission - opening	24,233,783	5,398,601
Less: Deferred commission - closing	(41,427,063)	(24,233,783)
Commission from reinsurance	60,953,639	22,838,240
Net Commission expense	274,403,670	236,070,224

Notes to the Financial Statements

For the year ended 31 December 2019

		2019	2018
26. Management Expenses	Note	----- Rupees -----	
Employee benefit costs	26.1	269,096,928	263,632,291
Annual monitoring fee	26.2	87,222,427	286,558,201
Travelling expenses		7,450,909	10,199,453
Business partner engagement expenses		67,571,205	59,624,164
Advertisement and marketing		28,598,811	47,564,624
Printing and stationary		11,531,812	13,144,447
Rent, rates and taxes		14,377,484	66,958,978
Outsourcing expenses		24,295,061	21,728,440
Communication		8,469,448	8,030,770
Utilities		12,189,785	12,155,778
Vehicle running expenses		15,838,732	16,859,475
Repair and maintenance		46,103,369	56,349,021
Depreciation - Operating assets		35,841,156	28,686,116
Depreciation - Right-of-use-assets	2.4.1	203,548,552	-
Amortization expense		3,547,236	2,806,335
Annual supervision fee SECP		4,585,430	4,109,053
Bad and doubtful debts		15,971,874	5,020,832
Insurance		8,207,179	6,854,621
Preinspection charges		2,748,679	4,917,235
Others		-	29,105
		867,196,077	915,228,939

26.1 This includes Rs. 245.385 million being salaries and wages (2018: Rs. 240.32 million) and Rs. 10.830 million (2018: Rs. 10.837 million) being contribution to employees' provident fund.

26.2 This represents annual monitoring fee. Comparative figures also include rental charges on tracking devices which are now classified as right-of-use assets (note 2.4.1).

27. Investment Income	Note	2019	2018
Dividend and markup income		----- Rupees -----	
Dividend Income		64,798	-
Return on debt securities		41,252,003	10,106,878
Return on Term Deposits		53,254,114	33,408,890
		94,570,915	43,515,768
Net realized gains / (losses) on investments - Available-for-sale			
Mutual Funds		(9,910,982)	11,998,860
Total investment income		84,659,933	55,514,628
Impairment in value of available-for-sale securities			
- Equity Securities		(4,000)	-
- Mutual Funds		(3,237,682)	(53,967,715)
		(3,241,682)	(53,967,715)
Less: Investment related expenses		(487,654)	(633,860)
		80,930,597	913,053

Notes to the Financial Statements

For the year ended 31 December 2019

28. Other Income	Note	2019	2018
		----- Rupees -----	
Interest on advance to associated company		49,702,212	41,697,886
Income from other services		1,730,000	18,409,362
Income from savings accounts		16,190,469	5,895,436
Gain sale of fixed assets		195,567	934,778
Others		3,425,418	2,876,372
		71,243,666	69,813,834
29. Other Expenses			
Employee benefit costs		68,899,214	55,231,126
Legal and professional charges		26,371,800	18,901,296
Auditors' remuneration	29.1	2,512,573	1,996,360
Registration, subscription and association		4,751,567	6,563,836
Donations	29.2	10,883,994	18,952,523
Communication		2,131,414	2,092,150
IT related cost		22,728,329	14,452,484
Travelling and conveyance		4,252,715	10,387,210
Utilities		3,121,056	2,597,388
Depreciation - Right-of-use-assets	2.4.1	13,844,033	-
Vehicle running expenses		1,871,194	1,853,679
Lease rentals		8,925,212	6,334,701
Bad debt expense		-	884,936
Others		7,924,161	24,026,874
		178,217,262	164,274,563
29.1 Auditors' Remuneration			
Fee for audit of financial statements		664,125	632,500
Fee for review of financial statements		367,500	350,000
Fee for audit of financials for group reporting purpose		400,000	-
Fee for review of financials for group reporting purpose		200,000	-
Special certifications		608,529	780,660
Out-of-pocket expenses		272,419	233,200
		2,512,573	1,996,360
29.2 Donations			

None of the directors, sponsor shareholders, key management personnel and their spouses had any interest in the Donee.

Notes to the Financial Statements

For the year ended 31 December 2019

		2019	2018
30. Financial Charges	Note	----- Rupees -----	
Bank charges		1,092,720	1,642,832
Interest expense on lease obligation related to right-of-use assets		28,546,392	-
		29,639,112	1,642,832
31. Taxation			
For the year			
Current	31.1	34,775,922	22,657,808
Deferred		(10,838,485)	(11,721,735)
		23,937,437	10,936,073
For the prior years			
Current		1,576,584	-
Deferred		-	-
		25,514,021	10,936,073

31.1 The Relationship between tax expense and accounting profit is not produced as the tax charge is based on minimum tax on turnover.

31.2 The tax rate applicable on the Company for Tax Year 2019 is 29% (2018: 29%).

31.3 Provision for tax made is sufficient to cover the income tax liability for the year ended 31 December 2019. The analysis of tax provision compared to tax assessed for the last three years is as follows:

Tax Year	Provision made	Tax Assessed
Tax Year 2020	34,775,922	Return to be filed
Tax Year 2019	31,604,986	31,604,986
Tax Year 2018	64,412,083	64,412,083
Tax Year 2017	41,967,997	41,967,997

		2019	2018
32. Earnings Per Share - Basic and Diluted	Note	----- Rupees -----	
(Loss) / profit after tax for the year attributable to Shareholders		(107,157,578)	3,575,032
		----- Number of Shares -----	
Weighted average number of ordinary shares of Rs.10 each		93,866,261	93,866,261
		----- Rupees -----	
(Loss) / earnings per share - basic and diluted		(1.14)	0.04

Notes to the Financial Statements

For the year ended 31 December 2019

33. Compensation of Directors and Executives

The aggregate amount charged to the financial statements, including all benefits, to the Chief Executive, Directors and Executives / Key Management Personnel of the Company are as follows:

	Chief Executive Officer		Directors		Executives		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	Rupees							
Managerial remuneration	15,484,899	13,377,192	-	-	73,967,252	68,159,000	89,452,151	81,536,192
Bonus	-	-	-	-	550,000	852,000	550,000	852,000
House rent allowance	6,968,160	6,019,716	-	-	33,285,099	30,576,920	40,253,259	36,596,636
Utilities	1,546,941	1,336,425	-	-	7,389,443	6,810,032	8,936,384	8,146,457
Retirement benefits	1,289,892	1,114,320	-	-	5,876,893	5,459,079	7,166,785	6,573,399
Relocation allowances	-	2,491,392	-	-	-	-	-	2,491,392
Others	-	7,887	-	-	14,822,441	15,155,285	14,822,441	15,163,172
Director fee	-	-	3,300,000	3,300,000	-	-	3,300,000	3,300,000
	25,289,892	24,346,932	3,300,000	3,300,000	135,891,128	127,012,316	164,481,020	154,659,248
Number of persons	1	2	4	3	28	22	33	27

33.1 In addition, the Chief Executive Officer, Directors and Executives are provided with free use of Company maintained cars in accordance with their entitlement.

34. Transactions with Related Parties

34.1 The related parties comprise Parent Company, associated undertakings, common directorships, employees provident fund, directors and key management personnel. The balances with / due from and transactions with related parties are as follows:

34.2 Balances and transactions with related parties

TPL Trakker Limited - (associated company)

Receivable

	2019	2018
Opening balance	69,336,860	31,369,420
Interest charged during the year	49,702,212	41,697,886
Net expenses charged - group shared costs	(57,233,913)	(8,079,421)
Rent and other services on tracking units	(280,516,240)	(229,757,907)
Adjustment against advance	70,000,000	-
Net payment made by the Company	148,998,457	234,106,882
Closing balance	287,376	69,336,860

Advance

	2019	2018
Opening balance	200,000,000	200,000,000
Payments received during the year	(60,000,000)	-
Adjustment against receivable	(70,000,000)	-
Closing balance	70,000,000	200,000,000

Notes to the Financial Statements

For the year ended 31 December 2019

34.2 Balances and transactions with related parties (continued)

This represents advance to a related party. A special resolution of the shareholders authorising the Company to extend advance upto Rs.300 million was passed in Annual General Meeting of the Company held on 21 April, 2019. The balance carries interest at the rate of 1 year KIBOR + 3.5% with a floor of 10% per annum.

	2019	2018
	----- Rupees -----	
TPL Properties Limited- common directorship		
Opening balance - receivable	5,215,569	11,763,149
Rent invoices received during the year	(61,134,684)	(28,471,672)
Payment made during the year	61,134,684	28,471,672
Other movement	-	(9,601,744)
Expenses incurred by the Company	953,559	3,054,164
Closing balance - receivable	6,169,128	5,215,569
Virtual World (Private) Limited - common directorship		
Opening accrued outsourcing expenses	10,000,000	644,000
Services received during the year	26,049,214	19,922,665
Payments made during the year	(25,851,038)	(10,566,665)
Closing accrued outsourcing expenses	10,198,176	10,000,000
TRG Pakistan Limited		
Balance at the beginning and end of the year - receivable	-	884,936
Provision for doubtful debt	-	(884,936)
Centrepont Management Services (Private) Limited - common directorship		
Opening balance - payable	660,043	1,812,001
Maintenance charges expensed during the year	12,292,204	8,266,896
Maintenance charges paid during the year	(11,741,423)	(8,266,896)
Other movement during the year	118,725	(1,191,797)
Services received during the year	10,900,482	9,795,271
Payments made during the year	(6,391,344)	(9,755,432)
Closing balance - payable	5,838,687	660,043
TPL Security Services (Private) Limited - common directorship		
Opening balance - receivable	1,934,239	719,357
Expenses incurred by the Company	1,209,144	1,726,382
Services received during the year	(2,348,728)	(1,184,300)
Payments made during the year	-	672,800
Closing balance - receivable	794,655	1,934,239
TPL Direct Insurance Limited Employees Provident Fund		
Opening balance - payable	4,770,815	3,323,344
Charge for the year	48,340,183	26,323,170
Contribution made during the year	(51,529,399)	(24,875,699)
Closing balance - payable	1,581,599	4,770,815

Notes to the Financial Statements

For the year ended 31 December 2019

34.2 Balances and transactions with related parties (continued)

	2019	2018
	----- Rupees -----	
TPL Life Insurance Limited - common directorship		
Opening balance - receivable / (payable)	(896,108)	1,561,209
Expenses incurred on behalf of the Company	(1,062,473)	6,216,777
Services received from the Company	(5,195,056)	(10,598,488)
Net payments made during the year	6,940,025	1,924,394
Closing balance - receivable / (payable)	(213,612)	(896,108)
TPL Maps - common directorship (Amalgamated with TPL Trakker Limited w.e.f. 1 July 2019)		
Opening balance - receivable	1,186,671	-
Expenses incurred on behalf of the Company	131,935	1,186,671
Transferred to TPL Trakker Limited on amalgamation	(1,318,606)	-
Closing balance - receivable	-	1,186,671
TPL Rupiya - common directorship (Amalgamated with TPL Trakker Limited w.e.f. 1 July 2019)		
Opening balance - receivable	43,662	-
Expenses incurred on behalf of the Company	-	43,662
Transferred to TPL Trakker Limited on amalgamation	(43,662)	-
Closing balance - receivable	-	43,662
TPL Corp Limited - parent company		
Opening balance - receivable	129,577	-
Expenses incurred on behalf of the Company	28,679,506	129,577
Closing balance - receivable	28,809,083	129,577
TPL e-Venture (Private) Limited - common directorship		
Opening balance - receivable	-	-
Expenses incurred on behalf of the Company	89,157	-
Closing balance - receivable	89,157	-

34.3 Remuneration to the key management personnel are in accordance with the terms of their employment. Contribution to the provident fund is in accordance with the Company's staff services rules and other transactions with the related parties are in accordance with the agreed terms.

Notes to the Financial Statements

For the year ended 31 December 2019

35. Segment Reporting

Gross Written Premium

(inclusive of Administrative Surcharge)

Gross Direct Premium

Facultative Inward Premium

Administrative Surcharge

Insurance premium earned

Insurance premium ceded to reinsurers

Net insurance premium

Commission income

Net underwriting income

Insurance claims

Insurance claims recovered from reinsurers / salvage

Net Claims

Commission expense

Management expenses

Net insurance claims and expenses

Underwriting result

Investment income

Other income

Other expenses

Results of operating activities

Financial charges

Profit before tax

2019					
Fire & property damage	Marine, aviation & transport	Motor	Health	Miscellaneous	Aggregate
Rupees					
141,009,066	67,517,200	2,158,530,053	97,411,486	40,810,680	2,505,278,485
122,033,924	66,033,182	2,084,919,673	95,605,205	38,010,833	2,406,602,817
18,235,656	430,456	616,189	-	15,591	19,297,892
739,486	1,053,562	72,994,191	1,806,281	2,784,256	79,377,776
106,989,544	66,740,862	2,084,188,440	147,911,916	36,024,807	2,441,855,569
(93,159,806)	(19,102,279)	(179,719,993)	-	(13,630,968)	(305,613,046)
13,829,738	47,638,583	1,904,468,447	147,911,916	22,393,839	2,136,242,523
16,334,093	3,442,579	38,721,087	-	2,455,880	60,953,639
30,163,831	51,081,162	1,943,189,534	147,911,916	24,849,719	2,197,196,162
(42,278,689)	(39,274,856)	(1,108,049,579)	(43,254,931)	(3,245,608)	(1,236,103,663)
35,438,662	7,018,330	309,488,051	-	1,227,425	353,172,468
(6,840,027)	(32,256,526)	(798,561,528)	(43,254,931)	(2,018,183)	(882,931,195)
(16,351,172)	(10,057,282)	(249,484,432)	(51,058,100)	(8,406,323)	(335,357,309)
(43,636,503)	(21,214,067)	(761,734,179)	(27,197,712)	(13,413,616)	(867,196,077)
(66,827,702)	(63,527,875)	(1,809,780,139)	(121,510,743)	(23,838,122)	(2,085,484,581)
(36,663,871)	(12,446,713)	133,409,395	26,401,173	1,011,597	111,711,581
					80,930,597
					71,243,666
					(178,217,262)
					85,668,582
					(29,639,112)
					56,029,470

Gross Written Premium

(inclusive of Administrative Surcharge)

Gross Direct Premium

Facultative Inward Premium

Administrative Surcharge

Insurance premium earned

Insurance premium ceded to reinsurers

Net insurance premium

Commission income

Net underwriting income

Insurance claims

Insurance claims recovered from reinsurers / salvage

Net Claims

Commission expense

Management expenses

Net insurance claims and expenses

Underwriting result

Investment income

Other income

Other expenses

Results of operating activities

Financial charges

Profit before tax

2018					
Fire & property damage	Marine, aviation & transport	Motor	Health	Miscellaneous	Aggregate
Rupees					
85,274,783	59,725,504	2,058,393,880	181,182,482	24,084,860	2,408,661,509
84,548,429	58,478,920	1,986,697,599	174,618,572	23,082,223	2,327,425,743
-	-	-	-	-	-
726,354	1,246,584	71,696,281	6,563,910	1,002,637	81,235,766
98,332,576	57,638,101	2,116,909,097	117,416,335	20,384,227	2,410,680,336
(76,074,371)	(26,956,564)	(54,887,995)	-	(6,156,457)	(164,075,387)
22,258,205	30,681,537	2,062,021,102	117,416,335	14,227,770	2,246,604,949
11,745,298	5,163,743	5,688,777	-	240,422	22,838,240
34,003,503	35,845,280	2,067,709,879	117,416,335	14,468,192	2,269,443,189
(71,852,241)	(26,502,191)	(1,243,023,014)	(32,343,657)	(5,716,944)	(1,379,438,047)
67,685,569	6,767,563	339,423,633	-	121,457	413,998,222
(4,166,672)	(19,734,628)	(903,599,381)	(32,343,657)	(5,595,487)	(965,439,825)
(16,865,906)	(9,148,816)	(179,666,143)	(48,951,146)	(4,276,453)	(258,908,464)
(13,277,913)	(13,407,422)	(832,699,379)	(50,329,127)	(5,515,098)	(915,228,939)
(34,310,491)	(42,290,866)	(1,915,964,903)	(131,623,930)	(15,387,038)	(2,139,577,228)
(306,988)	(6,445,586)	151,744,976	(14,207,595)	(918,846)	129,865,961
					913,053
					69,813,834
					(164,274,563)
					36,318,285
					(1,642,832)
					34,675,453

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36. Movement in Investments

	Held to Maturity	Available for Sale	Total
	----- Rupees -----		
As at 1 January 2018	454,457,402	683,859,842	1,138,317,244
Additions	568,220,015	157,562,705	725,782,720
Disposals (sale and redemption)	(380,000,000)	(369,513,565)	(749,513,565)
Fair value net gains (excluding net realized gains)	-	(34,425,921)	(34,425,921)
(Impairment) / Reversal of Impairment	-	(53,967,715)	(53,967,715)
Amortisation of premium / discount	156,678	-	156,678
As at 31 December 2018	642,834,095	383,515,346	1,026,349,441
Additions	487,873,339	511,730,226	999,603,565
Disposals (sale and redemption)	(618,442,989)	(690,665,780)	(1,309,108,769)
Fair value net gains (excluding net realized gains)	-	12,363,586	12,363,586
(Impairment) / Reversal of Impairment	-	(3,241,682)	(3,241,682)
Amortisation of premium / discount	3,413,359	-	3,413,359
As at 31 December 2019	515,677,804	213,701,696	729,379,500

37. Management of Insurance Risk and Financial Risk

The Company issue contracts that transfer insurance risk or financial risk or both. This section summarises the insurance risks and the way the Company manages them.

37.1 Insurance Risk Management

37.1.1 Insurance Risk

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of compensation to the insured. Generally most insurance contracts carry the insurance risk for a period of one year.

The Company's major insurance contracts are in respect of motor vehicles through issuance of general insurance contracts relating to motor insurance. For these contracts the most significant risks arise from theft, accidents and terrorist activities.

The Company's risk exposure is mitigated by employing a comprehensive framework to identify, assess, manage and monitor risk. This framework includes implementation of underwriting strategies which aim to ensure that the underwritten risks are well diversified in terms of type and amount of the risk. Adequate reinsurance is arranged to mitigate the effect of the potential loss to the Company from individual to large or catastrophic insured events. Further, the Company adopts strict claim review policies including active management and prompt pursuing of the claims and regular detailed review of claim handling procedures and frequent investigation of possible false claims to reduce the insurance risk.

37.1.2 Frequency and Severity of Claims

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

The reinsurance arrangements against major risk exposure include excess of loss, quota share, surplus arrangements and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on Company's net retentions.

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37.1.3 Uncertainty in the Estimation of Future Claim Payments

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

An estimated amount of the claim is recorded immediately on the intimation to the Company. The estimation of the amount is based on management judgment or preliminary assessment by the independence surveyor appointed for the purpose. The initial estimates include expected settlement cost of the claims. The provision for claims incurred but not reported (IBNR) is made at the balance sheet date. In accordance with SECP circular no. 9 of 2016, the Company takes actuarial advice for the determination of IBNR claims. The Company follows Chain ladder method for determination of provision for claims IBNR by analyzing the pattern of the incurred cases (on net of reinsurance basis) of a given accident year in the succeeding development years. Thereafter link ratios of the accumulated incurred claims (benefits) through the development years are used for the estimation of the incurred claims (benefits) ultimately expected. There are several variable factors which affect the amount and timing of recognized claim liabilities. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from initial recognized amount. Outstanding claims are reviewed on a periodic basis.

37.1.4 Key Assumptions

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

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

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 claims recognized in the balance sheet is adequate. However, actual experience may differ from the expected outcome.

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

Notes to the Financial Statements

For the year ended 31 December 2019

Average claim cost	Underwriting results / profit before tax		Shareholder's equity	
	2019	2018	2019	2018
	----- Rupees -----		----- Rupees -----	
Fire & property damage	684,003	416,667	485,642	295,834
Marine, aviation & transport	3,225,653	1,973,463	2,290,213	1,401,159
Motor business	79,856,153	90,359,938	56,697,868	64,155,556
Health	4,325,493	3,234,366	3,071,100	2,296,400
Miscellaneous	201,818	559,549	143,291	397,280
	88,293,121	96,543,983	62,688,116	68,546,228

37.1.6 Concentration of risk

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

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the insured property.

The adequate event limit is a multiple of the treaty capacity or the primary recovery from excess of loss treaty, which is very much in line with the risk management philosophy of the Company.

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

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

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

	Gross sum insured		Reinsurance		Net	
	2019	2018	2019	2018	2019	2018
	----- Rupees -----		----- Rupees -----		----- Rupees -----	
Fire & property damage	4,809,655,529	3,844,524,423	4,713,462,418	3,796,467,868	96,193,111	48,056,555
Marine, aviation & transport	948,763,200	387,604,800	928,763,200	374,315,493	20,000,000	13,289,307
Motor business	25,000,000	20,000,000	20,000,000	17,000,000	5,000,000	3,000,000
Health	1,000,000	800,000	-	-	1,000,000	800,000
Miscellaneous	250,000,000	232,000,000	175,000,000	231,000,000	75,000,000	1,000,000

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37.1.8 Claims development table

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

Analysis on gross basis

Accident year	Prior to 2010	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Rupees												
Estimate of ultimate claims cost:												
At end of accident year	62,222,873	47,340,288	48,351,225	363,140,143	469,482,097	708,662,241	872,154,380	1,119,834,954	1,189,630,891	1,341,453,975	1,210,488,108	1,210,488,108
One year later	55,479,114	30,393,508	37,511,141	352,896,739	468,385,716	706,207,696	897,562,104	1,149,396,121	1,230,902,945	1,357,839,571	-	1,357,839,571
Two years later	53,261,355	30,389,581	37,423,966	352,717,003	468,442,371	698,292,362	899,731,568	1,144,863,477	1,237,132,102	-	-	1,237,132,102
Three years later	53,292,721	30,389,581	37,428,166	352,717,003	468,442,371	697,553,067	899,980,112	1,145,603,367	-	-	-	1,145,603,367
Four years later	54,157,721	30,389,581	37,428,166	352,717,003	468,442,371	697,681,017	900,959,825	-	-	-	-	900,959,825
Five years later	53,859,721	30,389,581	37,428,166	352,717,003	469,692,371	698,623,467	-	-	-	-	-	698,623,467
Six years later	53,630,976	30,389,581	37,428,166	352,720,503	469,736,121	-	-	-	-	-	-	469,736,121
Seven years later	53,630,976	30,539,581	37,428,166	352,845,503	-	-	-	-	-	-	-	352,845,503
Eight years later	53,630,976	30,539,581	37,598,166	-	-	-	-	-	-	-	-	37,598,166
Nine years later	53,668,476	30,539,581	-	-	-	-	-	-	-	-	-	53,668,476
Ten years later	57,885,238	-	-	-	-	-	-	-	-	-	-	57,885,238
Estimate of cumulative claims	57,885,238	30,539,581	37,598,166	352,845,503	469,736,121	698,623,467	900,959,825	1,145,603,367	1,237,132,102	1,357,839,571	1,210,488,108	7,499,251,049
Cumulative payments to date	(56,691,238)	(30,539,581)	(37,598,166)	(352,845,503)	(469,736,121)	(698,172,267)	(900,959,825)	(1,142,451,764)	(1,235,253,316)	(1,349,125,850)	(973,355,197)	(7,246,728,828)
Liability for outstanding claims	1,194,000	-	-	-	-	451,200	-	3,151,603	1,878,786	8,713,721	237,132,911	252,522,221

38. Financial Risk Management

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

38.1 Credit risk

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

38.1.1 Management of credit risk

The Company's policy is to enter into financial contracts in accordance with the guidelines set by the Board of Directors. Credit risk is managed and controlled by the management of the Company in the following manner:

- Credit rating and / or credit worthiness of the counter party is taken into account along with the financial background so as to minimize the risk of default. Collaterals are obtained wherever appropriate / relevant.

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- The risk of counterparty exposure due to failed agreements causing a loss to the Company is mitigated by a periodic review of the credit ratings, financial statements, credit worthiness, etc. on a regular basis and makes provision against those balances considered doubtful of recovery.
- Loans given to employees are deductible from the salary of the employees.
- Cash is held with reputable banks only.

To reduce the credit risk the management continuously reviews and monitors the credit exposure towards the policyholders and other insurers/reinsurers and makes provision against those balances considered doubtful of recovery.

38.1.2 Exposure to credit risk

In summary, compared to the amount included in statement of assets and liabilities, the maximum exposure to credit risk as at 31 December is as follows:

	December 2019 Balance as per the financial statements	Maximum exposure	December 2018 Balance as per the financial statements	Maximum exposure
	----- Rupees -----			
Investment in government securities	95,677,804	95,677,804	292,834,095	292,834,095
Investment in debt securities	125,000,000	125,000,000	50,000,000	50,000,000
Term deposits	420,000,000	420,000,000	350,000,000	350,000,000
Loans and other receivables	287,866,809	287,866,809	335,407,560	335,407,560
Insurance / reinsurance receivables	308,341,598	308,341,598	298,304,048	298,304,048
Reinsurance recoveries against outstanding claims	34,249,686	34,249,686	13,759,385	13,759,385
Salvage recoveries accrued	55,541,409	55,541,409	113,014,985	113,014,985
Bank balances	701,470,026	701,470,026	251,497,331	251,497,331
	2,028,147,332	2,028,147,332	1,704,817,404	1,704,817,404

38.1.3 Past due / impaired assets

Age analysis of premium due but unpaid at the reporting date was:

	2019		2018	
	Gross	Impairment	Gross	Impairment
	----- Rupees -----			
0-90 days	231,571,566	-	214,769,812	-
Over 90 days	110,173,127	33,403,095	108,112,434	24,578,198
Total	341,744,693	33,403,095	322,882,246	24,578,198

Age analysis of amount due from other insurers / reinsurers at the reporting date was:

	2019		2018	
	Gross	Impairment	Gross	Impairment
	----- Rupees -----			
Upto 1 year	-	-	-	-
1-2 years	-	-	-	-
Over 2 years	2,754,393	(2,754,393)	2,754,393	(2,754,393)
Total	2,754,393	(2,754,393)	2,754,393	(2,754,393)

Age analysis of reinsurance recoveries against outstanding claims at the reporting date was:

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	2019		2018	
	Gross	Impairment	Gross	Impairment
	----- Rupees -----			
Up to 1 year	33,210,326	-	15,489,983	-
1-2 years	847,000	-	-	-
Over 2 years	192,360	-	119,400	-
Total	34,249,686	-	15,609,383	-

In respect of the aforementioned insurance and reinsurance assets, the Company takes into account its past history / track record of recoveries and financial position of the counterparties while creating provision for impairment. Further, reinsurance recoveries are made when corresponding liabilities are settled.

38.1.4 Credit Rating and Collateral

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

Long term Rating	Rating Agency	Amount (in Rupees)	
		2019	2018
AAA	JCR-VIS	24,029,836	14,468,196
AAA	PACRA	32,831	1,011,564
AA+	PACRA	349,047,929	43,578,211
AA+	JCR-VIS	34,853,618	53,580,337
AA	PACRA	25,742,214	1,003,042
AA	JCR-VIS	47,348,525	302,323
AA-	JCR-VIS	-	24,351,102
AA-	PACRA	22,315,774	42,356,128
A+	PACRA	73,008,181	21,117,395
A+	JCR-VIS	-	958,327
A	PACRA	163,815	243,807
A-	JCR-VIS	103,607,030	151,713,401
BBB-	JCR-VIS	442,291,849	247,240,207
		1,122,441,602	601,924,040

The Company enters into re-insurance / co-insurance arrangements with re-insurers / other insurers having sound credit ratings accorded by reputed credit rating agencies. The Company is required to comply with the requirements of circular no. 32 / 2009 dated October 27, 2009 issued by SECP which requires an insurance company to place at least 80% of their outward treaty cessions with reinsurers rated 'A' or above by Standard & Poors with the balance being placed with entities rated at least 'BBB' by reputable ratings agency. An analysis of all reinsurance assets relating to outward treaty cessions recognised by the rating of the entity from which it is due is as follows:

	Reinsurance recoveries against outstanding claims	Prepaid reinsurance premium ceded	2019	2018
	----- Rupees -----			
A or above (including PRCL)	34,249,686	158,195,968	192,445,654	141,064,087

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38.1.5 Concentration of credit risk

Concentration of credit risk arises when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. The Company manages concentration of credit risk through diversification of activities among individuals, groups and industry segments.

Sector-wise analysis of premium due but unpaid at the reporting date was:

	2019		2018	
	---- Rupees ----	%	---- Rupees ----	%
Individuals	40,725,096	13%	51,603,532	17%
Corporate	267,616,502	87%	246,700,516	83%
	308,341,598	100%	298,304,048	100%

38.1.6 Settlement risk

The company's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed on sale.

This risk is addressed more or less in accordance with the parameters set out in the credit risk management above.

38.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or may face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

38.2.1 Management of liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to fulfil its obligation; monitoring balance sheet liquidity ratios against internal and external requirements and maintaining debt financing plans.

38.2.2 Maturity analysis for financial assets and liabilities

The table below analyses the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to maturity date and represents the undiscounted cash flows. The amounts in the table are the gross nominal undiscounted cash flows (including interest payments).

	2019		
	Carrying amount	Upto one year	More than one year
	----- Rupees -----		
Financial assets			
Investments			
Equity securities and mutual fund units	88,701,696	88,701,696	-
Government Securities	95,677,804	-	95,677,804
Debt securities	125,000,000	-	125,000,000
Term deposits	420,000,000	420,000,000	-
Loans and other receivables	287,866,809	287,866,809	-
Insurance / reinsurance receivables	308,341,598	308,341,598	-
Reinsurance recoveries against outstanding claims	34,249,686	34,249,686	-
Salvage recoveries accrued	55,541,409	55,541,409	-
Cash and bank balances	702,441,602	702,441,602	-
	2,117,820,604	1,897,142,800	220,677,804

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Financial liabilities

Underwriting Provisions

Outstanding claims including IBNR	252,522,221	252,522,221	-
Unearned premium reserves	1,211,232,507	1,211,232,507	-
Unearned reinsurance commission	41,427,063	41,427,063	-
Premium received in advance	15,653,265	15,653,265	-
Insurance / reinsurance payables	206,886,319	206,886,319	-
Other creditors and accruals	193,713,970	193,713,970	-
Lease liability against right-of-use asset	276,621,459	100,829,219	175,792,240
Taxation - provision less payment	13,993,661	13,993,661	-

2019		
Carrying amount	Upto one year	More than one year
----- Rupees -----		
252,522,221	252,522,221	-
1,211,232,507	1,211,232,507	-
41,427,063	41,427,063	-
15,653,265	15,653,265	-
206,886,319	206,886,319	-
193,713,970	193,713,970	-
276,621,459	100,829,219	175,792,240
13,993,661	13,993,661	-
2,212,050,465	2,036,258,225	175,792,240

Financial assets

Investments

Equity securities and mutual fund units	333,515,346	333,515,346	-
Government Securities	292,834,095	198,653,666	94,180,429
Debt securities	50,000,000	50,000,000	-
Term deposits	350,000,000	350,000,000	-
Loans and other receivables	335,407,560	335,407,560	-
Insurance / reinsurance receivables	298,304,048	298,304,048	-
Reinsurance recoveries against outstanding claims	13,759,385	13,759,385	-
Salvage recoveries accrued	113,014,985	113,014,985	-
Cash and bank balances	251,924,040	251,924,040	-

2018		
Carrying amount	Upto one year	More than one year
----- Rupees -----		
333,515,346	333,515,346	-
292,834,095	198,653,666	94,180,429
50,000,000	50,000,000	-
350,000,000	350,000,000	-
335,407,560	335,407,560	-
298,304,048	298,304,048	-
13,759,385	13,759,385	-
113,014,985	113,014,985	-
251,924,040	251,924,040	-
2,038,759,459	1,944,579,030	94,180,429

Financial liabilities

Underwriting Provisions

Outstanding claims including IBNR	275,414,335	275,414,335	-
Unearned premium reserves	1,147,809,592	1,147,809,592	-
Unearned reinsurance commission	24,233,783	24,233,783	-
Premium received in advance	8,695,344	8,695,344	-
Insurance / reinsurance payables	189,328,809	189,328,809	-
Other creditors and accruals	195,908,240	195,908,240	-

275,414,335	275,414,335	-
1,147,809,592	1,147,809,592	-
24,233,783	24,233,783	-
8,695,344	8,695,344	-
189,328,809	189,328,809	-
195,908,240	195,908,240	-
1,858,091,707	1,858,091,707	-

38.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will effect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Company is exposed to interest rate risk, currency risk and other price risk.

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38.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate exposure arises from balances held in profit and loss sharing accounts with reputable banks and government securities. The Company limits interest rate risk by monitoring changes in interest rates. Other risk management procedures are the same as those mentioned in the credit risk management.

38.3.1.1 Sensitivity analysis

At the balance sheet date the interest rate profile of the Company's interest-bearing financial instrument are as follows:

	2019	2018	2019	2018
Financial assets	Effective interest rate (in %)		Rupees	
Assets subject to fixed rate				
- Government securities	7.75% - 12.00%	7.75% - 12.00%	95,677,804	292,834,095
- Term deposits	12.00% - 12.75%	8.00% - 10.00%	420,000,000	350,000,000
- Loan to employees	0% - 5.00%	0% - 5.00%	2,076,893	4,075,915
Assets subject to variable rate				
- Debt securities	12.00% - 16.00%	12.00% - 13.00%	125,000,000	50,000,000
- Advance to related parties	14.00% - 17.00%	10.00% - 14.5%	70,287,376	269,336,860
- Bank balances	6.00% - 13.00%	4.75% - 7.00%	647,929,251	189,424,399

Fair value sensitivity analysis for fixed rate instruments.

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

Cash flow sensitivity analysis for variable rate instruments.

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. Variations 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.

	2019	2018
	Profit and loss 100 bps Increase Decrease	Profit and loss 100 bps Increase Decrease
	Rupees	Rupees
Cash flow sensitivity - Variable rate financial assets	8,432,166 (8,432,166)	5,087,613 (5,087,613)

Notes to the Financial Statements

For the year ended 31 December 2019

38.3.1.2 Exposure to interest rate risk

A summary of the Company's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date, is as follows:

	2019			
	less than 1 year	1 year to 5 years	More than 5 years	Total
	Rupees			
Assets				
Investment in government securities	-	95,677,804	-	95,677,804
Investment in debt securities	-	-	125,000,000	125,000,000
Term deposits	420,000,000	-	-	420,000,000
Loans and other receivables	287,866,809	-	-	287,866,809
Bank balances	647,929,251	-	-	647,929,251
Total assets	1,355,796,060	95,677,804	125,000,000	1,576,473,864
Liabilities				
Lease liability against right-of-use asset	100,829,219	160,359,342	15,432,899	276,621,459
Total interest sensitivity gap	1,254,966,841	(64,681,538)	109,567,101	1,299,852,405

	2018			
	less than 1 year	1 year to 5 year	More than 5 year	Total
	Rupees			
Assets				
Investment in government securities	198,653,666	94,180,429	-	292,834,095
Investment in debt securities	50,000,000	-	-	50,000,000
Term deposits	350,000,000	-	-	350,000,000
Loans and other receivables	269,336,860	-	-	269,336,860
Bank balances	189,424,399	-	-	189,424,399
Total assets	1,057,414,925	94,180,429	-	1,151,595,354
Liabilities	-	-	-	-
Total interest sensitivity gap	1,057,414,925	94,180,429	-	1,151,595,354

38.3.2 Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Company is exposed to equity price risk since it has investments in quoted equity securities at the balance sheet date.

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

Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold. The Company has no significant concentration of price risk.

Notes to the Financial Statements

For the year ended 31 December 2019

38.3.2.1 Sensitivity analysis

The table below summarizes Company's equity price risk as of 31 December 2019 and 2018 and shows the effects of a hypothetical 10% increase / decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse in Company's equity investment portfolio because of the nature of equity markets.

	Hypothetical price change	Estimated fair value after change in prices	Increase / (decrease) in shareholders' equity	Increase (decrease) in profit before tax
			----- Rupees -----	
2019	10% increase	97,571,866	6,297,820	8,870,170
	10% decrease	79,831,526	(6,297,820)	(8,870,170)
2018	10% increase	366,866,881	23,679,590	33,351,535
	10% decrease	300,163,811	(23,679,590)	(33,351,535)

38.3.3 Foreign currency risk

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

38.4 Capital Management

The Company's objective when managing capital is 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 other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares.

The minimum paid up capital requirements for non-life insurer is Rs 500 million prescribed by SECP under Insurance Rules, 2017. The company is in compliance with the prescribed minimum paid up capital requirement at the year end. In addition, the Company is also required to maintain minimum solvency in accordance with the rules and regulations set by the SECP. The Company's status of compliance with solvency requirement is disclosed in note 39 to the financial statements.

38.5 Fair value of financial assets and liabilities

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Following are the assets which are either measured at fair value or for which fair value is only disclosed and is different from their carrying value:

Notes to the Financial Statements

For the year ended 31 December 2019

2019			
Fair value measurement using			
	Level 1	Level 2	Level 3
	----- Rupees -----		
Available-sale-investments (measured at fair value)	88,701,696	125,000,000	-
Held-to-maturity (fair value only disclosed)	-	95,763,000	-
	88,701,696	220,763,000	-

2018			
Fair value measurement using			
	Level 1	Level 2	Level 3
	----- Rupees -----		
Available-sale-investments (measured at fair value)	333,515,346	50,000,000	-
Held-to-maturity (fair value only disclosed)	-	189,615,593	-
	333,515,346	239,615,593	-

39. Statement of Solvency

This statement represent solvency position of the conventional business including Operator's Fund. The Solvency position of Participants' Takaful Fund is disclosed in the separate financial statements of WTO.

	2019	2018
	----- Rupees -----	
Assets		
Property and equipment	113,464,573	120,491,630
Intangible assets	9,565,236	9,107,599
Investments		
Equity securities and mutual fund units	88,701,696	250,569,554
Government securities	95,677,804	192,555,107
Debt securities	105,000,000	30,000,000
Term deposits	20,000,000	200,000,000
Loans and other receivables	282,123,278	349,703,750
Insurance / reinsurance receivables	156,127,067	147,146,207
Reinsurance recoveries against outstanding claims	31,052,200	10,529,385
Salvage recoveries accrued	23,939,337	57,187,621
Deferred commission expense	58,833,661	91,084,451
Deferred taxation	44,064,267	31,981,982
Taxation - provision less payment	-	13,721,203
Prepayments	300,671,343	225,089,727
Cash and bank balances	550,962,058	153,052,811
Assets under Takaful Operations - Operator's Fund	313,473,729	370,022,394
Total Assets (A)	2,193,656,249	2,252,243,421

Notes to the Financial Statements

For the year ended 31 December 2019

In-admissible assets

Property and equipment

Intangible assets

Investments

Equity securities

Debt securities

Loans and other receivables

Insurance/ reinsurance receivable

Deferred taxation

Taxation - payment less provisions

Prepayments

Cash and bank balances

Total of In-admissible Assets (B)

Total of Admissible Assets (C=A-B)

Total Liabilities

Underwriting Provisions

Outstanding claims including IBNR

Unearned premium reserves

Unearned reinsurance commission

Premium received in advance

Insurance / reinsurance payables

Other creditors and accruals

Taxation - provision less payment

Total liabilities of Takaful Operations - OF

Total Liabilities (D)

Total Net Admissible Assets (E= C-D)

Minimum Solvency Requirement

Excess Solvency

	2019	2018
	----- Rupees -----	
Property and equipment	113,464,574	87,600,106
Intangible assets	9,565,236	9,107,599
Investments		
Equity securities	57,456,000	79,480,800
Debt securities	7,045,207	-
Loans and other receivables	108,852,370	297,949,514
Insurance/ reinsurance receivable	33,441,768	35,772,946
Deferred taxation	44,064,267	31,981,982
Taxation - payment less provisions	-	13,721,203
Prepayments	151,893,891	-
Cash and bank balances	1,379,911	-
Total of In-admissible Assets (B)	527,163,224	555,614,150
Total of Admissible Assets (C=A-B)	1,666,493,025	1,696,629,271
Total Liabilities		
Underwriting Provisions		
Outstanding claims including IBNR	123,761,342	136,343,591
Unearned premium reserves	622,591,256	636,445,691
Unearned reinsurance commission	39,068,678	19,506,278
Premium received in advance	8,100,395	4,629,064
Insurance / reinsurance payables	149,356,287	122,268,570
Other creditors and accruals	226,686,643	227,113,556
Taxation - provision less payment	12,553,613	-
Total liabilities of Takaful Operations - OF	170,698,653	169,038,838
Total Liabilities (D)	1,352,816,867	1,315,345,588
Total Net Admissible Assets (E= C-D)	313,676,158	381,283,683
Minimum Solvency Requirement	(221,427,286)	(252,808,966)
Excess Solvency	92,248,872	128,474,717

39.1 During the year, the SECP vide its letter No. ID/MDPR/IAP/2020/713 dated 04 February 2020, keeping in view the implications of IFRS 16 on the solvency position of insurers, has allowed relaxation from the application of IFRS 16 for solvency purposes only for the period ended 31 December 2019 and for one year and the Company is required to follow IFRS 16 for solvency statement as at 31 December 2020.

40. Provident Fund

The following is based on the unaudited Financial Statements for the year ended 31 December 2019:

	2019	2018
	----- Rupees -----	
Size of the fund - Net Assets	53,889,246	44,718,337
Cost of investments	52,983,025	38,879,064
Percentage of investments made	99.80%	88.20%
Fair value of investments	53,780,893	39,442,786

Notes to the Financial Statements

For the year ended 31 December 2019

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

	2019	2018	2019	2018
	----- Percentage -----		----- Rupees -----	
Investment In Equity Securities	0.01%	0.01%	3,511	3,511
Investment In Government Securities	7.37%	23.59%	3,961,760	9,303,001
Investment In Unlisted Debt Securities	0.00%	12.68%	-	5,000,000
Investment In Term Deposits	74.38%	45.64%	40,000,000	18,000,000
Bank Balances	14.75%	14.15%	7,934,850	5,582,532
Mutual Funds	3.50%	3.94%	1,880,772	1,553,742
Total	100%	100%	53,780,893	39,442,786

41. Corresponding Figures

As described in note 2.1.2 to the financial statements, the comparative figures have been restated to correspond to the current year's presentation.

42. Date of Authorisation for Issue

These financial statements have been authorised for issue on March 25, 2020 by the Board of Directors of the Company.

43. Impacts of Changes in Presentation of Financial Statements

As described in note 3 to the financial statements, the impacts of change in method of presentation of the statement of financial position, statement of comprehensive income and statement of cash flow are as follows:

43.1 Statement of Financial Position

	2019 Increase / (Decrease)	2018 Increase / (Decrease)	2017 Increase / (Decrease)
	----- (Rupees) -----		
Assets			
Property and equipment	74,314,193	-	-
Investments			
Equity securities and mutual fund units	-	82,945,792	63,856,353
Government securities	-	100,278,988	-
Debt securities	20,000,000	20,000,000	-
Term deposits	400,000,000	150,000,000	80,000,000
Loans and other receivables	(35,713,076)	(14,296,190)	(13,945,822)
Insurance / reinsurance receivables	152,214,531	151,157,841	190,121,088
Reinsurance recoveries against outstanding claims	3,197,486	3,230,000	-
Salvage recoveries accrued	31,602,072	55,827,364	40,253,650
Deferred commission expense	97,920,467	73,685,941	43,955,293
Prepayments	19,058,346	34,510,941	16,078,846
Cash and bank balances	151,479,544	98,871,229	113,645,447
Total assets of General Takaful Operations			
- Operator's Fund (Please See Note Below)	(313,473,729)	(370,022,394)	(335,497,378)
Total assets	600,599,834	386,189,512	198,467,477

Notes to the Financial Statements

For the year ended 31 December 2019

	2019 Increase / (Decrease)	2018 Increase / (Decrease)	2017 Increase / (Decrease)
Equity and Liabilities	(Rupees)		
Participants' Takaful Fund	(48,891,618)	(170,277,810)	(201,654,566)
Liabilities			
Underwriting Provisions			
Outstanding claims including IBNR	128,760,879	139,070,744	98,896,694
Unearned premium reserves	588,641,251	511,363,901	477,955,216
Unearned reinsurance commission	2,358,385	4,727,505	1,040,281
Premium received in advance	7,552,870	4,066,280	1,661,239
Insurance / reinsurance payables	57,530,032	67,060,239	44,251,205
Other creditors and accruals	33,906,640	(31,205,316)	(20,539,637)
Taxation - provision less payment	1,440,048	30,422,807	31,124,874
Total Liabilities	820,190,105	725,506,160	634,389,871
Total liabilities of General Takaful Operations - Operator's Fund (Please See Note Below)	(170,698,653)	(169,038,838)	(234,267,828)
Total equity and liabilities	600,599,834	386,189,512	198,467,477

Note: These are consolidated on line by line basis.

43.2 Statement of Comprehensive Income

	2019 Increase / (Decrease)	2018 Increase / (Decrease)
	(Rupees)	
Net insurance premium	1,029,106,091	982,560,117
Net Insurance claims	484,972,287	479,522,049
Net commission expense	160,537,665	101,047,971
Insurance claims and commission expense	645,509,952	580,570,020
Management expenses	430,345,968	423,608,768
Underwriting results	(46,749,829)	(21,618,671)
Investment income	54,067,448	(338,796)
Other income	(29,977,994)	(144,426,668)
Other expenses	48,123,858	(74,373,589)
Results of operating activities	(70,784,233)	(92,010,546)
Profit before tax for the year	(70,784,233)	(92,010,546)
Loss before tax from Window Takaful Operations	208,457,259	(112,174,894)
Profit before tax for the year	137,673,026	20,164,348
Profit after tax	137,673,026	20,164,348

Notes to the Financial Statements

For the year ended 31 December 2019

Other comprehensive income:

Unrealised gain / (loss) on available-for-sale investments during the year - net
Less: net (gain) / loss transferred to profit and loss on disposal / redemption / Impairment of investment
Related tax impact

Other comprehensive income / (loss) for the year

Total comprehensive income / (loss) for the year

2019 Increase / (Decrease)	2018 Increase / (Decrease)
----- (Rupees) -----	
3,539,344	(4,123,031)
(4,850,877)	15,335,439
(1,311,533)	11,212,408
-	-
(1,311,533)	11,212,408
136,361,493	31,376,756

43.3 Statement of Cash Flow

Operating cash flow

(a) Underwriting activities
Insurance premium received
Reinsurance premium paid
Claims paid
Reinsurance and other recoveries received
Commission paid
Commission received
Management and other expenses paid
Net cash flow from underwriting activities

(b) Other operating activities
Income tax paid
Other operating payments
Net cash generated from / used in other operating activities

Total cash generated from operating activities

Investment activities

Profit / return received
Payment for investments
Proceeds from investments

Total cash generated from / (used in) investing activities

Net cash generated from all activities
Cash and cash equivalents at beginning of period

Cash and cash equivalents at end of period

2019 Increase / (Decrease)	2018 Increase / (Decrease)
----- (Rupees) -----	
1,164,080,089	1,105,874,429
(56,759,507)	(38,160,400)
(631,680,204)	(430,948,813)
162,891,058	77,872,182
(176,710,363)	(143,311,364)
4,090,897	-
(444,545,135)	(378,992,021)
21,366,835	192,334,013
1,940,295	(4,865,660)
46,415,184	-
48,355,479	(4,865,660)
69,722,314	187,468,353
49,304,935	11,359,154
(49,749,997)	(143,601,725)
233,331,063	-
232,886,001	(132,242,571)
302,608,315	55,225,782
248,871,229	193,645,447
551,479,544	248,871,229

Notes to the Financial Statements

For the year ended 31 December 2019

	2019 Increase / (Decrease)	2018 Increase / (Decrease)
	----- (Rupees) -----	
Reconciliation to profit and loss account		
Operating cash flows	69,722,314	187,468,353
Depreciation / amortization / bad debt expense	(153,034,268)	(18,794,160)
Income tax paid	(1,940,295)	4,865,660
Financial charges	(3,068,829)	-
Investment Income	54,067,448	(338,796)
Share of loss from Window Takaful Operations - Operator's Fund	208,457,259	112,174,894
Increase in assets other than cash	(88,441,853)	5,175,550
(Increase) / decrease in liabilities other than borrowings	(51,911,250)	(270,387,153)
Profit after taxation	137,673,026	20,164,348

44. General

44.1 Figures have been rounded off to the nearest Rupee.

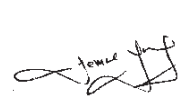
44.2 Total number of employees as at 31 December 2019 are 260 (2018: 284)


Chief Financial Officer

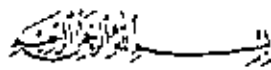

Director


Director


Chief Executive Officer


Chairman

Shariah Advisor's Report



الحمد لله رب العالمين والصلاة والسلام على رسوله الكريم

Introduction:

Alhamdulillah, TPL Insurance Limited - Window Takaful Operations ("TPLI - WTO") has successfully completed another financial year ended 31st December 2019 with significant growth in overall Takaful operations and PTF amount contributions with large number of participants.

I, as Shariah Advisor of the Company, acknowledge that it is my mandatory responsibility to ensure that the financial arrangements, contracts, policies, operational process and transactions entered into by the company with its participants and stakeholders are in compliance with the requirements of Shariah rules and in line with Takaful rules 2012. It is the responsibility of the company's management as Wakeel of PTF to ensure that the rules and principles issued by Shariah Advisor and the guidelines set by regulator are complied with and all policies and services being offered by the company are duly approved by the Shariah Advisor.

The Company arranged various in house training sessions for its employees and staff on Takaful conducted by Shariah compliance department of company and is committed to disseminate further training program throughout the year 2020. TPLI - WTO maintains all of its deposits in Riba free Banks and Shariah Compliant Mutual Funds as per investment guideline approved by its Shariah Advisor.

The Company has introduced a Shariah Compliant Mechanism to monitor the functions of Takaful operations. An effective Shariah compliance function is fundamental in achieving the objectives of Window Takaful Operations to operate as per Shariah principles and hence an experienced Islamic scholar acts as Shariah Compliance Officer. Shariah Compliance Officer ensures and supervise on daily basis that the functions of TPLI-WT including policy issuance, re-Takaful arrangements, claim settlements and financial transactions are undertaken as per the applicable regulatory guidelines and instructions issued by the Shariah Advisor.

Scope & Objective Of Shariah Review:

The scope of the Shariah Review is to evaluate and monitor the overall functions of TPLI- WTO in accordance with the Islamic Shariah Principles and guidelines laid by SECP.

The objective of the Shariah Review is to determine that appropriate procedures and control mechanism is effectively in place for all major functions such as Policy issuance, Claims Settlements, Re-Takaful Arrangements, Financial transactions of the TDI - WTO.

Conclusion:

In my opinion and as my best knowledge, the overall structure and operations of TPLI - WTO are in accordance with Shariah Principles and Takaful Rules issued by SECP.

I think it is my duty as Shariah Advisor, to mention here that we could make Takaful operation better by enhancing customized Takaful products, segregation process, and by introducing a comprehensive Takaful awareness program.

The primary responsibility for ensuring Shariah compliance lies with the management of TPLI-WTO. The services provided were reviewed and operations undertaken by TPLI - WTO during the year ended 31 December 2019 in my opinion, were found overall in conformity with the principles and guidelines of SECP.

At this stage, it may be helpful that we should refresh our motive and intention for spreading Takaful by its right way. So hopefully the management will put its efforts to promote Takaful as well and solve other related issues on its priority.

Finally, I pray that Allah Ta'ala guide us to the righteous path in this regard. Allah Ta'ala knows better.

Karachi: 19 March 2020



Mufti Muhammad Talha Iqbal
Shariah Advisor

Independent Reasonable Assurance Report to the Board of Directors on the Statement of Management's Assessment of Compliance with the Takaful Rules, 2012

1. Introduction

We were engaged by the Board of Directors of TPL Insurance Limited (the Operator) to report on the management's assessment of compliance of the Window Takaful Operations (Takaful Operations) of the Operator, as set out in the annexed Statement of Compliance (the Statement) prepared by the management for the year ended 31 December 2019, 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.

2. Applicable Criteria

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

3. Responsibilities of Management

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

4. Our Independence and Quality Control

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

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

This engagement was conducted by a multidisciplinary team including assurance practitioners and internal Shari'ah experts.

5. Our Responsibility and Summary of Work Performed

Our responsibility is to carry out an independent reasonable assurance engagement to express a conclusion as to whether the Statement is prepared in accordance with the applicable criteria, based on our work performed and the evidences obtained.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), 'Assurance Engagements other than audits or reviews of historical financial statements' (ISAE 3000) (Revised) issued by the International Auditing and Assurance Standards Board. ISAE 3000 (Revised) requires that we plan and perform this engagement to obtain reasonable level of assurance about whether the Statement presents fairly the status of compliance of the Takaful Operations with the Takaful Rules 2012, in all material respects.

The procedures selected by us for the engagement depended on our judgment, including the assessment of the, risks of the Operator's material non-compliance with the Takaful Rules 2012, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the Operator's compliance with the Takaful Rules, 2012, in order to design assurance procedures that are appropriate in the circumstances but not for the purpose of expressing a conclusion as to the effectiveness of the Operator's internal control over the Takaful Operations' compliance with the Takaful Rules, 2012. A system of internal control, because of its nature, may not prevent or detect all instances of non-compliance with the Takaful Rules, 2012, and consequently cannot provide absolute assurance that the objective of compliance with the Takaful Rules, 2012 will be met. Further, projection of any evaluation of effectiveness to future periods is subject to the risk that the controls may become inadequate or fail.

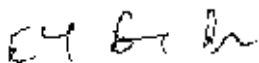
We have designed and performed necessary verification procedures on various financial arrangements, contracts, classes of transactions and related policies and procedures based on judgmental and systematic samples with regard to the compliance with Takaful Rules, 2012.

In performing our audit procedures necessary guidance on Shari'ah matters was provided by the internal Shari'ah experts.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

6. Conclusion

In our opinion, the Statement for the year ended 31 December 2019 present fairly the status of compliance of the Takaful Operations of the Operator with the Takaful Rules, 2012, in all material respects.



Chartered Accountants

Place: Karachi

Date: 29 April, 2020

Statement of Compliance with the Takaful Rules, 2012 and Sharia Rules and Principles

The financial arrangements, contracts and transactions, entered into by TPL Insurance Limited - Window Takaful Operations (the Operator) for the year ended 31 December 2019 are in compliance with the Takaful Rules, 2012 and the Sharia Rules and Principles determined by the Shariah Advisor of the Operator, (Sharia Rules and Principles).

Further, we confirm that:

- The Operator has developed and implemented all the policies and procedures in accordance with the Takaful Rules, 2012 and rulings of the 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 Operator 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, 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 policies approved by Shariah Advisor;
- The assets and liabilities of Operator are segregated from the TPL Insurance Limited's other assets and liabilities, at all times in accordance with the provisions of the Takaful Rules, 2012.

This has been duly confirmed by the Shariah Advisor of the Operator.



Muhammad Aminuddin
Chief Executive Officer

Date: 25th February, 2020

Independent Auditor's Report

To the members of TPL Insurance Limited - Window Takaful Operations

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements, which comprise the statements of financial position as at 31 December 2019, and the statements of comprehensive income, the statements of changes in fund and the statements of cash flows of TPL Insurance Limited - Window Takaful Operations for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statements of comprehensive income, the statements of changes in fund and the statements of cash flows together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Operator's affairs as at 31 December 2019 and the results of its takaful operations for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the Key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
1.	Liabilities in respect of takaful contracts	
	The liabilities in respect of takaful contracts issued as of 31 December 2019 amounts to Rs.128.76 million (note 17 to the financial statement), which represent 12.08% of the Participants' Takaful Fund's (PTF) total liabilities. We considered adequacy of takaful liabilities as a key audit matter due to significant judgments involved in estimating the liabilities and use of experts in this regard.	Our key audit procedures included the following: <ul style="list-style-type: none"> - We assessed the controls over recording and settlement of claims in respect takaful business and performed tests of such controls to check their effectiveness in relation to the year under audit. - In respect of adequacy of insurance contract liabilities (including IBNR and premium deficiency reserve) which are measured on the basis of undiscounted value of expected

S. No.	Key audit matters	How the matter was addressed in our audit
1.	Minimum solvency requirements	
	<p>(Refer to note 3.4 and 18 to the financial statements for relevant disclosures).</p>	<p>future payments, we involved our expert to review the methodology used by the management's expert in estimating claims liabilities in accordance with the prescribed methodology. As part of our testing we also considered the competence and objectivity of the experts used by the management for this purpose.</p> <ul style="list-style-type: none"> - for insurance claims we also evaluated the management estimates regarding cost of claims settlements by considering reports of independent surveyors and the estimates regarding salvage values of insured assets; - we performed subsequent review to identify any significant claims reported post year end which pertain to the financial year under audit; and - we assessed the adequacy of disclosures made in respect of takaful contract liabilities in accordance with the approved accounting standards as applicable in Pakistan.
2.	Qard-e-Hasna Receivable from Participants' Takaful Fund (PTF)	
	<p>The SECP Takaful Rules, 2012 require that in case, admissible assets of PTF are not sufficient to cover its liabilities, the deficit shall be funded by way of actual transfer of funds as Qard-e-Hasna (interest free loan) from Operators' Fund to the PTF. As at 31 December 2019, the Operator has provided Qard-e-Hasna of Rs. 203.9 million (note 9 to the financial statements) from Operator's Fund to PTF.</p> <p>The recoverability of Qard-e-Hasna from PTF depends on the surplus / profitability of PTF. For this purpose, the management of the Operator has prepared financial projections of PTF to assess impairment, if any, in respect of Qard-e-Hasna receivable (refer note 9.1 to the financial statements).</p> <p>We focused on this area due to the significance of the receivable to the financial statements as well as the involvement of management estimates.</p>	<p>Our key audit procedures included the following:</p> <ul style="list-style-type: none"> - we reviewed the overall financial projections prepared by the management for the PTF including key assumptions underlying such projections such as expected growth in premiums, reduction in claims over future periods, reduction in Wakala Fee of Operator, and inflation rates; - we obtained an understanding of the rationale and basis used by the management in respect of key assumptions and estimates used in developing the financial projections; - we performed sensitivity analysis by applying appropriate hair-cuts on the key assumptions and evaluated the impact on the results shown by the projections; and We considered the appropriateness of the related disclosures in the financial statements.
3.	Adoption of IFRS 16	
	<p>As referred to in note 2.4.1 to the financial statements, IFRS 16 'Leases' has become effective for the current financial year.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none"> - We evaluated the appropriateness of the new accounting policies for recognition of lease contracts and their measurement in the financial statements;

S. No.	Key audit matters	How the matter was addressed in our audit
	<p>IFRS 16 has introduced a new accounting model for operating lease contracts from the standpoint of a lessee. As per the new requirements, the Company is required to recognize right of use assets for leased assets and liabilities for the lease payments over the lease term.</p> <p>The impacts of the adoption of the standard are disclosed in note 2.4.1 to the financial statements.</p> <p>The application of the new standard requires management to make significant estimates and judgements such as in related to determination of lease term and appropriate discount rate for measurement of lease liability.</p> <p>We considered the adoption of the standard as a key audit matter due to the significance of the accounting change in respect of the application of the new standard</p>	<ul style="list-style-type: none"> - We obtained an understanding of the process and controls in place for identification of in-scope and material lease contracts and capturing of relevant data regarding the terms and condition of the lease contracts; - We corroborated the completeness of the leases identified by the management by reviewing the reconciliations of leases with the list of tracker devices of the Company and reviewing the rent expense ledgers for the year; - We performed independent checks of lease accounting computations for a sample of lease contracts through re-performance of such computations and tracing the terms with the relevant contracts; - We evaluated the appropriateness of the assumptions used by the management in measuring lease liabilities such as discount rate and lease term; and - We evaluated the adequacy of disclosures made regarding the application of the standard and its impact on the financial statements of the Company for the year.

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

Management is responsible for the other information. The other information comprises the information included in the 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 nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 Operator'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 Operator's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Operator 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.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Operator as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statements of comprehensive income, the statement of changes in equity and the statements of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Operator's business; and
- d) No Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

Chartered Accountants

Karachi

Date: 29 April 2020

Statement of Financial Position

As at 31 December 2019

Note	2019			2018		
	Rupees			Rupees		
	Operator's Fund	Participants' Takaful Fund	Aggregate	Operator's Fund	Participants' Takaful Fund	Aggregate
Assets						
Equipment	5	-	74,314,193	-	-	-
Investments						
Mutual funds	6	-	-	-	82,945,792	82,945,792
Government securities	7	-	-	-	100,278,988	100,278,988
Debt securities	8	-	20,000,000	-	20,000,000	20,000,000
Term deposits		-	400,000,000	-	150,000,000	150,000,000
		-	420,000,000	-	353,224,780	353,224,780
Other receivables including Qard-e-Hasna to PTF of Rs. 203.9 million (2018 : 246.9 million)	9	213,792,768	-	291,265,473	3,057,128	294,322,601
Accrued investment income		-	6,369,609	24,310	4,386,460	4,410,770
Takaful/ retakaful receivable	10	-	152,214,531	-	151,157,841	151,157,841
Retakaful recoveries against outstanding claims		-	3,197,486	-	3,230,000	3,230,000
Salvage recoveries accrued		-	31,602,072	-	55,827,364	55,827,364
Deferred wakala expense	20	-	150,405,253	-	120,781,703	120,781,703
Deferred commission expense	19	97,920,467	-	73,685,941	-	73,685,941
Prepayments	11	-	29,588,678	-	100,218,439	100,218,439
Bank balances	12	1,760,494	149,719,050	5,046,670	93,824,559	98,871,229
Total assets		313,473,729	1,017,410,872	370,022,394	885,708,274	1,255,730,668
Funds and Liabilities						
Reserves attributable to:						
- Operator's Fund (OF)						
Statutory fund		50,000,000	-	50,000,000	-	50,000,000
Accumulated losses		(264,072,288)	-	(50,801,948)	-	(50,801,948)
		(214,072,288)	-	(801,948)	-	(801,948)
- Waqf / Participants' Takaful Fund (PTF)						
Ceded money		-	2,000,000	-	2,000,000	2,000,000
Accumulated deficit		-	(50,891,618)	-	(173,589,343)	(173,589,343)
Unrealized gain on available-for-sale investments		-	-	-	1,311,533	1,311,533
Balance of WAQF / PTF		-	(48,891,618)	-	(170,277,810)	(170,277,810)
Liabilities						
PTF Underwriting provisions						
Outstanding claims (including IBNR)	17	-	128,760,879	-	139,070,744	139,070,744
Unearned contribution reserve	16	-	588,641,251	-	511,363,901	511,363,901
Unearned retakaful commission	19	-	2,358,385	-	4,727,505	4,727,505
Unearned wakala fee	20	150,405,253	-	120,781,703	-	120,781,703
Qard-e-Hasna	9	-	203,900,000	-	246,900,000	246,900,000
Contribution received in advance		-	7,552,870	-	4,066,280	4,066,280
Takaful / retakaful payable	13	-	57,530,032	-	67,060,239	67,060,239
Other creditors and accruals	14	18,853,352	76,932,995	17,834,328	64,090,456	81,924,784
Payable to TPL Insurance Limited	15	356,847,364	626,078	201,785,504	18,706,959	220,492,463
Taxation - provision less payments		1,440,048	-	30,422,807	-	30,422,807
Total Liabilities		527,546,017	1,066,302,490	370,824,342	1,055,986,084	1,426,810,426
Total fund and liabilities		313,473,729	1,017,410,872	370,022,394	885,708,274	1,255,730,668

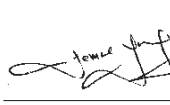
The annexed notes from 1 to 31 form an integral part of these financial statements.


 Chief Financial Officer


 Director


 Director


 Chief Executive Officer


 Chairman

Statement of Comprehensive Income

For the year ended 31 December 2019

		2019	2018
	Note	Rupees	Rupees
Participants' Takaful Fund			
Net takaful contribution	16	1,029,106,091	982,560,117
Net takaful claims	17	(484,972,287)	(479,522,049)
Wakala fee	20	(304,583,249)	(331,943,038)
Direct expenses	22	(136,587,325)	(149,447,500)
Underwriting result		102,963,230	21,647,530
Investment income / (loss)			
net of mudarib's fee of Rs. 16.191 (2018: Rs. 0.635) million	25	37,778,624	(1,483,182)
Results of operating activities		140,741,855	20,164,348
Financial charges		(3,068,828)	-
Surplus for the year		137,673,027	20,164,348
Other comprehensive income :			
-Unrealised gain / (loss) on available-for-sale investments		3,539,344	(4,123,031)
-Realized (gain) / loss transferred to profit for the year upon sale / redemption of available-for-sale investments		(4,850,877)	15,335,439
Total other comprehensive (loss) / income		(1,311,533)	11,212,408
Total comprehensive income for the year		136,361,494	31,376,756
Operator's Fund			
Wakala fee	20	304,583,249	331,943,038
Net commission expense	19	(160,537,665)	(101,047,971)
Management expenses	23	(293,758,643)	(274,161,268)
		(149,713,059)	(43,266,201)
Investment income			
including mudarib's fee of Rs. 16.191 (2018: Rs. 0.635) million		16,288,824	1,144,386
		(133,424,235)	(42,121,815)
Other expenses	24	(75,033,024)	(70,053,079)
Loss before taxation		(208,457,259)	(112,174,894)
Taxation - net		(4,813,081)	(4,163,593)
Loss after tax for the year		(213,270,340)	(116,338,487)
Other comprehensive income			
		-	-
Total comprehensive loss for the year		(213,270,340)	(116,338,487)

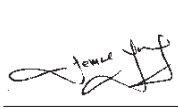
The annexed notes from 1 to 31 form an integral part of these financial statements.


 Chief Financial Officer


 Director


 Director


 Chief Executive Officer


 Chairman

Statement of Changes in Fund

For the year ended 31 December 2019

Operator's Fund			
Statutory Fund	Accumulated profit / (loss)	Unrealized gain on revaluation of available for sale investments - net of tax	Total

Rupees

Balance as at 1 January 2018	50,000,000	65,536,539	-	115,536,539
Net loss for the year	-	(116,338,487)	-	(116,338,487)
Balance as at 31 December 2018	50,000,000	(50,801,948)	-	(801,948)
Balance as at 1 January 2019	50,000,000	(50,801,948)	-	(801,948)
Net loss for the year	-	(213,270,340)	-	(213,270,340)
Balance as at 31 December 2019	50,000,000	(264,072,288)	-	(214,072,288)

Participants' Takaful Fund			
Statutory Fund	Accumulated surplus / (deficit)	Unrealized gain / (loss) on revaluation of available for sale investments	Total

Rupees

Balance as at 1 January 2018	2,000,000	(193,753,691)	(9,900,875)	(201,654,566)
Surplus for the year	-	20,164,348	-	20,164,348
Unrealized gain on revaluation of - available-for-sale investments	-	-	11,212,408	11,212,408
Total comprehensive surplus for the year	-	20,164,348	11,212,408	31,376,756
Balance as at 31 December 2018	2,000,000	(173,589,343)	1,311,533	(170,277,810)
Balance as at 1 January 2019 as reported	2,000,000	(173,589,343)	1,311,533	(170,277,810)
Effect of change in accounting policy (Note - 2.4.1)	-	(14,975,302)	-	(14,975,302)
Balance as at 1 January 2019 as restated	2,000,000	(188,564,645)	1,311,533	(185,253,112)
Surplus for the year	-	137,673,027	-	137,673,027
Unrealized gain on revaluation of - available-for-sale investments	-	-	(1,311,533)	(1,311,533)
Total comprehensive surplus / (deficit) for the year	-	137,673,027	(1,311,533)	136,361,494
Balance as at 31 December 2019	2,000,000	(50,891,618)	-	(48,891,618)

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


 Chief Financial Officer


 Director


 Director


 Chief Executive Officer


 Chairman

Statement of Cash Flow

For the year ended 31 December 2019

	Operator's Fund	Participants' Takaful Fund	2019 Aggregate	2018 Aggregate
	----- Rupees -----			
Operating activities				
(a) Takaful activities				
Contributions received	-	1,164,080,089	1,164,080,089	1,105,874,429
Retakaful contribution paid	-	(56,759,507)	(56,759,507)	(38,160,400)
Claims paid	-	(631,680,204)	(631,680,204)	(430,948,813)
Retakaful and other recoveries received	-	162,891,058	162,891,058	77,872,182
Commission paid	(176,710,363)	-	(176,710,363)	(143,311,364)
Commission received	4,090,897	-	4,090,897	-
Wakala fees received	316,078,828	-	316,078,828	271,022,250
Wakala fees paid	-	(316,078,828)	(316,078,828)	(271,022,250)
Mudarib fees received	(12,000,000)	-	(12,000,000)	5,096,164
Mudarib fees paid	-	12,000,000	12,000,000	(5,096,164)
Net cash inflow from takaful activities	131,459,362	334,452,608	465,911,970	571,326,034
(b) Other operating activities				
Income tax paid	1,940,295	-	1,940,295	(4,865,660)
Direct expenses paid	-	(47,309,828)	(47,309,828)	(215,607,773)
Management and other expenses paid	(300,043,307)	-	(300,043,307)	(163,384,248)
Other operating receipts / (payments)	163,259,489	(116,844,305)	46,415,184	-
Net cash outflow from other operating activities	(134,843,523)	(164,154,133)	(298,997,656)	(383,857,681)
Total cash generated from / (used in) all operating activities	(3,384,161)	170,298,475	166,914,314	187,468,353
Investment activities				
Profit / return received	97,985	49,206,950	49,304,935	11,359,154
Payment for investment in Mutual Funds	-	(24,999,997)	(24,999,997)	(23,322,737)
Payment for investment in Government Securities	-	(24,750,000)	(24,750,000)	(120,278,988)
Proceeds from sale of Mutual Funds	-	111,081,063	111,081,063	-
Proceeds from sale of Government Securities	-	122,250,000	122,250,000	-
Total cash generated from / (used in) investing activities	97,985	232,788,016	232,886,001	(132,242,571)
Financing activities				
Lease obligation paid	-	(90,663,581)	(90,663,581)	-
Financial charges paid	-	(6,528,419)	(6,528,419)	-
Total cash used in financing activities	-	(97,192,000)	(97,192,000)	-
Net cash generated from / (used in) all activities	(3,286,176)	305,894,491	302,608,315	55,225,782
Cash and cash equivalent at beginning of the period	5,046,670	243,824,559	248,871,229	193,645,447
Cash and cash equivalent at end of the period	1,760,494	549,719,050	551,479,544	248,871,229

Statement of Cash Flow

For the year ended 31 December 2019

	Operator's Fund	Participants' Takaful Fund	2019 Aggregate	2018 Aggregate
Rupees				
Reconciliation to profit and loss account				
Operating cash flows	(3,384,161)	170,298,475	166,914,314	187,468,353
Depreciation / amortization / bad debt expense	(43,356,109)	(109,678,159)	(153,034,268)	(18,794,160)
Income tax paid	(1,940,295)	-	(1,940,295)	4,865,660
Provision for taxation	(4,813,081)	-	(4,813,081)	(4,163,593)
Investment income excluding mudarib's fee	97,985	53,969,463	54,067,448	(338,796)
Financial charges	-	(3,068,828)	(3,068,828)	-
Increase / (decrease) in assets other than cash	(24,234,526)	(64,207,327)	(88,441,853)	5,175,550
(Increase) / decrease in liabilities	(135,640,153)	90,359,403	(45,280,750)	(270,387,153)
Surplus / (Deficit) after taxation	(213,270,340)	137,673,027	(75,597,313)	(96,174,139)
Attributed to:				
Operators' Fund			(213,270,340)	(116,338,487)
Participants' Takaful Fund			137,673,027	20,164,348
			(75,597,313)	(96,174,139)

Definition of cash

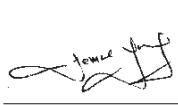
Cash comprises of cash in hand, policy stamps, bank balances and term deposits which are readily convertible to cash in hand and which are used in the cash management function on a day-to-day basis.


 Chief Financial Officer


 Director


 Director


 Chief Executive Officer


 Chairman

Notes to the Financial Statements

For the year ended 31 December 2019

1. Status and Nature of Business

- 1.1** TPL Insurance Limited (the Company or the Operator) was incorporated in Pakistan in 1992 as a public limited company under the Companies Ordinance, 1984 (now Companies Act, 2017) to carry on general insurance business. The Operator was allowed to work as Window Takaful Operator (the Operator) on 04 September 2014 by Securities and Exchange Commission of Pakistan (SECP) under SECP Takaful Rules, 2012 to carry on General Window Takaful Operations in Pakistan. The Operator is listed at Pakistan Stock Exchange Limited. The principal office of the Operator is located at 12th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near KPT Interchange Flyover, Karachi, Pakistan.
- 1.2** For the purpose of carrying on the takaful business, the Operator formed a Waqf / Participant Takaful Fund (PTF) on 20 August 2014 under the Waqf deed. The Waqf deed governs the relationship of Operator and Participants for management of takaful operations.

2. Basis of Preparation

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

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

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act 2017; and
- Provisions of and directives issued under the Companies Act 2017 and Insurance Ordinance 2000, Insurance Rules 2017, Insurance Accounting Regulations 2017 and SECP Takaful Rules 2012.

Where the provisions of and directives issued under Companies Act 2017, Insurance Ordinance 2000, Insurance Rules 2017 and Takaful Rules 2017 differ with that issued under IFRS, the provisions and directives issued under Companies Act 2017, Insurance Ordinance 2000, Insurance Rules 2017 and Takaful Rules 2017 have been followed.

- 2.1.2** In terms of the requirements of the Takaful Rules 2012, read with SECP Circular 25 of 2015 dated 09 July 2015, the assets, liabilities and profit and loss of the Operator's Fund of the General Takaful Operations of the Company have been presented as a single line item in the balance sheet and profit and loss account of the Company respectively.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except investments which are carried at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees which is also the Company's functional currency. All financial information presented in Pak Rupees has been rounded to nearest Rupees, unless otherwise stated.

Notes to the Financial Statements

For the year ended 31 December 2019

2.4 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

The Company has adopted the following accounting standards and the amendments and interpretation of IFRSs which became effective for the current year:

2.4.1 IFRS 16 "Leases"

The Operator has adopted IFRS 16 "Leases" with effect from 01 January 2019. IFRS 16 supersedes IAS 17 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single "on balance sheet" model.

The Participant Takaful Fund (PTF) has lease arrangement with TPL Insurance Limited for various items of equipment. Before the adoption of IFRS 16, the PTF classified each of its leases (as lessee) at the inception date as an operating lease. In an operating lease, the leased property / equipment was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other receivables and other liabilities, respectively.

The Operator has elected to apply IFRS 16 under modified retrospective approach, recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of unappropriated profits at the date of initial application.

Under IFRS 16, the Operator, as a Lessee, has recognised right-of-use asset representing its right to use the underlying asset and lease liability representing its obligation to make lease payments.

The Operator recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Operator is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

At the commencement date of the lease, the Operator recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Operator uses the incremental borrowing rate at the lease commencement date if the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of profit and reduced for the lease payments made.

Notes to the Financial Statements

For the year ended 31 December 2019

The effects of adoption of IFRS 16 as at 01 January 2019 and at 31 December 2019 (Increase / (Decrease)) are as follows:

	As at 31 December 2019	As at 01 January 2019
	----- Rupees -----	
Impact on Statement of Financial Position		
Increase in fixed assets - right-of-use assets	74,314,192	88,463,921
Decrease in other assets - prepayments	(42,121,333)	(52,566,000)
Increase in total assets	32,192,859	35,897,921
Increase in other liabilities - lease liability against right-of-use assets / other payable	(41,456,607)	(50,873,223)
Decrease in net assets	(9,263,748)	(14,975,302)
Impact on Statement of Comprehensive Income		
		For the year ended 31 December 2019
		Rupees
Increase in financial charges - lease liability against right-of-use assets		(3,068,828)
(Increase) / decrease in administrative expenses		
- Depreciation on right-of-use assets		(98,856,285)
- Tracker rental expense		107,636,667
		8,780,382
Increase in profit		5,711,554

2.4.2 Amendment to IFRS 17 "Insurance Contracts" - Applying IFRS 9 "Financial Instruments" with IFRS 17 "Insurance Contracts"

The company has taken the benefit of temporary exemption of applying IFRS 9 "Financial Instruments" with IFRS 17 "Insurance Contracts" as allowed under IFRS.

2.4.3 There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for current accounting period. However, these do not have any significant impact on the Company's financial reporting and therefore have not been detailed in these financial information.

2.5 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned there against:

Standard or Interpretation	Effective date (annual periods beginning)
- IFRS 3 - Definition of a Business (Amendments)	January 01, 2020
- IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
- IAS 1/ IAS 8 - Definition of Material (Amendments)	January 01, 2020
- IFRS 14 - Regulatory Deferral Accounts	July 01, 2019

The above standards, amendments and interpretations are not expected to have any material impact on the Company's financial statements in the period of initial application.

Notes to the Financial Statements

For the year ended 31 December 2019

Further, a new standard i.e. IFRS 17 - Insurance Contracts have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

3. Significant Accounting Policies

3.1 Takaful contracts

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

A separate Participants Takaful Fund (PTF) is created in which all contribution received under general takaful contribution net off any government levies and administrative surcharge are credited. The role of takaful operator is of the management of the PTF. At the initial stage of the setup of the PTF, the takaful operator makes an initial donation to the PTF. The terms of the takaful contracts are in accordance with the generally accepted principles and norms of insurance business suitably modified with guidance by the Shariah Advisor of the Takaful operator.

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

The Operator underwrites non-life takaful contracts that can be categorised into Fire and Property Damage, Marine, Aviation and Transport, Motor and Miscellaneous contracts. Contracts may be concluded for a fixed term of one year, for less than one year and in some cases for more than one year. However, most of the contracts are for twelve months duration. Takaful contracts entered into by the Operator under which the contract holder is another Takaful Operator (inwards retakaful) of a facultative nature are included within the individual category of takaful contracts, other than those which fall under Treaty. The takaful risk involved in these contracts is similar to the contracts undertaken by the Operator as takaful operator.

Fire and Property takaful contracts mainly compensate the customers for damage suffered to their property. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the covered properties in their business activities (business interruption cover).

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

Motor takaful covers physical loss or damage to the vehicle and liabilities to third parties as provided under the requirements of the Motor Vehicle Ordinance 1965.

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

3.2 Contribution

Contribution income net off administrative surcharge under a policy is recognised over the period of takaful from the date of inception of the policy to which it relates to its expiry as follows:

Administrative surcharge is recognised as income at the time policies are written in OF.

Contribution income net off administrative surcharge under a policy is recognised after taking into account the unearned portion of premium by applying 1/24th method as prescribed by the SEC (Insurance) Rules, 2002. The unearned portion of contribution is recognised as liability.

Contribution due but unpaid under takaful contracts are recognised when due, at the fair value of the consideration receivable less provision for doubtful debts, if any. If there is objective evidence that the receivable is impaired, the Operator reduces the carrying amount of the receivable accordingly and recognizes it as impairment loss.

Notes to the Financial Statements

For the year ended 31 December 2019

3.3 Re-takaful contracts

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

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

Amount due from other takaful / re-takaful are carried at cost less provision for impairment, if any. Cost represents the fair value of consideration to be received in the future.

Amount due to takaful / re-takaful companies represent the balance due to re-takaful companies.

Re-takaful assets or liabilities are derecognised when the contractual rights are extinguished or expired.

3.4 Claims expense

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

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

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

3.5 Retakaful recoveries against outstanding claims

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

3.6 Commission

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

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

3.7 Contribution deficiency reserve

The PTF is required as per SECP (Insurance) Rules, 2002 and IFRS-4, to maintain a provision in respect of contribution deficiency for the class of business where the unearned contribution reserve is not adequate to meet the expected future liability, after retakaful, from claims and other expenses, including retakaful expense, commissions and other underwriting expenses, expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the balance sheet date. The movement in the contribution deficiency reserve is recorded as an expense in the profit and loss account and the same shall be recognised as a liability.

Notes to the Financial Statements

For the year ended 31 December 2019

For this purpose, loss ratios for each class are estimated based on historical claim development. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. If these ratios are adverse, contribution deficiency is determined. Further actuarial valuation has been carried out to determine the amount of contribution deficiency reserve in respect of Health insurance as required by SRO 16 (I) / 2012 issued by Securities and Exchange Commission of Pakistan on 9 January 2012.

3.8 Wakala and Mudarib fees

The Takaful operator manages the general takaful operations for the Participants. During the year, wakala fee has been charged at 25% of the gross contribution (till 30 June 2019, from 01 July 2019 the rate has been revised to 30%) on all classes of business except health business. No wakala fee is charged on health business. Wakala fee under a policy is recognised, evenly over the period of takaful from the date of issuance of the policy.

The Takaful operator also manages the participants' investment as Mudarib and charges 30% of the investment / deposit income earned by the Participants' Takaful Fund as Mudarib's share .

Administrative surcharge is included in Wakala Fee at the date of inception of policy to which it relates.

3.9 Revenue recognition

3.9.1 Contribution

The revenue recognition policy for contributions is given under note 3.2.

3.9.2 Commission from reinsurers

The revenue recognition policy for commission from reinsurer is given under note 3.6.

3.9.3 Dividend income

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

3.9.4 Gain / loss on sale / redemption of investments

Gain / loss on sale / redemption of investments is taken to profit and loss account in the year of sale / redemption.

3.9.5 Income on held to maturity investment

Income from held to maturity investments is recognised on a time proportionate basis taking account the effective yield on the investment.

3.9.6 Profit on bank accounts and deposits

Profit on bank accounts and deposits is recognised on accrual basis.

3.10 Management expenses

Underwriting expenses have been allocated to various classes of business on a basis deemed equitable by the management. Expenses not attributable to the underwriting business are charged as administrative expenses.

3.11 Takaful surplus

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

3.12 Qard-e-Hasna

Qard-e-hasna is provided by Operators' Fund to Participants Takaful Fund in case of deficit in PTF. Qard-e-Hasna is recognised at the amount provided to Participant Takaful Fund less impairment, if any.

Notes to the Financial Statements

For the year ended 31 December 2019

3.13 Creditors, accruals and provisions

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

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

Provisions are reviewed at each balance sheet date and adjusted to reflect the current estimate.

3.14 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand, stamps in hand and deposits with banks (except for the deposit placed with statutory requirement) net off short term running finance.

3.15 Sundry receivable

These are recognised at cost, which is the fair value of the consideration given. However, an assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognised for the difference between the recoverable amount and the carrying amount.

3.16 Impairment

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

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

3.17 Taxation

3.17.1 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 finalised during the current year for such years.

3.17.2 Deferred

Deferred tax is accounted for using the balance sheet liability method, in respect of temporary differences arising at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the Financial Statements

For the year ended 31 December 2019

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recognised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is utilized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the profit and loss account except in the case of items credited or charged to equity in which case it is included in equity.

3.18 Right of use asset (policy applicable after 01 January 2019)

At the inception of the contract, the Operator assesses whether a contract is, or contains, a lease. The Operator applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Operator recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the lease term.

At the commencement date of the lease, the Operator recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The Operator determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Operator cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities.

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

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

3.19 Investments

3.19.1 Recognition

All investments are initially recognised at cost, being the fair value of the consideration given and include transaction costs except for held for trading investments in which case transaction costs are charged to the profit and loss account. All purchase and sale of investments that require delivery within the required time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investments. These are recognised and classified as follows:

- Investment at fair value through profit and loss (held for trading)
- Available for sale
- Held to maturity

3.19.2 Measurement

3.19.2.1 Investment at fair value through profit or loss (held for trading)

At the time of acquisition, quoted investments which are acquired principally for the purpose of generating profit from short term fluctuations in price or are part of portfolio for which there is a recent actual pattern of short term profit taking are classified as held for trading.

Notes to the Financial Statements

For the year ended 31 December 2019

Subsequent to initial recognition these are remeasured at fair value by reference to quoted market prices with the resulting gain or loss being included in net profit or loss for the period in which it arises.

3.19.2.2 Available for sale

Available for Sale investments are those non-derivative instruments /contracts that are designated as available for sale or are not classified in any other category.

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

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

These are reviewed for impairment at year end. The Operator considers that available-for-sale equity investments and mutual funds are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. The Operator considers that a decline of 30% in the market value of any scrip below its cost shall constitute as a significant decline and where market value remains below the cost for a period of one year shall constitute as a prolonged decline. Any losses arising from impairment in values are charged to the profit and loss account.

3.19.2.3 Held-to-maturity

At the time of acquisition, investments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held-to-maturity.

Subsequently, these are measured at amortised cost less provision for impairment in value, if any. Amortised cost is calculated by taking into account any discount or premium on acquisition by using the effective yield method.

The difference between the redemption value and the purchase price of the held-to-maturity investments is amortised and taken to the profit and loss account over the term of the investment.

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

3.20 Staff retirement benefits

The Operator operates funded contributory provident fund (defined contribution plan) for all permanent employees. Equal contributions are made by the Operator and the employees at the rate 8.33% of basic salary, to the fund.

3.21 Financial instruments

Financial assets and financial liabilities within the scope of IAS - 39 are recognised at the time when the Operator becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expire or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liabilities is recognised in the profit and loss account of the current year.

Financial instruments carried on the balance sheet include bank deposits, investments, contribution due but unpaid, contribution received in advance, amount due from other takaful / retakaful operator, accrued investment income, retakaful recoveries against outstanding claims, sundry receivables, advances and deposits, provision for outstanding claims, amount due to other takaful / retakaful operators, accrued expenses, other creditors and accruals, short term running finance and obligation under finance lease. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Notes to the Financial Statements

For the year ended 31 December 2019

3.22 Off setting of financial assets and financial liabilities

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

3.23 Foreign currency translations

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

3.24 Operating segments

"An operating segment is a component of the Operator that engages in business activities from which it may earn revenues and incur expenses. The Operator presents segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2017 as the primary reporting format. "

The Operator has five primary business segments for reporting purposes namely, fire and property, marine, health, motor and miscellaneous. The nature and business activities of these segments are disclosed in note no. 3.1.

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

4. Critical Accounting Estimates and Judgements

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

The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgment or complexity, or areas where assumption and estimates are significant to the financial statements, or judgments were exercised in application of accounting policies are as follows:

- Classification of Takaful Contracts (note 3.1)
- Provision for unearned contribution (note 3.2)
- Provision for outstanding claims including IBNR (note 3.4)
- Contribution deficiency reserve (note 3.7)
- Provision for current and deferred tax (note 3.17)
- Provisions (note 3.13 and 3.17)

5. Equipment

	Note	31 December 2019	31 December 2018
		----- Rupees -----	
Right of use Assets	5.1	74,314,193	-
		74,314,193	-

Notes to the Financial Statements

For the year ended 31 December 2019

5.1 Right of use Assets

2019									
Cost					Accumulated Depreciation			Written Down Value	Depreciation Rate %
					Rupees				
As at 1 January 2019 (as reported)	Effect of change in accounting policy (Note 2.4.1)	As at 1 January 2019 (as restated)	Additions	As at 31 December 2019	As at 1 January 2019	Charge for the Year	As at 31 December 2019	As at 31 December 2019	
-	223,439,686	223,439,686	84,706,556	308,146,242	134,975,764	98,856,285	233,832,049	74,314,193	50
-	223,439,686	223,439,686	84,706,556	308,146,242	134,975,764	98,856,285	233,832,049	74,314,193	

6. Investment in Mutual Funds

PTF	31 December 2019				31 December 2018			
	Cost	Impairment / Provision	Revaluation surplus	Carrying Value	Cost	Impairment / Provision	Revaluation surplus	Carrying Value
Mutual funds								
MCB Arif Habib AlHamra Islamic Stock Fund	-	-	-	-	72,079,965	(15,445,707)	-	56,634,258
AKD Islamic Income Fund	-	-	-	-	25,000,000	-	1,311,534	26,311,534
		-	-	-	97,079,965	(15,445,707)	1,311,534	82,945,792

Notes to the Financial Statements

For the year ended 31 December 2019

7. Investment in Government Securities - Held-To-Maturity

PTF	Note	31 December 2019	31 December 2018
		----- Rupees -----	
Government of Pakistan Sukuk		-	100,278,988
		-	100,278,988

8. Investment in Debt Securities - Available-For-Sale

PTF			
Sukuk	8.1	20,000,000	20,000,000
		20,000,000	20,000,000

8.1 This represents Sukuk of Dubai Islamic Bank carrying profit rate of 3 Months Kibor + 1.75%. PTF holds 4,000 certificates of Rs. 5,000/- each.

9. Other Receivables

31 December 2019			
Notes	OF	PTF	Total
	----- Rupees -----		
Wakala fee	326,984	-	326,984
Mudarib fee	1,133,711	-	1,133,711
Taxes and Duties receivable	8,432,073	-	8,432,073
Qard-e-Hasna	203,900,000	-	203,900,000
	213,792,768	-	213,792,768
31 December 2018			
Notes	OF	PTF	Total
	----- Rupees -----		
Wakala fee	11,822,563	-	11,822,563
Mudarib fee	-	3,057,128	3,057,128
Taxes and Duties receivable	32,542,910	-	32,542,910
Qard-e-Hasna	246,900,000	-	246,900,000
	291,265,473	3,057,128	294,322,601

9.1 Qard-e-Hasna

	2019	2018
	----- Rupees -----	
Balance as at the beginning of the year	246,900,000	199,000,000
Qard-e-Hasna provided / (repaid) during the year	(43,000,000)	47,900,000
Balance as at the end of the year	203,900,000	246,900,000

In accordance with the Takaful Rules, 2012, if at any point in time, assets in participant takaful fund are not sufficient to cover its liabilities, the deficit shall be funded by way of an interest free loan (Qard-e-Hasna) from Operator Fund. In the event of future surplus in the Participant Takaful Fund to which a Qard-e-Hasna has been made, the Qard-e-Hasna shall be repaid prior to distribution of surplus to participants.

Notes to the Financial Statements

For the year ended 31 December 2019

The Operator has prepared financial projections of Participant Fund and based on such financial projections believes that the Participant Takaful Fund would be able to repay Qard-e-Hasna to Operator's Fund. During the period, PTF has repaid Qard-e-Hasna amounting to Rs. 43 million.

10. Takaful/ Retakaful Receivables

	2019	2018
	----- Rupees -----	
Due from Takaful contract holders		
Considered good	148,471,132	149,745,680
Considered doubtful	16,821,874	6,000,000
Less: Provision for impairment of receivables from takaful contract holders.	(16,821,874)	(6,000,000)
	-	-
Due from other takaful operators		
Considered good	3,743,399	1,412,161
	152,214,531	151,157,841

11. Prepayments

	2019		
	OF	PTF	Total
	----- Rupees -----		
Prepaid			
- annual monitoring and other charges	-	10,530,332	10,530,332
- retakaful contribution ceded	-	19,058,346	19,058,346
	-	29,588,678	29,588,678
	2018		
	OF	PTF	Total
	----- Rupees -----		
Prepaid			
- annual monitoring and other charges	-	65,707,498	65,707,498
- retakaful contribution ceded	-	34,510,941	34,510,941
	-	100,218,439	100,218,439

12. Bank Balances

		2019		
	Note	OF	PTF	Total
		----- Rupees -----		
Cash and cash equivalent				
Current Accounts	12.1 and 12.2	-	83,589	83,589
Profit and loss sharing (PLS) accounts		1,760,494	149,635,461	151,395,955
		1,760,494	149,719,050	151,479,544
		2018		
		OF	PTF	Total
		----- Rupees -----		
Cash and cash equivalent				
Current Accounts		-	74,945	74,945
Profit and loss sharing (PLS) accounts		5,046,670	93,749,614	98,796,284
		5,046,670	93,824,559	98,871,229

Notes to the Financial Statements

For the year ended 31 December 2019

12.1 Cash and cash equivalents for the purpose of statement of cash flows:

	2019		
	OF	PTF	Total
	Rupees		
Cash and cash equivalent	1,760,494	149,719,050	151,479,544
Term deposit receipts	-	400,000,000	400,000,000
	1,760,494	549,719,050	551,479,544
	2018		
	OF	PTF	Total
	Rupees		
Cash and cash equivalent	5,046,670	93,824,559	98,871,229
Term deposit receipts	-	150,000,000	150,000,000
	5,046,670	243,824,559	248,871,229

12.2 These accounts carry profit at a rate between 6.00% to 13.00% (2018: 4.75% to 7.00%) per annum.**13. Takaful/ Retakaful Payable**

	2019	2018
	PTF	PTF
	Rupees	
Amount due to other takaful / retakaful operator	57,530,032	67,060,239

14. Other Creditors and Accruals

	Note	2019		
		OF	PTF	Total
		Rupees		
Creditors		1,954,068	-	1,954,068
Wakala fee payable		-	326,984	326,984
Modarib fee payable		-	1,133,711	1,133,711
Federal Insurance Fee		-	998,338	998,338
Federal Excise Duty (FED) - net		1,613,465	11,725,008	13,338,473
Commission payable		11,209,416	-	11,209,416
Taxes and duties payable		-	8,432,073	8,432,073
Lease obligation against right-of-use assets		-	41,456,607	41,456,607
Withholding tax payable		2,909,058	6,265,959	9,175,017
Others	14.1 and 14.2	1,167,345	6,594,315	7,761,660
		18,853,352	76,932,995	95,786,347
		2018		
		OF	PTF	Total
		Rupees		
Creditors		2,673,420	966,502	3,639,922
Wakala fee payable		-	11,822,563	11,822,563
Modarib fee payable		3,057,128	-	3,057,128
Federal Insurance Fee		-	892,794	892,794
Federal Excise Duty (FED) - net		-	11,084,491	11,084,491
Commission payable		4,102,721	-	4,102,721
Taxes and duties payable		-	32,542,910	32,542,910
Others		5,539,669	3,213,416	8,753,085
Withholding tax payable		2,461,390	3,567,780	6,029,170
		17,834,328	64,090,456	81,924,784

Notes to the Financial Statements

For the year ended 31 December 2019

14.1 This includes Rs. 0.141 million in respect of time barred cheques.

14.2 This includes outstanding claims in respect of which cheques aggregating to Rs. 4.336 million (2018: 1.768 million) have been issued by the Operator for claim settlement but the same have not been encashed by the claimant.

14.3 The following is the ageing as required by SECP circular 11 of 2014 dated 19 May 2014:

	2019	2018
	----- Rupees -----	
- More than 6 months	2,285,551	1,767,917
- 1 to 6 months	7,509,727	11,225,109
(included in provision for outstanding claims)	9,795,278	12,993,026

Claims not encashed	Age-wise breakup			
	1 to 6 months	7 to 12 months	13 to 24 months	Total
2019	7,509,727	777,923	1,507,628	9,795,278
2018	11,225,109	1,015,031	752,886	12,993,026

15. Payable to TPL Insurance Limited

This represents payable in respect of funds provided by TPL Insurance to meet expenses and to provide Qard-e-Hasna to Participants' Takaful Fund.

16. Net Takaful Contribution

	2019	2018
	----- Rupees -----	
Written gross contribution	1,179,432,132	1,058,506,141
Add: Unearned contribution reserve opening	511,363,901	477,955,216
Less: Unearned contribution reserve closing	(588,641,251)	(511,363,901)
Contribution earned	1,102,154,782	1,025,097,456
Less: Retakaful contribution ceded	57,596,096	60,969,434
Add: Prepaid retakaful contribution opening	34,510,941	16,078,846
Less: Prepaid retakaful contribution closing	(19,058,346)	(34,510,941)
Retakaful expense	73,048,691	42,537,339
Net takaful contribution	1,029,106,091	982,560,117

17. Net Takaful Claims Expense

Claims paid or payable	631,680,204	579,415,934
Add: Outstanding claims including IBNR closing	128,760,879	139,070,744
Less: Outstanding claims including IBNR opening	(139,070,744)	(98,896,694)
Claims expense	621,370,339	619,589,984
Less: Retakaful and other recoveries received	160,655,858	121,264,221
Add: Retakaful and other recoveries in respect of outstanding claims net of impairment - closing	34,799,558	59,057,364
Less: Retakaful and other recoveries in respect of outstanding claims net of impairment - opening	(59,057,364)	(40,253,650)
Retakaful and other recoveries revenue	136,398,052	140,067,935
Net takaful claims expense	484,972,287	479,522,049

Notes to the Financial Statements

For the year ended 31 December 2019

18. Claim Development Table

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

Accident year	2014	2015	2016	2017	2018	2019	Total
	----- Rupees -----						
Estimate of ultimate claims cost:							
At end of accident year	4,674,723	190,721,464	381,323,105	480,355,303	613,435,787	615,034,813	615,034,813
One year later	4,674,723	205,217,425	389,247,844	487,410,451	618,233,766	-	618,233,766
Two year later	4,611,264	204,057,746	388,529,318	488,089,816		-	488,089,816
Three years later	4,611,264	204,298,155	388,573,048		-	-	388,573,048
Four years later	4,611,264	205,112,608	-	-	-	-	205,112,608
Five years later	4,611,264	-	-	-	-	-	4,611,264
Estimate of cumulative claims	4,611,264	205,112,608	388,573,048	488,089,816	618,233,766	615,034,813	2,319,655,314
Cumulative payments to date	(4,611,264)	(205,112,608)	(387,092,098)	(487,036,765)	(615,779,831)	(491,261,870)	(2,190,894,435)
Liability for outstanding claims	-	-	1,480,950	1,053,051	2,453,935	123,772,943	128,760,879

2019

2018

----- Rupees -----

19. Net Commission Expense

Commissions paid or payable	191,232,208	134,083,835
Add: Deferred commission - opening	73,685,941	43,955,293
Less: Deferred commission - closing	(97,920,467)	(73,685,941)
Commission expense	166,997,682	104,353,187
Less: commission from retakaful		
Commission received or receivable	4,090,897	6,992,440
Add: Deferred commission - opening	4,727,505	1,040,281
Less: Deferred commission - closing	(2,358,385)	(4,727,505)
Commission from reinsurance	6,460,017	3,305,216
Net commission expense	160,537,665	101,047,971

20. Net Wakala Fee

Gross wakala fee	334,206,799	279,611,216
Add: Deferred wakala fee - opening	120,781,703	173,113,525
Less: Deferred wakala fee - closing	(150,405,253)	(120,781,703)
Net wakala fee	304,583,249	331,943,038

Notes to the Financial Statements

For the year ended 31 December 2019

21. Segment Information

21.1 Participants' Takaful Fund

	2019					
	Fire & property damage	Marine	Motor	Health	Miscellaneous	Aggregate
	Rupees					
Gross Written Contribution (inclusive of Administrative Surcharge)	35,118,863	12,832,934	1,070,162,406	60,907,549	410,380	1,179,432,132
Takaful contribution earned	32,781,883	12,779,518	1,003,292,388	52,959,702	341,291	1,102,154,782
Takaful contribution ceded to retakaful operators	(31,230,805)	(6,531,691)	(35,286,195)	-	-	(73,048,691)
Net takaful contribution	1,551,078	6,247,827	968,006,193	52,959,702	341,291	1,029,106,091
Net underwriting income	1,551,078	6,247,827	968,006,193	52,959,702	341,291	1,029,106,091
Takaful claims	(16,527,538)	(1,434,149)	(565,888,546)	(37,344,001)	(176,105)	(621,370,339)
Retakaful claims and other recoveries	12,253,699	164,000	123,967,353	-	13,000	136,398,052
Net Claims	(4,273,839)	(1,270,149)	(441,921,193)	(37,344,001)	(163,105)	(484,972,287)
Wakala fee expensed during the year	(9,403,166)	(3,701,011)	(291,384,057)	-	(95,015)	(304,583,249)
Direct expenses	-	-	(136,587,325)	-	-	(136,587,325)
Underwriting result	(12,125,927)	1,276,667	98,113,618	15,615,701	83,171	102,963,230
Investment income						37,778,624
Financial charges						(3,068,827)
Surplus for the year						137,673,027

21.2 Operator's Fund

Wakala fee	9,403,166	3,701,011	291,384,057	-	95,015	304,583,249
Commission income	3,165,592	75,798	3,218,627	-	-	6,460,017
Commission expense	(3,585,239)	(2,253,659)	(157,562,893)	(3,554,156)	(41,735)	(166,997,682)
Management expenses	(8,746,980)	(3,196,272)	(266,543,066)	(15,170,113)	(102,212)	(293,758,643)
Underwriting result	236,539	(1,673,122)	(129,503,275)	(18,724,269)	(48,932)	(149,713,059)
Investment income						16,288,824
Other expenses						(75,033,024)
Loss before taxation						(208,457,259)

Notes to the Financial Statements

For the year ended 31 December 2019

	2018					
	Fire & property damage	Marine	Motor	Health	Miscellaneous	Aggregate
	----- Rupees -----					
21.3 Participants' Takaful Fund						
Gross Written Contribution (inclusive of Administrative Surcharge)	27,105,073	10,871,147	976,809,509	43,517,772	202,640	1,058,506,141
Takaful contribution earned	23,371,217	10,074,354	974,477,566	16,991,920	182,399	1,025,097,456
Takaful contribution ceded to retakaful operators	(17,202,157)	(6,626,032)	(18,709,150)	-	-	(42,537,339)
Net takaful contribution	6,169,060	3,448,322	955,768,416	16,991,920	182,399	982,560,117
Net underwriting income	6,169,060	3,448,322	955,768,416	16,991,920	182,399	982,560,117
Takaful claims	(6,849,846)	(408,175)	(587,185,839)	(24,911,924)	(234,200)	(619,589,984)
Retakaful claims and other recoveries	6,157,634	126,540	133,783,761	-	-	140,067,935
Net Claims	(692,212)	(281,635)	(453,402,078)	(24,911,924)	(234,200)	(479,522,049)
Wakala fee expensed during the year	(7,619,657)	(3,009,275)	(320,575,519)	(684,494)	(54,093)	(331,943,038)
Direct expenses	-	-	(149,447,500)	-	-	(149,447,500)
Underwriting result	(2,142,809)	157,412	32,343,319	(8,604,498)	(105,894)	21,647,530
Investment income						(1,483,182)
Surplus for the year						20,164,348

21.4 Operator's Fund

Wakala fee	7,619,657	3,009,275	320,575,519	684,494	54,093	331,943,038
Commission income	2,445,716	187,684	671,816	-	-	3,305,216
Commission expense	(2,159,189)	(1,601,598)	(99,074,278)	(1,505,395)	(12,727)	(104,353,187)
Management expenses	(7,020,423)	(2,815,711)	(253,001,210)	(11,271,439)	(52,485)	(274,161,268)
Underwriting result	885,761	(1,220,350)	(30,828,153)	(12,092,340)	(11,119)	(43,266,201)
Investment income						1,144,386
Other expenses						(70,053,079)
Loss before taxation						(112,174,894)

22. Direct Expenses

	Note	2019	2018
		PTF	PTF
		----- Rupees -----	
Tracker monitoring fee	22.1	26,909,166	144,426,668
Depreciation - Tracking devices		98,856,285	-
Bad and doubtful debts		10,821,874	5,020,832
		136,587,325	149,447,500

22.1 This represents annual monitoring charges and the last year's figure also includes rental expense of trackers installed.

Notes To The Financial Statements

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	2019 OF	2018 OF
	----- Rupees -----	
23. Management Expenses		
Employee benefit costs	129,618,067	115,300,455
Travelling expenses	5,637,378	4,460,765
Business partner engagement expenses	32,547,562	30,619,706
Advertisement and marketing	13,775,418	20,802,546
Printing and stationary	5,554,620	5,748,768
Rent, rates and taxes	6,925,318	29,284,731
Outsourcing expenses	11,702,396	9,503,005
Communication	4,079,547	3,512,283
Utilities	5,871,551	5,316,370
Vehicle running expenses	8,530,482	8,184,260
Repair and maintenance	22,206,978	24,644,431
Depreciation - Operating assets	17,263,896	12,545,968
Depreciation - Right-of-use-assets	24,383,588	-
Amortization expense	1,708,626	1,227,360
Insurance	3,953,216	2,997,891
Others	-	12,729
	293,758,643	274,161,268
24. Other Expenses		
Employee benefit costs	33,187,235	24,155,516
Legal and professional charges	12,702,716	8,266,545
Auditors' remuneration	513,777	873,115
Registration, subscription and association	2,288,725	4,667,823
Donations	5,242,580	8,288,949
Communication	1,026,655	915,009
IT related cost	10,947,736	6,320,842
Utilities	1,503,344	1,135,976
Lease rentals	4,299,078	2,337,515
Others	3,321,178	13,091,789
	75,033,024	70,053,079

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	2019	2018
	PTF	PTF
	----- Rupees -----	
25. Investment Income		
Dividend and markup income		
Return on debt securities	3,269,905	567,569
Income from savings account	11,798,042	10,005,434
Return on term deposits	34,074,389	3,914,903
	49,142,336	14,487,906
Net realized gains / (losses) on investments - Available-for-sale		
Realized gains on disposal / redemption of mutual funds	4,850,877	110,268
Total investment income	53,993,213	14,598,174
Impairment in value of available-for-sale securities - Mutual funds	-	(15,445,707)
Less:		
Investment related expenses	(23,750)	-
Mudarib fee	(16,190,839)	(635,649)
	37,778,624	(1,483,182)
26. Transactions With Related Parties - PTF		
TPL Insurance Limited		
Opening balance - payable	18,706,960	14,608,836
Rental and other services charges	121,490,000	149,090,000
Payments made by PTF - net	(139,570,882)	(144,991,876)
Closing balance - payable	626,078	18,706,960
Operator's Fund		
Opening balance - payable (including Qard-e-Hasna)	292,842,057	204,908,282
Wakala fee charged during the year	334,206,799	279,611,216
Qard-e-Hasna provided / (paid) during the year	(43,000,000)	47,900,000
Modarib fee charged during the year	16,190,839	3,998,063
Taxes and other movement	168,063,680	286,764,915
Payments made during the year	(554,510,607)	(530,340,419)
Closing balance - payable	213,792,768	292,842,057

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27. Management of Takaful and Financial Risk

The Operator issue contracts that transfer takaful risk or financial risk or both. This section summarises the takaful risks and the way the Company manages them.

27.1 Takaful risk management

27.1.1 Takaful risk

The risk under any takaful contract is the possibility that the insured event occurs and the uncertainty of the amount of compensation to the participant. Generally most takaful contracts carry the takaful risk for a period of one year.

The Operator's major takaful contracts are in respect of motor vehicles through issuance of general takaful contracts relating to motor takaful. For these contracts the most significant risks arise from theft, accidents and terrorist activities.

The Operator's risk exposure is mitigated by employing a comprehensive framework to identify, assess, manage and monitor risk. This framework includes implementation of underwriting strategies which aim to ensure that the underwritten risks are well diversified in terms of type and amount of the risk. Adequate retakaful is arranged to mitigate the effect of the potential loss to the PTF from individual to large or catastrophic insured events. Further, the Operator adopts strict claim review policies including active management and prompt pursuing of the claims and regular detailed review of claim handling procedures and frequent investigation of possible false claims to reduce the takaful risk.

27.1.2 Frequency and severity of claims

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

The retakaful arrangements against major risk exposure include excess of loss, quota share, surplus arrangements and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on PTF's net retentions.

27.1.3 Uncertainty in the estimation of future claim payments

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

An estimated amount of the claim is recorded immediately on the intimation to the Company. The estimation of the amount is based on management judgement or preliminary assessment by the independent surveyor appointed for the purpose. The initial estimates include expected settlement cost of the claims. Provision for IBNR claims is determined based on actuary advice and is estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level.

There are several variable factors which affect the amount and timing of recognised claim liabilities. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from initial recognised amount. Outstanding claims are reviewed on a periodic basis.

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27.1.4 Key assumptions

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

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

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

The details of estimation of outstanding claims (including IBNR) are given under note 3.4.

27.1.5 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 claims recognised in the balance sheet is adequate. However, actual experience may differ from the expected outcome.

The claim liabilities are sensitive to the incidence of covered events and severity / size of claims. As the Operator enters into short term takaful contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on profit before tax net of retakaful. The impact of 10 % increase / decrease in incidence of covered events on gross claim liabilities, underwriting results, net claim liabilities, profit before tax and Fund balance is as follows:

Average claim cost	PTF			
	Underwriting results		Fund balance	
	2019	2018	2019	2018
	----- Rupees -----			
Fire & property damage	427,384	69,221	427,384	69,221
Marine	127,015	28,164	127,015	28,164
Motor business	44,192,119	45,340,208	44,192,119	45,340,208
Health	3,734,400	2,491,192	3,734,400	2,491,192
Miscellaneous	16,311	23,420	16,311	23,420
	48,497,229	47,952,205	48,497,229	47,952,205

27.1.6 Concentration of risk

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

Notes to the Financial Statements

For the year ended 31 December 2019

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the insured property.

The adequate event limit is a multiple of the treaty capacity or the primary recovery from excess of loss treaty, which is very much in line with the risk management philosophy of the Company.

Retakaful ceded does not relieve the Operator from its obligation towards participants and, as a result the Operator remains liable for the portion of outstanding claims retakaful to the extent that retakaful operator fails to meet the obligation under the retakaful agreements.

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

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

	Gross sum covered		Retakaful		Net	
	2019	2018	2019	2018	2019	2018
	Rupees		Rupees		Rupees	
Fire & property damage	2,426,373,350	680,000,000	1,649,933,878	646,000,000	776,439,472	34,000,000
Marine, aviation & transport	120,659,000	310,159,872	111,006,280	307,058,273	9,652,720	3,101,599
Motor business	15,000,000	15,000,000	10,000,000	10,000,000	5,000,000	5,000,000
Health	1,000,000	800,000	-	-	1,000,000	800,000
Miscellaneous	10,000,000	5,000,000	-	-	10,000,000	5,000,000
	2,573,032,350	1,010,959,872	1,770,940,158	963,058,273	802,092,192	47,901,599

28. Financial Risk Management

The Board of Directors of the Operator has overall responsibility for the establishment and oversight of the Company's risk management framework. The Operator has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

The Operator's risk management policies are established to identify and analyse the risks faced by the Operator, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Operator's activities.

28.1 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 exposures by undertaking transactions with a large number of counterparties in various industries and by continually assessing the credit worthiness of counterparties.

28.1.1 Management of credit risk

The Operator's policy is to enter into financial contracts in accordance with the guidelines set by the Board of Directors. Credit risk is managed and controlled by the management of the Operator in the following manner:

Notes to the Financial Statements

For the year ended 31 December 2019

- Credit rating and / or credit worthiness of the counter party is taken into account along with the financial background so as to minimize the risk of default. Collaterals are obtained wherever appropriate / relevant.
- The risk of counterparty exposure due to failed agreements causing a loss to the Operator is mitigated by a periodic review of the credit ratings, financial statements, credit worthiness, etc. on a regular basis and makes provision against those balances considered doubtful of recovery.
- Cash is held with reputable banks only.

To reduce the credit risk the management continuously reviews and monitors the credit exposure towards the policyholders and other insurers/reinsurers and makes provision against those balances considered doubtful of recovery.

28.1.2 Exposure to credit risk

In summary, compared to the amount included in statement of assets and liabilities, the maximum exposure to credit risk as at 31 December is as follows:

	OF		PTF	
	Balance as per the financial statement	Maximum exposure	Balance as per the financial statement	Maximum exposure
	Rupees			
2019				
Government securities	-	-	-	-
Debt securities	-	-	20,000,000	20,000,000
Term deposits	-	-	400,000,000	400,000,000
Other receivables including Qard-e-Hasna to PTF	213,792,768	213,792,768	-	-
Takaful/ retakaful receivable	-	-	152,214,531	152,214,531
Salvage recoveries accrued	-	-	31,602,072	31,602,072
Bank balances	1,760,494	1,760,494	149,719,050	149,719,050
	215,553,262	215,553,262	753,535,653	753,535,653
	OF		PTF	
	Balance as per the financial statement	Maximum exposure	Balance as per the financial statement	Maximum exposure
	Rupees			
2018				
Government securities	-	-	100,278,988	100,278,988
Debt securities	-	-	20,000,000	20,000,000
Term deposits	-	-	150,000,000	150,000,000
Other receivables including Qard-e-Hasna to PTF	291,265,473	291,265,473	3,057,128	3,057,128
Takaful/ retakaful receivable	-	-	151,157,841	151,157,841
Salvage recoveries accrued	-	-	55,827,364	55,827,364
Bank balances	5,046,670	5,046,670	93,824,559	93,824,559
	296,312,143	296,312,143	574,145,880	574,145,880

28.1.3 Past due / impaired assets

Age analysis of premium due but unpaid at the reporting date was:

	PTF	
	2019	2018
	Rupees	
0-90 days	108,886,267	103,396,551
Over 90 days	43,328,264	47,761,290
Total	152,214,531	151,157,841

The above balance is considered good and is not impaired.

Notes to the Financial Statements

For the year ended 31 December 2019

28.1.4 Credit Rating and Collateral

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

		OF	
Rating Long term	Rating Agency	2019	2018
		----- Rupees -----	
AA+	PACRA	10,367	1,376,293
AA+	JCR-VIS	1,740,330	2,712,050
A+	JCR-VIS	-	958,327
A	PACRA	9,797	-
		1,760,494	5,046,670
		PTF	
Rating Long term	Rating Agency	2019	2018
		----- Rupees -----	
AA+	PACRA	423	74,945
AA+	JCR-VIS	33,113,288	50,868,287
AA	JCR-VIS	41,462,209	-
AA	PACRA	25,056,134	-
AA-	JCR-VIS	-	23,999,670
A+	PACRA	72,648,009	18,688,630
A-	JCR-VIS	102,169,280	150,193,027
BBB-	JCR-VIS	275,269,707	-
		549,719,050	243,824,559

The Operator enters into re-takaful / co-takaful arrangements with re-takaful / other takaful operators having sound credit ratings accorded by reputed credit rating agencies. The Operator is required to comply with the requirements of circular no. 32 / 2009 dated October 27, 2009 issued by SECP which requires an insurance company to place at least 80% of their outward treaty cessions with reinsurers rated 'A' or above by Standard & Poors with the balance being placed with entities rated at least 'BBB' by reputable ratings agency. An analysis of re-takaful assets relating to outward treaty cessions recognised by the rating of the entity from which it is relates is as follows:

		PTF	
	Rating	2019	2018
		----- Rupees -----	
Prepaid re-takaful ceded	A or above (including PRCL)	19,058,346	34,510,941

28.1.5 Concentration of credit risk

Concentration of credit risk arises when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. The Operator manages concentration of credit risk through diversification of activities among individuals, groups and industry segments.

Sector-wise analysis of contribution due but unpaid at the reporting date was:

	PTF 2019		PTF 2018	
	Rupees	%	Rupees	%
Individuals	13,129,366	9%	13,648,710	9%
Corporate	139,085,165	91%	137,509,131	91%
	152,214,531	100%	151,157,841	100%

Notes to the Financial Statements

For the year ended 31 December 2019

28.1.6 Settlement risk

The Operator's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed on sale.

This risk is addressed more or less in accordance with the parameters set out in the credit risk management above.

28.2 Liquidity risk

Liquidity risk is the risk that the Operator will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Operator could be required to pay its liabilities earlier than expected or may face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

28.2.1 Management of liquidity risk

The Operator's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Operator's reputation. Due to nature of the business, the Operator maintains flexibility in funding by maintaining committed credit lines available. The Operator's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to fulfil its obligation; monitoring balance sheet liquidity ratios against internal and external requirements and maintaining debt financing plans.

28.2.2 Maturity analysis of assets and liabilities

The table below analyses the Operator's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to maturity date and represents the undiscounted cash flows. The amounts in the table are the gross nominal undiscounted cash flows (including interest payments).

	OF		
	2019		
Carrying amount	Upto one year	More than one year	
-----	Rupees	-----	
Assets			
Other receivables including Qard-e-Hasna to PTF	213,792,768	109,892,768	103,900,000
Accrued investment income	-	-	-
Deferred commission expense	97,920,467	97,920,467	-
Bank balances	1,760,494	1,760,494	-
Total assets	313,473,729	209,573,729	103,900,000
Liabilities			
Unearned wakala fee	150,405,253	150,405,253	-
Other creditors and accruals	18,853,352	18,853,352	-
Payable to TPL Insurance Limited	356,847,364	356,847,364	-
Taxation - payments less provision	1,440,048	1,440,048	-
Total Liabilities	527,546,017	527,546,017	-

Notes to the Financial Statements

For the year ended 31 December 2019

Assets

	Carrying amount	Upto one year	More than one year
	Rupees		
Other receivables including Qard-e-Hasna to PTF	291,265,473	143,125,473	148,140,000
Accrued investment income	24,310	24,310	-
Deferred commission expense	73,685,941	73,685,941	-
Bank balances	5,046,670	5,046,670	-
Total assets	370,022,394	221,882,394	148,140,000

Liabilities

Unearned wakala fee	120,781,703	120,781,703	-
Other creditors and accruals	17,834,328	17,834,328	-
Payable to TPL Insurance Limited	201,785,504	201,785,504	-
Taxation - payments less provision	30,422,807	30,422,807	-
Total Liabilities	370,824,342	370,824,342	-

Assets

	Carrying amount	Upto one year	More than one year
	Rupees		
Investments			
Mutual funds	-	-	-
Government securities	-	-	-
Debt securities	20,000,000	-	20,000,000
Term deposits	400,000,000	400,000,000	-
Accrued investment income	6,369,609	6,369,609	-
Takaful/ retakaful receivable	152,214,531	152,214,531	-
Retakaful recoveries against outstanding claims	3,197,486	3,197,486	-
Salvage recoveries accrued	31,602,072	31,602,072	-
Deferred wakala expense	150,405,253	150,405,253	-
Prepayments	29,588,678	29,588,678	-
Bank balances	149,719,050	149,719,050	-
Total assets	943,096,679	923,096,679	20,000,000

Liabilities

PTF Underwriting provisions			
Outstanding claims (including IBNR)	128,760,879	128,760,879	-
Unearned contribution reserve	588,641,251	588,641,251	-
Unearned retakaful commission	2,358,385	2,358,385	-
Qard-e-Hasna	203,900,000	100,000,000	103,900,000
Contribution received in advance	7,552,870	7,552,870	-
Takaful / retakaful payable	57,530,032	57,530,032	-
Other creditors and accruals	76,932,995	76,932,995	-
Payable to TPL Insurance Limited	626,078	626,078	-
Total Liabilities	1,066,302,490	962,402,490	103,900,000

Notes to the Financial Statements

For the year ended 31 December 2019

	2018		
	Carrying amount	Upto one year	More than one year
	----- Rupees -----		
Assets			
Investments			
Mutual funds	82,945,792	82,945,792	-
Government securities	100,278,988	100,278,988	-
Debt securities	20,000,000	20,000,000	-
Term deposits	150,000,000	150,000,000	-
Other receivables including Qard-e-Hasna to PTF	3,057,128	3,057,128	-
Accrued investment income	4,386,460	4,386,460	-
Takaful/ retakaful receivable	151,157,841	151,157,841	-
Retakaful recoveries against outstanding claims	3,230,000	3,230,000	-
Salvage recoveries accrued	55,827,364	55,827,364	-
Deferred wakala expense	120,781,703	120,781,703	-
Prepayments	100,218,439	100,218,439	-
Bank balances	93,824,559	93,824,559	-
Total assets	885,708,274	885,708,274	-
Liabilities			
PTF Underwriting provisions			
Outstanding claims (including IBNR)	139,070,744	139,070,744	-
Unearned contribution reserve	511,363,901	511,363,901	-
Unearned retakaful commission	4,727,505	4,727,505	-
Qard-e-Hasna	246,900,000	98,760,000	148,140,000
Contribution received in advance	4,066,280	4,066,280	-
Takaful / retakaful payable	67,060,239	67,060,239	-
Other creditors and accruals	64,090,456	64,090,456	-
Payable to TPL Insurance Limited	18,706,959	18,706,959	-
Total Liabilities	1,055,986,084	907,846,084	148,140,000

28.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will effect the Operator's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Operator is exposed to interest rate risk, currency risk and other price risk.

28.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate exposure arises from balances held in profit and loss sharing accounts with reputable banks and government securities. The Operator limits interest rate risk by monitoring changes in interest rates. Other risk management procedures are the same as those mentioned in the credit risk management.

Notes to the Financial Statements

For the year ended 31 December 2019

28.3.1.1 Sensitivity analysis

At the balance sheet date the interest rate profile of the Operator's interest-bearing financial instrument are as follows:

Financial assets	OF		PTF	
	2019 Effective interest rate (in %)	2018 Effective interest rate (in %)	2019 Effective interest rate (in %)	2018 Effective interest rate (in %)
	----- Rupees -----		----- Rupees -----	
Assets subject to variable rate				
- Bank balances	5.00% to 9.00%	5.00% to 7.00%	1,760,494	5,046,670
	----- Rupees -----		----- Rupees -----	
Assets subject to fixed rate				
- Government securities	-	6.00% to 6.50%	-	100,278,988
- Term deposits	9.50% to 13.00%	9.00% to 9.50%	400,000,000	150,000,000
Assets subject to variable rate				
- Debt securities	12.00% to 16.00%	12.00% - 13.00%	20,000,000	20,000,000
- Bank balances	6.00% - 13.00%	5.00% to 7.50%	149,635,461	93,749,614

Fair value sensitivity analysis for fixed rate instruments

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

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

Cash flow sensitivity analysis for variable rate instruments

The Operator is exposed to cash flow interest rate risk in respect of its balances with profit and loss sharing account with banks. 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. Variations 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.

	2019		2018	
	Profit and loss 100 bps		Profit and loss 100 bps	
	Increase	Decrease	Increase	Decrease
	----- Rupees -----		----- Rupees -----	
	OF		PTF	
Cash flow sensitivity	176,049	(176,049)	504,667	(504,667)
	----- Rupees -----		----- Rupees -----	
Cash flow sensitivity	54,963,546	(54,963,546)	24,374,961	(24,374,961)

28.3.1.2 Exposure to interest rate risk

A summary of the Operator's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date, is as follows:

Notes to the Financial Statements

For the year ended 31 December 2019

OF 2019				
	Mark-up / return (%)	less than 1 year	1 year to 5 years	More than 5 years
		Rupees		
Assets				
Cash and bank deposits	5.00% to 9.00%	1,760,494	-	-
Total assets		1,760,494	-	-
Liabilities	-	-	-	-
Total interest sensitivity gap		1,760,494	-	-

OF 2018				
	Mark-up / return (%)	less than 1 year	1 year to 5 years	More than 5 years
		Rupees		
Assets				
Cash and bank deposits	5.00% to 7.00%	5,046,670	-	-
Total assets		5,046,670	-	-
Liabilities	-	-	-	-
Total interest sensitivity gap		5,046,670	-	-

PTF 2019				
	Mark-up / return (%)	less than 1 year	1 year to 5 years	More than 5 years
		Rupees		
Assets				
Debt securities	12.00% to 16.00%	-	-	20,000,000
Term deposits	9.50% to 13.00%	400,000,000	-	-
Bank deposits	6.00% - 13.00%	149,635,461	-	-
Total assets		549,635,461	-	20,000,000
Liabilities	-	-	-	-
Total interest sensitivity gap		549,635,461	-	20,000,000

PTF 2018				
	Mark-up / return (%)	less than 1 year	1 year to 5 years	More than 5 years
		Rupees		
Assets				
Government securities	6.00% to 6.50%	100,278,988	-	-
Debt securities	12.00% - 13.00%	20,000,000	-	-
Term deposits	9.00% to 9.50%	150,000,000	-	-
Bank deposits	5.00% - 9.50%	93,824,559	-	-
Total assets		364,103,547	-	-
Liabilities	-	-	-	-
Total interest sensitivity gap		364,103,547	-	-

28.3.2 Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. the Operator is not exposed to any price risk at the balance sheet date as it has no financial instrument that is linked to market price.

Notes to the Financial Statements

For the year ended 31 December 2019

28.3.3 Foreign currency risk

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

28.4 Fund management

The Operator manages its fund structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions.

29. Statement of Solvency

Assets

	2019	2018
----- Rupees -----		
Equipment	74,314,193	-
Investments		
Mutual funds	-	82,945,792
Government securities	-	100,278,988
Debt securities	20,000,000	20,000,000
Term deposits	400,000,000	150,000,000
Other receivable	-	3,057,128
Accrued investment income	6,369,609	4,386,460
Takaful/ retakaful receivable	152,214,531	151,157,841
Retakaful recoveries against outstanding claims	3,197,486	3,230,000
Salvage recoveries accrued	31,602,072	55,827,364
Deferred Wakala expense	150,405,253	120,781,703
Prepayments	29,588,678	100,218,439
Bank balances	149,719,050	93,824,559
Total assets (A)	1,017,410,872	885,708,274

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

Mutual funds	-	11,929,325
Prepayments	10,530,332	-
Takaful / retakaful receivable	43,328,264	36,924,654
Total of In-admissible Assets (B)	53,858,596	48,853,979

Total of admissible Assets (C=A-B)

Total liabilities including Qard-e-Hasna

Net deficit as at 31 December

Deficit already financed by Qard-e-Hasna

	1,066,302,490	1,055,986,084
	(102,750,214)	(219,131,789)
	203,900,000	246,900,000
	101,149,786	27,768,211

30. General

30.1 Figures have been rounded off to the nearest Rupee.

31. Date of Authorization for Issue

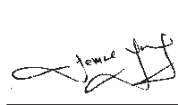
These financial statements have been authorised for issue on 25 March 2020 by the Board of Directors of the Operator.


Chief Financial Officer


Director


Director


Chief Executive Officer


Chairman

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting ("AGM") of TPL Insurance Limited ("Company") will be held on Friday, May 29 2020 at 11:00 a.m. to transact the following business:

(Members are requested to attend and participate in the AGM through video link facility as there will be no venue to prevent pandemic outbreak of COVID-19 (Corona Virus)).

Ordinary Business:

1. To approve the minutes of the Annual General Meeting held on April 24th, 2019.

"RESOLVED THAT the minutes of Annual General Meeting of TPL Insurance Limited held on April 24, 2019 at 11:00 a.m. be and are hereby approved."

2. To receive, consider and adopt the Annual Audited Financial Statements of the Company together with the Chairman's Review Report, Directors' and Auditors' Report thereon for the year ended December 31, 2019.

"RESOLVED THAT the Annual Audited Financial Statements of TPL Insurance Limited, the Chairman's Review Report, Directors' and Auditors' Report thereon for the year ended 31 December, 2019 be and are hereby approved."

3. To appoint Auditors for the year ending December 31, 2020 and fix their remuneration. M/s. EY Ford Rhodes., Chartered Accountants retire and being eligible, have offered themselves for re-appointment.

"RESOLVED THAT M/s. EY Ford Rhodes, Chartered Accountants be and are hereby appointed as Auditors of M/s. TPL Insurance Limited on the basis of consent received by them, at a fee mutually agreed for the period ending December 31, 2020."

Any Other Business

4. To transact any other business with the permission of the Chairman.

By Order of the Board

Danish Qazi
Company Secretary

Karachi, May 08, 2020

Notes

1. Coronavirus Contingency Planning

In view of the pandemic outbreak of COVID-19 (Corona Virus) and directives of the Securities and Exchange Commission of Pakistan (SECP) vide Circular No. 05 of 2012 dated March 17, 2020 requiring listed companies to modify their usual planning for annual general meetings to protect the wellbeing of shareholders, the Company requests its members to attend and participate in the AGM through video link facility only to avoid large gathering at one place and prevent pandemic outbreak of COVID-19 (Corona Virus).

Therefore, to attend and participate in the AGM through video link facility, members are requested to register their particulars (Name, Folio/CDS Account Number, CNIC Number and Cell Phone Number) with the Company Secretary by emailing to company.secretary@tplholdings.com at least 24 hours before the time of AGM.

The Video link and login IDs will be shared with the Members whose emails are received by the said time and providing all required particulars.

The members can also provide comments/suggestions for the proposed agenda items of the Annual General Meeting by emailing the same to company.secretary@tplholdings.com.

2. Closure of Share Transfer Books:

The Share Transfer Book of the Company will remain closed from May 22, 2020 to May 29, 2020 (both days inclusive). Share Transfers received at M/s THK Associates (Pvt.) Ltd, 1st Floor, 40-C, Block-6, P.E.C.H.S, KARACHI-75400 by the close of business hours (3:00 PM) on Thursday, May 21, 2020, will be treated as being in time for the purpose of above entitlement to the transferees.

3. Participation in the Meeting:

As per directives of Securities and Exchange Commission of Pakistan to convene the annual general meeting with minimum members ensuring quorum of the meeting, the members are requested to consolidate their attendance and voting at the Annual General Meeting through proxies.

All members of the Company are entitled to attend the meeting and vote there at through Proxy. A proxy duly appointed shall have such rights as respect to the speaking and voting at the meeting as are available to a member. Duly filled and signed Proxy Form must be received at the Registrar of the Company M/s THK Associates (Pvt.) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S, KARACHI-75400, not less than 48 hours before the Meeting.

4. For Attending the Meeting:

- i. In case of individual, the Account holder and/or Sub-account holder whose registration details are uploaded as per the CDC regulations, shall authenticate his/her identity by providing copy of his/her valid CNIC or passport along with other particulars (Name, Folio/CDS Account Number, Cell Phone Number) and in case of proxy must enclose copy of his/her CNIC or passport.
- ii. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be provided.

5. Change of Address:

Members are requested to immediately notify the change, if any, in their registered address to the Share Registrar M/s. THK Associates (Pvt.) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S, Karachi-75400.

6. Annual Report:

In pursuance of Circular No. 10 of 2020 dated April 1, 2020, granting regulatory relief in order to dilute the impact of Coronavirus (COVID-19) for corporate sector, the Annual Report for the year ended December 31, 2019 shall not be dispatched to the shareholders but shall be electronically available on the portal of Pakistan Stock Exchange Limited. Soft copy of the Annual Report has been sent to members whose email addresses were available. However, Members who have not received soft copy of the Annual Report through email and wish to obtain the same are required to request to Company Secretary by emailing on company.secretary@tplholdings.com.

Furthermore, the Accounts of the Company for the year ended December 31, 2019 have been placed on the website of the Company <https://tplinsurance.com> under the Investor tab.

Proxy Form

I/We _____ S/o / D/o / W/o _____
 resident of (full address) _____ being a
 member(s) of TPL Insurance Limited, holding _____ ordinary shares, hereby appoint
 _____ S/o / D/o / W/o _____ resident
 of (full address) _____
 or failing him / her _____ S/o / D/o / W/o _____
 resident of (full address) _____ as my / our proxy in my / our absence
 to attend and vote for me / us on my / our behalf at Annual General Meeting of the Company to be held on
 Friday, 29 May, 2020 and/or adjournment thereof.

As witness my / our hand (s) seal this on the _____ day of _____ 2020.

Signed by the said:

Folio No. / CDC Account No.

Signature on
Revenue Stamp of
Appropriate Value.

The signature should agree with
the specimen registered with the
Company.

In presence of:

1. Signature: _____
 Name: _____
 Address: _____
 CNIC or Passport No: _____

2. Signature: _____
 Name: _____
 Address: _____
 CNIC or Passport No: _____

Email ID of proxy (to provide him/her with video link): _____

Important Instructions:

1. The Proxy form, duly completed and signed, must be received at the Registrar's Office of the Company not less than forty eight (48) hours before the time of holding the meeting.
2. If a member appoints more than one proxy and more than one instrument of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
3. In case of a proxy for an individual CDC shareholder, attested copies of CNIC or the passport, account and participant's ID number of the beneficial owner and along with the proxy is required to be furnished with the proxy form.
4. In case of a corporate entity, the Board of Directors' resolution / power of attorney with the specimen signature shall be submitted (unless it has been provided earlier) along with the proxy form of the Company.

میں اہم

ولدہ ادخرا زوجہ

کا/ کے (مکمل پتہ) _____

بہنیت رکن

ITPL انشورنس لمیٹڈ مالک، _____

عام حصص، بذریعہ ہذا

پتہ

محترم/محترمہ

(مکمل پتہ)

یا اسکی غیر موجودگی میں محترم/محترمہ

(مکمل پتہ)

کہہنی میں عام شیئرز رکھتا ہے/رکھتی ہے اور کہتے ہیں ہمارے پراکسی مورخہ 29 مئی 2020ء، بروز جمعہ کہہنی کے منعقد ہونے والے سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے، تقریر اور شرکت کرنے یا کسی بھی التواء کی صورت میں اپنا/ہمارا بطور مفار (پراکسی) مقرر کرنا ہوں/کرتے ہیں۔

آج بروز _____ تاریخ _____ 2020ء کو میرے/ہمارے دستخط سے گواہوں کی تصدیق سے جاری ہوا۔

گواہان

سی ڈی سی اکاؤنٹ نمبر

رہنویہ نمبر دستخط

(دستخط کا کہہنی کے پاس رجسٹرڈ شدہ دستخط)

کے نمونے کی طرح ہونا ضروری ہے)

2- دستخط: _____

نام: _____

پتہ: _____

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر: _____

1- دستخط: _____

نام: _____

پتہ: _____

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر: _____

پراکسی کا ای میل آئی ڈی (اے سے وڈیو لنک فراہم کرنے کے لئے) _____

اہم نوٹ:

- 1- پراکسی فارم، باقاعدہ مکمل اور دستخط شدہ، کہہنی کے رجسٹرڈ دفتر میں اجلاس منعقد ہونے سے کم از کم 48 (اڑتالیس) گھنٹے قبل لازماً وصول ہو جانے چاہئیں۔
- 2- اگر ایک رکن ایک سے زیادہ پراکسی مقرر کرتا ہے اور کہہنی کے ہاں ایک سے زیادہ پراکسی آلات جمع کرتا ہے تو پراکسی کے ایسے تمام آلات مسترد کر دیے جائیں گے۔
- 3- انفرادی سی ڈی سی شیئرز ہولڈر کے پراکسی کی صورت میں پیشگی اوزر مع پراکسی کے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقل، اکاؤنٹ اور پارٹیشن کا آئی ڈی نمبر پراکسی فارم (مختار نامہ) کے ہمراہ جمع کرنا ہوگی۔
- 4- بصورت کارپوریٹ اسٹاک ہولڈر، بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ مع پراکسی ہولڈر کے نمونہ دستخط پراکسی فارم (مختار نامہ) کے ہمراہ کہہنی میں جمع کرنا ہوگا (اگر پہلے مہیا نہیں کیا گیا)۔

Glossary

S. No.	Term	Designation
1	Actuary	An actuary is a professional who assesses and manages the risks of financial investments, insurance policies and other potentially risky ventures.
2	Actuarial Valuations	A determination by an actuary at a special date of the value of an insurance Company's assets and its liabilities.
3	Amortization	The process of allocating the cost of an intangible asset over a period of time. It also refers to the repayment of loan principal over time.
4	Authorized Share Capital	The maximum value of share that a Company can legally issue.
5	Book Value	The value of an asset as entered in a company's books.
6	Capital Reserves	Any reserve not regarded free for distribution by way of dividends.
7	Cedant	Client of a reinsurance company.
8	Combined Ratio	Percentage ratio of the sum of net claims plus management expenses and net commission to net earned premiums. It corresponds to the sum of the loss ratio, commission ratio and the expense ratio.
9	Commission	Remuneration to an intermediary for services such as selling and servicing an insurer's products.
10	Claims	The amount payable under a contract of insurance arising from occurrence of an insured event
11	Claims Incurred	The aggregate of all claims paid during the accounting period together with attributable claims handling expenses, where appropriate, adjusted by the gross claims reserve at the beginning and end of the accounting period.
12	Corporate Social Responsibility	Is a process with the aim to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, and all other members of the public who may also be considered as stakeholders.
13	CPEC	The China-Pakistan Economic Corridor (CPEC) is a collection of infrastructure projects currently under construction throughout Pakistan.
14	Deferred Commission	Expenses which vary with and are primarily related to the acquisition of new insurance contracts and renewal of existing contracts, which are deferred as they relate to period of risk subsequent to the Balance Sheet data.
15	Deferred Tax	An accounting concept (also known as future income taxes), meaning a future tax liability or asset in respect of taxable temporary differences.
16	Depreciation	Is the systematic allocation of the cost of an asset over its useful life.
17	Doubtful debts	Is a debt where circumstances have rendered its ultimate recovery uncertain.

S. No.	Term	Designation
18	Earnings per share	Amounts for profit or loss attributable to ordinary shareholders of the entity.
19	Fair Value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing business partners in an arm's length transaction.
20	General Insurance	All kind of Insurance except Life Insurance. i.e. Fire. Marine. Motor and Other Insurance.
21	General Takaful	Protection to participants for losses arising from perils such accident, fire, flood, liability and burglary.
22	Gross contribution	It is the payment of an amount by a participant to the Takaful Participant Fund, whether direct, through intermediaries for the purpose of mutual protection and assistance.
23	Gross Written Premium	Premium which an insurer is contractually entitled to receive from the insured in relation to contracts of insurance
24	Impairment	The amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.
25	Incurred but not reported (IBNR)	Claim incurred but not reported to the insurer until the financial statements reporting date.
26	Insurance Contracts	A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder for a specified uncertain future event.
27	Intangibles	An identifiable non-monetary asset without physical substance.
28	Internal Control	An accounting procedure or system designed to promote efficiency or assure the implementation of a policy or safeguard assets or avoid fraud and error etc.
29	KIBOR (Karachi Interbank Offered Rate)	Interbank lending / borrowing rates quoted by the banks
30	Loss Ratio	Percentage ratio of claims expenses to net premium.
31	Market Share	The portion of a market controlled by a particular company or product.
32	Market Value	The highest estimated price that a buyer would pay and a seller would accept for an item in an open and competitive market
33	MIS	Management Information System.
34	Mutual fund	A type of professionally managed investment fund that pools money from many investors to purchase securities
35	National Exchequer	The account into which tax funds and other public funds are deposited.
36	Net Asset Value	Total Assets less Liabilities
37	Net Contributions	Gross Contributions less all re-takaful contributions payable.
38	Net Premium Revenue	Written premium less Reinsurance expense.
39	None-life Insurance	Non-Life Insurance and General Insurance have the identical meaning.

S. No.	Term	Designation
40	Outstanding Claims	A type of technical reserve or accounting provision in the Financial Statements of an Insurer to provide for the future liability or claims.
41	Paid up Capital	The amount of money a company has received from shareholders in exchange for shares of stock.
42	Pakistan Investment Bonds	Long term instruments issued by the Government of Pakistan.
43	Participant's Takaful Fund (PTF) Waqf Fund	An account to credit a portion of contribution from the participant for the purpose of Tabarru'.
44	Premium	Amount that has to be paid by the insured for the cover provided by the Insurer.
45	Proxy	Power of Attorney by which the Shareholder transfers the voting rights to another shareholder.
46	Qard-e-Hasna	Interest Free Loan from Takaful Operator to the Takaful Participant Fund in order to meet any shortfall in the Fund.
47	Quoted	Being listed on a Stock Exchange.
48	Registered Office	The registered office is an address which is registered with the government registrar as the official address of a company.
49	Reinsurance	A method of insurance arranged by insurers to share the exposure of risks accepted.
50	Re-Takaful	The arrangement under which a part of the risk is shared between the companies originally issuing the policy (the takaful operator] to another Takaful company (Re-Takaful) known as the re-takaful
51	Reinsurance Commission	Commission received or receivable in respect of premium paid or payable tea reinsurer.
52	Reinsurance Premium	The premium payable to the reinsurer in respect of reinsurance contract.
53	Related Party	Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.
54	Retrocession	Transfer of risk from a reinsurer to another reinsurer.
55	Revenue Reserves	Reserve that is normally regarded as available for distribution through the profit and loss account, including general reserves and other specific reserves created out of profit and unappropriated profit.
56	Risk	Condition in which there is a possibility of loss.
57	Risk Management	Includes analyzing all exposures to gauge the likelihood of loss and choosing options to better manage or minimize loss.
58	Statutory levies	Fee charged (levied) by a government on a product, income, or activity.
59	Strategic Objectives	A broadly defined objective that an organisation must achieve to make its strategy succeed.
60	Subsequent Event	Are events concerning conditions which arose after the balance sheet date, but which may be of such materiality that their disclosure is required to ensure that the financial statements are not misleading.

S. No.	Term	Designation
61	Takaful	An Islamic concept of insurance.
62	Takaful Operator	A legal entity, who underwrites, administers and manages the Takaful program on behalf of the participants.
63	Takaful Policy	The agreement entered into between the operator and the participant(s) for the purposes of Takaful arrangements.
64	Tangibles	An asset whose value depends on particular physical properties.
65	Underwriting Profit	This is the profit generated purely from the General Insurance business without taking into account the investment income and other nontechnical income and expenses.
66	Unearned Premium	It represents the portion of premium already entered in the accounts as due but which relates to period of risk subsequent to the Balance Sheet date.
67	Wakala	Islamic terminology for agent-principal relationship, where a person nominates another to act on his behalf.

گھنٹی کے حصص میں تجارت

اہم حصص یافتگان، ڈائریکٹرز، ای او بی ایف او، گھنٹی بیکر ٹری، انٹرنل آڈٹ کے سربراہ، دیگر ملازمین اور ان کے شریک حیات اور نابالغ بچوں کے ذریعہ گھنٹی کے حصص میں تجارت کی تفصیلات نمونہ حصص داری میں درج ہیں۔

بورڈ کے اجلاس

بورڈ آف ڈائریکٹرز کے 2019 میں چار اجلاس منعقد ہوئے۔ ڈائریکٹرز کی حاضری ذیل میں دی گئی ہے۔

نام ڈائریکٹرز	تعداد حاضری
جناب جمیل یوسف (ستارہ شجاعت)	4
جناب علی جمیل	4
جناب رانا اسد امین	4
مسٹر اینڈریو پورڈا	4
جناب وقار احمد ملک	3
سید نادر شاہ	4
جناب محمد امین الدین *	4**
محترمہ عائشہ قاسم	3***

* سال کے دوران استعفی دے دیا۔

** جناب محمد امین الدین نے ایک (1) اجلاس میں ڈائریکٹری حیثیت سے شرکت کی اور گھنٹی کی ڈائریکٹر شپ سے استعفی دینے کے بعد انہوں نے ایک معتبر ڈائریکٹری حیثیت سے باقی اجلاسوں میں شرکت کی۔

*** سال کے دوران عائشہ قاسم کی گئی۔

مستقبل کا نقطہ نظر

گھنٹی ذاتی لائسنز کے کاروبار میں مرکوز رہا اور ساتھ ہی مادیات میں اس کی رسائی کو بڑھانے کے لئے ڈیجیٹلائزیشن کے اقدامات میں سرمایہ کاری پر مرکوز توجہ کو جگہ بنا رہی ہے۔ اس کے ساتھ ساتھ، نان موٹر سیکٹس میں دخول کے ذریعے تنوع کے فوائد سے مستقبل میں گھنٹی کی پوزیشن کو نمایاں طور پر تقویت ملے گی۔ ہمیں یقین ہے کہ حکومت کی جانب سے غیر ملکی سرمایہ کاری اور بی بی پی کو بہتر بنانے کے لئے اٹھائے گئے اقدامات معاشی استحکام لائیں گے اور انشورنس صنعت کی نمو کو بڑھادیں گے۔ اگرچہ ڈاکومنٹ رینٹ اور آف مو پائل کی قیمتوں میں اضافے سے آف انشورنس کی نمو میں کمی ہوتی ہے، لیکن گھنٹی کو یقین ہے کہ مصنوعات کی ترقی، پچھلے کی گہرائی اور ڈیجیٹلائزیشن اقدامات کے ذریعے دخول مارکیٹ شیئر کو بہتر بنائے گا۔

گھنٹی کو رونا وائرس کی حالیہ عالمی وبا سے پوری طرح آگاہ ہے جو ملک میں کاروبار کی صورت حال کو متاثر کر رہی ہے۔ ہمارے کاروباری ہنگامی منصوبے فعال ہو گئے ہیں اور ڈیجیٹل پلے اور سروسنگ انفراسٹرکچر کے اختتام کی وجہ سے ہم تقریباً مکمل طور پر فعال ہیں۔ گھنٹی حالیہ کاروباری حجم کے ساتھ مجموعی طور پر مشکل معاشی ماحول سے واقف ہے۔ اس کے جواب میں ہم نے اپنے کاروباری شراکت داروں اور صارفین کے ساتھ مشغول ہونے کے لئے ایک کثیر الجہتی حکمت عملی کا آغاز کیا ہے تاکہ انہیں گھنٹی کی طرف سے ان کی کسی بھی مدد یا کاروباری ضروریات کے لئے اپنی دستیابی کی یقین دہانی کروا سکے۔

اہلکار نظر

ہم گھنٹی کے شیئر ہولڈرز کے جذبہ سے متفکر ہیں جنہوں نے گھنٹی پہ قائم اپنے اعتماد کو برقرار رکھا ہوا ہے۔ ہم پاکستان اسٹاک ایکسچینج، ڈی ڈی بورڈ آف ریگولیشنز، انشورنس ٹریڈ ایسوسی ایشن اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کا اس سلسلے میں فراہم کردہ قائل قدر تعاون اور رہنمائی کو بھی سراہتے ہیں۔ ہم کارپوریٹ مقاصد کے حصول میں ملازمین، اسٹاک شراکت داروں، ریٹیلرز، دیگر ذمہ دار صارفین کی حمایت کا بھی حواس غم کر رہے ہیں۔

منیجنگ بورڈ آف ڈائریکٹرز


جمیل یوسف (ستارہ شجاعت)
چیئر مین


محمد امین الدین
چیف ایگزیکٹو آفیسر

تاریخ: 25 مارچ 2020

• گزشتہ سالوں کے آپریٹنگ نتائج سے اہم تغیرات کی وضاحت اس رپورٹ میں کی گئی ہے۔

• ٹیکسوں، دیونیز، لیون اور بلایا واجبات کی مد میں قانونی ادائیگیاں معمول کے کاروبار کے مطابق ہیں۔

• بورڈ سٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کی کھازہ (i) (19) کے تحت ڈائریکٹرز ٹینگ پروگرام کی بابت باقاعدہ تعمیل کر رہا ہے۔

• 31 دسمبر 2019 کو پروایٹ فنڈ کے غیر منظر ثانی شدہ حسابات پر مبنی پروایٹ فنڈ کی سرمایہ کاری کی قدر 53.8 ملین روپے (2018 39.4 ملین روپے) ہے۔

ڈائریکٹرز کا معاوضہ

بورڈ آف ڈائریکٹرز ٹینگز ایکٹ 2017 کے مطابق ڈائریکٹرز کے معاوضے کے لئے باقاعدہ دہائیسی اور مختلف طریقے کا رتبہ کیا ہے۔ ڈائریکٹرز کے معاوضے کی تفصیلات مالیاتی حسابات کے نوٹ میں بیان ہیں۔
ڈائریکٹرز کی تعمیل کا انکشاف کارپوریٹ گورننس کے ضابطہ اطلاق کی تعمیل کے بیان میں کیا گیا ہے۔

ڈائریکٹرز آرڈیننس 2000

ڈائریکٹرز آرڈیننس 2000 کے تحت مطلوبہ ادارہ اس کے تیار کردہ قواعد کے تحت، ڈائریکٹرز تصدیق کرتے ہیں:

• ان کی رائے میں اداران کے بھرتیوں کے مطابق کھپتی کے سالانہ قانونی حسابات جو اس بیان کے ساتھ منسلک شکوے میں طے شدہ ہیں ڈائریکٹرز آرڈیننس 2000 اور اس کے ڈائریکٹرز کے تحت تیار کیے گئے ہیں۔

• کھپتی نے سال میں ہر وقت آرڈیننس کی دفعات اور پیڈ اپ کپٹل، رسالو، پیس اور ری ڈائریکٹرز انتظامات سے متعلق بنائے گئے قواعد کی تعمیل کی ہے۔ حسابات کی تاریخ تک مذکورہ بالا کے تحت آرڈیننس کی دفعات اور وضع کردہ قواعد کی تعمیل کی ہے۔

ضابطہ اطلاق

کھپتی اس بات کو یقینی بناتی ہے کہ مضر و اداری کے ساتھ کاروباری اطلاعات کے ضابطہ اطلاق پر حقیقی سے خلاف انداز میں اپنی تمام سرگرمیاں انجام دی جائیں۔

پیٹرین آف شیئر ہولڈنگز

کھپتی میں پیٹرین آف شیئر ہولڈنگز سے متعلق اسٹیمٹ براے 31 دسمبر 2019 درج ذیل ہے۔

حصص یافتگان کی کٹگری	ملکیتی حصص کی تعداد	فیصد شیئر ہولڈنگز
جیڑٹ کھپتی - TPL کارپ لمیٹڈ	69,952,950	74.52%
ڈائریکٹرز	17,481	0.02%
بینک، DFIs اور NBFIs	14,310,435	15.25%
باہمی فنڈز	5,442,790	5.80%
جنرل پبلک (لوکل)	3,561,391	3.79%
جنرل پبلک (غیر ملکی)	7,872	0.01%
دیگر	573,342	0.61%
کل	93,866,261	100.00%

میٹرز EY فورڈ ہونڈا، جیپا، لڈا کاؤنٹنس ("EYFR") نے گولڈ آف کارپوریٹ گورننس ("CCG") میں مقررہ پانچ سال کی چھوٹی مدت پوری کر لی ہے۔ TPL کارپ لچلڈر کیمپنی کی ہیڈ آفس اور اس کی ذیلی کمپنیوں کا آڈٹ EYFR نے جاری رکھا ہے۔ گولڈ آف کارپوریٹ گورننس کے تقاضوں کے مطابق، مالی خدمات میں مصروف تمام باہم متعلقہ کمپنیوں کو ایک ہی آڈیٹر فورم کو مقرر کرنا ضروری ہوتا ہے۔ لہذا، ہونڈا آف ڈائریکٹرز نے SECP کی منظوری کی بنیاد پر، باہمی اتفاق رائے سے ایک مئی 31 2020 کو ختم ہونے والے سال کے لئے EY فورڈ ہونڈا، جیپا، لڈا کاؤنٹنس کو کمپنی کے قانونی آڈیٹر کے طور پر مقرر کرنے کی گزارش کی ہے۔

متعلقہ پارٹی کے لین دین

متعلقہ پارٹی لین دین جو قابل رسائی بنیاد پر کئے گئے کو ہونڈا کی آڈٹ کمپنی کے سامنے رکھا گیا اور ہونڈا کی طرف سے اس کی منظوری دی گئی۔ یہ لین دین بین الاقوامی مالیاتی رپورٹس معیارات اور انٹرنیشنل ایکٹ 2017 کے مطابق تھا۔

کمپنی کا نظریہ اور دہشت گردی کی معاونت کا خاتمہ

کمپنی انسدادی لاء رنگ اور انسداد مالی معاونت برائے دہشت گردی کے ضوابط 2018 کی تعمیل کو یقینی بنانے کے لئے کام کر رہی ہے اور اس سلسلے میں کمپنی کے ہونڈا آف ڈائریکٹرز نے CFT/AML پالیسی کی بھی منظوری دی ہے۔

کارپوریٹ سوشل ریسپانسیبلٹی اور سداقت

ہمارا ایک واضح CSR ڈھن ہے، جو ہمارے کارپوریٹ ڈھن کے ساتھ مربوط ہے۔ ہماری بنیادی اقدار میں سے ایک اپنے CSR اقدامات کے ذریعے باہمی خوشحالی حاصل کرنا ہے، اور اس طرح تمام اسٹیک ہولڈرز کو کام و پہنچانے کے لئے مقامی کمیونیز، اپنے ملک اور انسانیت کے ساتھ شریک کرنا ہے، جن کے معاشرتی، معاشی، ماحولیاتی اور سماجی اثرات کو مدد ملے ہوئے، ہم نے انیسویں صدی کے قیام اور ہماری ترقی، خواتین کو اختیار بنانے اور ماحولیات کے کلییدی شعبوں میں ماحولیاتی تبدیلیوں کے خلاف انسدادی ماحولیاتی مؤثر مداخلتوں کا اعلان کیا ہے۔ جیسے جیسے ہم 2020 میں داخل ہو رہے ہیں، ہم جدت طرازی، اثر اور سوشل اور پائمنٹ کے ذریعے اپنی رسائی کو وسعت دینے پر توجہ دے رہے ہیں۔ اپنے اقدامات کو مضبوط بنانا چاہتے ہیں۔ معاشرتی اور ماحولیاتی مسائل کو باضابطہ طور پر حل کرنے سے ہم بڑے پیمانے پر کمیونٹی کے لئے پائیدار قدر پیدا کرنے اور ایک خوشحال قوم کی تشکیل کے قابل ہوں گے۔

کارپوریٹ اور مالی ریسپانسیبلٹی اور گورننس

سیکرٹریز اینڈ ایگزیکٹو کمیشن آف پاکستان کی طرف سے مقرر کردہ گولڈ آف کارپوریٹ گورننس کے تحت ہونڈا کو کارپوریٹ و منڈاریوں سے بخوبی آگاہی حاصل ہے اور اس بات کی بخوبی تصدیق کرتے ہیں کہ:

- کمپنی کی طرف سے تیار کئے گئے مالی حسابات کمپنی کے امور، آپریشنز کے نتائج، نقدی بہاؤ اور ان کی کمی میں تبدیلیوں کو مضبوط طور پر ظاہر کرتے ہیں۔
- کمپنی کے کامیابیات، بالکل صحیح طور سے، بنائے گئے ہیں۔
- مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے، سوائے جن مالی حسابات میں انکشاف کیا گیا اور اکاؤنٹنگ کے تخمینہ جات مناسب اور آئینہ انداز فیصلوں پہنچی ہیں۔
- مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی اکاؤنٹنگ معیارات، بین الاقوامی مالیاتی رپورٹنگ کے معیارات (بشمول لیکن محدود ٹیکس شریعہ گائیڈ انکسٹر پر سٹیلز) کی پیروی کی گئی ہے، اور کسی بھی انحراف کا سبب انکشاف اور وضاحت کی گئی ہے۔
- اندرونی کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور اس کی مؤثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔
- کمپنی کی بنیاد مضبوط ہیں اور کمپنی کے پیچھے رہنے کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔
- کمپنی کارپوریٹ گورننس کے بہترین اصول کی پیروی کرتی ہے اور ان سے کوئی مادی انحراف نہیں ہے۔
- گذشتہ چھ سالوں کے کلییدی اور مالی اعداد و شمار مختصر شکل میں، اس سالانہ رپورٹ میں شامل ہے۔

کریڈٹ ریٹنگ

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے منجملہ آؤٹ لک کے ساتھ کمپنی کی "A+" کریڈٹ ریٹنگ کو برقرار رکھا ہے۔

گزشتہ تین سالوں کے کلیدی مالی اعداد و شمار

آمدنی کا بیان

(روپے ملین میں)

2014	2015	2016	2017	2018	2019	
1,220.8	1,635.5	2,054.5	2,292.7	2,408.7	2,505.3	مجموعی پریمیم
1,049.1	1,419.3	1,750.5	2,068.8	2,246.6	2,136.2	خالص پریمیم آمدنی
(973.3)	(1,368.3)	(1,724.6)	(1,957.1)	(2,116.7)	(2,024.5)	اندر دہلے اثراہات
75.8	51.0	25.9	111.7	129.9	111.7	اندر دہلے بن کی
92.8	93.5	106.8	61.9	70.7	152.1	سرمایہ کاری کی آمدنی اور دیگر آمدنی
(133.6)	(152.0)	(50.6)	(80.1)	(165.9)	(207.8)	دیگر اثراہات
35.0	(7.5)	82.1	93.5	34.7	56.0	سال کا چلن و گلیس منافع (تفصیل)
22.0	(19.8)	36.4	35.2	23.8	30.5	بعد از ٹیکس منافع (تفصیل)

بیلنس شیٹ

(روپے ملین میں)

2014	2015	2016	2017	2018	2019	بیلنس شیٹ
464.7	800.9	904.1	1,009.1	955.6	946.7	پیدا شدہ اثراہات
-	138.7	138.7	138.7	8.0	(114.0)	مجموعی (تفصیل) / غیر موزوں منافع
-	-	2.3	(26.4)	(26.7)	(29.7)	فروخت کے لئے دستیاب سرمایہ کاری کی دوبارہ قدر بندی پر غیر حتمی فائدہ (تفصیل)
(1.9)	(55.1)	(121.9)	(201.7)	(170.3)	(48.9)	شرائط ملائی بنیاد
462.8	884.5	923.2	919.7	766.6	754.1	کل اثراہات
49.9	930.4	1,056.8	1,213.3	1,026.3	729.4	سرمایہ کاری
308.7	384.7	361.2	70.0	122.0	426.5	فائدہ اٹھائے
4.8	-	-	21.4	7.6	2.6	زیادہ تر اثراہات کی پیش روک
89.8	30.4	240.9	247.2	251.9	702.4	نقد اور نقد فیڈ بیک اسٹ
834.6	635.7	759.0	1,147.1	1,216.9	1,105.2	دیگر اثراہات
1,287.8	1,981.2	2,417.9	2,699.1	2,624.7	2,966.1	کل اثراہات
756.1	970.0	1,247.9	1,383.6	1,447.4	1,505.1	اندر دہلے اثراہات
68.9	126.7	246.8	395.7	410.7	706.9	دیگر اثراہات
825	1,096.7	1,494.7	1,779.4	1,858.1	2,212.0	کل اثراہات

دولہ دار کا نقل آپریٹنگ

کمپنی کے دولہ دار کا نقل آپریٹنگ (WTO) میں اضافہ جاری ہے اور اس میں اندر درگن شراکت کی رقم 1,179.4 ملین روپے (2018: 1,058.5 ملین) ہے۔ یہ سال بہ سال 11.4 فیصد نمو کی نمائندگی کرتی ہے۔ آپریٹنگ ڈولہ دار شراکت دار کا نقل فزکس کے مجموعی اثاثوں کی مالیت 1,330.9 ملین (2018: 1,255.7 ملین روپے) ہے۔ کمپنی مولہ دار کا نقل مارکیٹ میں دوسری پوزیشن پر قائم رکھے ہوئے ہے۔

سال کے دوران شراکت دار کا نقل فزکس میں 137.7 ملین روپے (2018: 20.2 ملین روپے) کا اضافہ درج کیا گیا۔ یہ اضافہ اندر درگن اور کلائنٹس میں کمی کے نتیجے میں حاصل ہوا۔ فزکس کوئی کمی جاری ہے کہ آئندہ سالوں میں شراکت دار کا نقل فزکس منافع میں مزید بہتری آئے گی اور کمپنی فزکس کو فراہم کئے جانے والے قرضہ مدت کی عملدرستی کرے گی۔

مالی جائزہ

منافع اور ترقی

کمپنی نے بعد از ٹیکس منافع 30.5 ملین روپے (2018: 23.7 ملین روپے) ریکارڈ کیا ہے۔ منافع ٹیکس شراکت دار کا نقل فزکس سے منسوب اضافی رقم 137.7 ملین (2018: 20.2 ملین روپے) بھی شامل ہے۔ حصص یافتگان کے لئے کی حد میں نقصان 107.2 ملین (2018: 3.6 ملین روپے منافع) ہے۔ ٹیکس سے پہلے اور ٹیکس کے بعد کا بنیادی نقصان فی حصص بالترتیب 0.87 اور 1.14 (2018: منفی حصص آمدنی 0.15 اور 0.04 روپے) ہے۔



منافع میں کمی کی وجہ نئی مصنوعات کی ترقی، فائر اور سیرین شے میں چینی ٹریڈنگ، کمپنی کی طرف سے ڈیجیٹل ٹریڈنگ اقدامات میں کمی سرمایہ کاری، اور شراکت دار کا نقل فزکس سے وصول شدہ وکلاء ٹیکس میں کمی کی وجہ سے ہوئی ہے۔ اگرچہ ان اقدامات سے کمپنی کے منافع پر ایک قلیل مدتی غمی اثر پڑا ہے، لیکن ہمارا یقین ہے

کہ ان اقدامات سے آئندہ برسوں میں ہم پاکستانی منافع بخش مجموعہ حاصل کر سکیں گے۔

سرمایہ کاری

31 دسمبر 2019 کے مطابق، کمپنی کی طرف سے کی جانے والی سرمایہ کاری (بشمول شراکت دار کا نقل فزکس کی سرمایہ کاری) 729.4 ملین روپے (2018: 1,026.3 ملین روپے) پر قائم رہی۔ ان میں بنیادی طور پر رقم اپناٹ میں 420 ملین (2018: 350 ملین) سرمایہ کاری، سرکاری ٹیکس ریٹیز میں سرمایہ کاری کی حد میں 95.7 ملین (2018: 292.8 ملین)، کارپوریٹ قرضوں کے آلات میں سرمایہ کاری 125 ملین (2018: 50 ملین روپے) اور حصص اور میڈیکل فزکس میں 88.7 ملین روپے (2018: 333.5 ملین) کی سرمایہ کاری شامل ہیں۔ ان سرمایہ کاریوں کی مجموعی مارکیٹ قیمت 728.5 ملین روپے (2018: 1,023.4 ملین روپے) ہے۔

نقد اور بینک بیلنس

کمپنی کا کیش اور بینک بیلنس 702.4 ملین روپے (2018: 251.9 ملین روپے) ہے۔ اس میں شراکت دار کا نقل فزکس کے نقد اور بینک بیلنس کی رقم 149.7 ملین روپے (2018: 93.8 ملین روپے) شامل ہے۔

منافع حصص (ایویڈنڈ)

حصص یافتگان کے لئے سے منسوب سال کے نقصان کی وجہ سے، بورڈ آف ڈائریکٹرز نے 31 دسمبر 2019 کو تقسیم ہونے والے سال کے لئے کسی منافع (2018: پولس حصص کا 13 فیصد اور نقد منافع حصص 20 فیصد) کا اعلان نہ کرنے کا فیصلہ کیا ہے۔

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