

Annual Report 2019



SHAHEEN FOUNDATION
PAKISTAN AIR FORCE

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COMPANY INFORMATION

BOARD OF DIRECTORS

Air Marshal Muhammad Arif Pervaiz (Retd.)
Air Vice Marshal Salman Ahsan Bokhari (Retd.)
Air Commodore Jamshed Iqbal (Retd.)
Air Commodore Ahsan Muhammad Khan (Retd.)
Air Commodore Humayun Viqar Zephyr (Retd.)
Group Captain Javed Akhtar Khan (Retd.)

AUDIT COMMITTEE

Air Commodore Ahsan Muhammad Khan (Retd.) - Chairman
Air Commodore Humayun Viqar Zephyr (Retd.) - Member
Group Captain Javed Akhtar Khan (Retd.) - Member

ETHICS, HUMAN RESOURCE & REMUNERATION COMMITTEE

Air Vice Marshal Salman Ahsan Bokhari (Retd.) - Chairman
Air Commodore Humayun Viqar Zephyr (Retd.) - Member
Mr. Sohel N. Kidwai (CEO) - Member

INVESTMENT COMMITTEE

Air Marshal Muhammad Arif Perviaz (Retd.) - Chairman
Air Vice Marshal Salman Ahsan Bokhari (Retd.) - Member
Air Commodore Jamshed Iqbal (Retd.) - Member
Air Commodore Ahsan Muhammad Khan (Retd.) - Member
Mr. Sohel N. Kidwai - Chief Executive Officer
Mr. Nisar Ahmed Almani - Chief Financial Officer

CHIEF EXECUTIVE OFFICER

Mr. Sohel N. Kidwai

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Mr. Nisar Ahmed Almani

COMPANY INFORMATION

HEAD OF OPERATIONS, UNDERWRITING, CLAIMS AND REINSURANCE

Mr. Zia Mehdi

COORDINATOR INTERNAL CONTROLS AND HEAD OF INTERNAL AUDIT

Mr. Mahmood Ahmed Mirza

COUNTRY HEAD BUSINESS

Mr. Naveed Y. Butt

LEGAL ADVISOR

Iftikhar Hussain Law Associates

AUDITORS

Deloitte Yousuf Adil
Chartered Accountants

SHARIAH ADVISOR

Mufti Bilal Ahmed Qazi

COMPLIANCE OFFICER

Mr. Muhammad Hasnain

SHARIAH COMPLIANCE OFFICER

Mr. Kashif Naeem

REGISTERED OFFICE

10th Floor, Shaheen Complex, M.R Kayani Road, Karachi.

HEAD OFFICE

10th Floor, Shaheen Complex, M.R Kayani Road, Karachi.

SHARE REGISTRAR

M/s. Corplink (Pvt.) Ltd.
Wings Arcade, 1-K, Commercial, Model Town, Lahore.

OFFICES

Head Office

10th Floor, Shaheen Complex
M. R. Kayani Raod, Karachi-74200
Tel # 32630370-75, 322139850-51 Fax # 32626674
E-mail: info@shaheeninsurance.com
URL: www.shaheeninsurance.com
UAN: (021) 111-765-111

Karachi

Branch Manager - Mr. M. Iftikhar Alam
10th Floor, Shaheen Complex
M.R Kayani Road, Karachi -74200
Tel # 32630370-75, 32213950-51, Fax # 32626674
E-mail :iftikhar.alam@shaheeninsurance.com
Direct # 32272595

Lahore Zonal Office

Country Head Business - Mr. Naveed Y. Butt
Office # 4-B, 6th Floor, Shaheen Complex
38, Abbott Road,
Lahore.
Tel # 042-36376270, 36376274, 36376278, 36376279
Fax # 042-36376276
E-mail: lhr_zone@shaheeninsurance.com

Multan

General Manager Marketing - Mr. Muhammad Naeem Baig
Office no 21,1st Floor Nadra office Ali Arcade,
Court Kachery Road, Multan
Phone: 061-4580190.91,92
E-mail: naeem.baig@shaheeninsurance.com

Sialkot

Office # 210 Karim Plaza Defence Road,
Near Allama Iqbal Town, Sialkot
Tel # (052) 3250982, 3550131
Fax # (052) 3257412
E-mail: sil@shaheeninsurance.com

Faisalabad

Branch Manager/ Assistant General Manager - Mr. Mohsin Khan
Office No 2, 4th Floor, Ahmed Plaza,
Bilal Road, Civil Lines, Faisalabad
Tel. # (041) 2614112, 2621370, 2634658
Fax # (041) 2613514
Email: fsd@shaheeninsurance.com

Abbottabad

Branch Manager - Mr. Ejaz Raffique
Office # 9 1st Floor Silk Plaza Supply Manshara
Road Abbottabad. Mobile # 0301-8177155
Email: abt@shaheeninsurance.com

Rahim Yar Khan

Branch Manager - Mr. Muhammad Naveed
Al Baraka Plaza, 1st Floor, Abu Dhabi Road,
Rahim Yar Khan.
Email: naveed.hussain@shaheeninsurance.com

Hyderabad

Branch Manager - Mr. Shakir Ali
Upper 2nd Floor
House # 75, Soldier Bazar, Hyderabad
Tel # (022) 2720487
Fax # (022) 2720489
E-mail: hyd@shaheeninsurance.com

Lahore Corporate

Branch Manager / General Manager - Mr. Sohaib Ansar Khan
Office # 6, 6th Floor, Shaheen Complex, Opp. PTV Station
Opp. PTV Station 38, Abbott Road,
Lahore.
Tel # 042-36370384, 36370741, 36370742
Fax # 042-36370385
E-mail: lhr_corporate@shaheeninsurance.com

Peshawar

Branch Manager - Mr. Amir Shahzad
Upper Basement, State Life Building
34 - The Mall, Peshawar Cantt.
Tel # (091) 5273122
E-mail: psw@shaheeninsurance.com

Gujranwala

Office # 04, Yousuf Center, 99 Commercial
Neelum DC Colony GT Road Gujranwala.

Islamabad

Branch Manager - Mr. Abdul Hameed
Office # 4, 1st Floor Zaki Centre,
I-8 Markaz Islamabad
Tel: 051-4938283
Fax: 051-4938284
Email: isb@shaheeninsurance.com

Sargodha

Branch Manager - Mr. Nadeem Awan
Office # 63 1st Floor Advance Book shop
Rehman Complex Ibne Seena Hospital Market
Kanchi More Sargodha Mobile# 0300-8602723
Email: nadeemawan1975@gmail.com

VISION

To deliver general insurance at its best, and to contribute positively and proactively for the welfare of our society at large as well as for the preservation of our environment, culture and ethics

MISSION STATEMENT

Our mission is to continuously improve ourselves to become a leading, profitable Company, meeting the needs of our customers and enhancing the value of our shareholders investment.

We will accomplish this by using the strengths of our people, and the application of innovative science, for the development of new insurance products and services, that are high in quality and competitive in price.

CODE OF CONDUCT AND ETHICS

The Code of Conduct and Ethics (Code) establishes the standards that govern the way we deal with each other, our customers, shareholders, governments, suppliers, competitors and the public at large. Complying with the Code is a part of the terms and conditions of employment with Shaheen Insurance Company Limited.

ANTI FRAUD PROGRAM & CONTROL WHISTLE BLOWING POLICY

The assessment of a Company's internal control over financial reporting must be based on procedures sufficient both to evaluate its design and to test its operating effectiveness. Controls subject to such assessment include controls related to the prevention, identification, and detection of fraud.

This Whistle Blowing Policy is a part of Company's effort to further improve governance and service quality.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 25th Annual General Meeting (AGM) of Shaheen Insurance Company Limited (SICL) will be held on Thursday, June 11, 2020 at 10:30 a.m at the head office of Shaheen Airport Services (SAPS) situated at SAPS Complex, Malir Avenue, Jinnah International Airport, Karachi, to transact the following business;

Ordinary Business

1. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended December 31, 2019 together with the Directors' and Auditor's Reports thereon.
2. To appoint Auditors of the Company for the year ending December 31, 2020 and fix their remuneration. The present auditors Ms. Deloitte Yousuf Adil, Chartered Accountants, being eligible, have offered themselves for reappointment.
3. To elect seven directors of the Company as fixed by the Board in accordance with the provision of section 159 of the Companies Act, 2017 for a period of three years commencing June 11, 2020. Name of the retiring directors are;
 1. Air Marshal Muhammad Arif Pervaiz (Retd.)
 2. Air Vice Marshal Salman Ahsan Bokhari (Retd.)
 3. Air Commodore Jamshed Iqbal (Retd.)
 4. Air Commodore Ahsan Muhammad Khan (Retd.)
 5. Air Commodore Humayun Viqar Zephyr (Retd.)
 6. Group Captain Javed Akhtar Khan (Retd.)

Karachi: May 20, 2020

By Order of the Board

Nisar Ahmed Almani
Company Secretary

Notes:

1. In view of the threat posed by the Corona Virus situation, Securities and Exchange Commission of Pakistan (SECP), via Circular no.5 of 2020 issued on 17 March 2020, had advised the companies to modify their usual planning for annual general meetings in order to protect the well-being of shareholders.

Accordingly, shareholders are requested to consolidate their attendance and voting at AGM into as few people as possible through proxies. Further, the shareholders can login through video link, i.e., <https://zoom.us/download> to participate in the AGM proceedings. To avail this facility, shareholders are requested to register their following particulars with the Company at cfo@shaheeninsurance.com before close of business hours on May 31, 2020.

Name	CNIC #	Folio / CDS #	Cell #	Email address

The shareholders can also provide their comments/suggestions for the proposed agenda items of the AGM on email cfo@shaheeninsurance.com

2. In accordance with the provisions of section 242 of the Companies Act, 2017, it is mandatory for a listed company to pay cash dividend to the shareholders only through electronic mode i.e. directly into the bank account designated by the entitled shareholders. Please note that if Bank account details (IBAN) as per prescribed format have not been provided by the shareholders to the Share Registrar, their Broker (participant) or CDC, the company would be constrained to act in accordance with the provisions of the law and withhold the cash dividend.
3. The Share transfer books of the Company shall remain closed from June 5, 2020 to June 11, 2020 (both days inclusive). Transfers received at M/s. Corplink (Pvt.) Ltd., Wings Arcade, 1-K, Commercial Model Town, Lahore, the Registrar and Share Registrar Office of the Company, by the close of business on June 4, 2020 will be considered in time for the purpose of AGM.
4. The Proxy Form duly completed and signed along with attested copies of CNIC/Passport of the member, Proxy holder and the witnesses must be deposited at the Registered Office of the Company or emailed at cfo@shaheeninsurance.com not later than 48 hours before the time of holding of the meeting. Original CNIC/Passport will be produced by the proxy holder at the time of the meeting.
5. In line with the SECP Circular No.10 of 2020 dated April 01, 2020 and due to evolving threat posed by CoVID-19 (Corona Virus) pandemic, Financial Statements of the Company are not being disseminated through CD, instead, the AGM Notice and audited Financial Statement for FY 2019 may be accessed at;

PSX Financials Link: <https://financials.psx.com.pk/>

SICL website Financial

Link: <https://www.shaheeninsurance.com/new/financial-reports/>

For any assistance in the matter and requirement of softcopy of Annual Report 2019, members may feel free to contact Rizwan Idrees or Nasir Jamal at:

1. Rizwan Email: riwan.idrees@shaheeninsurance.com
 SMS: 0301-2782700
 Whatsapp: 0301-2782700

2. Nasir Jamal Email: nasir@shaheeninsurance.com
 SMS: 0321-2685861
 Whatsapp: 0321-2685861

6. No persons shall be appointed as a Proxy unless he/she is a member of the company.
7. In case of corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signature of the representative shall be submitted along with Proxy Form to the Company.

8. CDC account holders and their proxies must attach attested photocopy of their CNIC/Passport with the Proxy Form.
9. Members may exercise their right to vote by means of postal ballot i.e. by post or through electronic mode subject to the requirements of section 143-145 of the Companies Act 2017 and applicable clauses of Companies (Postal Ballot) Regulations 2018.

Circulation of Annual Audited Financial Statements and Notice of AGM to the Members through email:

10. Pursuant to section 223 of the Companies Act, 2017 together with the SECP's SRO. 787(1)/2014, dated September 08, 2014 members desirous of having company's financial statements / Notice of Meeting through email are requested to provide their written consent and e-mail addresses to the Share Registrar at the below mentioned address.

Ms. Corplink (Pvt.) Ltd. Wings Arcade, 1-K, Commercial Model Town, Lahore Phone No. 042-35916714 - 042-35916719 Fax No. 042-35869037

CHAIRMAN'S REVIEW

It indeed gives me immense pleasure to present the Annual Report of the Company for the year ended December 31, 2019.

During the year under review Pakistan faced multifaceted challenges both on the economic, political and geopolitical front which brought economic and business environment of the country under severe stress. Despite challenging economic situation of the country and stiff competition by insurance companies, our company performed reasonably well during 2019. Company posted profit after tax of Rs 60 Million during 2019 against Rs79 Million during 2018 translating into EPS of Rs 1 per share for the year 2019. Investment income of the company contributed major chunk in the profitability of the Company. Going forward however, due to precarious economic situation in the wake of Pandemic Covid 19 our company will strive to cautiously navigate through difficult times.

During the year 2019, there were some changes in the Board of Directors of the Company as three nominee directors of Shaheen Foundation resigned due to completion of their tenure, and were replaced with new directors.

Keeping in view the financial position of the company, trust of shareholders and with the active participation of the employees and the Board, I have no doubt that the company will rise to next level in times to come.

I would like to place on record my appreciation for the employees for their hard work and dedication, and would like to thank our valued customers, reinsurers, shareholders and regulators for their confidence and trust.



Air Marshal Muhammad Arif Pervaiz (Retd.)
Chairman

May 6, 2020

چیئر مین کی جائزہ رپورٹ

یہ میرے لیے انتہائی مسرت کی بات ہے کہ میں کمپنی کی سالانہ رپورٹ 31 دسمبر، 2019 کو ختم ہونے والے سال کے لیے پیش کر رہا ہوں۔

زیر نظر سال کے دوران پاکستان کو معاشی، سیاسی اور جغرافیائی سیاسی محاذ پر متعدد چیلنجوں کا سامنا کرنا پڑا جس نے ملک کے معاشی اور کاروباری ماحول کو سخت تناؤ میں لایا۔ ملک کی مشکل معاشی صورتحال اور انشورنس کمپنیوں کے سخت مقابلے کے باوجود، ہماری کمپنی نے 2019 کے دوران معقول کارکردگی کا مظاہرہ کیا۔ کمپنی نے 2019 کے دوران 60 ملین روپے ٹیکس کے بعد منافع حاصل کیا جو کہ روپیہ 1.00 آمدنی فی شیئر بتاتا ہے جبکہ 2018 کے دوران یہ منافع 79 ملین روپے تھا۔ کمپنی کی سرمایہ کاری کی آمدنی نے کمپنی کے منافع میں بہت بڑا حصہ ڈالا۔ تاہم، آگے بڑھ کر 19 کے تناظر میں غیر یقینی معاشی صورتحال کے پیش نظر، ہماری کمپنی محتاط انداز میں اس مشکل وقت میں سرخرو ہونے کی کوشش کرے گی۔

سال 2019 کے دوران، کمپنی کے بورڈ آف ڈائریکٹرز میں کچھ تبدیلیاں آئیں کیونکہ شاہین فاؤنڈیشن کے تین نامزد ڈائریکٹرز نے اپنی میعاد پوری ہونے کے بعد استعفیٰ دیا، اور ان کی جگہ نئے ڈائریکٹرز تعینات کر دیئے گئے۔

کمپنی کی مالی حیثیت، حصص یافتگان کا اعتماد اور ملازمین اور بورڈ کی فعال شراکت کو مد نظر رکھتے ہوئے، مجھے کوئی شک نہیں ہے کہ آنے والے وقت میں کمپنی مزید اعلیٰ درجے پر فائز ہوگی۔

میں ملازمین کی جانب سے کی جانے والی سخت محنت اور لگن کے لئے اپنی تعریف کو ریکارڈ کرنا چاہتا ہوں، اور اپنے معزز صارفین، ری انشورز، حصص داروں اور ریگولیٹرز کے اعتماد اور بھروسے کا شکریہ ادا کرتا ہوں۔



ایئر مارشل (ر) محمد عارف پرویز

چیئر مین

06 مئی، 2020

DIRECTORS' REPORT

The Directors of your Company are pleased to present the Annual Report of the Company for the year ended December 31, 2019.

GENERAL ECONOMIC REVIEW

Global growth during the year 2019 recorded its weakest pace since the global financial crisis a decade ago, reflecting common influences across countries and country-specific factors.

Rising trade barriers and associated uncertainty weighed on business sentiment and activity globally. In some cases (advanced economies and China), these developments magnified cyclical and structural slowdowns already under way.

Further pressures came from country-specific weakness in large emerging market economies such as Brazil, India, Mexico, and Russia. Worsening macroeconomic stress related to tighter financial conditions (Argentina), geopolitical tensions (Iran), and social unrest (Venezuela, Libya, Yemen) rounded out the difficult picture.

On the other hand year 2019 can best be termed as a tale of two halves for Pakistan's economy. First half of 2019 continued to see structural imbalances in the economy getting corrected, as policy rate jumped 325 bps to 13.25% and Pakistan Rupee depreciated by -18% at one point during the year. Nascent signs of stabilization of the Pakistan economy began to emerge in the second half of the year, with a steady build-up of forex reserves, marked improvement in the external account and stabilization of the Pakistani Rupee.

Stabilization was also underpinned by Pakistan entering into a USD 6.00 Billion International Monetary Fund (IMF) program in July 2019, as IMF program also unlocked other bilateral and multi-lateral flows. These were in addition to flows received from friendly countries in late 2018 and early 2019. Also as part of the stabilization plans, the government launched extensive tax reforms resulting in removal of tax exemptions and initiation of administrative measures through the Federal Budget 2019-20 to register undocumented segment of the economy. In addition, the government also gradually started transitioning prices to a more sustainable model with hikes seen in electricity and gas value chain. GDP Growth numbers as expected slowed down considerably, projected at around 3% for fiscal year ending June 2020, but the same was a conscious decision to address the imbalances.

The slowing down of the economy due to the above mentioned factors, however, reflected positively in the external account, with the Current Account Deficit narrowing to USD 2.15 Billion in first six months of FY20 compared to USD 8.61 Billion during the same period last year- a decline of 75% on a Year on Year (YoY) basis.

Simultaneously, the fiscal side has also seen significant improvement with Pakistan's tax revenue in third quarter of 2019 rising by 17% YoY, with 25% YoY growth in the domestic component of tax revenue, aided by a modest 7% YoY rise in import-based taxes. Importantly, a primary surplus of 0.6% of GDP was recorded in third quarter of year 2019, with the overall budget deficit also coming in better than expected.

Going forward however, there is a high degree of uncertainty due to emergence of Pandemic Covid 19. Although governments all around the globe are introducing unprecedented economic stimulus package, scale of damage already done, and pathways to economic revival still remains largely mysterious.

Gross Written Premium (GWP) including Gross Contribution from Takaful Operations in the Pakistan non-life insurance sector grew by 12% in 2018 (12% in 2017) to Rs 85.6 Billion. In 2019, industry growth is expected in the range of 5% - 7% substantially below the inflation of 12.6% for the calendar year 2019.

Insurance Industry continues to experience lower underwriting profitability leading to downward pressure on premium rates across the board. The projected slowdown of economic growth will pose major challenge to the industry in 2020 and beyond.

COMPANY'S PERFORMANCE

Year 2019 proved to be a challenging year for the company. Tumultuous economic situation of the country coupled with high interest rates substantially decreased the Bank's consumer finance portfolio thereby affecting the associated insurance business of the Company. Further, provincial governments also could not roll out any major scheme for the masses halting the business growth prospects. Company however continued its focus on generating low risk consistent revenues, consolidating and diversifying its product mix. Upward revision in Credit Rating and stable financial performance were major highlights of the year.

The results of Insurance are summarized below;

	Rupees in million	
	December 2019	December 2018
Written Gross Premium	350	417
Net Insurance Premium	295	367
Net insurance claims expense	100	85
Underwriting Results	67	111
Investment Income	61	33
Profit before tax	80	99
Profit after tax	60	79
Earnings Per Share	1	1.31

Despite dwindling economic situation of the country, our company performed reasonably well during 2019. Profit before tax of the company decreased to Rs 80 Million for the current year against profit before tax of Rs 99 Million during 2018 (i.e. a decrease of 19%). This was mainly due to higher level of net claims coupled with recording of provision against doubtful debts, and impact of adoption of IFRS 16. Profit after tax for the year 2019 decreased to Rs 60 Million from Rs 79 Million during 2018. Similar to year 2018, company has been able to improve its product mix in 2019 also, as miscellaneous business segment illustrated promising underwriting results, while Motor segment continued to contribute heavy chunk in the underwriting profits of the company during the year under review.

During the year, company successfully capitalized the rising interest rate scenario by making very short term placements at highly competitive rates of return resulting in robust **increase of 85%** in Investment Income of the Company. Cognizant of the anticipated gradual easing of monetary policy by the State Bank of Pakistan in the wake of decreasing inflationary pressures and fiscal strengthening, company has slowly started to diversify its investment portfolio into mid to long term government bonds.

Investment Income of the Company **increased from Rs 33 Million in 2018 to Rs 61 Million in 2019**. Moreover, despite constraints and settling old liabilities, **investment portfolio of the Company demonstrated a promising increase of 58 Million in 2019 over 2018**. All the investment decisions of the company are taken by the Investment Committee of the Board.

Management and other expenses including finance charges of the company for the 2019 (excluding the impact of provisions for doubtful debts, write off and IFRS 16) increased marginally by Rs 1 Million compared with 2018.

During the year 2018, our Company crossed **yet another milestone as SECP granted the license for Window Takaful Operations**. This was due to matchless efforts by the company's staff and guidance by the Board, and the Board is abundantly convinced that this will translate into another era of growth and prosperity. Company commenced its Window Takaful Operations in April 2018.

The results of Window Takaful are summarized below;

	For the period from January 1, 2019 to December 31, 2019	For the period from April 1, 2018 to December 31, 2018
	Rs in Million	Rs in Million
Written gross contribution	7	7
Net Contribution Revenue	(1)	(1)
Underwriting Results	(2)	(2)
Investment Income	6	3
Operator's Fund - Revenue Account	2	1
Operator's Profit /Loss	3	(0.23)

Due to initial year of operations, this business segment is progressing gradually. However, keeping in view the current status of enlistment with major Financial Institutions (which requires at least one Audited Financial Statements) and with the guidance if the Board, Company is confident to penetrate this market by procuring takaful business in coming years.

INSURER FINANCIAL STRENGTH (IFS) RATING

During the year 2017 Pakistan Credit Rating Agency Limited (PACRA) upgraded the IFS rating of the company to 'A' (single A) with Stable outlook from 'A-' (single A minus). In August 2019 PACRA has upgraded the rating at 'A' (single A) with Positive outlook. **This rating denotes strong capacity of the company to meet policyholder and contractual obligations.**

The upgraded rating is unprecedented and highest ever in the history of the company, and Board is confident that it will pave a way to spur growth in the business of the company.

INCREASE IN PAID UP SHARE CAPITAL

During the year 2017, company successfully increased its Paid Up Share Capital to Rs 600 Million from Rs 450 Million through issue of 15.00 Million shares of Rs 10 each to Shaheen Foundation PAF by way of otherwise than Right, after approval from shareholders of the company and SECP. **We are extremely delighted to inform the shareholders that our company is thoroughly capitalized and is well in excess of the revised Minimum Capital Requirement of Rs 500 Million prescribed by the SECP for non life insurance companies.**

Increased capital will greatly assist the company in taking on future business challenges and growth prospects.

BOARD OF DIRECTORS'

Board of Directors' of the company consists of seven directors having the knowledge, experience and skills required to provide oversight and strategic guidelines to the Company. All of the following directors of the company are male non-executive directors;

1. Air Marshal Muhammad Jamshed Khan (Retd.)
2. Air Vice Marshal Salman Ahsan Bokhari (Retd.) *
3. Aamir Shahzad Mughal
4. Air Commodore Jamshed Iqbal (Retd.)
5. Air Commodore Ahsan Muhammad Khan (Retd.) *
6. Air Commodore Humayun Viqar Zephyr (Retd.) *
7. Group Captain Javed Akhtar Khan (Retd.)

* Air Vice Marshal Salman Ahsan Bokhari (Retd.), Air Commodore Ahsan Muhammad Khan (Retd.) and Air Commodore Humayun Viqar Zephyr (Retd.) were appointed in December 2019, June 2019 and June 2019 respectively to fill casual vacancy on the Board.

Air Vice Marshal Syed Razi Ul Hassan Nawab (Retd.), Air Commodore Zafar Yasin (Retd.) and Air Commodore Sikandar Niaz resigned from the Board during th year. Board wishes them best of luck in their future endeavours

No remuneration is paid to the directors of the Company as all the directors are non executive and nominees of Shaheen Foundation.

BOARD MEETINGS

Board of Directors held 4 meetings in 2019. Attendance of directors is indicated below;

Name of Director	No. of meetings attended
Air Marshal Muhammad Jamshed Khan (Retd.)	4
Air Vice Marshal Syed Raziul Hassan Nawab (Retd.) (Resigned in June 2019)	2
Air Commodore Zafar Yasin (Retd.) (Resigned in June 2019)	2
Mr. Aamir Shahzad Mughal	4
Air Commodore Jamshed Iqbal (Retd.)	3
Air Commodore Sikandar Niaz (Retd.) (Resigned in September 2019)	3
Group Captain Javed Akhtar Khan (Retd.)	3
Air Vice Marshal Salman Ahsan Bokhari (Retd.) (Appointed in December 2019)	None
Air Commodore Ahsan Muhammad Khan (Retd.) (Appointed in June 2019)	2
Air Commodore Humayun Viqar Zephyr (Retd.) (Appointed in June 2019)	2

Leave of absence was granted in case the directors could not attend some of the meetings.

BOARD COMMITTEES

There are following three Board Committees;

Ethics, Human Resource and Remuneration Committee:

Air Marshal Muhammad Jamshed Khan (Retd.)
Air Commodore Jamshed Iqbal (Retd.)
Sohel Najam Kidwai

Investment Committee

Air Marshal Muhammad Jamshed Khan (Retd.)
Aamir Shahzad Mughal
Air Commodore Jamshed Iqbal (Retd.)
Sohel Najam Kidwai - Chief Executive Officer
Nisar Ahmed Almani - Chief Financial Officer

All the investments / placements during the year have been approved by this committee.

Audit Committee

Aamir Shahzad Mughal
Air Marshal Muhammad Jamshed Khan (Retd.)
Air Commodore Jamshed Iqbal (Retd.)

DIVIDEND AND APPROPRIATIONS OF PROFIT

The profit after tax of Rs 60 Million was earned during the year ended December 31, 2019. Due to recording of provision for impairment against investments of Rs 188 Million, un appropriated profit have turned negative to Rs 12 Million as of December 31, 2019. Due to this and future uncertain situation in the wake of Pandemic Covid 19, the Directors have not recommended any dividend / payout for the year.

EARNINGS PER SHARE

Basic and Diluted Earnings per Share of the Company for the year ended December 31, 2019 is **Rs1.00 per share** (December 31, 2018 Rs 1.31 per share).

CONTRIBUTORY PROVIDENT FUND

The value of investment including accrued income of provident fund on the basis of unaudited accounts as on December 31, 2019 is as follows;

Value of investments Rs 13 Million

STATUTORY PAYMENTS ON ACCOUNT OF TAXES, DUTIES

There are no statutory payments on account of taxes, duties, levies, and charges which are outstanding except in the ordinary course of business and as disclosed in the financial statements.

Tabulated below are the financial data for the last six years against the head of accounts;

	Rupees in Millions					
	2019	2018	2017	2016	2015	2014
Written Gross Premium including gross written contribution ↓	357	417	343	340	309	284
Investment Income ↑	61	33	29	17	16	16
Claims Expense ↑	100	85	80	74	166	147
Net commission and other acquisition cost ↓	61	100	62	48	41	44
Management and other expenses ↑	139	133	126	137	109	160
Profit after tax ↓	60	69	63	40	26	13
Share Holders Equity ↑	621	574	495	406	366	340
Claim Outstanding ↑	128	116	114	110	165	229
Insurance / Reinsurance receivables ↓	252	272	181	107	123	143
Investment ↑	564	507	453	489	450	448
Investment Properties ↑	130	31	32	21	22	24

STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The corporate laws, rules and regulations framed here under spelled out the overall functions of the Board of Directors of the Company. The Board is fully aware of its corporate responsibilities as envisaged under the Code of Corporate Governance (CCG), prescribed by the Securities and Exchange Commission of Pakistan and is pleased to certify that;

- 1) The financial statements, prepared by the Company, presents fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- 2) The Company has maintained proper books of accounts.
- 3) The Company has consistently followed appropriate accounting policies in preparation of the financial statements and accounting estimates are on the basis of prudent and reasonable judgment.
- 4) International Accounting Standards as applicable in Pakistan have been followed in the preparation of Financial Statements. Accounting Standards and such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Act, 2017 the Insurance Ordinance 2017, provisions and directives issued under the Companies Act 2017, the Insurance Ordinance 2017, SEC (Insurance) Rules 2017 and Takaful Rules 2012. Any departure therefrom has been adequately disclosed.
- 5) The Board has established a system of internal control, which is implemented at all levels within the Company. The Company is making efforts and arrangements to include all necessary aspects of internal control given in the Code of Corporate Governance for Insurers, 2016 (the code) and Listed Companies Code of Corporate Governance Regulations 2019 (the Regulations).
- 6) The fundamentals of the Company are strong and there is no doubt about its ability to continue as a going concern.
- 7) The Company has followed the best practices of Corporate Governance as laid down in the Listing Regulations except for the matters highlighted by the auditors in the CCG report.

PATTERN OF SHARE HOLDING

A statement of pattern of shareholding is separately shown in the report.

TRADING IN COMPANY'S SHARES

No trading in the shares of the Company was carried out by the directors, CEO, CFO and Company Secretary, their spouses or minor children. Only 500 nominee shares were transferred to the newly inducted directors Air Commodore Ahsan Muhammad Khan (Retd.) and Air Commodore Humayun Viqar Zephyr (Retd.)

AUDITORS

Ms. Deloitte YousufAdil, Chartered Accountants have completed their assignment for the year 2019 and retire at the conclusion of the upcoming Annual General Meeting. Being eligible, they have offered themselves for re-appointment. The Board Audit Committee recommends that they be reappointed as the statutory auditors for a further term of one year, and the Board endorses this recommendation.

FUTURE OUTLOOK OF THE COMPANY

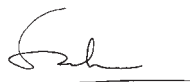
Keeping in view the current uncertain situation due to Pandemic Covid 19, year 2020 will be challenging. Looking beyond 2020, our company is well geared up to increase its market share gradually over the years. Our Company will aggressively focus on steady top line growth in all segments of the current business as well working on innovative ideas to offer new value added products to its clients. Our company further aims to tap opportunities in the Takaful market, and envisions being amongst the front runner in this segment. We expect decrease in policy rate by the State Bank of Pakistan with favorable impact on core business of the company as financial institutions consumer finance portfolio (major source of company's business) is highly likely to grow. It is further expected that the government will be able to stabilize the economic situation of the country during the upcoming years.

ACKNOWLEDGMENTS

Directors would like to place on record their appreciation to the field force, officers and staff of the Company for their commitment and contributions and urge to maintain the tempo for further growth.

Directors would also like to thank the Securities and Exchange Commission of Pakistan, PACRA, Pakistan Stock Exchange Limited, all clients, banks / financial institutions and re-insurers for their continued guidance and support.

For and on behalf of Board



Sohail N. Kidwai
Chief Executive Officer



Air Marshal Muhammad Arif Pervaiz (Retd.)
Chairman

May 6, 2020

کمپنی کا مستقبل:

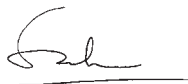
وبائی امراض کو وڈ 19 سے پیدا ہونے والا غیر یقینی صورتحال کی وجہ سے 2020 ایک مشکل سال ہوگا۔ 2020 سے آگے ہماری کمپنی آئندہ سالوں میں بتدریج اپنے مارکیٹ شیئر میں اضافہ کیلئے مستعد ہے۔ ہماری کمپنی کی انتظامیہ موجودہ کاروبار کے تمام شعبہ جات میں مستقل بنیاد پر ترقی اور اس کے ساتھ ساتھ اپنے صارفین کو منفرد مصنوعات کی فراہمی کیلئے کوشاں رہے گی۔ ہماری کمپنی تکافل مارکیٹ میں موجود مواقعوں سے مستفید ہونے کی کوشش کرے گی اور ہماری نظریہ تکافل مارکیٹ میں سب سے آگے رہنے کا ہے۔ ہم اسٹیٹ بینک آف پاکستان کی جانب سے پالیسی کی شرح میں کمی کی توقع کرتے ہیں جس کے ساتھ کمپنی کے بنیادی کاروبار پر سازگار اثرات مرتب ہوں گے کیونکہ مالیاتی اداروں میں صارفین کے مالی اعانت پورٹ فولیو (کمپنی کے کاروبار کا ایک اہم ذریعہ) کے بڑھنے کا بہت زیادہ امکان ہے۔ مزید توقع کی جا رہی ہے کہ حکومت آئندہ سالوں کے دوران ملک کی معاشی صورتحال کو مستحکم کرنے میں کامیاب ہو جائے گی۔

اظہار تشکر

ڈائریکٹرز، اپنے عزم اور شراکت کے لئے فیلڈ فورس، افسران اور کمپنی کے عملے کی طرف سے ان کی تعریف کو ریکارڈ کرنا چاہتے ہیں اور تاکید کرتے ہیں کہ نمو کا سفر جاری رہے۔

ڈائریکٹرز سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، پاکستان کریڈٹ ریٹنگ ایجنسی، پاکستان اسٹاک ایکسچینج لمیٹڈ، تمام صارفین، بینکوں/مالیاتی اداروں، اورری انشوررز کے شکر گزار ہیں جو مسلسل کمپنی کی رہنمائی و معاونت میں مصروف عمل ہیں۔

منجانب بورڈ آف ڈائریکٹرز



سہیل (ن) کدوائی
چیف ایگزیکٹو آفیسر



ایمر مارشل (ر) محمد عارف پرویز
چیئر مین

06 مئی، 2020

(۶) کمپنی کی بنیادیں مضبوط ہیں اور کاروبار کو جاری رکھنے کی صلاحیتوں کے حوالے سے کوئی شکوک و شبہات نہیں ہیں۔

(۷) کمپنی اسٹاک ایکسچینج کے لسٹنگ کے قواعد و میں بیان کردہ کارپوریٹ گورننس کے تمام بہترین طریقوں پر عملدرآمد کر رہی ہے ماسوائے ان معاملات کے جن کی نشاندہی آڈیٹر کی جانب سے کوڈ آف کارپوریٹ گورننس کی رپورٹ میں کی گئی ہے۔

شیر ہولڈنگ کا طریقہ کار:

شیر ہولڈنگ کا طریقہ کار رپورٹ میں علیحدہ سے بیان کیا گیا ہے۔

کمپنی کے شیرز کی تجارت:

ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف فنانس آفیسر اور کمپنی سیکریٹری، ان کے رفقاء حیات اور چھوٹے بچوں کی جانب سے کمپنی کے شیرز کی کوئی تجارت نہیں کی گئی۔ صرف 500 نامزد شیرز نئے مقرر ہونے والے ڈائریکٹر ایگزیکٹو (ر) احسن محمد خان، ایگزیکٹو (ر) ہمایوں وقارز فیرو کو منتقل کئے گئے ہیں۔

آڈیٹرز:

میسرز ڈیلاٹ یوسف عادل چارٹرڈ اکاؤنٹنٹس نے سال 2019ء کے لیے اپنا کام مکمل کر لیا ہے اور آنے والے سالانہ اجلاس عام کے اختتام پر ریٹائر ہو جائیں گے۔ اہلیت کی بنیاد پر انہوں نے اپنی خدمات دوبارہ تقرری کے لیے پیش کی ہیں۔ بورڈ کی آڈٹ کمیٹی یہ تجویز کرتی ہے کہ ان کو دوبارہ ایک سال کے لیے آڈیٹر مقرر کیا جائے اور بورڈ اس تجویز کی توثیق کرتا ہے۔

کارپوریٹ اور فنانشل رپورٹنگ فریم ورک کا بیان:

یہاں بیان کردہ کارپوریٹ قوانین، قواعد و ضوابط پر کمپنی کے بورڈ آف ڈائریکٹرز کے تمام ترامور میں تعمیل کی جاتی ہے۔ بورڈ آف ڈائریکٹرز سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے مقرر کردہ کوڈ آف کارپوریٹ گورننس میں بیان کردہ اپنی تمام تر کارپوریٹ ذمہ داریوں سے بخوبی آگاہ ہے اور تصدیق کرتا ہے کہ:

(۱) کمپنی کی تیار کردہ فنانشل اسٹیٹمنٹس میں کمپنی کے تمام ترامور، تمام تعاملات کے نتائج، کیش فلو اور ایکویٹی میں تبدیلی کی بالکل درست صورتحال بیان کی گئی ہے۔

(۲) کمپنی نے اکاؤنٹس کے گوشوارے درست طور پر مرتب کر رکھے ہیں۔

(۳) کمپنی نے معاشی اسٹیٹمنٹ کی تیاری کے لیے مناسب اکاؤنٹنگ پالیسیوں پر مستقل عملدرآمد کیا ہے اور اکاؤنٹنگ کے تخمینے محتاط اور مناسب فیصلوں کی بنیاد پر ہیں۔

(۴) پاکستان میں لاگو بین الاقوامی اکاؤنٹنگ کے معیارات کی مالیاتی گوشواروں کی تیاری میں پیروی کی گئی ہے۔ یہ بین الاقوامی مالیاتی اور اکاؤنٹنگ اور رپورٹنگ معیارات (IFRS) جو کمپنیز ایکٹ 2017 کے تحت انٹرنیشنل اکاؤنٹنگ ایسٹنڈرڈ بورڈ کی جانب سے جاری اور، کمپنیز ایکٹ 2017 کے ذریعے مطلع کیے گئے ہیں۔ اور اس کے علاوہ انشورنس آرڈیننس، 2000، ایس ای سی (انشورنس) رولز، 2017 اور تکافل رولز، 2012 کے تحت جاری کردہ ہدایات، دفعات، اور یا ان کے کسی قابل ذکر مادی انخلاء کا مناسب اظہار کیا گیا ہے؛

(۵) بورڈ نے اندرونی کنٹرول کی ایک سسٹم قائم کیا ہے جو کمپنی میں ہر سطح پر نافذ ہوگا۔ کمپنی اندرونی کنٹرول کے تمام ضروری پہلوؤں جو کہ انشوررز کے کوڈ آف کارپوریٹ گورننس، 2016 اور لسٹڈ کمپنیز کوڈ آف کارپوریٹ گورننس ریگولیشنز، 2019 کو ضابطہ میں شامل کرنے کے کیلئے کوشش اور بندوبست کر رہی ہے۔

ٹیکس، ڈیوٹیز کی مد میں ادائیگی:

ٹیکس، ڈیوٹیز، لیویز اور اخراجات کی مد میں کوئی قانونی رقم واجب الادا نہیں ہے ماسوائے ان رقوم کے جو عام کاروبار میں واجب الادا ہوتی ہے یا جن کا اظہار معاشی فنانشل اسٹیٹمنٹس میں کیا گیا ہے۔

درج ذیل ٹیبل میں گذشتہ چھ سال کے دوران بیان کردہ مد کے مالیاتی اعداد و شمار بیان کئے گئے ہیں۔

(روپے) ملین میں							
2014	2015	2016	2017	2018	2019		
284	309	340	343	417	357	↓	قلمزد کردہ مجموعی پریمیم بشمول مجموعی کنٹریبیوشن
16	16	17	29	33	61	↑	سرمایہ کاری کی آمدنی
147	166	74	80	85	100	↑	دعووں کے اخراجات
44	41	48	62	100	61	↓	کمیشن کے صافی اور دیگر حصول کے اخراجات
160	109	137	126	133	139	↑	انتظامی اور دیگر اخراجات
13	26	40	63	69	60	↓	نفع/(نقصان) بعد از ٹیکس
340	366	406	495	574	621	↑	شیئر ہولڈرز کی ایکوٹی
229	165	110	114	116	128	↑	واجب الادا دعویٰ جات
143	123	107	181	272	252	↓	انشورنس/ری انشورنس پریمیم
448	450	489	453	507	564	↑	سرمایہ کاری
24	22	21	32	31	130	↑	سرمایہ کاری کی املاک

سال کے دوران کی جانے والی تمام تر سرمایہ کاری کمیٹی کی جانب سے منظور کی گئی۔

آڈٹ کمیٹی:

عامر شہزاد مغل

ایئر مارشل (ر) محمد جمشید خان

ایئر کموڈور (ر) جمشید اقبال

تقسیم شدہ منافع اور نفع کا استعمال:

60 ملین روپے ٹیکس کے بعد منافع 31 دسمبر 2019 کو ختم ہونے والے سال کے دوران کمایا گیا۔ 188 ملین روپے کی سرمایہ کاری کے خلاف خرابی کی فراہمی کی ریکارڈنگ کی وجہ سے، 31 دسمبر، 2019 تک غیر مختص شدہ منافع منفی 12 ملین روپے ہو گیا ہے۔ اس اور مستقبل کے غیر یقینی صورتحال کے سبب پانڈیمک کوویڈ 19 کے تناظر میں، ڈائریکٹرز نے سال کے لئے کسی بھی تقسیم شدہ منافع / ادائیگی کی سفارش نہیں کی ہے۔

فی شیئر آمدنی:

31 دسمبر 2019 کو اختتام پزیر ہونے والے سال میں کمپنی کی فی شیئر بنیادی اور خفیف آمدنی 1.00 روپے فی شیئر ہے (جو 31 دسمبر 2018 و 1.31 فی شیئر تھی)۔

شراکتی پراویڈینٹ فنڈ:

پراویڈینٹ فنڈ کے 31 دسمبر 2019 کے غیر آڈٹ شدہ اکاؤنٹ کی بنیاد پر سرمایہ کاری کی رقم بشمول کی آمدنی کی تفصیل درج ذیل ہے۔

سرمایہ کاری کی قدر 13 ملین روپے ہے۔

3	ایئر کموڈور (ر) جمشید اقبال
3	ایئر کموڈور (ر) سکندر نیاز (ستمبر 2019 میں سبکدوش ہوئے)
3	گروپ کیپٹن (ر) جاوید اختر خان
-	ایئر وائس مارشل (ر) سلمان احسن بخاری (دسمبر 2019 میں منتخب ہوئے)
2	ایئر کموڈور (ر) احسن محمد خان (جون 2019 میں منتخب ہوئے)
2	ایئر کموڈور (ر) ہمایوں وقار زفیر (جون 2019 میں منتخب ہوئے)

مینٹنگ میں حاضری سے قاصر رہنے کی صورت میں ڈائریکٹرز کو رخصت فراہم کی گئی۔

بورڈ کی کمیٹیاں:

بورڈ کی درج ذیل 3 کمیٹیاں ہیں۔

اخلاقیات، انفرادی قوت و معاوضہ کمیٹی:

ایئر مارشل (ر) محمد جمشید خان

ایئر کموڈور (ر) جمشید اقبال

سہیل نجم کدوائی

انویسٹمنٹ کمیٹی:

ایئر مارشل (ر) محمد جمشید خان

عامر شہزاد مغل

ایئر کموڈور (ر) جمشید اقبال

سہیل نجم کدوائی - چیف ایگزیکٹو آفیسر

نثار احمد عالمانی - چیف فنانشل آفیسر

۶۔ ایئر کموڈور (ر) ہمایوں وقارز فیر *

۷۔ گروپ کیپٹن (ر) جاوید اختر خان

* ایئر وائس مارشل (ر) سلمان احسن بخاری، ایئر کموڈور (ر) احسن محمد خان، ایئر کموڈور (ر) ہمایوں وقارز فیر کی تقرری دسمبر 2019، جون 2019 اور جون 2019 بلترتیب میں خالی آسامیاں پر کرنے کے لیے ہوئیں۔

ایئر وائس مارشل (ر) سید رضی الحسن نواب، ایئر کموڈور (ر) ظفر یاسین، ایئر کموڈور (ر) سکندر نیاز رواں سال کے دوران سبکدوش ہوئے۔ بورڈ ان کے مستقبل کے لیے نیک خواہشات کا خواہاں ہے۔

کمپنی کے ڈائریکٹرز کو معاوضے کی ادائیگی نہیں کی جاتی ہے کیونکہ تمام ڈائریکٹرز غیر ایگزیکٹو اور شاہین فاؤنڈیشن کے نامزد کردہ ہیں۔

بورڈ کی میٹنگز:

2019 میں بورڈ آف ڈائریکٹرز کی 4 میٹنگز منعقد ہوئیں۔ ڈائریکٹرز کی حاضری کی تفصیل درج ذیل ہے۔

ڈائریکٹرز کا نام	حاضری
ایئر مارشل (ر) محمد جمشید خان	4
ایئر وائس مارشل (ر) سید رضی الحسن نواب (جون 2019 میں سبکدوش ہوئے)	2
ایئر کموڈور (ر) ظفر یاسین (جون 2019 میں سبکدوش ہوئے)	2
عامر شہزاد مغل	4

میں PACRA نے اس ریٹنگ کو بہتر کرتے ہوئے "A" (سنگل A) مثبت آؤٹ لک کر دی ہے۔ یہ ریٹنگ کمپنی کی پالیسی اور معاہداتی ذمہ داریوں کو پورا کرنے کی مضبوط استعداد کی نشاندہی کرتی ہے۔

یٹنگ میں یہ اضافہ بے مثال اور کمپنی کی اب تک کی سب سے بہترین ریٹنگ ہے اور بورڈ نہایت پر اعتماد ہے کہ اس کے نتیجے میں کمپنی کے کاروبار میں ترقی کی راہیں ہموار ہوں گی۔

اداشدہ سرمائے میں اضافہ:

سال 2017 کے دوران کمپنی نے کامیابی کے ساتھ اداشدہ سرمایہ 450 ملین سے بڑھا کر 600 ملین کر دیا جو کہ کمپنی کے حصص یافتگان اور اور ایس ای سی پی سے منظوری حاصل کرنے کے بعد رائٹ ایشو کے علاوہ 10 روپے کے 15.00 ملین شیئرز شاہین فاؤنڈیشن پی اے ایف کو جاری کئے گئے۔ ہم انتہائی مسرت کے ساتھ اپنے شراکت داروں کو یہ بیان کرتے ہیں کہ ہماری کمپنی کا اداشدہ سرمائے کا حصہ ایس ای سی پی کے نان لائف انشورنس کمپنی کے طے شدہ تقاضے 500 ملین سے کافی زیادہ ہے۔

ضانی سرمایہ کمپنی کو مستقبل کے کاروباری چیلنجز کا سامنا کرنے اور ترقی کرنے میں بہت مدد کرے گا۔

بورڈ آف ڈائریکٹرز:

کمپنی کا بورڈ آف ڈائریکٹرز سات ڈائریکٹرز پر مشتمل ہے جو کمپنی کی نگرانی، حکمت عملی اور رہنمائی کیلئے درکار لیاقت و استعداد اور تعلیم و تجربے کے حامل ہیں۔ کمپنی کے تمام ڈائریکٹرز نان ایگزیکٹو ڈائریکٹرز ہیں۔

۱۔ ایئر مارشل (ر) محمد جمشید خان

۲۔ ایئر وائس مارشل (ر) سلمان احسن بخاری *

۳۔ عامر شہزاد مغل

۴۔ ایئر کموڈور (ر) جمشید اقبال

۵۔ ایئر کموڈور (ر) احسن محمد خان *

سال 2018 کے دوران ہماری کمپنی نے ونڈو تکافل آپریشنز کا لائسنس حاصل کر کے کامیابی کا ایک اور سنگ میل عبور کیا، جو کہ اسٹاف کی انتھک محنت اور بورڈ کی بہترین رہنمائی کی بدولت ممکن ہو سکا اور بورڈ بالکل پر امید ہے کہ یہ سنگ میل کمپنی کی خوشحالی اور بڑھوتری میں اہم کردار ادا کرے گا۔ کمپنی نے اپنے ونڈو تکافل آپریشنز کا آغاز اپریل 2018 میں کیا۔

ونڈو تکافل آپریشنز کے نتائج کا خلاصہ درج ذیل ہے:-

31 دسمبر 2019	31 اپریل 2018	
روپے (ملین میں)	روپے (ملین میں)	
7	7	مجموعی کنٹریبوشن
(1)	(1)	خالص کنٹریبوشن
(2)	(2)	ذمہ نویسی کے نتائج
6	3	سرمایہ کاری کی آمدنی
2	1	آپریٹر فنڈ ریونیو اکاؤنٹ
3	(0.23)	آپریٹر کا منافع

تکافل کاروبار کے شروعاتی سال ہونے کی وجہ سے یہ کاروبار آہستہ آہستہ ترقی کر رہا ہے۔ مگر بڑے اسلامیات تجارتی اداروں کے ساتھ الحاق (جس کے لیے ایک سال کے آڈٹ شدہ اکاؤنٹ درکار ہوتے ہیں) اور کمپنی بورڈ کی رہنمائی سے اس مارکیٹ میں آگے والے سالوں میں تکافل کا زیادہ بزنس حاصل کر کے اپنی جگہ بنانے کے لیے پر امید ہے۔

انشور فنانشل اسٹریٹج (آئی ایف ایس) ریٹنگ:

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے سال 2017 میں کمپنی کی ریٹنگ "A-" (سنگل A منفی) سے بہتر کرتے ہوئے اسٹیبل آؤٹ لک کے ساتھ "A" (سنگل A) کی - اگست 2019

گھٹی ہوئی ملک کی معاشی صورتحال کے باوجود ہماری کمپنی نے سال 2019 میں معقول حد تک ٹھیک کارکردگی کا مظاہرہ کیا۔ موجودہ سال میں کمپنی کا قبل از ٹیکس منافع کم ہو کر 80 ملین روپے رہا جبکہ سال 2018 میں ٹیکس سے قبل منافع 99 ملین روپے تھا (یعنی 19 فیصد کمی)۔ اس کی بنیادی وجہ سال کے دوران صافی دعویٰ جات کی شرح میں اضافہ اور IFRS-16 کے اثرات ہیں۔ سال 2019 کے دوران نفع بعد از ٹیکس کمی کے بعد 60 ملین روپے تک جا پہنچا جبکہ سال 2018 میں یہ رقم 79 ملین روپے تھی۔ سال 2019 کے دوران سال 2018 کے طرز پر کمپنی اپنی مصنوعات کے امتزاج کو بہتر کرنے میں کامیاب رہی جیسا کہ متفرق کاروباری شعبہ جات کے حوصلہ افزا نتائج ظاہر ہوئے، جبکہ موٹر کا شعبہ زیر نظر سال میں بھی کمپنی کے ذمہ نویسی کے منافع میں سب سے اہم کردار کا حامل رہا۔

سال کے دوران کمپنی نے کامیابی کے ساتھ شرح سود کے بڑھتے ہوئے رجحانات کے مد نظر چھوٹی مدت کی سرمایہ کاری مسابقتی شرحوں پر کر کے استفادہ حاصل کیا جس کی وجہ سے سرمایہ کاری کی آمدنی میں مضبوط 85 فیصد اضافہ ہوا۔ کمپنی نے اسٹیٹ بینک کی مانٹری پالیسی میں متوقع نرمی جو کہ افراط زر کے کم دباؤ اور مالی مضبوطی کی وجہ سے ہوگی، کا ادراک کرتے ہوئے اپنی سرمایہ کاری کو آہستہ سے درمیانے سے لے کر طویل مدت کے حکومتی بانڈز میں متنوع کرنا شروع کر دیا ہے۔

کمپنی کی سرمایہ کاری آمدنی جو کہ 2018 میں 33 ملین روپے تھی وہ بڑھ کر 2019 میں 61 ملین روپے تک جا پہنچی۔ مزید یہ کہ مختلف رکاوٹوں اور گزشتہ واجبات کے تصفیے کے باوجود سرمایہ کاری کے پورٹ فولیو میں سال 2019 میں مضبوط 58 ملین روپے کا 2018 کی بنسبت اضافہ ہوا۔ کمپنی کے سرمایہ کاری کے تمام فیصلے بورڈ کی انویسٹمنٹ کمیٹی کی جانب سے کئے جاتے ہیں۔

سال 2019 کے عمومی مینجمنٹ اور دوسرے اخراجات بشمول فنانس چارجز (قلمزد بیلنس، غیر وصول شدہ پریمیم اور IFRS 16 کے اثرات کو چھوڑ کر) سال 2018 کے مقابلے میں 1 فیصد زیادہ رہے۔

پاکستان میں 2018 میں جنرل انشورنس کی مارکیٹ کا کل مجموعی پرییمیم بشمول مجموعی کنٹریبیوشن کے 12 فیصد اضافہ (2017 میں بھی 12 فیصد) سے 86.5 بلین روپے تک پہنچ گیا۔ 2019 میں اس صنعت کی ترقی کی شرح میں متوقع اضافہ 5 سے 7 فیصد کے درمیان ہے جو کہ کیلنڈر سال 2019 کی 12.6 فیصد مہنگائی کی شرح سے کافی حد تک کم ہے۔ انشورنس صنعت کا انڈر رائٹنگ منافع کو کمی کا سامنا رہا جس کی وجہ سے مجموعی طور پر پرییمیم کی شرح کمی کی صورتحال سے دوچار رہی۔ معاشی ترقی میں متوقع سست روی انشورنس انڈسٹری کے لیے 2020 اور اس سے آگے بڑا چیلنج ہوگا۔

کمپنی کی کارکردگی

سال 2019 کمپنی کے لئے آزمائشی سال ثابت ہوا۔ ملک کی ہنگامہ خیز معاشی صورتحال اور شرح سود کی اونچی نے بینک کے صارفین کی مالی اعانت کے پورٹ فولیو میں کمی واقع ہوئی جس کی وجہ سے منسلک انشورنس کاروبار بھی متاثر ہوا۔ مزید کہ صوبائی حکومتیں بھی عوامناس کے لیے کوئی بڑی اسکیم متعارف نہ کرا سکیں جس کی وجہ سے بھی اس کاروبار میں رکاوٹ آئی۔ کمپنی بدستور کم خدشات کے ساتھ آمدنی حاصل کرنے، مضبوطی کرنے اور اپنے خریطہ کو وسعت دینے کے اہداف پر کاربند ہے۔ کریڈٹ ریٹنگ میں اضافہ اور مستحکم مالی کارکردگی سال کے نمایاں امور میں شامل ہیں۔

زیر نظر سال کے انشورنس کے نتائج کا خلاصہ درج ذیل ہے۔

روپے (ملین میں)		
دسمبر 2018	دسمبر 2019	
417	350	قلمزد مجموعی پرییمیم
367	295	پرییمیم کی صافی آمدنی
85	100	صافی دعوے
111	67	ذمہ نویسی کے نتائج
33	61	سرمایہ کاری کی آمدنی
99	80	نفع قبل از ٹیکس
79	60	نفع بعد از ٹیکس
1.31	1	آمدنی فی شیئر (روپے)

جولائی 2019 میں پاکستان نے 6 بلین یو ایس ڈالر کا آئی ایم ایف پروگرام حاصل کیا، جس سے استحکام کو مزید سہارا ملا، جیسا کہ آئی ایم ایف پروگرام نے دیگر دو طرفہ اور کئی طرفہ فلوئز کو بھی کھولا۔ یہ دوستانہ ملکوں سے حاصل کردہ فلوئز کے علاوہ ہیں جو کہ 2018 کے آخر اور 2019 کے شروع میں ملے۔ استحکامی منصوبوں کے حصے کے طور پر حکومت نے وسیع بنیاد پر ٹیکس اصلاحات کا آغاز کیا جس کے نتیجے میں مالی سال 20-2019 کے وفاقی بجٹ کے ذریعے ٹیکس سے استثناء کو ختم اور مزید انتظامی اقدامات کے شروعات ہوئی، تاکہ معیشت کے غیر دستاویزی سیگمنٹ کو رجسٹر کیا جائے۔ مزید یہ کہ حکومت نے آہستہ آہستہ تبدیل ہونے والی قیمتوں کو بھی قابل برداشت بنانا شروع کیا جس سے بجلی اور گیس کی ویلیو چین میں اضافہ دیکھا گیا۔ جی ڈی پی گروتھ متوقع طور پر کافی کم ہوئی، اور جون 2020 کے اختتام پر 3% رہی، لیکن یہی غیر متوازن صورتحال کو صحیح کرنے کا ایک اہم فیصلہ تھا۔

مذکورہ بالا عوامل کی وجہ سے معیشت میں سست روی، بیرونی اکاؤنٹ میں مثبت طور پر ظاہر ہوئی جس سے کرنٹ اکاؤنٹ ڈیفیسیٹ، مالی سال 20 کے پہلے چھ ماہ میں 2.15 بلین یو ایس ڈالر تک کم ہو گیا جبکہ پچھلے سال اسی مدت میں 8.61 بلین یو ایس ڈالر تھا، سال بہ سال کی بنیاد پر 75% کی کمی۔

بیک وقت مالی طرف پاکستان کے ٹیکس ریونیو میں بہتری آئی یعنی سال 2019 کی تیسری سہ ماہی میں 17% سال بہ سال ترقی، ٹیکس ریونیو کے مقامی حصوں میں سال بہ سال 25% ترقی جو درآمدی ٹیکسز میں سال بہ سال 7% کی ترقی کے باعث ہوا۔ سب سے اہم یہ کہ سال 2019 کی تیسری سہ ماہی میں جی ڈی پی کا بنیادی سربلنس 0.6% تھا، تمام تر بجٹ ڈیفیسیٹ کے ساتھ جو کہ توقع سے بہتر آ رہا تھا۔

تاہم، آگے پانڈیمک کوویڈ 19 کے ابھرنے کی وجہ سے بہت حد تک غیر یقینی صورتحال ہے۔ اگرچہ پوری دنیا کی حکومتیں غیر معمولی معاشی محرک پیکج متعارف کروا رہی ہیں، پہلے ہی سے ہونے والے نقصانات اور معاشی بحالی کے راستے اب بھی بڑے پیمانے پر پراسرار ہیں۔

ڈائریکٹرز کی رپورٹ

آپ کی کمپنی کے ڈائریکٹرز مسرت کے ساتھ 31 دسمبر 2019 کو اختتام پذیر ہونے والے سال کی سالانہ رپورٹ بمعہ آڈٹ شدہ معاشی اسٹیٹمنٹس پیش کر رہے ہیں۔

عام معاشی جائزہ:

ایک دہائی قبل عالمی مالیاتی بحران کے بعد سال 2019 کے دوران عالمی ترقی نے اپنی سب سے کمزور رفتار ریکارڈ کی ہے، جس میں ملکوں اور ملک سے متعلق عوامل پر مشترکہ اثرات کی عکاسی ہوتی ہے۔

بڑھتی ہوئی تجارتی رکاوٹوں اور اس سے وابستہ غیر یقینی صورتحال نے عالمی سطح پر کاروباری جذبات اور سرگرمی کو متاثر کیا۔ کچھ معاملات (ترقی یافتہ معیشتوں اور چین) میں، ان پیش رفتوں نے پہلے سے جاری چکروچک اور ساختی سست روی کو بڑھا دیا۔

مزید دباؤ بڑی ابھرتی ہوئی مارکیٹ معیشتوں جیسے برازیل، ہندوستان، میکسیکو اور روس میں ملک سے متعلق کمزوری سے ہوا ہے۔ بگڑے ہوئے مالی حالات (ارجنٹائن)، جغرافیائی سیاسی تناؤ (ایران)، اور معاشرتی بد امنی (وینزویلا، لیبیا، یمن) سے متعلق معاشی تناؤ کو خراب کرنا۔

دوسری طرف، سال 2019 پاکستان کی معیشت کے لیے دھچکوں کی کہانی کہا جاسکتا ہے۔ پہلے حصے میں معیشت کی ساخت میں غیر متوازن صورت حال دیکھی گئی جس کو صحیح کیا جا رہا ہے کیونکہ پالیسی کی شرح میں 325 bps کا اضافہ ہوا جو 13.25% ہے اور سال میں ایک پوائنٹ پر پاکستانی روپے میں 18% ~ کی کمی ہوئی۔ ایف ایکس ریزریوز میں تیزی سے ترقی، بیرونی اکاؤنٹ میں نمایاں بہتری اور پاکستانی روپے کے استحکام کے ساتھ سال کے دوسرے حصے میں پاکستان کی معیشت کے استحکام کے لیے ابھرتی علامات سامنے آئیں۔

OPERATIONAL RESULTS AND FINANCIAL STRENGTHS FROM 2009 TO 2019

Rupees in '000											
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
1 Gross Direct Premium	350,295	416,938	342,923	339,503	308,988	284,182	343,566	562,845	664,326	553,084	596,327
Increase %	(15.98)	21.58	1.01	9.88	8.73	(17.28)	(38.96)	(15.28)	20.11	(7.25)	(14.96)
2 Net Premium	295,190	366,913	299,586	264,558	225,225	229,620	331,124	508,120	482,963	417,389	481,636
Increase %	(19.55)	22.47	13.24	17.46	(1.91)	(30.65)	(34.83)	5.21	15.71	(13.34)	(16.34)
% to 11	49.20	61.15	49.93	58.79	50.05	51.03	110.37	169.37	193.19	208.69	240.82
3 Claim Insured	99,575	84,888	80,411	74,311	166,355	147,395	235,003	303,949	247,643	263,041	267,997
% to 2	33.73	23.14	26.84	28.09	44.56	31.96	70.97	59.82	51.28	63.02	55.64
4 Commision 60,903	99,568	61,530	48,202	41,979	44,783	56,515	70,163	64,419	68,272	104,711	
% to 2	20.63	27.14	20.54	18.22	17.31	17.33	17.07	13.81	13.34	16.36	21.74
5 Management Expenses	67,216	72,411	65,073	52,833	45,336	48,415	83,820	90,351	87,336	65,809	59,773
% to 1	19.19	17.37	18.98	15.56	14.67	17.04	24.40	16.05	13.15	11.90	10.02
% to 2	22.77	19.74	21.72	19.97	20.13	21.08	25.31	17.78	18.08	15.77	12.41
6 Investment Income/(Loss)	61,065	33,037	28,710	17,157	16,305	15,897	9,310	8,629	11,654	16,671	100,650
% to 22	10.40	6.27	5.32	3.43	3.58	3.39	3.09	2.53	14.92	5.70	32.44
7 Other Income	9,977	6,123	7,692	21,017	6,795	37,882	5,473	3,715	6,004	6,145	2,291
8 Provision for Taxation	20,256	19,980	10,458	2,645	20,461	2,320	3,466	2,846	5,954	5,557	3,536
9 Profit/(Loss) before Tax	80,256	98,638	73,948	42,781	5,723	11,817	(102,786)	29,245	25,199	(23,476)	21,002
10 Profit/(Loss) after Tax	60,000	69,658	63,116	40,135	26,184	12,962	(106,252)	(32,092)	19,245	(29,033)	17,466
% to 2	20.33	21.44	21.07	15.17	11.63	5.64	(32.09)	(6.32)	3.98	(6.96)	3.63
11 Paid-up Capital	600,000	600,000	600,000	450,000	450,000	450,000	300,000	300,000	250,000	200,000	200,000
12 General Reserves	33,102	31,367	31,042	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
13 Reserves for Unexpired Risks	133,134	147,009	144,520	149,407	145,921	89,867	103,507	174,492	225,848	187,664	169,764
14 Unappropriate Profit/(Loss)	11,991	56,991	(135,649)	(63,596)	(103,731)	(129,916)	(142,879)	(36,627)	(4,535)	(23,780)	5,253
15 Capital Available for Shares	621,112	547,376	495,394	406,403	366,268	340,132	177,120	283,373	265,465	196,220	225,252
16 Total Net Outstanding Claims	128,203	116,033	114,520	110,234	165,436	229,615	253,250	187,789	123,688	126,179	93,004
% to 2	43.43	31.62	38.23	39.40	53.92	86.50	76.48	36.96	25.61	30.23	19.31
17 Other Laibilities	146,205	132,177	113,076	59,479	101,872	87,733	188,111	133,560	125,882	78,010	89,947
18 Total Equity & Laibilities	1,174,208	1,042,963	916,359	770,634	780,904	786,756	864,392	879,077	832,521	717,706	729,670
19 Land & Properties	130,423	109,653	101,133	55,275	57,115	58,955	60,373	62,213	169,893	39,302	39,839
% to 2	44.18	29.89	33.76	20.89	25.36	25.68	18.23	12.24	35.18	9.42	8.27
20 Cash & Bank Balances	23,319	21,238	86,080	218,256	174,423	230,399	71,531	48,490	26,324	136,970	132,727
% to 2	23,319	5.79	28.73	82.50	77.44	100.34	21.60	9.54	5.45	32.82	27.56
21 Investment	563,708	694,011	642,722	489,301	450,449	441,653	229,970	240,948	51,782	155,721	177,520
22 Total Cash & Investment	587,027	527,249	539,802	499,557	454,872	469,053	301,502	289,439	78,106	292,691	310,247
23 O/S Premium	166,262	188,414	147,256	77,253	87,575	127,690	219,085	262,200	305,080	166,083	134,056
% to 2	56.32	51.35	49.15	29.20	38.88	55.61	66.16	46.58	45.92	30.03	22.48
24 Fixed Assets	82,318	11,064	12,215	11,564	13,907	11,206	25,295	38,050	43,721	25,741	16,468
% to 2	27.89	3.02	4.08	4.37	6.17	4.88	7.64	7.49	9.05	6.17	3.42
25 Total Assets	1,174,208	1,042,963	916,359	770,634	780,904	786,756	864,392	879,077	832,521	717,706	729,670
26 Break-up Value Per Share	5.21	5.21	5.40	5.21	6.90	7.56	5.91	9.45	10.62	9.81	11.26
27 Earning Per Share	1.00	1.31	1.14	0.89	0.58	0.31	(3.54)	(1.15)	(0.79)	(1.38)	0.87

Shariah Board Report to the Board of Directors

For the year ended December 31, 2019

In the name of Allah, the Beneficent, the Merciful

During the year under review, Shariah Advisory Board reviewed General Takaful products including all ancillary documents. Furthermore, we have reviewed the Participant Takaful Fund, Investment Policy, Re-takaful arrangements and all related transactions of **Shaheen Insurance Company Limited, Window Takaful Operations** in compliance with the Takaful Rules 2012 and Shariah Guidelines (hereafter referred to as "Company/Window Takaful Operator") for the year ended 31 December 2019.

The core objective of this report is to express the Company's compliance with the Takaful Rules 2012 as well as Shariah Guidelines, and includes the analysis of the appropriate evidence of transactions undertaken by the Company for the year 2019.

As Shariah Advisory Board, our responsibility is to ensure that the financial arrangements, contracts and transactions undertaken by the Window Takaful Operator with its participants and stakeholders should be compliant in accordance with the requirements of the Takaful Rules 2012 and Shariah rules & principles. However, it is the responsibility of the Shariah Advisory Board to express its opinion on its transactions with reference to Shariah Compliance.

It is the responsibility of the Window Takaful Operator to ensure that the rules, principles and guidelines set by the Shariah Advisory Board are complied with, and that all the policies and services being offered by the Window Takaful Operator are duly approved by the Shariah Advisory Board.

During the year, Shariah Advisory Board provided Shariah assistance to the Company on regular basis and to the best of our understanding based on the provided information and explanations, we are of the view that:

- Financial transactions and relevant documentations & procedures, undertaken by the Company for the year ended 31 December 2019 were in accordance with guidelines issued by the Shariah Advisory Board as well as Takaful Rules 2012.
- The Shariah Screening Criteria in the Investment Guidelines were properly followed in all kind of investment & financial transactions of Window Takaful Operator Fund as well as Participant Takaful Fund (PTF).
- During the year, no amount had been realized as non-Shariah Compliant income to be credited to the charity account being maintained for the said purpose.

- During the year, a 20-hour Shariah Training session was held successfully at Head office of the Company on awareness of Takaful for back office staff as well as Takaful distribution force. The said training was very useful and such trainings should be carried out regularly which will help a lot in spreading the concept of Takaful.
- It is necessary to appreciate the efforts of the management that they performed their duties to their level best by following Takaful Rules 2012 and Shariah Guidelines issued by the Shariah Advisory Board. However, minor issues have been discussed with the Shariah Advisory Board and duly resolved.
- Consequently, we have found the Company is in accordance with the Takaful Rules 2012 and Shariah rules & principles with respect to all relevant transactions.

"And Allah knows best "



Mufti Bilal Ahmed Qazi
Shariah Advisor & Shariah Board Member



Mufti Muhammad Zahid
Shariah Board Member



S.M. SUHAIL & CO.
Chartered Accountants

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**INDEPENDENT REASONABLE ASSURANCE REPORT
TO THE BOARD OF DIRECTORS OF THE COMPANY
ON THE STATEMENT MANAGEMENT'S ASSESSMENT OF COMPLIANCE
WITH THE SHARIAH PRINCIPLES**

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

Applicable Criteria

The criteria against which the subject matter information (the Statement) is assessed comprise of the provisions of Takaful Rules, 2012 as issued by the Securities and Exchange Commission of Pakistan (SECP).

Management's Responsibility for Shariah Compliance

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

The management of the Company is also responsible for preventing and detecting fraud and for identifying and ensuring that the Takaful Operations comply with laws and regulations applicable to its activities including relating to staff training.

Our Independence and Quality Control

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.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and as adopted 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.

Our Responsibilities and Summary of Work Performed

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

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

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

The procedures performed included;

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

- Review the statement of management's assessment of compliance of the Takaful transactions during the year ended December 31, 2019 with the Takaful Rules, 2012.

We believe that the evidences we have obtained through performing our procedures were sufficient and appropriate to provide a basis for our conclusion.

Our Conclusion

In our opinion, the annexed statement presents fairly, in all material respects, the status of Company's compliance with the Takaful Rules, 2012, made for the year ended on December 31, 2019.



S.M. Suhail & Co.
Chartered Accountants
Karachi.

Our Ref: SMS-A-1052020
Date: May 06, 2020

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR INSURERS 2016 AND WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

For the year ended December 31, 2019

This statement is being presented in compliance with the Code of Corporate Governance for Insurers, 2016 (the code) and Listed Companies Code of Corporate Governance Regulations 2019 (the Regulations) for the purpose of establishing a framework of good governance, whereby an insurer is managed in compliance with the best practices of corporate governance.

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

1. The total number of directors are eight including the Chief Executive Officer as per the following:
 - a) Male: 8
 - b) Female: None
2. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of directors ("the Board"). At present all the non-executive directors on the Board are from Shaheen Foundation. The Board includes:

Category	Names
Independent director	- *
Executive director	Mr. Sohail Najam Kidwai
Non-executive directors	Air Marshal Muhammad Jamshed Khan (Retd.)
	Air Vice Marshal Salman Ahsan Bokhari (Retd.) **
	Mr. Aamir Shahzad Mughal
	Air Commodore Jamshed Iqbal (Retd.)
	Air Commodore Ahsan Muhammad Khan (Retd.)
	Air Commodore Humayun Viqar Zephyr (Retd.)
	Group Captain Javed Akhtar Khan (Retd.)

*The appointment of independent Director(s), who meets criteria of independence, is being pursued, and the same will be complied with in the stipulated time.

** Air Vice Marshal Salman Ahsan Bokhari (Retd.) was appointed in December 2019 to fill casual vacancy arising on the Board. His appointment was approved by the Securities and Exchange Commission of Pakistan in February 2020.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies excluding of listed subsidiaries, 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 Development Financial Institution or a Non Banking Financial Institution or, being a member of a stock exchange, has been declared as a defaulter by a stock exchange.

5. Two casual vacancies occurring on the Board in June 2019 and one casual vacancy occurring on the Board in September 2019 were filled by the directors within 90 days.
6. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
7. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. However, these policies and procedures are being further refined and strengthened gradually. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
8. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Companies Act 2017, the Code and these Regulations.
9. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act, the code and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
10. The Board has established a system of sound internal control, which is effectively implemented at all levels within the Company. The Company has adopted and complied with all the necessary aspects of internal controls given in the Code.
11. All the Directors have either attended the orientation course or have been provided appropriate guidelines in this regard and as such they are fully aware of their duties and responsibilities. Following Directors' have completed Director's Training Program;

Directors
Air Vice Marshal Syed Razi Ul Hassan Nawab (Retd) (Resigned in June, 2019)
Air Commodore Sikandar Niaz (Retd.) (Resigned in September, 2019)
Group Captain Javed Akhtar Khan (Retd.)
Sohel Najam Kidwai - Chief Executive Officer

12. There were no new appointments of Chief Financial Officer (CFO) or Company Secretary or Head of Internal Audit during the year. The board had, however, approved the increase in the remuneration of CFO and Company Secretary and Head of Internal Audit.
13. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations. The Company does not pay any remuneration to its Non Executive directors.
14. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

15. The Financial Statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
16. The directors, CEO and other executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
17. The Company has complied with all the corporate and financial reporting requirements of the Code.
18. The Board has formed the following Board Committees:

Ethics, Human Resource and Remuneration Committee:

Name of the Member	Category
Air Marshal Muhammad Jamshed Khan (Retd.)	Chairman - Non Executive Director
Air Commodore Jamshed Iqbal (Retd.)	Member - Non Executive Director
Sohel Najam Kidwai	Member - Executive Director

Investment Committee

Name of the Member	Category
Air Marshal Muhammad Jamshed Khan (Retd.)	Chairman - Non Executive Director
Aamir Shahzad Mughal	Member - Non Executive Director
Air Commodore Jamshed Iqbal (Retd.)	Member - Non Executive Director
Air Commodore Ahsan Muhammad Khan (Retd.)	Member - Non Executive Director
Sohel Najam Kidwai	Chief Executive Officer and Executive Director
Nisar Ahmed Almani	Chief Financial Officer

19. The Board has formed an Audit Committee. It comprises of three members and all are non-executive and Chairman of Audit Committee is not an independent director. The Composition of the audit committee is as follows:

Audit Committee:

Name of the Member	Category
Aamir Shahzad Mughal	Chairman - Non Executive Director
Air Marshal Muhammad Jamshed Khan (Retd.)	Member - Non Executive Director
Air Commodore Jamshed Iqbal (Retd.)	Member - Non Executive Director

20. The Board has formed the following Management Committees:

Underwriting Committee:

Name of the Member	Designation	Category
Mr. Sohail Najam Kidwai	Chief Executive Officer	Chairman
Mr. Zia Mehdi	Head of Operations	Member
Mr. Naveed Yunus Butt	Country Head Business	Member
Mr. Zia Ur Rahim	Deputy Manager Underwriting	Member and Secretary

Claim Settlement Committee:

Name of the Member	Designation	Category
Mr. Sohail Najam Kidwai	Chief Executive Officer	Chairman
Mr. Nisar Ahmed Almani	Chief Financial Officer	Member
Mr. Aamir Ghazali	Senior Manager	Member
Mr. Rizwan Idrees	Manager	Member
Mr. Kashif Ilyas	Assistant General Manager	Member and Secretary

Reinsurance & Co-Insurance Committee:

Name of the Member	Designation	Category
Mr. Sohail Najam Kidwai	Chief Executive Officer	Chairman
Mr. Zia Mehdi	Head of Operations	Member
Mr. Muhammad Hasnain	Senior Manager	Member and Secretary

Risk Management & Compliance Committee:

Name of the Member	Designation	Category
Mr. Sohail Najam Kidwai	Chief Executive Officer	Chairman
Mr. Nisar Ahmed Almani	Chief Financial Officer	Member
Mr. Zia Mehdi	Head of Operations	Member
Mr. Rizwan Idrees	Assistant General Manager	Member and Secretary

The Functions of the Nominations Committee are being performed by the Board.

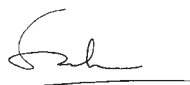
21. The meetings of the Committees, except Ethics, Human Resource and Remuneration Committee, were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of references of the Committees have been formed and advised to the Committees for compliance.
22. The board has set up an effective internal audit department which comprises of suitably qualified and experienced staff for the purpose who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a regular basis.
23. The Chief Executive Officer, Chief Financial Officer, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under the Code. The Appointed Actuary of the Company also meets the conditions as laid down in the Code. Moreover, the persons heading the underwriting, claim, reinsurance, risk management and grievance functions possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000):

Name of the Person	Designation
Mr. Sohail Najam Kidwai	Chief Executive Officer
Mr. Nisar Ahmed Almani	Chief Financial Officer and Company Secretary
Mr. Mahmood A. Mirza	Head of Internal Audit
Mr. Zia Mehdi	Head of Operations, Underwriting, Claims and Reinsurance
Mr. Kashif Ilyas	Head of Grievance Function
Mr. Hasnain	Compliance Officer

Due to size of operations of the Company, multiple functions are being performed by single staff. Accordingly, the functions of the Company Secretary are being performed by the Chief Financial Officer.

24. The statutory auditors of the insurer have been appointed from the panel of auditors approved by the commission in terms of section 48 of the insurance ordinance, 2000. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
25. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;

26. The actuary appointed by the Company has confirmed that neither he nor his spouse and minor children hold shares of the Company.
27. The Board ensures that the Appointed Actuary complies with the requirements set out for him in the Code.
28. The Board ensures that the investment policy of the Company has been drawn up in accordance with the provisions of the Code.
29. The Board ensures that the risk management system of the insurer is in place as per the requirement of Code of Corporate Governance for Insurers, 2016.
30. The Company has set up a Risk Management function which carries out its tasks as covered under the code.
31. The Board ensures that the Company has been rated by PACRA and the rating assigned on 27 February 2019 is A (A Single) with Stable Outlook which was upgraded to A (A Single) with Positive Outlook on 29 August 2020.
32. The Board has set up a grievance function in compliance with the requirement of the Code.
33. The Board is in process to develop and approve the criteria for annual evaluation of its own performance as per the requirement of the Code.
34. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.
35. We confirm that all material principles contained in the Code and Regulations have been complied with except for certain matters disclosed above along with reasons in clause 2, 22 and 32 toward which reasonable progress is being made by the Company to seek compliance.



Sohail N. Kidwai
Chief Executive Officer



Air Marshal Muhammad Arif Pervaiz (Retd.)
Chairman

May 6, 2020

REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2016 AND LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

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

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

As part of our audit of 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 Director's 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 requires 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 of its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Regulation, as applicable to the Company for the year ended December 31, 2019.

Further, we highlight below instances of non-compliance with the requirements of the Regulations and the code as reflected in the note/paragraph referred below where these are stated in the annexed Statement of Compliance:

S.No	Paragraph Reference	Description
1	2	There is no independent director on the Board of directors of the company. As per Regulation 6 (1) it is mandatory that each listed company shall have at least two or one third members of the Board, whichever is higher, as independent directors.
2	32	Non Mandatory Regulation 10(3)(v) of the Regulations requires that, the Board of Directors shall ensure that a formal and effective mechanism is put in place for an annual evaluation of the board's own performance, members of board and of its committees. However, no such formal and effective mechanism exists.
3	22	Functions of Company Secretary have been performed by Chief Financial Officer contrary to requirement of non mandatory regulation 24.

Chartered Accountants

Engagement Partner:

Hena Sadiq

Date: May 19, 2020

Karachi

STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

For the year ended December 31, 2019

The financial arrangements, contracts and transactions, entered into by Shaheen Insurance Company Limited WindowTakaful Operations of ('the Company') for the year ended December 31, 2019 are in compliance with the Takaful Rules, 2012.

Further, we confirm that:

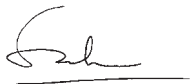
The Company has developed and implemented all the policies and procedures in accordance with the Takaful Rules, 2012 and rulings of the Shariah Advisor along with a comprehensive mechanism to ensure compliance with such rulings and Takaful Rules, 2012 in their overall operations. Further, the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee / Shariah Advisor and the Board of Directors have implemented;

The Company has imparted trainings / orientations and ensured availability of all manuals / agreements approved by Shariah Advisor/ Board of Directors to maintain the adequate level of awareness, capacity and sensitisation of the staff and, the 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 ; and

The assets and liabilities of Window Takaful Operations (Participants' Takaful Fund and Operator's fund) are segregated from its other assets and liabilities, at all times in accordance with the provisions of the Takaful Rules, 2012.

This has been duly confirmed by the Shariah Advisor of the Company



Sohail N Kidwai

Chief Executive Officer

Karachi: May 06, 2020

INDEPENDENT AUDITOR'S REPORT

To the members Shaheen Insurance Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Shaheen Insurance Company Limited (the Company), which comprise the statement of financial position as at December 31, 2019, 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 purpose 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 December 31, 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 the 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 matter	How our audit addressed the key audit matter
1.	<p>Change in accounting policy in relation to investment properties</p> <p>As stated in note 5 and 10 to the financial statements, the Company changed its accounting policy regarding valuation of investments to fair value model.</p> <p>As per the requirements of IAS - 08 'Accounting policy, change in accounting estimates and error', this change in accounting policy has been applied retrospectively and the financial statements have been restated accordingly. Because of the significance of the 'change and involvement of expert', this was identified as key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> Obtain professional valuer's valuation report from the management. Evaluated the professional valuer's competence, capabilities and objectivity and assessed the appropriation of methodology and assumptions used by the professional valuer engaged by the Company to estimate the fair value of investment properties; Engaged auditor's valuation specialist to assist us in evaluating the assumptions and judgements adopted by the professional valuer to derive the fair value of investment properties; Discussing the changes with management, evaluating their view point with respect to the shift in accounting policy, and assessing the procedures applied by the management for identification of the changes required in the financial statements and how the compliance of the same is ensured. Ensuring that the overall presentation of the financial statements and all the material disclosures as required by the insurance rules 2017 and IAS 1 are in accordance with the said requirements and evaluating the internal consistency of such disclosures with other elements of the financial statements. Ensuring that the restatement of financial statements due to change in accounting policy related to valuation of investment properties is made in accordance with the provisions of IAS-40 and IAS-8.

S. No.	Key audit matter	How our audit addressed the key audit matter
2.	<p>Classification, Valuation and Impairment of Investments</p> <p>Refer note 6.4 and 11 to the financial statements relating to classification, valuation and impairment of investments. The Company's investment portfolio comprises of quoted equity securities (including mutual funds), government debt securities and term deposits receipts.</p> <p>Investments classified as available for sale represent 25% of the total investments while investments classified as held to maturity represent 56% of total investments.</p> <p>We identified the valuation and impairment of investments as key audit matter because of the significance of investments and management's judgment involved in, valuation (for quoted investment only) and impairment.</p>	<p>Our audit procedures in respect of valuation of investments, amongst others, included the following;</p> <ul style="list-style-type: none"> • Obtained an understanding of controls around recognition and measurement of investments to ensure that it is appropriately designed to ensure appropriate classification and valuation of the investment including impairment of investment classified as fair value through OCI; • Tested, on a sample basis, transactions relating to sale and purchase of investments with underlying documentations; • Evaluated the valuation of equity securities and mutual fund units by comparing the quoted prices of Pakistan Stock Exchange and Mutual Fund Association of Pakistan (MUFAP) respectively for the securities; and • Assessed the appropriateness of impairment in the value of available for sale securities held by the Company in accordance with accounting and reporting standards as applicable in Pakistan by assessing the internal as well as external factors.
3.	<p>Valuation of Claim Liabilities</p> <p>Claim liabilities as disclosed in note 22 to the financial statements represent 23% of the Company's total liabilities. Valuation of these claim liabilities involves significant management judgment due to uncertainty in the estimation of claims payments and assessment of frequency and severity of claims. Claim liabilities are recognized on intimation of the insured event based on management judgment and estimate. The Company also maintains provision for claims incurred but not reported (IBNR) based on the advice of an independent actuary.</p>	<p>Our audit procedures mainly involved:</p> <ul style="list-style-type: none"> • Assessed the appropriateness of the Company's accounting policy for recording of claims in line with requirements of applicable accounting and reporting standards; • Tested claims transactions on sample basis with underlying documentations to evaluate that whether the claims reported during the year are recorded in accordance with the requirements of the Company's policy and insurance regulations;

S. No.	Key audit matter	How our audit addressed the key audit matter
	Claim liabilities are key audit matter due to involvement of a management's expert and the level of estimation around its recognition and measurement.	<ul style="list-style-type: none"> Assessed the sufficiency of reserving of claim liabilities, by testing calculations on the relevant data including recoveries from reinsurers based on their respective arrangements; Tested specific claims transactions on sample basis recorded close to year end and subsequent to year end with underlying documentation to assess whether claims had been recognized in the appropriate accounting period; Inspected significant arrangements with reinsurer to obtain an understanding of contracts terms and assessed that recoveries from reinsurance on account of claims reported have been accounted for based on terms and conditions; Analyze the trends of claims reported as against the Company's historical performance and evaluated the reasonableness of major variations; Engaged an actuarial specialist to assist us in evaluation of general principles, actuarial assumptions and methods adopted for actuarial valuations by the actuary of the Company for determination of IBNR, we further ensure that data used by managements actuary and auditor's expert would be same; and Considered the adequacy of Company's disclosures about the estimates used and the sensitivity to key assumptions.
4.	Revenue recognition risk Refer note 7 and 21 to the financial statements relating to revenue recognition.	Our audit procedures in respect of this matter included the following: <ul style="list-style-type: none"> Evaluated the design and tested the controls over the process of capturing, processing and recording of premiums;

S. No.	Key audit matter	How our audit addressed the key audit matter
	<p>The Company receives its revenue primarily from two main sources namely; premiums and investments income. Premiums from insurance policies comprise of 83.21% of the total revenue.</p> <p>We identified revenue recognition from premium income as a key audit matter because it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not be recognized in the appropriate period.</p>	<ul style="list-style-type: none"> Assessed the appropriateness of the Company's accounting policy for recording of premiums and ensured that it is in line with the requirements of applicable law, accounting and reporting standards; Tested accuracy of premium recorded on sample basis from the underlying policies issued to insurance contract holders; Tested the policies where premium was recorded close to year end on sample basis, and evaluated that these were recorded in the appropriate accounting period; and Recalculated the unearned portion of premium income and ensured that appropriate amount has been recorded as provision for unearned premium in liabilities.

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 auditor's report thereon.

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

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 not been provided with this information and therefore we do not report in this regard.

Responsibility of Management and Board of Directors for the Financial Statement

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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 (XIX of 2017) and are in agreement with the books of account;



Deloitte Yousuf Adil
Chartered Accountants

- 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 Hena Sadiq.

Chartered Accountants

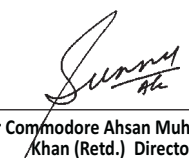
Date: May 19, 2020

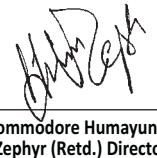
Place: Karachi

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2019

		December 31, 2019	December 31, 2018 (Restated)	December 31, 2017 (Restated)
	Note	----- (Rupees) -----		
ASSETS				
Property and equipment	9	82,318,416	11,064,668	12,215,747
Investment properties	10	130,423,000	109,653,000	101,133,000
Investments				
Equity securities	11.1	57,897,916	52,646,794	50,376,042
Debt securities	11.2	78,239,583	16,863,255	50,227,086
Term deposits	11.3	427,570,597	436,502,236	353,119,482
Loans and other receivables	12	10,828,408	14,978,317	11,980,633
Insurance / reinsurance receivables	13	252,529,338	271,546,266	181,121,490
Reinsurance recoveries against outstanding claims	22	12,744,301	5,563,442	3,667,185
Salvage recoveries accrued		4,421,100	962,500	642,500
Deferred commission expense / acquisition cost	23	26,394,193	29,502,011	30,857,514
Taxation-payment less provision		1,096,139	-	15,847,738
Advances deposits and prepayments	14	10,928,649	20,361,281	19,090,371
Cash and bank balances	15	23,318,700	21,238,119	86,080,560
Total assets of takaful operations - operator's fund		55,497,832	52,081,890	-
Total Assets		1,174,208,172	1,042,963,779	916,359,348
EQUITY AND LIABILITIES				
Capital and reserves attributable to Company's equity holders				
Share capital	16	600,000,000	600,000,000	600,000,000
Reserves	17	33,102,778	31,367,066	31,042,345
Unappropriated profit		(11,991,078)	(56,991,186)	(135,649,088)
Total Equity		621,111,700	574,375,880	495,393,257
Liabilities				
Underwriting provisions				
Outstanding claims including IBNR	22	128,202,751	116,033,468	114,519,530
Unearned premium reserve	21	133,134,440	147,009,635	144,520,108
Premium deficiency reserve	24	231,534	7,685	43,041
Unearned reinsurance commission	23	1,052,225	1,128,058	1,128,721
Lease liabilities	18	77,959,648	-	208,375
Premium received in advance		-	-	2,028,245
Insurance/ reinsurance payables		61,895,461	69,001,942	45,042,659
Other creditors and accruals	19	146,205,383	132,176,908	113,076,478
Unclaimed dividend		1,911,962	398,934	398,934
Taxation - provision less payments		-	522,510	-
Total liabilities of takaful operations - operator's fund		2,503,068	2,308,759	-
Total Liabilities		553,096,472	468,587,899	420,966,091
Total Equity and Liabilities		1,174,208,172	1,042,963,779	916,359,348
Contingencies and commitments				
20				
The annexed notes from 1 to 45 form an integral part of these financial statements.				

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


Air Commodore Ahsan Muhammad
Khan (Retd.) Director


Air Commodore Humayun Viqar
Zephyr (Retd.) Director

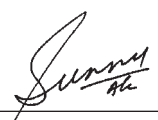

Sohail N. Kidwai
Chief Executive Officer



Nisar Ahmed Almani
Chief Financial Officer

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	December 31, 2019	December 31, 2018 (Restated)
		------(Rupees)-----	
Net insurance premium	21	295,189,660	366,913,974
Net insurance claims expense	22	(99,574,784)	(84,888,793)
Premium deficiency expense	24	(223,849)	35,356
Net commission and other acquisition cost	23	(60,902,936)	(99,568,541)
Insurance claims and acquisition expenses		(160,701,569)	(184,421,978)
Management expenses	25	(67,216,294)	(72,411,832)
Underwriting results		67,271,797	110,080,164
Investment income - net	26	61,064,702	33,037,257
Unrealised gain on investment properties		20,770,000	8,520,000
Rental income		3,559,602	3,434,913
Other income	27	6,417,011	2,688,608
Profit / (loss) before tax from window takaful operations - OPF	29	3,221,633	(226,869)
Other expenses	28	(71,677,471)	(58,896,067)
Finance charges against lease liabilities		(10,371,058)	-
Profit before tax		80,256,216	98,638,006
Provision for taxation	30	(20,256,108)	(19,980,104)
Profit after tax		60,000,108	78,657,902
Earning per share - basic and diluted	36	1.00	1.31

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


Air Commodore Ahsan Muhammad
Khan (Retd.) Director


Air Commodore Humayun Viqar
Zephyr (Retd.) Director



Sohail N. Kidwai
Chief Executive Officer



Nisar Ahmed Almani
Chief Financial Officer

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

	December 31, 2019 ----- (Rupees) -----	December 31, 2018
Profit after tax	60,000,108	78,657,902
Other comprehensive income:		
Items that may be subsequently classified to profit or loss		
Unrealised gain on available for sale investments	1,735,712	324,721
Total comprehensive profit for the year	61,735,820	78,982,623

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


Air Commodore Ahsan Muhammad
Khan (Retd.) Director


Air Commodore Humayun Viqar
Zephyr (Retd.) Director


Sohail N. Kidwai
Chief Executive Officer


Nisar Ahmed Almani
Chief Financial Officer

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

	December 31, 2019	December 31, 2018
	----- (Rupees) -----	
OPERATING ACTIVITIES		
a) Underwriting activities		
Premiums received	359,020,325	373,752,850
Reinsurance premiums paid	(74,451,696)	(75,265,326)
Claims paid	(153,381,652)	(102,816,273)
Reinsurance and other recoveries received	55,336,692	17,225,161
Commissions paid	(56,653,688)	(92,494,578)
Commissions received	1,915,765	663
Net cash flows from underwriting activities	131,785,746	120,402,497
b) Other operating activities		
Income tax paid	(18,840,083)	(3,609,856)
Management and administration expenses paid	(98,412,682)	(116,466,750)
Net cash used in other operating activities	(117,252,765)	(120,076,606)
Total cash (used in) / generated from operating activities	A 14,532,981	325,891
INVESTING ACTIVITIES		
Profit / return received	59,656,225	33,111,239
Rentals received	3,640,598	3,434,913
Payments for investments	(78,239,583)	(16,863,255)
Investments matured during the year	16,863,255	50,227,086
Fixed capital expenditure	(4,079,858)	(1,571,021)
Investment in window takaful operations	-	(50,000,000)
Proceeds from disposal of fixed assets	423,500	92,017
Total cash generated from investing activities	B (1,735,863)	18,430,979
FINANCING ACTIVITIES		
Financial charges paid	(403,397)	(82,287)
Dividend Paid	(13,486,972)	-
Lease rental apid	(5,793,149)	(208,375)
Total cash used in financing activities	C (19,683,518)	(290,662)
Net (decrease) / increase in cash and cash equivalents	A+B+C (6,886,400)	18,466,208
Exchange gain / (loss) on cash and cash equivalents	35,342	74,105
Cash and cash equivalents at the beginning of year	457,740,355	439,200,042
Cash and cash equivalents at end of the year	450,889,297	457,740,355

December 31,
2019

December 31,
2018
(Restated)

----- (Rupees) -----

Reconciliation to statement of profit or loss

Operating cash flows	14,532,981	325,891
Exchange gain / (loss) on cash and cash equivalents	35,342	74,105
Depreciation on operating fixed assets	(17,005,846)	(5,027,100)
Finance charges on right of use of asset	(10,371,058)	-
Loss / gain on disposal of fixed assets	238,500	92,017
Provision for doubtful premium due but unpaid	(5,037,733)	(957,650)
Financial charges	(403,397)	(82,287)
Increase / (decrease) in assets other than cash	(1,194,224)	113,785,844
(Increase) / decrease in liabilities	6,569,910	(63,243,317)
Investment and other income	71,041,315	35,725,865
Provision for Workers' Welfare Fund	(1,627,315)	(1,808,597)
Profit / (loss) from windowtakafal operations	3,221,633	(226,869)
Profit after taxation	60,000,108	78,657,902

Definition of cash

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

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

December 31,
2019

December 31,
2018

----- (Rupees) -----

Cash and other equivalents

- Cash in hand	55,104	74,096
- Policy stamps in hand	239,826	77,663
	294,930	151,759

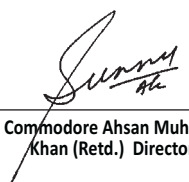
Current and saving accounts

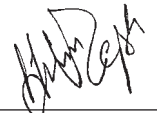
- Current accounts	8,558,959	1,377,343
- Savings accounts	14,464,811	19,709,017
	23,023,770	21,086,360

Deposits maturing within 12 months

Term Deposit- local currency	427,570,597	436,502,236
	450,889,297	457,740,355

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


Air Commodore Ahsan Muhammad
Khan (Retd.) Director


Air Commodore Humayun Viqar
Zephyr (Retd.) Director



Sohail N. Kidwai
Chief Executive Officer



Nisar Ahmed Almani
Chief Financial Officer

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

Note	Attributable to equity holders of the Company				
	Share capital	General reserves	Unrealised loss on available-for-sale investment	Unappropriated profit	Total
	----- (Rupees) -----				
Balance as at January 1, 2018 (as previously reported)	600,000,000	20,000,000	11,042,345	(16,331,519)	614,710,826
Effect of restatement	5	-	-	(119,317,569)	(119,317,569)
Balance as at January 1, 2018 (restated)	600,000,000	20,000,000	11,042,345	(135,649,088)	495,393,257
Profit for the year ended December 31, 2018	-	-	-	78,657,902	78,657,902
Other comprehensive income for the year	-	-	324,721	-	324,721
Total comprehensive income for the year	-	-	324,721	78,657,902	78,982,623
Balance as at December 31, 2018	600,000,000	20,000,000	11,367,066	(56,991,186)	574,375,880
Balance as at January 1, 2019	600,000,000	20,000,000	11,367,066	(56,991,186)	574,375,880
Dividend for the year ended December 31, 2018 2.5 % (Rupees 0.25 per share)	-	-	-	(15,000,000)	(15,000,000)
Profit for the year ended December 31, 2019	-	-	-	60,000,108	60,000,108
Other comprehensive income	-	-	1,735,712	-	1,735,712
Total comprehensive income for the year	-	-	1,735,712	60,000,108	61,735,820
Balance as at December 31, 2019	600,000,000	20,000,000	13,102,778	(11,991,078)	621,111,700

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


Air Commodore Ahsan Muhammad
Khan (Retd.) Director


Air Commodore Humayun Viqar
Zephyr (Retd.) Director


Sohail N. Kidwai
Chief Executive Officer


Nisar Ahmed Almani
Chief Financial Officer

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

1. STATUS AND NATURE OF BUSINESS

Shaheen Insurance Company Limited (the Company) was incorporated in March 1995 in Pakistan. The Company is a Public Limited Company and obtained the certificate for commencement of business in July 1995. It was registered with the Controller of Insurance in November 1995 to carry out non-life insurance business comprising fire, marine, motor, aviation, engineering, transportation, health, etc. On March 14, 2018 the Company was awarded license to commence Window Takaful Operations. The Company is listed on Pakistan Stock Exchange Limited. Its registered office is located at 10th Floor, Shaheen Commercial Complex, Karachi. The company operates only in Pakistan through 13 Branches. Shaheen Foundation (the parent undertaking) holds approximately 69.3% shares in Shaheen Insurance Company Limited.

Following are the geographical location and address of all the business units of the Company:

Head office - Registered Office

10th Floor, Shaheen Complex, M.R. Kiyani Road, Karachi, Province of Sindh, Pakistan.

Branches

- 10th Floor, Shaheen Complex, M.R. Kiyani Road, Karachi, Sindh, Pakistan.
- Upper 2nd floor, House # 75, Soldier Bazar, Hyderabad, Sindh, Pakistan.
- Office # 4, 6th Floor, Shaheen Complex, Opp. PTV Station 38, Abbott Road, Lahore, Punjab, Pakistan.
- Office # 6, 6th Floor, Shaheen Complex, Opp. PTV Station 38, Abbott Road, Lahore, Punjab, Pakistan.
- Office # 4, 1st Floor, Zaki Centre, I-8 Markaz, Islamabad Capital Territory, Pakistan.
- Office # 2, 4th Floor, Ahmed Plaza, Bilal Road, Civil Lines, Faisalabad, Punjab, Pakistan.
- Office # 21, First floor, Nadra Office, Ali Arcade, Court Kachery Road, Multan, Pakistan.
- Upper Basement, State Life Building 34 - The Mall, Peshawar Cantt., Khyber Pakhtunkhwa, Pakistan.
- Office # 210, Karim Plaza, Defence Road, Near Allama Iqbal Town, Sialkot, Punjab, Pakistan.
- Office # 4, Yousuf Centre, 99 Commercial, Neelum DC Colony, GT Road, Gujranwala, Punjab, Pakistan.
- Office # 63, 1st Floor, Advance Book Shop, Rehman Complex, Ibne Seena Hospital Market, Kanchi More, Sarghoda, Punjab, Pakistan.
- Office # 9, 1st Floor, Silk Plaza Supply Manshara Road, Abbottabad, Khyber Pakhtunkhwa, Pakistan.
- Al Baraka Plaza, 1st floor, Abu Dhabi Road, Rahim Yar Khan, Pakistan.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved 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 and Insurance Accounting Regulations, 2017 and Takaful Rules 2012.

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

3. BASIS OF PRESENTATION

The SECP wide the Insurance Rules, 2017 dated February 9, 2017 has prescribed the format of presentation of annual financial statements for general insurance companies. These financial statements have been prepared in accordance with the format prescribed by the SECP.

Separate set of financial statements of the General Takaful operations have been annexed to these financial statements as per the requirements of the Takaful Rules, 2012.

3.1 Basis of measurement

These financial statements have been prepared under the historical cost convention, except that 'held to maturity' investments are stated at amortised cost, investment classified at 'fair value through profit or loss- held for trading' and 'available for sale' and investment properties are stated at fair value.

3.2 Functional and presentation currency

These financial statements have been prepared and presented in Pakistani Rupees, which is the Company's functional and presentation currency.

3.3 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan effective for the year ended December 31, 2019

The following amendments and interpretations are effective for the year ended December 31, 2019. These interpretations and amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

3.3.1 IFRS 9 'Financial Instruments' and amendment (effective for period ending on or after June 30, 2019) replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It has also carried forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Further, IFRS 4 provides two alternative options in relation to application of IFRS 9 for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from the effective date to remove from the profit and loss account the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied. The Company has adopted the temporary exemption which allows the Company to defer the application of IFRS 9 until December 31, 2021.

3.3.2 Temporary exemption from application of IFRS 9

As an insurance company, the management has opted for temporary exemption from the application of IFRS 9 as allowed by the International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance. This deferment is in line with the transition of IFRS 17.

3.3.3

Effective from accounting period beginning on or after:

- IFRS 16 'Leases': This standard supersede existing leasing guidance including IAS 17 'Leases'. January 01, 2019
- Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements. January 01, 2019
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. January 01, 2019
- Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 issued in the Annual Improvement Cycle 2015-2017 January 01, 2019
- 'IFRIC 23 'Uncertainty over Income Tax Treatments' Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. January 01, 2019

Certain annual improvements have also been made to a number of IFRSs.

3.4 New accounting standards, amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

Effective from accounting period beginning on or after:

- Amendments to the Conceptual Framework for Financial Reporting, including amendments to references to the Conceptual Framework in IFRS Standards. January 01, 2020
- Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business. January 01, 2020

Effective from accounting period beginning on or after:

- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material. January 01, 2020
- Amendments to IAS 39, IFRS 7 and IFRS 9 – The amendments will affect entities that apply the hedge accounting requirements of IFRS 9 or IAS 39 to hedging relationships directly affected by the interest rate benchmark reform. January 01, 2020
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The IASB decided in December 2015 to defer indefinitely the effective date of these amendments.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as stated below have been applied consistently to all years presented in these financial statements.

Effective January 1, 2019, the Company has adopted IFRS 16, 'Leases' which replaces existing guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC-15 'Operating Leases-Incentive and SIC-27 'Evaluating the substance of transactions involving the legal form of a Lease'. IFRS 16 introduces a single, on statement of financial position lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The accounting policies relating to Company's right-of-use assets and lease liability are disclosed in note 6.3.

The Company has adopted IFRS 16 from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from adoption of IFRS 16 are therefore recognised in the opening statement of financial position on January 1, 2019. The new accounting policies are disclosed in note 6.3 to these financial statements.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate of 13.34% as of January 1, 2019.

The remeasurements of the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

Impact of adoption of IFRS 16	78,217,961
Lease liability recognised as at January 1, 2019	78,217,961

The total lease liability recognised as at January 01, 2019, of which:

	December 31, 2019	January 01, 2019
	----- (Rupees) -----	
Current	5,631,699	2,721,843
Non-current	72,327,949	75,496,118
	77,959,648	78,217,961

The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at December 31, 2018.

The recognised right-of-use assets are of the following type:

	December 31, 2019	January 01, 2019
	----- (Rupees) -----	
Right-of-use assets - building on leasehold land	72,312,631	78,217,961

The effect of adoption of IFRS-16 is as follows:

Impact on Statement of Financial Position

Increase in fixed assets - right-of-use assets	72,312,631	78,217,961
Decrease in other assets - advances, deposits, advance rent and other prepayments	(3,683,246)	-

(Increase) / decrease in other liabilities:

Lease Liabilities	(77,959,648)	(78,217,961)
Accrued expenses - rent payable	(2,223,390)	-
Current taxation	2,022,292	-
Workers welfare fund	142,315	-
Decrease in net assets	(9,389,046)	-

**Year ended
December 31,
2019**

Impact on statement of profit or loss

Rent expense 15,307,427

Increase in management expenses:

Depreciation on right-of-use assets (12,052,105)

Interest expense (10,371,057)

Decrease in workers welfare fund 142,315

Decrease in profit before tax (6,973,421)

Increase in taxation expense 2,022,292

Decrease in profit after tax (4,951,129)

Decrease in earnings per share - basic & diluted (0.08)

5. RESTATEMENT OF PRIOR YEAR BALANCES

5.1 Available for sale investment

During the year, the Company has made prior period adjustment for 'Available for sale investments'. Investment in the shares of First Capital Equity Limited which was being accounted for using cost method of accounting are now accounted for using the fair value as specified in IAS - 39 'Financial instruments'. This adjustment has been applied retrospectively in accordance with the requirements of IAS - 08 'Accounting policy, change in accounting estimates and error'. The comparatives have been restated accordingly.

Shares of First Capital Equities Limited have not been trading actively for quite some time besides the Company (FCEL) is also placed in the defaulter segment of Pakistan stock exchange. Further, auditors of FCEL in their report for the year ended June 30, 2019 has indicated material uncertainty relation to its Going Concern. Under these circumstances, provision for impairment has been recorded against investment in shares of FCEL. The impact of this provision has been incorporated retrospectively.

5.2 Investment Properties

During the year, the Company changed its accounting policy relating to valuation of investment properties from cost less accumulated depreciation to fair value model as per IAS - 40 'Investment property'. This change in accounting policy has been applied retrospectively in accordance with the requirements of IAS - 08 'Accounting policy, change in accounting estimates and error'.

Accordingly, retrospective adjustments have been made in these financial statements and comparatives have been restated as follows:

Statement of profit or loss

December, 31
2018

Profit after tax as reported previously	68,641,137
Effect of prior year restatement:	
Unrealised gain on investment properties	8,520,000
Depreciation on investment properties	1,496,765
Profit after tax as restated	78,657,902

Earnings per share

Earnings per share as reported previously	1.14
Increase in profit	10,016,765
Increase in earnings per share	0.17
Earnings per share as restated	1.31

December 31, 2018 (Audited)

	Balance previously reported	Adjustment	Balance restated
	----- (Rupees) -----		
Investment Properties	30,953,804	78,699,196	109,653,000
Investment - Available for sale	188,000,000	(188,000,000)	-
Unappropriated profit	52,309,618	(109,300,804)	(56,991,186)

December 31, 2017 (Audited)

	Balance previously reported	Adjustment	Balance restated
	----- (Rupees) -----		
Investment Properties	32,450,569	68,682,431	101,133,000
Investment - Available for sale	188,000,000	(188,000,000)	-
Unappropriated profit / (loss)	(16,331,519)	(119,317,569)	(135,649,088)

6. SIGNIFICANT ACCOUNTING POLICIES AND COMPUTATION METHODS

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

6.1 Insurance contracts

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

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

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

These contracts are normally one year insurance contracts except marine and some contracts of fire and property and miscellaneous class, where the coverage period varies. Normally all marine insurance contracts and some fire and property contracts are of three months period. In miscellaneous class, some engineering insurance contracts are of more than one year period, whereas, normally travel insurance contracts expire within one month time.

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

Fire and property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. 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.

Marine insurance covers the loss or damage of vessels, cargo, terminals, and any transport or property by which cargo is transferred, acquired, or held between the points of origin and final destination.

Motor insurance provides protection against losses incurred as a result of theft, traffic accidents and against third party liability that could be incurred in an accident.

Accident and health insurance covers unforeseen cash flows and financial hardships arising due to ailments, accidents and other natural causes necessitating hospitalization.

Other various types of insurance are classified in miscellaneous category which includes mainly engineering, terrorism, worker compensation, and travel insurances, etc.

6.1.1 Premium income and provision for unearned premiums

Premium under a policy is recognised at the time of the issuance of insurance policy.

Revenue from premiums is recognised after taking into account the unearned portion of premium which is calculated using the 1/24th method except for premium revenue relating to marine which is calculated using the 1/6th method and Afghan transit policies on the basis of pattern of risk coverage. The unearned portion of premium income is recognised as a liability. Under this method, the liability for above unearned premium is equal to 1/24 of the premiums relating to policies commencing in the first month of financial year, 3/24 of the premiums relating to policies commencing in the second month of the financial year, and so on.

6.1.2 Reinsurance contracts held

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

6.1.3 Provision for outstanding claims including incurred but not reported (IBNR)

A liability for outstanding claims is recognised in respect of all claims incurred as at the reporting date which represents the estimates of the claims intimated or assessed before the end of the accounting year and are measured at the undiscounted value of expected future payments.

The actuary uses statistical methods to incorporate the various assumptions made in order to estimate the ultimate cost of claims. The method used is the chain-ladder method which involves the analysis of historic claims development factors and the selection of estimated development factors based on the historic pattern. The selected development factors are then applied to cumulative claims data for each accident year. Study of claim lag pattern is conducted annually to account for any changes in experience. The development factors are based on these studies and are updated accordingly. Adequate margins are also built in to compensate for any adverse deviations in claims experience.

The actuary recommends that month wise factor based on an analysis of the past claims reporting pattern be applied to estimation of provision for IBNR. The historic chain-ladder method is used for determination of month wise factor for each class of business. Accordingly, provision has been made based on IBNR factors applied on incurred claims recommended by the actuary.

6.1.4 Reinsurance recoveries against outstanding claims

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

6.1.5 Commission expense and deferred commission expense

Commission incurred in obtaining and recording policies is recognised as expense after taking into account the proportion of deferred commission expense which is calculated using 1/24th method.

6.1.6 Claims expense

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

The Company recognises liability in respect of all claims incurred up to the reporting date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in 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. Provision for IBNR is based on the actuarial valuation which takes in to account the past trends, expected future patterns of reporting of claims and the claims actually reported subsequent to the reporting date.

6.1.7 Administrative surcharge

Administrative surcharge is included in the statement of profit or loss (as premium revenue) at the time the policies are issued.

6.1.8 Receivables and payables related to insurance contracts

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

If there is an objective evidence that any premiums due but unpaid are impaired, the Company reduces the carrying amount of the insurance receivable and recognises the loss in the statement of profit or loss.

6.1.9 Reinsurance expense and prepaid reinsurance premium ceded

Reinsurance premium is recognised as expense after taking into account the proportion of deferred premium expense which is calculated using 1/24th method. The deferred portion of premium expense is recognised as a prepayment.

6.1.10 Commission income and unearned commission income

Commission from reinsurers is recognised as income after taking into account the unearned portion of commission which is calculated using the 1/24 method (in accordance with the pattern of recognition of reinsurance premium). The unearned portion of commission is recognised as liability.

6.1.11 Premium deficiency reserve

The Company is required under the Insurance Rules, 2017 to maintain a provision in respect of premium deficiency for the individual class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the reporting date in respect of the unexpired policies in that class of business at the reporting date. The movement in the premium deficiency reserve (PDR) is recognised in the statement of profit or loss for the year.

The requirement for additional provision for unexpired risks is determined on the basis of an actuarial valuation. The actuary determines adequacy of liability of premium deficiency by carrying out analysis of the Company's loss ratio of expired periods. For this purpose, average loss ratio of last five years inclusive of claim settlement cost but excluding major exceptional claims are taken into consideration to determine ultimate loss ratio to be applied on unearned premium.

6.1.12 Claim and salvage recoveries

Claims recoveries receivable from the reinsurers are recognised as an asset at the same time as the claims which give rise to the right of recovery are recognised and are measured at the amount expected to be received. Claims expenses are reported net-off reinsurance in the statement of profit or loss.

Salvage value recoverable is recognised only if a firm and irrevocable contract and price thereon have been agreed with the buyer.

6.2 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 the future for the goods and 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, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

6.3 Property and equipment

Operating fixed assets

Owned

Operating fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable cost of bringing the asset to workable condition.

Depreciation is charged over the estimated useful life of the asset on a systematic basis to income applying straight line method at rates given in note 9 to these financial statements.

Depreciation is charged from the month the asset is available for intended use. No depreciation is charged from the month of disposal of the asset.

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

Gains and losses on disposal of fixed assets are taken to statement of profit or loss.

Expenditure incurred subsequent to the initial recognition of asset is capitalised only when it increases the future economic benefits embodied in the items of operating fixed assets. All other expenditure is recognised in the statement of profit or loss as an expense.

Lease liability and Right-of-use assets

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Leases are recognised as a right-of-use asset and a corresponding liability at the date on which the leased asset is available for use by the Company.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments include fixed payments, variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

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

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right of use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Effective January 1, 2019, the Company has adopted IFRS 16, 'Leases' which replaces existing leases guidance, including IAS 17 'Leases'. The Company has not restated comparatives for December 31, 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising therefrom are therefore recognized in the opening statement of financial position on January 01, 2019. On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases, which had previously been classified as 'operating leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 01, 2019. The weighted average incremental borrowing rate of the Company applied to lease liabilities on January 1, 2019 was 13.34% per annum. The remeasurements of the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application. The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position.

6.4 Investments

All investments are initially recognised at cost, being the fair value of the consideration given and include transaction costs except for 'investments at fair value through profit or loss' - held for trading investments in which case the transaction costs are charged to the statement of profit or loss.

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. Investments are recognised and classified as follows:

6.4.1 Investment at fair value through profit or loss

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

Subsequent to initial recognition these are re-measured at fair value by reference to quoted market prices with the resulting gain or loss being included in statement of profit or loss of the period in which it arises.

6.4.2 Held to maturity

Investments with fixed maturity, where the 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. Premium paid or discount availed on the acquisition of held to maturity investment is deferred and amortised over the term of investment using the effective yield method.

Profit on held to maturity instruments is recognised on a time proportion basis taking into account the effective yield on the investments.

These are reviewed for impairment at each reporting period and losses arising, if any, are charged to the statement of profit or loss of the period in which they arise.

6.4.3 Available for sale

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

Quoted

Subsequent to initial recognition at cost, quoted investments are stated at the market value. The Company uses Stock Exchange quotations at the reporting date to determine the market value of listed shares. Furthermore, market value of open ended mutual funds is determined by using MUFAP rates at the reporting date.

Unquoted

Unquoted investments are recorded at cost less impairment (if any).

6.4.4 Recognition / de-recognition of investments

Investments are recognised / derecognised by the Company on the date it commits to purchase / sell the investments.

6.5 Securities under repurchase / resale agreements

Transactions of purchase under resale (reverse-repo) of marketable securities are entered into at contracted rates for specified periods of time. These securities are not recognised in the financial statements as investments, as the Company does not obtain control over the assets. Amounts paid under these agreements are included in the financial statements as balance receivables for securities purchased under resale arrangements in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from the date of reverse repurchase transaction and accrued over the period of the reverse-repo agreement.

Transactions of sale under repurchase (repo) of marketable securities are entered into at contracted rates for specified periods of time. These securities are not derecognized from the financial statements and continue to be recognised as investments and measured in accordance with accounting policies for investment securities. The counterparty liabilities for amounts received under these transactions are recorded as liabilities. The difference between sale and repurchase price is treated as borrowing charges and accrued over the period of the repo agreement.

6.6 Investment properties

Investment properties are properties held to earn rentals. The investment properties of the Company consists of free hold land, office premises and shop premises.

The investment properties are initially recognised at cost and subsequently at fair value model as per IAS 40 "Investment Property", with any changes therein to be recognised in statement of profit or loss.

6.7 Other receivables

These are stated at cost less impairment losses, if any. Full provision is made against the impaired amounts.

6.8 Retirement benefits

Defined Contribution Plan (Provident Fund)

The Company operates a contributory provident fund scheme for its permanent employees. Contribution to the fund is made by the employees and the Company at the rate of 10% of their basic salaries.

6.9 Taxation

Current

Provision of current tax is based on the 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.

Deferred

Deferred tax is recognised using the statement of financial position liability method on all temporary differences between the amounts used for financial reporting purpose and amounts used for taxation purposes.

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

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting 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 rate that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

6.10 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprises the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. At the time of initial recognition, all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Any gain or loss on de-recognition of financial assets and financial liabilities are taken to income directly.

7. Revenue recognition

i) Underwriting result

The earned premium less reinsurance, claims, commission and other acquisition cost and allocable expenses of management are reflected in the profit or loss account as the underwriting result for each class of insurance business undertaken.

ii) Investment income

Profit on held-to-maturity instruments is recognised on a time proportion basis taking into account the effective yield on the instruments. The difference between the redemption value and the purchase price of the held-to-maturity investments is amortised and taken to the statement of profit or loss over the term of the investment.

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

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

Gains / losses on sale of investments are recognised in the statement of profit or loss at the time of sale.

iii) Return on bank accounts, term finance certificates and certificates of investments

Return on bank accounts, term finance certificates and certificates of investments are accounted for on accrual basis.

iv) Income from investment properties

Rental income from investment properties is recognised on time proportion basis.

7.1 Off setting

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

7.1.1 Impairment

The carrying amount of assets are reviewed at each reporting 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 statement of profit or loss. In addition impairment on available for sale investments and reinsurance assets are recognised as follows:

The Company determines that available-for-sale equity investments 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. In making this judgment, the Company evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows.

The Company determines the impairment of the reinsurance assets by looking at objective evidence, as a result of an event that occurred after initial recognition of the reinsurance assets, which indicates that the Company may not be able to recover amount due from reinsurer under the terms of reinsurance contract. In addition, the Company also monitors the financial ratings of its reinsurers on each reporting date.

7.1.2 Foreign currency translations

Foreign currency transactions during the year are recorded at the exchange rate approximating those ruling on the date of transaction. Monetary assets and liabilities in foreign currencies are translated at the rate of exchange which approximates those prevailing on the reporting date. Gains and losses on translations are taken to income currently. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

7.2 Segment reporting

A business segment is a distinguishable component of the Company that is engaged in providing services that are subject to risks and returns that are different from those of other business segments. The Company accounts for segment reporting of operating results using the classes of business as specified under the Insurance Rules 2017 as the primary reporting format.

The Company has five primary business segments for reporting purposes namely fire, marine, motor aviation and transport, accident and health and miscellaneous.

Fire insurance segment provides insurance covers against damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and impact.

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

Motor aviation and transport insurance provides comprehensive vehicle coverage and indemnity against third party loss.

Accident and health insurance provides cover against loss due to accidental injury or sickness.

Miscellaneous insurance provides cover against loss of cash in safe and cash in transit, money, engineering losses and others coverage.

Assets and liabilities that are directly attributable to segments have been assigned to them while the assets and liabilities pertaining to two or more segments have been allocated to segments on a net premium revenue 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. Depreciation and amortisation are allocated to a particular segment on the basis of premium earned.

7.3 Cash and cash equivalents

Cash and cash equivalents include cash, cheques and policy stamps in hand and balance with banks in current, saving and deposit accounts.

7.4 Amount due to other insurers / reinsurers

Liabilities for other insurers / reinsurers are carried at cost which is the fair value of consideration to be paid in the future for services.

7.5 Premiums due but unpaid

These are recognised at cost, which is the fair value of the consideration to be received less provision for impairment, if any.

7.6 Amount due from other insurers / reinsurers

Amount due from other insurers / reinsurers are carried at cost less provision for impairment, if any. Cost represents the fair value of consideration to be received in future under reinsurance contracts.

7.7 Dividend distributions and appropriations

Dividend distributions and appropriations are recorded in the period in which the distributions and appropriations are approved.

7.8 Earnings per share

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

7.9 Related parties transactions

All transactions with related parties are carried out by the Company at mutually agreed terms. The Company follows the "Comparable Uncontrolled Price Method" to measure and value the transactions with the related parties, without exceptions.

8. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Significant areas where assumptions and estimates were exercised in application of accounting policies are as follows:

	Note
- Classification of investments.	6.4
- Provision for outstanding claims (including IBNR).	6.1.6
- Provision for premium deficiency reserves.	6.1.11
- Reinsurance recoveries against outstanding claims.	6.1.4
- Taxation.	6.9
- Impairment.	7.1.1
- Provision against premium due but unpaid.	7.5
- Operating fixed assets and depreciation.	6.3
- Investment properties	6.6

	Note	December 31, 2019	December 31, 2018
		----- (Rupees) -----	
9. PROPERTY AND EQUIPMENT			
Operating fixed assets	9.1	10,005,785	11,064,668
Right-of-use assets	9.3	72,312,631	-
		82,318,416	11,064,668

9.1 Operating fixed assets

Particulars	Cost				Accumulated Depreciation			Written down		Depreciation rate (%)
	As at January 01	Additions	Disposals	Adjustment / Transfer	As at December 31	As at January 01	Depreciation for the year	Depreciation on disposals	Adjustment / Transfer	As at December 31
Furniture and fixtures	14,089,988	176,012	-	-	14,266,000	11,711,204	683,327	-	-	12,394,531
										1,871,469
										10
Office and electrical equipment	11,893,349	264,440	-	-	12,157,789	10,356,839	619,080	-	-	10,975,919
										1,181,870
										20
Computer equipment	16,206,706	262,000	-	-	16,468,706	15,707,229	311,308	-	-	16,018,537
										450,169
										33.3
Motor vehicles	35,461,323	3,377,406	(818,000)	-	38,020,729	28,811,426	3,340,026	(633,000)	-	31,518,452
										6,502,277
										20
	77,651,366	4,079,858	(818,000)	-	80,913,224	66,586,698	4,953,741	(633,000)	-	70,907,439
										10,005,785
<i>Intangible assets</i>										
Computer software	10,178,944	-	-	-	10,178,944	10,178,944	-	-	-	10,178,944
										-
	87,830,310	4,079,858	(818,000)	-	91,092,168	76,765,642	4,953,741	(633,000)	-	81,086,383
										10,005,785
	87,830,310	4,079,858	(818,000)	-	91,092,168	76,765,642	4,953,741	(633,000)	-	81,086,383
										10,005,785

9.2 Fixed assets include fully depreciated items costing Rs. 59.310 million (2018: Rs. 59.274 million).

Prior year

Particulars	Cost				Accumulated Depreciation				Written down value as at December 31	Depreciation rate		
	As at January 01	Additions	Disposals	Adjustment / Transfer	As at December 31	As at January 01	Depreciation for the year	Depreciation on disposals			Adjustment / Transfer	As at December 31
(Rupees)												
- Owned										%		
Tangible fixed assets												
Furniture and fixtures	13,558,615	531,373	-	-	14,089,988	11,050,065	661,139	-	-	11,711,204	2,378,784	10
Office and electrical equipment	12,176,972	645,410	(929,033)	-	11,893,349	10,663,229	622,643	(929,033)	-	10,356,839	1,536,510	20
Computer equipment	16,670,268	394,238	(857,800)	-	16,206,706	16,291,491	273,538	(857,800)	-	15,707,229	499,477	33.3
Motor vehicles	29,470,773	2,045,000	(139,450)	4,085,000	35,461,323	23,630,513	3,209,780	(139,450)	2,110,583	28,811,426	6,649,897	20
	71,876,628	3,616,021	(1,926,283)	4,085,000	77,651,366	61,635,298	4,767,100	(1,926,283)	2,110,583	66,586,698	11,064,668	
Intangible assets												
Computer software	10,178,944	-	-	-	10,178,944	10,178,944	-	-	-	10,178,944	-	33.3
	82,055,572	3,616,021	(1,926,283)	4,085,000	87,830,310	71,814,242	4,767,100	(1,926,283)	2,110,583	76,765,642	11,064,668	
- Leased												
Tangible fixed assets												
Motor vehicles	4,085,000	-	-	(4,085,000)	-	2,110,583	-	-	(2,110,583)	-	-	20
	86,140,572	3,616,021	(1,926,283)	-	87,830,310	73,924,825	4,767,100	(1,926,283)	-	76,765,642	11,064,668	

		December 31, 2019	December 31, 2018
		----- (Rupees) -----	
9.3 Right-of-use assets	Note		
-Buildings			
Adoption of IFRS 16 - January 01,2019		78,217,961	-
Additions		6,146,775	
Depreciation Expense	9.4	(12,052,105)	-
Balance at the end of the year	4	72,312,631	-
9.4 Allocation of depreciation			
Management expense		8,671,724	2,944,721
Other expense		8,334,122	1,822,378
		17,005,846	4,767,099
Right of use assets			
Management expense		5,785,010	-
Other expense		6,267,095	-
		12,052,105	-
Operating fixed assets			
Management expense		2,886,714	2,944,721
Other expense		2,067,027	1,822,378
		4,953,741	4,767,099
10. INVESTMENT PROPERTIES			(Restated)
Fair value as at January 01		109,653,000	101,133,000
Transfer from PPE		-	-
Unrealized fair value gain	10.1	20,770,000	8,520,000
Fair value as at December 31		130,423,000	109,653,000

10.1 Investment properties consists of the following:

Particulars	Location	Note	Fair value as at December 31, 2019	Fair Value as at December 31, 2018	Gain for December 31, 2019
----- (Rupees) -----					
Freehold Land	Islamabad		15,000,000	14,220,000	780,000
Shop Premises	Lahore		77,423,000	70,433,000	6,990,000
Office Premises	Karachi		38,000,000	25,000,000	13,000,000
			130,423,000	109,653,000	20,770,000

10.2 The fair value of the shop premises and office premises was determined by Anderson Consulting (Pvt.) Ltd, whereas land has been valued by Industrial Consultants & Machinery Linkers (ICML), external, independent property valuers having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuer provided the fair value of the Company's investment properties in 2019. In 2017 and 2018 Shop premises, Office premises and land was valued by KBN (Pvt.) Limited Ch. Noor Muhammad & Co. (Pvt.) Limited, Industrial Consultants & Machinery Linkers (ICML) respectively.

10.3 The fair value measurement for all of the investment properties has been categorised as a level 3 fair value based on the inputs to the valuation techniques used. The inputs used to the valuation techniques are average rental growth rate, yeild on property, current market rates, occupancy rate and rent free period of the properties.

10.4 The company earned rental income from the above mentioned properties amounting to Rs. 3.559 million (2018: Rs. 3.434 million).

10.5 The covered area of the freehold land, shops and office premises is 5400 sq. ft., 2,187 sq. ft. and 1,676 sq. ft. respectively.

10.6

	December 31, 2019			December 31, 2018		
	----- Cost -----					
Particulars	As at January 01	Addition / (disposals)	As at December 31	As at January 01	Addition / (disposals)	As at December 31
	----- (Rupees) -----					
Shop premises	33,948,414	-	33,948,414	33,948,414		33,948,414
Office premises	2,848,320	-	2,848,320	2,848,320		2,848,320
Freehold land	14,025,000	-	14,025,000	13,765,000	260,000	14,025,000
	50,821,734	-	50,821,734	50,561,734	260,000	50,821,734

11. INVESTMENTS

11.1 INVESTMENTS IN EQUITY SECURITIES

		December 31, 2019			December 31, 2018		
	Note	Cost	Imapirment	Carrying value	Cost	Impairment	Carrying value
		(Rupees)			(Restated) (Rupees)		
Available for sale							
<i>Listed shares</i>							
- First Capital Equities Limited	11.1.1	188,000,000	-	-	188,000,000	-	-
Mutual funds	11.1.2 &	44,316,658	-	57,757,109	44,316,658	-	52,547,258
	11.1.3						
		232,316,658	-	57,757,109	232,316,658	-	52,547,258
Investment at FVT- P&L							
<i>Listed shares</i>							
- Summit Bank Limited		99,536	-	140,807	336,237	-	99,536
		232,416,194	-	57,897,916	232,652,895	-	52,646,794

11.1.1 On November 29, 2012, the Company through an agreement settled balance of 'reverse repo' and 'premium due but unpaid' amounting to Rs. 99.89 million (reverse repo and associated mark-up) and Rs. 88.859 million of FCSC Group and Pace (Pakistan) Limited respectively, against 4.7 million shares of First Capital Equities Limited (FCEL) calculated at Rs. 40 per share against the market value of Rs. 69 per share as at that date. The agreement was subsequently amended on March 07, 2013 to make the clause of restriction on holding period and swap against property null and void.

The Company has filed a civil suit in Civil Court Lahore in April 2015 against First Capital Equities Limited and five others for recovery of Rs.188 million and cancellation of documents. The case is under adjudication and next hearing of the case is scheduled for May 06, 2020. Company is aggressively following up the case, and regular hearings are taking place. Further, management strongly believe that the company has irrefutable evidences / arguments to win this litigation, and is deploying every possible resource for expeditious disposal of the case.

11.1.2 These include units of Pakistan Income Fund with book value of Rs. 48.748 million (2018: Rs. 44.305 million).

11.1.3 Name of Fund	Units		December 31, 2019		December 31, 2018	
	2019	2018	Cost	Carrying Value	Cost	Carrying Value
	----- (Number) -----		----- (Rupees) -----			
Atlas Islamic Income Fund	849,515	849,515	37,926,896	396,399	37,926,896	473,828
Pakistan Income Fund	7,365	7,365	301,153	48,748,085	301,153	44,305,142
Pakistan Cash Fund	8,249	8,249	656,438	890,389	656,438	359,199
Faysal Saving & Growth Fund	139,068	139,068	1,018,760	1,487,622	1,018,760	815,404
ABL Income Fund	974	974	389,275	521,989	389,275	1,355,007
HBL Cash Fund	166,308	166,308	819,013	1,702,996	819,013	2,213,770
Lakson Money Market Fund	23,916	23,916	1,996,633	2,435,928	1,996,633	534,428
HBL Money Market Fund	5,809	5,809	493,096	584,644	493,096	898,925
Alhamra Islamic Stock Fund	9,105	9,105	715,394	989,057	715,394	1,591,555
			44,316,658	57,757,109	44,316,658	52,547,258

11.2 INVESTMENTS IN DEBT SECURITIES

Note	December 31, 2019			December 31, 2018		
	Cost	(Impairment) / provision	Carrying value	Cost	(Impairment) / provision	Carrying @value
	----- (Rupees) -----					
Held to maturity						
<i>Government securities</i>						
Pakistan Investment Bonds	11.2.1	78,239,583	-	78,239,583	-	-
Treasury Bill		-	-	16,863,255	-	16,863,255
		78,239,583	-	78,239,583	16,863,255	-

Pakistan Investment Bond

Face value (Rupees)	Profit rate	Profit payment	Maturity date	December 31, 2019		December 31, 2018	
				Cost	Carrying value	Cost	Carrying @value
				----- (Rupees) -----			
65,000,000	9.50%	Semi annually	September 19, 2024	61,486,257	61,486,257	-	-
20,000,000	8%	Semi annually	July 12, 2023	16,753,326	16,753,326	-	-
85,000,000				78,239,583	78,239,583		

Treasury Bills

Face value (Rupees)	Profit rate	Profit payment	Maturity date	December 31, 2019		December 31, 2018	
				Cost	Carrying Value	Cost	Carrying Value
16,930,000	9.12%	On maturity	January 17, 2019	-	-	16,863,255	16,863,255

11.2.1 This maturity of these PIB's is September 19, 2024 and its rate of return is 11.35% to 12.70% per annum. They are pledged with the State Bank of Pakistan under the provisions of Insurance Rules 2017.

		December 31, 2019	December 31, 2018
11.3	INVESTMENT IN TERM DEPOSITS	Note	------(Rupees)-----
	Held to maturity		
	Deposits maturing within 12 months	11.3.1	427,570,597 436,502,236

11.3.1 The balance includes term deposits with various commercial banks having maturities within 12 months (i.e. upto January 18, 2020). The rate of return on these term deposits range between 11.25% to 13.25% (2018: 8% to 10.5%) per annum.

		December 31, 2019	December 31, 2018
12.	LOANS AND OTHER RECEIVABLES unsecured, considered good	Note	------(Rupees)-----
	Loan to employees	12.1	- 3,000
	Accrued investment income		4,721,867 3,313,390
	Other receivables	12.2	6,106,541 11,661,927
			10,828,408 14,978,317

12.1 This includes loan to employee, outstanding for more than three years. This has been written off during the year.

12.2 This includes balance receivable of Rs. 5.654 million (2018: Rs. 5.654 million) from Pace Pakistan Limited in respect of sale of property located at 1-D first floor of Pace Tower, 27-H College Road, Gulberg II, Lahore.

		December 31, 2019	December 31, 2018
13.	INSURANCE / REINSURANCE RECEIVABLES unsecured, considered good	Note	------(Rupees)-----
	Due from insurance contract holders less: provision for impairment	13.1	211,224,469 228,339,196 (44,962,495) (39,924,761) 166,261,974 188,414,435
	Due from other insurers / reinsurers		86,267,364 83,131,831
		13.2	252,529,338 271,546,266

13.1 Reconciliation of provision against doubtful receivables

Balance as at beginning of the year	39,924,761	60,479,528
Charge for the year	5,037,734	-
Balance written off during the year	-	(20,554,767)
Balance as at end of the year	44,962,495	39,924,761

- 13.2 This includes premium due but unpaid from Shaheen Foundation-PAF (related party) of Rs. 54.769 million (2018: Rs. 67.329 million)

	Note	December 31, 2019	December 31, 2018
----- (Rupees) -----			
14. ADVANCES DEPOSITS AND PREPAYMENTS			
Prepaid reinsurance premium ceded		4,981,670	9,752,884
Security deposits	14.1	5,722,957	8,682,203
Advances		224,022	921,241
Prepaid rent		-	1,004,953
		<u>10,928,649</u>	<u>20,361,281</u>

- 14.1 This includes Rs. 3.317 million (2018: Rs. 2.517 million) in respect of security deposits paid against rental arrangements to Shaheen Foundation - PAF (related party).

	Note	December 31, 2019	December 31, 2018
----- (Rupees) -----			
15. CASH AND BANK BALANCES			
Cash and cash equivalents			
- Cash in hand		55,104	74,096
- Policy stamps and bond papers in hand		239,826	77,663
		<u>294,930</u>	<u>151,759</u>
Bank balances			
- Current accounts		8,558,959	1,377,343
- Savings accounts	15.1	14,464,811	19,709,017
		<u>23,023,770</u>	<u>21,086,360</u>
		<u>23,318,700</u>	<u>21,238,119</u>

- 15.1 These carry mark-up at rates ranging between 7% to 9% (2018: 3% to 5.6%) per annum.

16. SHARE CAPITAL

16.1 Authorised share capital

December 31, 2019	December 31, 2018		December 31, 2019	December 31, 2018
----- (Numbers) -----			----- (Rupees) -----	
<u>100,000,000</u>	<u>100,000,000</u>	Ordinary shares of Rs. 10 each	<u>1,000,000,000</u>	<u>1,000,000,000</u>

16.2 Issued, subscribed and paid - up share capital

December 31, 2019 ----- (Numbers) -----	December 31, 2018		December 31, 2019 ----- (Rupees) -----	December 31, 2018
8,000,000	8,000,000	Ordinary shares of Rs. 10 each, fully paid in cash	80,000,000	80,000,000
12,000,000	12,000,000	Ordinary shares of Rs. 10 each, issued as bonus shares	120,000,000	120,000,000
10,000,000	10,000,000	Ordinary shares of Rs. 10 each, issued as right shares fully paid in cash	100,000,000	100,000,000
15,000,000	15,000,000	Ordinary shares of Rs. 10 each, issued as right shares fully paid in cash	150,000,000	150,000,000
15,000,000	15,000,000	Ordinary shares of Rs. 10 each, issued otherwise than right issue	150,000,000	150,000,000
60,000,000	60,000,000		600,000,000	600,000,000

16.3 As at December 31, 2019, 44.066 million (December 31, 2018: 44.066 million) number of shares of the company are held by the holding / associated undertaking. Details of these holdings are as follows:

Related party name	Basis of relationship	Percentage (%)	December 31, 2019 ----- (Numbers) -----	December 31, 2018
Shaheen Foundation - PAF	Holding undertaking	69.3%	41,565,973	41,565,422
Central Non Public Fund - PAF	Associate	4.2%	2,500,000	2,500,000
			44,065,973	44,065,422
Percentage of shareholding by associated companies / undertakings			73.44%	73.44%

16.4 The Company has only one class of ordinary shares which carry no right to fixed income. The holders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

17. RESERVES

	December 31, 2019	December 31, 2018 (Restated) ----- (Rupees) -----
Share capital	600,000,000	600,000,000
General reserves	20,000,000	20,000,000
Revenue reserve / Unappropriated loss	(11,991,078)	(56,991,186)
Capital reserve / Unrealised loss on available for sale investment - net	13,102,778	11,367,066
	621,111,700	574,375,880

18. LEASE LIABILITIES

	Note	December 31, 2019 ----- (Rupees) -----	December 31, 2018
Lease Liability - Buildings	18.1	77,959,648	-
18.1	Adoption of IFRS 16 - January 01, 2019	78,217,961	-
	Increase in lease liability due to additions	2,463,530	-
	Repayments	(13,092,900)	-
	Unwinding of profit	10,371,057	-
		77,959,648	-

18.2 Tenure analysis

Current period	5,631,699	-
Non-current period	72,327,949	-
	77,959,648	-

18.3 The future minimum lease payments to which the Company is committed under the lease agreements and the periods in which they will become due are as follows:

	December 31, 2019		December 31, 2018	
	Lease payments of right of use assets	Present value of lease payments of right of use assets	Lease payments of right of use assets	Present value of lease payments of right of use assets
	----- (Rupees) -----			
Not later than one year	14,798,067	5,631,699	-	-
Later than one year or more	97,386,006	72,327,949	-	-
	112,184,073	77,959,648	-	-
Financial charges allocable to future periods	(34,224,425)	-	-	-
Total lease liability	77,959,648	77,959,648	-	-
Current portion	(5,631,699)	(5,631,699)	-	-
Non- current portion	72,327,949	72,327,949	-	-

December 31, December 31,
2019 2018

------(Rupees)-----

19. OTHER CREDITORS AND ACCRUALS

Provincial services tax	63,452,590	52,142,521
Agent balances	45,013,842	41,880,814
Accrued expenses	8,539,839	12,345,719
Withholding tax payable	9,890,563	6,855,889
Workers' welfare fund payable	5,904,834	5,749,722
Unearned rental income	770,300	689,304
Payable to provident fund	18,395	252,924
Security deposit against bond issuance	6,393,461	658,593
Others	6,221,559	11,601,422
	146,205,383	132,176,908

20. CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

20.1.1 M/s. New Lal Enterprise (Pvt.) Limited and M/s. Zahid Enterprises (Pvt.) Limited have filed four suits against the Company in the Insurance Tribunal, Karachi. Three suits pertain to claim of damages on delayed claims settlement, while one suit relates to recovery of marine claim. Total amount involved is approximately Rs. 28 million. Another suit bearing No.11 of 2013 for recovery of Rs. 1.086 million has been filed against the Company. As the legal advisor of the Company is confident about favorable outcome of these suits, no provision has been made in these financial statements.

20.1.2 The income tax assessments of the Company have been finalized up to and including the assessment year 2016-17 (financial year ended 31 December 2016), unless amended. However, assessments for tax years 2004, 2006 and 2007 had been amended by the taxation officer, against which the Company had preferred an appeal before the Commissioner Inland Revenue (Appeal) (CIR(A)). Subsequently, CIR(A) confirmed the order of taxation officer, against which the Company preferred to file an appeal before the Appellate Tribunal Inland Revenue (ATIR). ATIR decided the case in favor of the Company. Case was decided in favor of the Company in High Court as well, through the order dated 5 September 2013. However, taxation officer has filed civil petition against the order with the Supreme Court of Pakistan; the decision of which is pending. The demand raised was of Rs. 2.045 million for the tax year 2004, Rs. 8.220 million for the tax year 2006, and Rs. 9.689 million for tax year 2007 against apportionment of expenditure. As it is expected that the matter will be decided in favor of the Company, no provision has been made in these financial statements. Further, the Company has received notice to amend assessments for the tax years 2015 and 2016 under section 122 (9) read with 122(5A) of the Income Tax Ordinance 2001 creating a demand of Rs. 1.490 million and Rs. 2.700 million respectively. The Company filed appeals against these orders with CIR (A), who vacated the order of taxation officer. Taxation Officer has subsequent to the year-end filed appeals with the ATIR against decision of CIR(A). Proceedings in this regard have not started yet.

- 20.1.3** The Company has also received show cause notice to amend assessments for the tax years 2012, 2013 and 2014 under section 122(5A) of the Income Tax Ordinance 2001. The case is in hearing / compliance stage.
- 20.1.4** The Company received a notice for further amending the assessment for the tax year 2011 under section 122 (9) read with section 122(5A) of the Income Tax Ordinance 2011 against which a constitutional petition was filed in the High Court of Sindh. High Court granted the stay in favor of the Company. Subsequent to the year end, instant petition has been disposed of by the court with the directions to the respondents to examine the contention of the company in accordance with the law.

	Note	December 31, 2019	December 31, 2018
		------(Rupees)-----	
20.2 Commitments			
Not later than one year		13,092,900	-
21. NET INSURANCE PREMIUM			
Written gross premium		350,295,361	416,938,551
Add: Unearned premium reserve opening		147,009,635	144,520,108
Less: Unearned premium reserve closing		133,134,440	147,009,635
Premium earned		364,170,556	414,449,024
Less:			
Reinsurance premium ceded		64,209,682	49,957,289
Add: Prepaid reinsurance premium opening		9,752,884	7,330,645
Less: Prepaid reinsurance premium closing		4,981,670	9,752,884
Reinsurance expense		68,980,896	47,535,050
Net premium		295,189,660	366,913,974
22. NET INSURANCE CLAIMS EXPENSE			
Claims paid		153,381,652	102,816,273
Add: Outstanding claims including IBNR closing	22.1	128,202,751	116,033,468
Less: Outstanding claims including IBNR opening		116,033,468	114,519,530
Claims expense		165,550,935	104,330,211
Less:			
Reinsurance and other recoveries received		55,336,692	17,225,161
Less: Reinsurance and other recoveries receivable in respect of outstanding claims opening		6,525,942	4,309,685
Add: Reinsurance and other recoveries receivable in respect of outstanding claims closing	22.2	17,165,401	6,525,942
Reinsurance and other recoveries revenue		65,976,151	19,441,418
Net claims expense		99,574,784	84,888,793

22.1 Outstanding claims include amounts in relation to unpaid reported claims, provision for claims incurred but not reported (IBNR) and expected claims settlement costs. Provision for IBNR to account for the cost of settling claims incurred but not reported as at reporting date on the basis of actuarial valuation amounts to Rs.13.107 million (2018: Rs. 8.076 million). The latest valuation was carried out as of December 31, 2019.

22.2 This includes accrued salvage recoveries amounting to Rs. 4.421 million (2018: Rs. 0.962 million).

22.3 Claim development

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

Accident year	2013 & Prior	2014	2015	2016	2017	2018	2019
----- (Rupees) -----							
Outstanding	16,727,038	23,438,291	3,378,318	4,346,852	4,916,521	9,879,348	29,514,727
At end of accident year	635,025	1,798,182	97,559	268,239	1,059,807	42,669,623	106,853,217
One year later	(1,496,219)	1,008,900	473,518	2,285,749	30,083,108	69,846,098	-
Two years later	5,250,626	1,484,077	1,271,046	30,610,977	57,155,883	-	-
Three years later	15,176,527	3,345,748	63,474,737	52,658,014	-	-	-
Four years later	100,603,720	66,418,907	62,828,912	-	-	-	-
Five years later	173,616,675	92,990,681	-	-	-	-	-
Six years later	158,759,340	-	-	-	-	-	-
Current estimate of cumulative claims	469,272,732	190,484,786	131,524,090	90,169,831	93,215,319	122,395,069	136,367,944
Cumulative payments to date	452,545,694	167,046,495	128,145,772	85,822,979	88,298,798	112,515,721	106,853,217
Liability recognised in financials	16,727,038	23,438,291	3,378,318	4,346,852	4,916,521	9,879,348	29,514,727

December 31, December 31,
2019 2018
----- (Rupees) -----

23. NET COMMISSION AND OTHER ACQUISITION COST

Commission paid or payable

Add: Deferred commission expense opening

Less: Deferred commission expense closing

Net Commission

59,786,716

99,535,201

29,502,011

30,857,514

26,394,193

29,502,011

62,894,534

100,890,704

Less:

Commission received or recoverable

Add: Unearned reinsurance commission opening

Less: Unearned reinsurance commission closing

Commission from reinsurers

1,915,765

1,321,500

1,128,058

1,128,721

1,052,225

1,128,058

1,991,598

1,322,163

60,902,936

99,568,541

		December 31, 2019	December 31, 2018
	Note	------(Rupees)-----	
24. PREMIUM DEFICIENCY EXPENSE			
Premium deficiency reserve - opening		7,685	43,041
Premium deficiency reserve	24.1	<u>223,849</u>	<u>(35,356)</u>
Premium deficiency reserve - closing		<u><u>231,534</u></u>	<u><u>7,685</u></u>

24.1 The independent actuary has determined the premium deficiency reserve of Rs. 231,534 as at December 31, 2019 (2018 : Rs. 7,685). Consequently the Company has expensed an amount of Rs. 223,849 during the year.

		December 31, 2019	December 31, 2018
	Note	------(Rupees)-----	
25. MANAGEMENT EXPENSES			
Salaries and other benefits	25.1	44,952,325	44,921,675
Depreciation	25.3	8,671,724	2,944,721
Utilities		3,852,677	4,068,251
Travelling and entertainment		4,712,658	4,593,666
Printing and stationery		1,477,247	1,482,868
Software maintenance		800,415	510,805
Advertisement and sales promotion		836,686	381,735
Legal and professional charges		570,500	826,550
Repair and maintenance		311,630	659,346
Rent	25.2	-	7,785,134
Bank charges		20,604	19,721
Newspaper and periodicals		40,127	30,668
Fee and subscription		-	2,000
Donation		-	15,000
Insurance expense		212,434	-
Miscellaneous		<u>757,267</u>	<u>4,169,692</u>
		<u><u>67,216,294</u></u>	<u><u>72,411,832</u></u>

25.1 This amount includes Rs. 1.144 million (2018: Rs. 0.923 million) of provident fund contribution.

25.2 This amount includes Rs. Nil (2018: Rs. 5.803 million) rent expense to Shaheen Foundation - PAF, (related party).

25.3 This includes depreciation on operating fixed assets and right of use assets amounting to Rs. 2.886 million and Rs. 5.785 million (2018 : Rs. 2.944 million and Rs. Nil) respectively.

		December 31, 2019	December 31, 2018
	Note	------(Rupees)-----	
26. INVESTMENT INCOME - NET			
Dividend income on investment			
Dividend income on securities held for trading		4,083,729	48,080
Dividend income on available for sale investments		-	2,507,458
		4,083,729	2,555,538
Held to maturity			
Return on term deposit		53,709,090	27,605,452
Return on Pakistan Investment Bonds and T-bills		3,230,612	3,112,968
		56,939,702	30,718,420
Unrealized gain / (loss) on revaluation of FVTPL		41,271	(236,701)
		41,271	(236,701)
		61,064,702	33,037,257
27. OTHER INCOME			
Return on bank balances		1,843,819	1,425,857
Gain on sale of fixed assets		238,500	92,017
Exchange gain		35,342	74,105
Liabilities written back (No more payable)		3,363,477	-
Miscellaneous		935,873	1,096,629
		6,417,011	2,688,608
28. OTHER EXPENSES			
Salaries and other benefits	28.1	34,712,175	32,409,315
Rent	28.2	-	6,024,991
Utilities		3,011,677	2,926,614
Depreciation	28.3	8,334,122	1,822,378
Printing and stationery		2,149,539	1,703,898
Travelling and entertainment		2,268,589	1,890,084
Fee and subscription		2,256,700	4,392,043
Advertisement and sales promotion		1,085,015	681,097
Provision for doubtful premium due but unpaid		5,037,733	957,650
Legal and professional charges		790,169	1,464,061
Repair and maintenance		485,108	463,078
Auditors' remuneration	28.4	1,300,375	1,150,000
Bank charges		382,793	59,032
Financial charges on assets subject to finance lease		-	3,534
Newspaper and periodicals		2,778	5,750
Insurance expense		449,321	-
Workers' welfare fund		1,627,315	1,808,597
Miscellaneous receivables written off		5,020,770	-
Miscellaneous		2,763,292	1,133,945
		71,677,471	58,896,067

28.1 This includes Rs. 1.318 million (2018: Rs. 0.936 million) of provident fund contribution.

28.2 This amount includes Rs.Nil (2018: Rs.5.401 million) rent expense to Shaheen Foundation - PAF, a related party.

28.3 This includes depreciation on operating fixed assets and right of use assets amounting to Rs. 2.067 million and Rs. 6.267 million (2018 : Rs. 1.822 million and Rs. Nil) respectively.

		December 31, 2019	December 31, 2018		
	Note	----- (Rupees) -----			
28.4 Auditors' remuneration					
Annual audit fee		600,000	600,000		
Interim review fee		175,000	175,000		
Certification fees and review of statement of compliance with the Code of Corporate Governance		225,000	225,000		
Other professional services		110,000	-		
Out of pocket expenses		192,375	150,000		
		1,302,375	1,150,000		
29. PROFIT / (LOSS) BEFORE TAX FROM WINDOW TAKAFUL OPERATIONS - OPF					
Wakala fee		2,404,774	1,217,318		
Other income		5,657,172	3,243,324		
Management expenses		(3,143,872)	(2,660,526)		
Commission expenses		(1,290,518)	(797,945)		
Other expenses		(405,923)	(1,276,606)		
Modarib's share of PTF investment income		-	47,566		
Profit / (loss) for the year		3,221,633	(226,869)		
30. TAXATION					
Current	30.1	20,256,108	19,980,104		
30.1 Relationship between tax expense and accounting profit is as follows:					
Profit before taxation		80,256,216	98,638,006		
Tax charge at enacted tax rate of 29%		23,274,303	25,700,160		
Tax effect of expense that are allowable in determining taxable income		(2,446,473)	(5,355,366)		
Tax effect of dividend income taxable at normal rate		(571,722)	(364,690)		
		20,256,108	19,980,104		
30.2 Deferred					
Deferred tax asset on deductible temporary differences amounting to Rs. 59.520 million (2018: Rs. 31.283 million) has not been recognized in view of the uncertainty about its realization and further economic effects due to COVID-19.					
31. REMUNERATION OF DIRECTORS AND EXECUTIVES					
		Chief Executive	Directors	Executives	
		2019	2018	2019	2018
		----- (Rupees) -----			
Managerial Remuneration		4,929,189	4,787,496	-	-
Provident fund		184,800	180,000	-	-
		5,113,989	4,967,496	15,556,593	16,342,068
				557,472	580,200
				16,114,065	16,922,268
Number of persons		1	1	7	6

The Chief Executive Officer (CEO) and executives have been provided with the Company maintained vehicles.

32. SEGMENT INFORMATION

32.1 Segment profit or loss

Current year	December 31, 2019					
	Fire and property damage	Marine, aviation and transport	Motor	Accident and health	Miscellaneous	Total
	(Rupees)					
Premium Written (inclusive of Federal excise duty, Federal insurance fee and administrative surcharge)	53,836,789	17,985,473	234,575,701	8,007,954	119,924,083	434,330,000
Less: Federal excise duty	(6,663,966)	(2,052,393)	(30,393,318)	-	(35,361,353)	(74,471,030)
Less: Federal insurance fee	(524,973)	(393,906)	(2,416,466)	(79,665)	(6,148,600)	(9,563,610)
Gross written premium (inclusive of administrative Surcharge)	46,647,850	15,539,174	201,765,917	7,928,289	78,414,130	350,295,360
Gross direct premium	45,886,774	15,086,561	196,513,625	7,910,932	74,341,030	339,738,922
Administrative surcharge	761,076	452,603	5,252,292	17,357	4,073,100	10,556,428
Insurance premium earned	48,825,693	14,480,980	207,058,923	10,397,289	83,407,671	364,170,556
Less: Insurance premium ceded to reinsurers	20,784,122	5,112,405	9,206,778	-	33,877,591	68,980,896
Net insurance premium (A)	28,041,571	9,368,575	197,852,145	10,397,289	49,530,080	295,189,660
Add: Commission income	1,364,285	-	-	-	627,314	1,991,598
Net underwriting income	29,405,856	9,368,575	197,852,145	10,397,289	50,157,393	297,181,258
Insurance claims	16,682,890	5,264,139	101,951,259	7,766,187	33,886,460	165,550,935
Less: Insurance claims recovered from reinsurance	16,782,737	4,446,135	22,080,639	-	22,666,640	65,976,151
Net claim	(99,847)	818,004	79,870,620	7,766,187	11,219,820	99,574,784
Commission expense	14,353,056	4,001,505	28,695,624	1,159,986	14,684,364	62,894,534
Management expense	9,011,937	2,672,808	38,217,624	1,919,066	15,394,859	67,216,294
Premium deficiency expense	-	-	-	-	-	223,849
Net insurance claims and expenses (B)	23,265,146	7,492,316	146,783,868	10,845,238	41,299,043	229,909,461
Underwriting result C=A-B	6,140,710	1,876,259	51,068,277	(447,949)	8,858,350	67,271,797

	December 31, 2019 (Rupees)
Net investment income	61,064,702
Rental income	3,559,602
Other income	6,417,011
Other expenses	(71,677,471)
Unrealized gain on investment properties	20,770,000
Finance charges on right-of-use assets	(10,371,058)
Profit before tax from window takaful operations - OPF	3,221,633
Profit before tax	80,256,216

Prior year

December 31, 2018

	Fire and property damage	Marine, aviation and transport	Motor	Accident and health	Miscellaneous	Total
	----- (Rupees) -----					
Premium receivable (inclusive of Federal excise duty, Federal insurance fee and Administrative surcharge)	66,032,989	17,015,674	256,105,930	13,530,100	133,222,164	485,906,857
Less: Federal excise duty	(8,365,247)	(2,003,899)	(33,245,622)	-	(20,742,380)	(64,357,148)
Less: Federal insurance fee	(570,810)	(148,659)	(2,204,525)	(133,963)	(1,553,201)	(4,611,158)
Gross written premium (inclusive of administrative surcharge)	57,096,932	14,863,116	220,655,783	13,396,137	110,926,583	416,938,551
Gross direct premium	56,339,484	14,377,575	215,069,964	13,371,138	104,795,739	403,953,900
Administrative surcharge	757,448	485,541	5,585,819	24,999	6,130,844	12,984,651
Insurance premium earned	48,255,919	14,425,397	228,075,223	11,279,654	112,412,831	414,449,024
Less: Insurance premium ceded to reinsurers	16,015,126	4,259,739	8,856,820	-	18,403,365	47,535,050
Net insurance premium (A)	32,240,793	10,165,658	219,218,403	11,279,654	94,009,466	366,913,974
Add: Commission income	832,396	-	-	-	489,767	1,322,163
Premium deficiency (expenses) / reversal	-	35,356	-	-	-	35,356
Net underwriting income	33,073,189	10,201,014	219,218,403	11,279,654	94,499,233	368,271,493
Insurance claims	7,017,097	(339,011)	90,702,577	8,286,483	(1,336,935)	104,330,211
Less: Insurance claims recovered from reinsurance	(476,556)	11,570	19,008,000	-	898,404	19,441,418
Net Claim	7,493,653	(350,581)	71,694,577	8,286,483	(2,235,339)	84,888,793
Commission expense	13,827,554	4,011,519	35,836,765	389,375	46,825,491	100,890,704
Management expense	8,431,192	2,520,381	39,848,917	1,970,762	19,640,580	72,411,832
Premium deficiency reversal		(35,356)				
Net insurance claims and expenses (B)	29,752,399	6,181,319	147,380,259	10,646,620	64,230,732	258,191,329
Underwriting result C=A-B	3,320,790	4,019,695	71,838,144	633,034	30,268,501	110,080,164
Net investment income						33,037,257
Rental income						3,434,913
Other income						2,688,608
Other expenses						(58,896,067)
Unrealised gain on investment properties						8,520,000
Loss before tax from window takaful operations - OPF						(226,869)
Profit before tax						98,638,006

December 31,
2018
(Rupees)

32.2 Segment Assets & Liabilities

December 31, 2019

	Fire & Property Damage	Marine, Aviation & Transport	Motor	Accident and Health	Miscellaneous	Total
(Rupees)						
SEGMENT ASSETS						
Segment assets	44,922,707	12,138,723	166,685,947	5,904,032	71,419,193	301,070,602
Unallocated corporate assets						873,137,570
Total assets						1,174,208,172

SEGMENT LIABILITIES

Segment liabilities	70,233,156	6,974,953	193,284,493	18,946,809	35,784,840	325,224,251
Unallocated corporate liabilities						227,872,221
Total liabilities						553,096,472

December 31, 2018

	Fire & Property Damage	Marine, Aviation & Transport	Motor	Accident and Health	Miscellaneous	Total
(Rupees)						
SEGMENT ASSETS						
Segment assets	43,425,667	10,296,397	161,009,713	9,843,899	96,551,608	321,127,284
Unallocated corporate assets (restated)						721,836,495
Total assets						1,042,963,779

SEGMENT LIABILITIES

Segment liabilities	63,375,441	5,406,461	195,076,201	23,479,227	45,835,771	333,173,101
Unallocated corporate liabilities						135,414,798
Total liabilities						468,587,899



33. PROVIDENT FUND RELATED DISCLOSURE

The Company operates contributory provident fund scheme for its permanent employees. Details of net assets and investments of this fund are as follows:

	(Un-audited) December 31, 2019	(Audited) December 31, 2018
Size of the fund - Net assets (Rupee)	13,362,573	11,027,959
Cost of the investment made (Rupee)	12,665,296	10,492,014
Percentage of the investment made (%)	94.78%	95.14%
Fair value of the investment made (Rupee)	12,665,296	10,492,014

	(Un-audited) December 31, 2019		(Audited) December 31, 2018	
	(Rupees)	(%)	(Rupees)	(%)
Bank balances	12,665,296	94.78	10,492,014	95.14
Accrued income	697,277	5.22	535,945	4.86
	13,362,573	100	11,027,959	100

Above disclosure is based on unaudited financial statements of the provident fund for the year ended December 31, 2019.

34. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise major shareholders, key management personnel, employees' provident funds and companies with common directors. The transactions and balances with related parties, other than those disclosed elsewhere, are summarised as follows:

Relationship with the Company	Nature of transactions	December 31, 2019	December 31, 2018
		----- (Rupees) -----	
Parent company			
Shaheen Foundation - PAF	Premium written	38,138,802	47,416,596
Shaheen Foundation - PAF	Claim expense	8,012,119	3,899,623
Shaheen Foundation - PAF	Premium due but unpaid	54,769,383	67,329,890
Shaheen Foundation - PAF	Outstanding claims	1,455,576	889,609
Shaheen Foundation - PAF	Rent payable	-	303,186
Shaheen Foundation - PAF	Commission payable	14,031,814	14,031,814
Shaheen Foundation - PAF	Security deposits	3,317,246	2,517,537
Shaheen Foundation - PAF	Rental expense	15,307,427	11,203,994
Shaheen Foundation - PAF	Advertisement expenses	554,203	1,062,832
Contribution expense for PF trust	Contribution	2,462,664	1,859,739

34.1 Insurance and claim related transactions with related parties are carried in normal course of business.

34.2 Other transactions are at agreed terms.

35. MOVEMENT IN INVESTMENT

	Held to maturity	Available for sale	Fair value through P&L (Rupees)	Total
At beginning of previous year	50,227,086	50,039,805	336,236	100,603,127
Additions/ Reinvestment	33,386,458	2,131,335	-	35,517,793
Disposals (sale and redemptions)	(66,750,289)	-	-	(66,750,289)
Fair value net gains / (losses)	-	376,118	(236,700)	139,418
At beginning of current year	16,863,255	52,547,258	99,536	69,510,049
Additions/ Reinvestment	78,239,583	3,474,139	-	81,713,722
Disposals (sale and redemptions)	(16,863,255)	-	-	(16,863,255)
Fair value net gains / (losses)	-	1,735,712	41,271	1,776,983
At end of current year	78,239,583	57,757,109	140,807	136,137,499

36. EARNINGS PER SHARE - BASIC AND DILUTED

	December 31, 2019	December 31, 2018 (Restated)
Profit for the year (Rupees)	60,000,108	78,657,902
Weighted average number of ordinary shares of Rs. 10 each (Number)	60,000,000	60,000,000
Earnings per share (Rupees)	1.00	1.31

36.1 The company has not issued any instrument which would dilute its basic earnings per share when exercised.

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

37.1 Financial instruments by category

Financial assets

Loans and receivables

Loans and other receivables	10,828,408	14,978,317
Insurance/ reinsurance receivables	252,529,338	271,546,266
Reinsurance recoveries against outstanding claims	12,744,301	5,563,442
Salvage recoveries accrued	4,421,100	962,500
Deposits	5,722,957	8,682,203
Cash and bank balances	23,318,700	21,238,119
	309,564,804	322,970,847

Held to maturity

Investments - debt securities	78,239,583	16,863,255
Investments - term deposits	427,570,597	436,502,236
	505,810,180	453,365,491

Available for sale

Investments - equity securities (Mutual funds)	57,757,109	52,547,258
--	------------	------------

Fair value through P&L

Investments - equity securities (Summit bank)	140,807	99,536
	873,272,900	828,983,132

Financial liabilities

Other financial liabilities

Outstanding claims including IBNR	128,202,751	116,033,468
Lease liabilities	77,959,648	-
Insurance/ reinsurance payables	61,895,461	69,001,942
Other creditors and accruals	130,409,986	119,571,297
Unclaimed dividend	1,911,962	398,934
	400,379,808	305,005,641

37.2 Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management. The responsibility includes developing and monitoring the Company's risk management policies. To assist the Board in discharging its oversight responsibility, management has been made responsible for identifying, monitoring and managing the Company's financial risk exposures. The Company's exposure to the risks associated with the financial instruments and the risk management policies and procedures are summarized as follows:

37.2.1 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. The Company does not have any significant exposure to any single customer.

Credit risk of the Company arises principally from deposits, insurance/reinsurance receivables, loans and other receivables, held to maturity investments and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	December 31, 2019	December 31, 2018
	----- (Rupees) -----	
Loans and other receivables	10,828,408	14,978,317
Insurance/ reinsurance receivables	211,224,469	228,339,196
Reinsurance recoveries against outstanding claims	12,744,301	5,563,442
Salvage recoveries accrued	4,421,100	962,500
Deposits	5,722,957	8,682,203
Bank balances	23,023,770	21,086,360
	267,965,005	279,612,018

The Company did not hold any collateral against the above during the year.

The credit quality of loans, advances and other receivables can be assessed with reference to the historical performance and there are no defaults in recent history. General provision is made for receivables according to the Company's policies. The remaining past due balances were not impaired as they relate to a number of policy holders and other insurers / reinsurers for whom there is no history of default.

The age analysis of insurance receivables (Gross) from other than related parties is as follows:

	December 31, 2019	December 31, 2018
	----- (Rupees) -----	
Upto 1 year	49,142,667	62,201,327
1 - 2 years	20,165,184	23,986,510
2 - 3 years	24,989,697	7,558,216
Over 3 years	69,457,289	67,263,253
	163,754,837	161,009,306

The age analysis of receivables (Gross) from related parties is as follows:

Upto 1 year	10,846,293	40,978,527
1 - 2 years	23,965,760	26,351,363
2 - 3 years	12,657,579	-
	47,469,632	67,329,890

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

Bank	Rating agency	December 31, 2019	
		Short term	Long term
Soneri Bank Limited	PACRA	A1+	AA-
Allied Bank Limited	PACRA	A1+	AAA
Bank Al Falah Limited	PACRA	A1+	AA+
MCB Bank Limited	PACRA	A1+	AAA
Summit Bank Limited	JCR-VIS	Suspended	Suspended
Bank Al Habib Limited	PACRA	A1+	AA+

Bank	Rating agency	December 31, 2019	
		Short term	Long term
JS Bank Limited	PACRA	A1+	AA-
Bank Islami Limited	PACRA	A1	A+
The Bank of Punjab	PACRA	A1+	AA

The management monitors exposure to credit risk in premium receivable from customers through regular review of credit exposure and prudent estimates of provisions for doubtful receivables as disclosed in note 13.

The credit quality of premium receivable from co-insurer, and for commission and claim recoveries from reinsurer can be assessed from external ratings disclosed in note 39.

37.2.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or would have difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The following are the contractual maturities of financial liabilities, including interest payments, excluding the impact of netting agreements:

December 31, 2019				
	Within 1 year	2 - 5 years	More than 5 years	Total
	----- (Rupees) -----			
Financial liabilities				
Outstanding claims including IBNR	128,202,751	-	-	128,202,751
Insurance/ reinsurance payables	61,895,461	-	-	61,895,461
Lease liabilities	5,631,699	72,327,949	-	77,959,648
Other creditors and accruals	130,409,986	-	-	130,409,986
Unclaimed dividend	1,911,962	-	-	1,911,962
	328,051,859	72,327,949	-	400,379,808
December 31, 2018				
	Within 1 year	2 - 5 years	More than 5 years	Total
	----- (Rupees) -----			
Financial liabilities				
Outstanding claims including IBNR	116,033,468	-	-	116,033,468
Insurance/ reinsurance payables	69,001,942	-	-	69,001,942
Other creditors and accruals	119,571,297	-	-	119,571,297
Unclaimed dividend	398,934	-	-	398,934
	305,005,641	-	-	305,005,641

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 manages liquidity risk by maintaining sufficient cash and bank balances and term deposit receipts.

37.2.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect 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 optimizing returns.

37.2.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company invests in securities and has deposits that are subject to interest / mark-up rate risk. The Company limits interest / mark-up rate risk by monitoring changes in interest / mark-up rates in the currencies in which its cash and investments are denominated.

	Interest / Markup bearing			Non-interest / Non - markup bearing			
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	Total
<hr/>							
<div>(Rupees)</div> <hr/>							
FINANCIAL ASSETS							
Investments	505,810,180	-	505,810,180	57,897,916	-	57,897,916	563,708,096
Loans and other receivables	-	-	-	10,828,408	-	10,828,408	10,828,408
Insurance/ reinsurance receivables	-	-	-	252,529,338	-	252,529,338	252,529,338
Reinsurance recoveries against outstanding claims	-	-	-	12,744,301	-	12,744,301	12,744,301
Salvage recoveries accrued	-	-	-	4,421,100	-	4,421,100	4,421,100
Deposits	-	-	-	5,722,957	-	5,722,957	5,722,957
Cash and bank balances	14,464,811	-	14,464,811	8,853,889	-	8,853,889	23,318,700
December 31, 2019	520,274,991	-	520,274,991	352,997,909	-	352,997,909	873,272,900
<hr/>							
FINANCIAL LIABILITIES							
Outstanding claims including IBNR	-	-	-	128,202,751	-	128,202,751	128,202,751
Insurance/ reinsurance payables	-	-	-	61,895,461	-	61,895,461	61,895,461
Other creditors and accruals	-	-	-	130,409,986	-	130,409,986	130,409,986
Unclaimed dividend	-	-	-	1,911,962	-	1,911,962	1,911,962
Lease liabilities	5,631,699	72,327,949	77,959,648	-	-	-	77,959,648
December 31, 2019	5,631,699	72,327,949	77,959,648	322,420,160	-	322,420,160	400,379,808
<hr/>							
Interest risk sensitivity gap	514,643,292	(72,327,949)	442,315,343	30,577,749	-	30,577,749	472,893,092

37.2.3.2 Currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into are denominated in foreign currencies. The Company, at present is not materially exposed to currency risk as majority of the transactions are carried out in Pak Rupees.

37.2.3.3 Other price risk

Other price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's listed securities and mutual funds are susceptible to market price risk arising from uncertainties about the future value of investment securities and units. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity and mutual funds. In addition, the Company actively monitors the key factors that affect stock market, money market and term finance certificates market.

The following table summarises the Company's other price risk as of December 31, 2019 and 2018. It shows the effects of an estimated increase of 5% in the market prices as on those dates. A decrease of 5% in the fair values of the quoted securities would affect profit and equity of the Company in a similar but opposite manner.

	Price change	Fair value	Effect on fair value
	%	----- Rupees -----	
December 31, 2019	5%	57,897,916	2,894,896
December 31, 2018	5%	52,646,794	2,632,340

38. INSURANCE RISK

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

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

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, regular detailed review of claim handling procedures and frequent investigation of possible false claims to reduce the insurance risk.

Geographical concentration of insurance risk

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

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the commercial / industrial / residential occupation of the insured. Details regarding the fire separation / segregation with respect to the manufacturing processes, storage, utilities, etc are extracted from the layout plan of the insured facility. Such details are formed part of the reports which are made available to the underwriters / reinsurance personnel for their evaluation. Reference is made to the standard construction specifications as laid down by Insurance Association of Pakistan (IAP). For instance, the presence of Perfect Party Walls, Double Fire Proof Iron Doors, physical separation between the buildings within an insured's premises. It is basically the property contained within an area which is separated by another property by sufficient distance to confine insured damage from uncontrolled fire and explosion under the most adverse conditions to that one area.

Address look-up and geocoding is the essential field of the policy data interphase of IT systems. It provides instant location which is dependent on data collection provided under the policy schedule. All critical underwriting information is entered into the IT system / application through which a number of MIS reports can be generated to assess the concentration of risk.

The ability to manage catastrophic risk is tied to managing the density of risk within a particular area. A risk management solution is implemented to help assess and plan for risk in catastrophic scenarios. It provides a way to better visualize the risk exposures so the Company determines the appropriate amount of reinsurance coverage to protect the business portfolio.

For marine risks, complete underwriting details, besides sums insured and premiums, like vessel identification, voyage input (sea / air / inland transit), sailing dates, origin and destination of the shipments, per carry limits, etc. are entered into the IT system. The reinsurance module of the IT system is designed to satisfy the requirements as laid down in the non-proportional treaty agreement.

Shipment declarations are also endorsed on the policies. Respective reinsurance cessions are automatically made upon the posting of policy documents.

The voyage cards so maintained for the particular set of policies for a single vessel voyage are automatically logged into the system showing actual gross, treaty and net exposure, both in terms of sums insured and premiums.

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, surplus arrangements, and quota arrangement. The objective of having such arrangements is to mitigate adverse impacts of severe losses on the Company's net retentions. As all the reinsurance arrangements are on excess of loss basis, therefore the reinsurance coverage against the Company's risk exposures is not quantifiable.

Uncertainty in the estimation of future claims payment

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

An estimated amount of the claim is recorded immediately on the intimation to the Company. The estimation of the amount is based on management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims. For the estimation of provision of claims incurred but not reported (IBNR), the Company follows the recommendation of actuary to apply month wise factor based on analysis of the past claim reporting pattern. For this purpose, the claim chain-ladder method is used for each class of business. The month wise factor is applied on claims incurred to determine the amount of IBNR.

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 recognized amount. Similarly, the provision for IBNR is based on historic reporting pattern of the claims, hence actual amount of IBNR may differ from the amount estimated.

Key assumptions

The principal assumption underlying the liability estimation of IBNR and PDR 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. The internal factors such as portfolio mix, policy conditions and claim handling procedures are further used in this regard.

The assumed net off reinsurance loss ratios taken on the basis of current year analysis for each class of business are as follows:

Class	December 31, 2019	December 31, 2018
	Assumed net loss ratio	
	------(%)-----	
Fire and property	(0.36)	23.24
Marine, aviation and transport	8.73	(3.45)
Motor	40.37	32.70
Accident and health	74.69	73.46
Miscellaneous	22.65	(2.38)

Sensitivities

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, if the claims had (decreased) / increased by 10% with all other variables held constant, as at December 31, 2019 it would have increased / (decreased) the equity and profit or loss by Rs. 6.970 million (2018: Rs. 5.942 million)

39. REINSURANCE RISK

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

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

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

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Prepaid reinsurance premium ceded	December 31, 2019	December 31, 2018
Rating	----- (Rupees) -----				
A- or above including Pakistan Reinsurance Company Limited	78,281,078	-	4,981,670	83,262,748	78,125,221
BBB	3,756,278	17,165,401	-	20,921,679	10,044,559
Others	4,230,008	-	-	4,230,008	11,240,877
	86,267,364	17,165,401	4,981,670	108,414,435	99,410,657

40. CAPITAL RISK MANAGEMENT

The objective of the Company when managing capital, i.e.,

- its shareholders' equity is to safeguard its 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 currently meets the minimum paid up capital requirement of Rs. 500 million as required by the Securities and Exchange Commission of Pakistan.

41. FAIR VALUE OF FINANCIAL AND NON-FINANCIAL ASSETS

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. Consequently, difference may arise between the carrying values and the fair value estimates.

Fair value hierarchy

The following table provides an analysis of financial and non-financial assets that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

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

Following are the assets where fair value is only disclosed and is different from their carrying value:

	December 31, 2019			December 31, 2018		
	Fair value measurement using					
	Level - 1	Level - 2	Level - 3	Level - 1	Level - 2	Level - 3
	(Rupees)					
Financial investments						
- Available for sale	57,757,109	-	-	52,547,258	-	-
- Fair value through P&L	140,807	-	-	99,536	-	-
Non - financial investments						
- Investment properties	-	-	130,423,000	-	-	109,653,000

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements:

Description	Fair value	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Investment properties	130,423,000	yeild	5% to 6%	The higher the terminal yeild, the higher the fair value
		Expected rent growth rate	10%	The higher the rental growth rate, the higher the fair value
		Occupancy rate	90% to 95%	The higher the occupancy rate, the higher the fair value
		Rent free period	1 year on new leases	The higher the rent free period, the lower the fair value

The Company engages external, independent and qualified valuers to determine the fair value of the investment properties at the end of every financial year. As at 31 December 2019, the fair values of the investment properties have been determined by Anderson Consulting (Pvt.) Ltd and Industrial Consultants & Machinery Linkers (ICML). The last independent valuation of these land and buildings was performed as at 31 December 2018.

Available for sale investments are stated at market value in accordance with the requirements of the Insurance Rules, 2017 as disclosed in note 6.4.3 to these financial statements. Fair value through profit and loss investments are stated at quoted market prices as disclosed in notes 6.4.1. Further, investment properties are stated at market value as disclosed in note 6.6 to these financial statements.

		December 31, 2019 (Rupees)
42. STATEMENT OF SOLVENCY		
Assets		
Property plant and equipments		82,318,416
Investment property		130,423,000
Investments		
Equity securities		57,897,916
Debt securities		78,239,583
Term deposits		427,570,597
Loans and other receivables		10,828,408
Insurance / reinsurance receivables		252,529,338
Reinsurance recoveries against O/S claims		12,744,301
Salvage recoveries accrued		4,421,100
Deferred commission expense		26,394,193
Taxation payment less provision		1,096,139
Advance, deposits and prepayments		10,928,649
Cash & bank		23,318,700
Total assets of takaful operations - operator's fund		55,497,832
Total Assets (A)		1,174,208,172
In-admissible assets as per following clauses of section 32(2) of the Insurance Ordinance, 2000		
(d) Loan to employees		-
(h) Insurance / reinsurance receivables		140,211,478
(k) Security deposits & other receivables		5,722,957
(q) Investments		6,369,862
(U)-(i) Vehicles		6,502,277
(U)-(ii) Office equipments		1,181,870
(U)-(iii) Furniture and fixture		1,871,469
(U)-(iv) Computer equipment		450,169
(SRO) ROUA		72,312,631
Total assets of takaful operations - operator's fund		143,758
Total of In-admissible assets (B)		234,766,471
Total Admissible Assets (C=A-B)		939,441,701
Total Liabilities		
Underwriting provisions		
Outstanding claims including IBNR		128,202,751
Unearned premium reserves		133,134,440
Premium deficiency reserves		231,534
Unearned commission income		1,052,225
Insurance / reinsurance payables		61,895,461
Other creditors and accruals		146,205,383
Unclaimed dividend		1,911,962
Taxation - provision less payments		-
Total liabilities of takaful operations - operator's fund		2,503,068
Total Liabilities (D)		475,136,824
Total Net Admissible Assets (E=C-D)		464,304,877
Minimum Solvency Requirement (higher of following)		150,000,000
Method A - U/s 36(3)(a)	150,000,000	
Method B - U/s 36(3)(b)	72,394,798	
Method C - U/s 36(3)(c)	46,262,651	
Excess in Net Admissible Assets over Minimum Requirements		314,304,877

41. NUMBER OF EMPLOYEES

	December 31, 2019	December 31, 2018
	----- No. of employees -----	
Total employees of the Company at the year end	<u>125</u>	<u>128</u>
Average employees of the Company during the year	<u>128</u>	<u>130</u>

44. SUBSEQUENT EVENTS


The Board of Directors proposed a final dividend for the year ended December 31, 2019 of Rs. Nil per share (2018: Rs. 0.25 per share) amounting to Rs. Nil (2018: Rs. 15 million) at their meeting held on May 06, 2020 for approval of members at the Annual General Meeting. These financial statements do not reflect this dividend payable which will be accounted for in the period in which it is approved.


44.1 NON ADJUSTING EVENTS

The COVID-19 coronavirus is a tragedy of currently unknowable proportions, bringing devastating consequences for individuals, families and communities far beyond its epicentre. As well as the immeasurable social impact, the spread of the virus since early January is affecting business and economic activity, with flow-on implications for financial reporting. For financial statements for the year ended December 31, 2019, there is no visible financial impact and as per requirements of IAS 10 "Events after the Reporting Period", the development and spread of the virus subsequent to 31 December 2019 is a non-adjusting event.

45. GENERAL

- 45.1** These financial statements were approved and authorised for issue in the Board of Directors meeting held on May 06, 2020.
- 45.2** The figures have been rounded off to the nearest rupee.
- 45.3** Comparative figures have been re-arranged and re-classified for the purpose of better presentation, the effect of which is not material.


Air Commodore Ahsan Muhammad
Khan (Retd.) Director


Air Commodore Humayun Viqar
Zephyr (Retd.) Director


Sohail N. Kidwai
Chief Executive Officer


Nisar Ahmed Almani
Chief Financial Officer



Window Takaful Operations Financial Statements



Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the members of **SHAHEEN INSURANCE COMPANY LIMITED**

Report on the Audit of Financial Statements of Window Takaful Operations

We have audited the annexed financial statements of **Shaheen Insurance Company Limited - Window Takaful Operations** (the "Operation"), which comprise the statement of financial position as at December 31, 2019, the statement of profit and loss, the statement of changes in funds and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit and loss, the statement of changes in funds and the statement of cash flows together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 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 Operation's affairs as at December 31, 2019 and of the profit and loss, the changes in fund and its cash flows for the year then ended.

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 Operation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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 auditor's report thereon.

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

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 not been provided with this information and therefore we do not report in this regard.

Responsibility 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 the Companies Act, 2017 (XIX of 2017), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Board of directors are responsible for overseeing the Operation'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 Operation'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 Operation'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 Operation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

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

- a) proper books of account have been kept by the Operation as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit and loss, the statement of changes in fund and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and 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 operation'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 Hena Sadiq.

Chartered Accountants

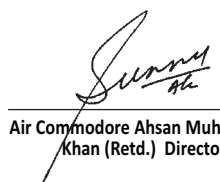
Date: May 19, 2020

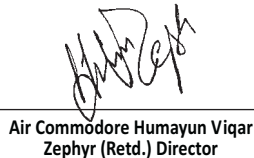
Place: Karachi

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2019

		Operator's Fund (OPF)		Participants' Takaful Fund (PTF)	
		2019	2018	2019	2018
	Note	-----Rupees -----			
ASSETS					
Qard-e-Hasna to Participants' Takaful Fund	5	-	1,653,750	-	-
Property and equipment - OPF	6	11,807	20,139	-	-
Intangible assets - OPF	7	94,455	161,115	-	-
Investments in TDRs	8	47,000,000	45,000,000	-	-
Other receivables	9	1,266,027	453,517	38,581	25,038
Takaful / retakaful receivables	10	-	-	934,221	2,522,871
Receivable from PTF	11	345,976	1,127,323	-	-
Deferred wakala fee		-	-	1,392,456	1,174,418
Deferred commission		770,811	735,604	-	-
Prepayments	12	1,098,364	195,865	-	-
Cash and bank	13	4,910,392	2,734,577	3,878,964	4,235,378
		55,497,832	50,428,140	6,244,222	7,957,705
TOTAL ASSETS		55,497,832	52,081,890	6,244,222	7,957,705
EQUITY AND LIABILITIES					
Operator's fund					
Statutory fund		50,000,000	50,000,000	-	-
Accumulated profit / (loss)		2,994,764	(226,869)	-	-
Total OPF's equity		52,994,764	49,773,131	-	-
Waqf / Participants' takaful fund					
Ceded money		-	-	500,000	500,000
Accumulated loss		-	-	(9,530,365)	(3,683,430)
Total PTF's equity		-	-	(9,030,365)	(3,183,430)
Qard-e-hasna from Operator's fund		-	-	-	1,653,750
LIABILITIES					
Underwriting provisions					
Outstanding claims including IBNR		-	-	2,513,667	1,149,688
Unearned contribution reserve		-	-	3,892,234	3,314,877
Unearned wakala fees		1,392,456	1,174,418	-	-
Takaful / retakaful payables	14	-	-	8,268,732	3,307,483
Payable to OPF	15	-	-	345,976	1,127,323
Other creditors and accruals	16	1,110,612	1,134,341	253,978	588,014
		2,503,068	2,308,759	15,274,587	9,487,385
TOTAL FUND AND LIABILITIES		55,497,832	52,081,890	6,244,222	7,957,705
Contingencies and commitments					
	17				

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


Air Commodore Ahsan Muhammad
Khan (Retd.) Director


Air Commodore Humayun Viqar
Zephyr (Retd.) Director


Sohail N. Kidwai
Chief Executive Officer


Nisar Ahmed Almani
Chief Financial Officer

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 2019

April 1, 2018 to

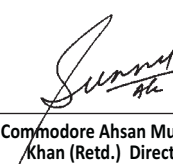
		December 31, 2019	December 31, 2018
	Note	-----Rupees-----	
PTF revenue account			
Contribution earned	18	6,603,257	3,635,710
Less: Wakala expense	19	<u>(2,404,774)</u>	<u>(1,217,318)</u>
		4,198,483	2,418,392
Contribution ceded to re-takaful		<u>(6,615,000)</u>	<u>(4,961,250)</u>
Underwriting result		(2,416,517)	(2,542,858)
Net claims	20	(3,706,178)	(1,172,158)
Direct expenses	21	-	(39,762)
Deficit before investment income		<u>(6,122,695)</u>	<u>(3,754,778)</u>
Other income	25	275,760	118,914
Less: Modarib's fee	27	-	(47,566)
Loss for the year / period		<u><u>(5,846,935)</u></u>	<u><u>(3,683,430)</u></u>
Operator's revenue account			
Wakala fee	19	2,404,774	1,217,318
Commission expenses	22	(1,290,518)	(797,945)
Management expenses	23	<u>(3,143,872)</u>	<u>(2,660,526)</u>
		(2,029,616)	(2,241,153)
Modarib's fee	27	-	47,566
Other expenses	24	(405,923)	(1,276,606)
Investment Income	26	5,647,475	3,210,280
Other income	25	<u>9,697</u>	<u>33,044</u>
Profit / (loss) for the year / period		<u><u>3,221,633</u></u>	<u><u>(226,869)</u></u>

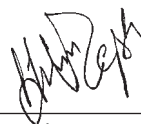
The annexed notes from 1 to 35 form an integral part of these financial statements.

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

	Operator's fund (OPF)		Participants' Takaful fund (PTF)	
	December 31, 2019	December 31, 2018	December 31, 2019	April 1, to December 31, 2018
	----- Rupees -----			
OPERATING ACTIVITIES				
a) Takaful activities				
Contribution received	-	-	8,769,264	4,427,716
Re-takaful contributions paid	-	-	(1,653,751)	(1,653,767)
Claims paid	-	-	(2,342,199)	(22,470)
Commissions paid	(1,383,329)	(1,006,408)	-	-
Wakala fees received	3,404,159	1,311,979	-	-
Wakala fees paid	-	-	(3,404,159)	(1,311,979)
Net cash generated from underwriting activities	2,020,830	305,571	1,369,155	1,439,500
b) Other operating activities				
Management and other expenses paid	(3,474,803)	(3,893,386)	-	(39,762)
Prepayments	(902,499)	(649,382)	-	(25,038)
Other receivables	(812,510)	607,200	(13,543)	588,014
Other creditors and accruals	33,875	-	(334,036)	-
Net cash used in / generated from other operating activities	(5,155,937)	(3,935,568)	(347,579)	523,214
Total cash (used in) / generated from operating activities	A (3,135,107)	(3,629,997)	1,021,576	1,962,714
INVESTING ACTIVITIES				
Investment income received	5,657,172	3,243,324	275,760	118,914
Addition to fixed assets	-	(25,000)	-	-
Addition to intangibles	-	(200,000)	-	-
Total cash generated from investing activities	B 5,657,172	3,018,324	275,760	118,914
FINANCING ACTIVITIES				
Capital injected during the period	-	50,000,000	-	-
Ceded money to waqf fund	-	-	-	500,000
Qard-e-hasna received / (paid)	1,653,750	(1,653,750)	(1,653,750)	1,653,750
Total cash (used in) / generated from financing activities	C 1,653,750	48,346,250	(1,653,750)	2,153,750
Net (decrease) / increase in cash and cash equivalents	A+B+C 4,175,815	47,734,577	(356,414)	4,235,378
Cash and cash equivalents at the beginning of the year / period	47,734,577	-	4,235,378	-
Cash and cash equivalents at end of the year / period	51,910,392	47,734,577	3,878,964	4,235,378
Reconciliation to statement of profit and loss				
Operating cash flows	(3,135,107)	3,616,464	1,021,576	(5,283,747)
Increase in assets other than cash	968,869	4,006,912	(1,357,069)	2,227,724
Increase in liabilities	(194,309)	(9,487,385)	(5,787,202)	(2,308,759)
Depreciation / amortisation expense	(74,992)	-	-	(43,746)
Investment and other income - net	5,657,172	3,290,890	275,760	71,348
Qard-e-hasna contributions	-	(1,653,750)	-	1,653,750
Surplus / (deficit) for the year / period	3,221,633	(226,869)	(5,846,935)	(3,683,430)

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


Air Commodore Ahsan Muhammad
Khan (Retd.) Director


Air Commodore Humayun Viqar
Zephyr (Retd.) Director


Sohail N. Kidwai
Chief Executive Officer



Nisar Ahmed Almani
Chief Financial Officer


STATEMENT OF CHANGES IN FUND FOR THE YEAR ENDED DECEMBER 31, 2019

	Operator's Fund		
	Statutory fund	Accumulated profit / (loss)	Total
	-----Rupees-----		
Balance as at March 20, 2018	-	-	-
Capital injected	50,000,000	-	50,000,000
Loss for the period ended December 31, 2018	-	(226,869)	(226,869)
Balance as at December 31, 2018	50,000,000	(226,869)	49,773,131
Profit for the year ended December 31, 2019	-	3,221,633	3,221,633
Balance as at December 31, 2019	50,000,000	2,994,764	52,994,764

	Participants' Takaful Fund		
	Cede Money	Accumulated loss	Total
	-----Rupees-----		
Balance as at March 20, 2018	-	-	-
Ceded during the period	500,000	-	500,000
Loss for the period ended December 31, 2018	-	(3,683,430)	(3,683,430)
Balance as at December 31, 2018	500,000	(3,683,430)	(3,183,430)
Loss for the year ended December 31, 2019	-	(5,846,935)	(5,846,935)
Balance as at December 31, 2019	500,000	(9,530,365)	(9,030,365)

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


Air Commodore Ahsan Muhammad
Khan (Retd.) Director


Air Commodore Humayun Viqar
Zephyr (Retd.) Director


Sohail N. Kidwai
Chief Executive Officer


Nisar Ahmed Almani
Chief Financial Officer

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

1. STATUS AND NATURE OF BUSINESS

Shaheen Insurance Company Limited (the Operator) has been authorised to undertake Window Takaful Operations (WTO) on March 14, 2018 by Securities and Exchange Commission of Pakistan (SECP) under SECP Takaful Rules, 2012 to carry on General Window Takaful Operations in Pakistan.

For the purpose of carrying on the Takaful business, the Operator has formed a Waqf (Participants' Takaful Fund (PTF)) on March 20, 2018 under the Waqf Deed with a Cede money of Rs. 500,000. The Waqf Deed and PTF Policies (Waqf Rules) govern the relationship of Operator, Waqf and Participants for management of Takaful operations, investment of Waqf and Operator's Fund as approved by the Shariah Advisor of the Operator. The accounts of the Waqf are maintained by the Operator in a manner that the assets and liabilities of Waqf remain separately identifiable. The financial statements of the Operator are prepared in such a manner that the financial position and results from the operations of Waqf and the Operator are shown separately.

2. STATEMENT OF COMPLIANCE

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

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

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

3. BASIS OF PRESENTATION

The SECP wide its S.R.O. 992(I) / 2018 dated August 08, 2018 has notified the General Takaful Accounting Regulations, 2018 which has the prescribed format of the presentation of annual financial statements for takaful operations of insurance companies. These financial statements have been prepared in accordance with the format prescribed by the SECP.

3.1 Basis of measurement

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

3.2 Functional and presentation currency

These financial statements are presented in Pak Rupees which is also the Company's functional currency.

3.3 New accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2019

The following standards, amendments and interpretations are effective for the year ended December 31, 2019. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

- 3.3.1** IFRS 9 'Financial Instruments' and amendment (effective for period ending on or after June 30, 2019) replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It has also carried forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Further, IFRS 4 provides two alternative options in relation to application of IFRS 9 for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from the effective date to remove from the statement of profit and loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied. The Company has adopted the temporary exemption which allows the Company to defer the application of IFRS 9 until December 31, 2021.

For the companies adopting the temporary exemption, the IFRS 4 requires certain disclosures which have been disclosed as follows:

3.3.2 Temporary exemption from application of IFRS 9

As an insurance company, the management has opted temporary exemption from the application of IFRS 9 as allowed by the International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance.

Effective from accounting period beginning on or after:

IFRS 16 'Leases': This standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date.	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019

**Effective from accounting period
beginning on or after:**

Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 issued in the Annual Improvement Cycle 2015-2017. January 01, 2019

Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities. January 01, 2019

IFRIC 23 'Uncertainty over Income Tax Treatments' Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. January 01, 2019

Certain annual improvements have also been made to a number of IFRSs.

3.4 New accounting standards and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

**Effective from accounting
period beginning on or after:**

Amendments to the Conceptual Framework for Financial Reporting, including amendments to references to the Conceptual Framework in IFRS Standards January 01, 2020

Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business January 01, 2020

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material January 01, 2020

Amendments to IAS 39, IFRS 7 and IFRS 9 – The amendments will affect entities that apply the hedge accounting requirements of IFRS 9 or IAS 39 to hedging relationships directly affected by the interest rate benchmark reform. January 01, 2020

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture The IASB decided in December 2015 to defer indefinitely the effective date of these amendments.

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

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

3.5 Use of estimates and judgments

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

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only the period of the revision and future period if the revision affects both current and future periods.

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

- Estimation of technical reserves and underlying actuarial assumption
- Provision for claims
- Fixed assets - useful lives and salvage value
- Impairment of assets
- Provisions

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Since the Operator started its WTO from April 1, 2018 so last year's statement of profit and loss is not for full year and therefore, comparative figures are not comparable.

The accounting policies and the methods of computation adopted in the preparation of these financial statements are as under:

4.1 Takaful contracts

Takaful model is based on the principles of Wakala and Waqf. Takaful contracts are centered around the concepts of Ta'awun (mutual cooperation) and Tabarru (donation) with the overall objective of compensating losses on mutual cooperation basis. For achieving the above objectives, a separate Waqf is formed which owns Participants Takaful Fund (PTF) whereby Participants' contributions, net of government taxes (if any) received from its members (participants/policyholders) are credited. The Operator donates the cede money for the formation of Waqf in its separate capacity and acts as a Wakeel (Agent) against wakala fees for the services rendered. By virtue of being PTF members, the PMDholders are provided membership benefits if a specified uncertain future event related to the covered benefits occurs which adversely affect the PMDholders.

The Operator underwrites non-life Takaful membership benefits that can be categorized into Fire and Property Damage, Marine, Aviation and Transport, Motor, Accident and Health and Miscellaneous contracts as per Waqf Deed and Rules. PTF membership tenure may be agreed for a fixed term of one year, or less than one year. However, most of the membership tenures are for twelve months duration.

Fire takaful provides coverage against damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and other related perils.

Marine, aviation and transport takaful provides coverage against cargo risk, terminals, damages occurred in between the points of origin and final destination and other related perils.

Motor takaful provides comprehensive car coverage, indemnity against third party loss and other related covers.

Health takaful provides basic hospital care and major medical care including maternity care and outpatient care.

Miscellaneous takaful provides cover against burglary, loss of cash in safe and cash in transit, money, engineering losses, travel and other coverage.

These membership contracts are provided to individuals as well as commercial organizations with various tenures according to the nature and terms of the contract and the needs of the member.

4.2 Membership contribution

Members contribute in the form of donation to PTF. Once donated to PTF, members cannot claim the amount contributed. In order to determine the performance of PTF for a given time period, contribution is recognised on accrual basis.

Membership contribution net of Wakala fee under a policy is recognised over the period of Takaful coverage from the date of inception of the membership Document to which it relates to its expiry evenly over the period of the PMD.

Administrative surcharge is recognised as contribution at the date of inception of membership policy to which it relates and agreed with the members in schedules. Contribution due but unpaid represents the amount due from participants on account of PTF membership. These are recognised at cost, which is the fair value of the contribution to be received less provision for any impairment, if any.

4.3 Unexpired membership contribution related to takaful benefits

PTF membership contribution relating to the unexpired period of takaful coverage is recognised as unearned contribution. This liability of the PTF is calculated by applying the 1/24 method as specified in the SEC (Insurance) Rules, 2002.

Wakala fee on the portion of membership contribution relating to the unexpired period of takaful coverage is recognised as unearned Wakala fee by the Operator. This liability of the Operator is calculated by applying the aforesaid 1/24 method.

The related deferred portion of re-takaful contribution is recognised as a prepayment calculated by using the aforesaid 1/24 method.

4.4 Receivables and payables related to takaful coverage

Receivables and payables relating to takaful coverage are recognised when due. These include contribution due but unpaid and claims payable to PTF members/policyholders. If there is objective evidence that any contribution due but unpaid is impaired, the Operator reduces the carrying amount of that membership contribution receivable in PTF statement and reduces equivalent Wakala fee from the statement of profit and loss.

4.5 Re-takaful contracts held

The Operator, on behalf of PTF, enters into re-takaful arrangements in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward re-takaful contribution is accounted for in the same period as the related contribution for the direct or accepted re-takaful business being ceded to re-takaful operator.

Re-takaful coverage is recognised as per respective re-takaful arrangement in the period of coverage. The unexpired portion of re-takaful contribution is shown as prepayment in PTF accounts which is calculated in the same manner as of unearned contribution.

Re-takaful liabilities represent balances due to re-takaful companies. Amounts payable are calculated in a manner consistent with the related re-takaful arrangement. Re-takaful assets represent balances due from re-takaful companies in PTF accounts. Amounts recoverable from re-takaful operators are calculated in a manner consistent with the provision for outstanding claims or settled claims associated with the re-takaful policies and are in accordance with the related re-takaful arrangements.

Amount due from other takaful/re-takaful are carried at cost less provision for impairment, if any. If there is objective evidence that the amount due from re-takaful is impaired, the Operator reduces the carrying amount of the re-takaful receivable to its recoverable amount and recognizes that impairment loss in the PTF statement.

4.6 Provision for outstanding claims including incurred but not reported (IBNR)

A liability for outstanding claims is recognised in respect of all claims incurred as at the reporting date which represents the estimates of the claims intimated or assessed before the end of the accounting year and are measured at the undiscounted value of expected future payments.

The actuary uses statistical methods to incorporate the various assumptions made in order to estimate the ultimate cost of claims. The method used is the chain-ladder method which involves the analysis of historic claims development factors and the selection of estimated development factors based on the historic pattern. The selected development factors are then applied to cumulative claims data for each accident year. Study of claim lag pattern is conducted annually to account for any changes in experience. The development factors are based on these studies and are updated accordingly. Adequate margins are also built in to compensate for any adverse deviations in claims experience.

The actuary recommends that month wise factor based on an analysis of the past claims reporting pattern be applied to estimation of provision for IBNR. The historic chain-ladder method is used for determination of month wise factor for each class of business. Accordingly, provision has been made based on IBNR factors applied on incurred claims recommended by the actuary.

4.7 Claims

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

The Operator recognizes liability in respect of all claims incurred but not paid up to the reporting date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in a PTF membership Document. The liability for claims includes amounts relating to unpaid reported claims; claims incurred but not reported (IBNR) and expected claims settlement costs.

The provision for claims incurred but not reported (IBNR) is made at the reporting date in accordance with the advice of appointed actuary.

4.8 Re-takaful recoveries against outstanding claims

Claims recoveries receivable from re-takaful operators are recognised as an asset in PTF accounts 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.

4.9 Commissions

Commission expense and other acquisition costs are charged to the statement of profit and loss at the time the PMDs are accepted. Commission income from re-takaful operators is recognised on a quarterly basis as per terms and conditions agreed with the re-takaful operators. These are deferred and brought to account as income in accordance with the pattern of recognition of the contribution to which they relate.

4.10 Wakala & Mudarib fees

The Operator manages the PTF operations for the participants and charges a percentage of gross membership contribution including administrative surcharge as Wakala fee against the services. Wakala fee is recognised on the same basis on which the related contribution is recognised. Unexpired portion of Wakala fee is recognised as a liability of the Operator and an asset of PTF.

4.11 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 the future for goods and 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, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.12 Takaful surplus

PTF surplus, if any, is attributable to the participants, after settlement of all claims and liabilities, is calculated after charging all direct cost and setting aside various reserves.

4.13 Qard-e-hasna

Qard-e-Hasna is provided by Operator to the PTF in case of deficit to keep it solvent. Operator would recover this Qard amount without any additional profit from the PTF once PTF recovers and is in surplus.

4.14 Revenue recognition

i) Underwriting result

The earned contribution less reinsurance, claims, commission and other acquisition cost and allocable expenses of management are reflected in the statement of profit and loss as the underwriting result for each class of takaful business undertaken.

ii) Investment income

Profit on investments, profit on profit and loss sharing accounts and bank deposits are recognised on accrual basis.

4.15 Cash and cash equivalents

Cash and cash equivalents consist of cash, cheques and stamp in hand, balances with bank, short term deposits maturing within twelve months of the year end and liquid short term investments that are convertible to known amount of cash and are subject to insignificant risk of change in value.

4.16 Financial instruments

All the financial assets and liabilities are recognised at the time when the Operator or PTF becomes a party to the contractual provisions of the instrument and de-recognised when the Operator or PTF loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of financial assets and financial liabilities is taken to income directly.

4.17 Investments

All investments are initially recognised at cost, being the fair value of the consideration given and include transaction costs, except for investment at fair value through profit or loss in which case transaction costs are charged to the statement of profit and loss. All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Operator commits to purchase or sell the investment. Subsequently, these are recognised and classified as follows:

4.17.1 At fair value through profit or loss - held for trading

These are classified as 'at fair value through profit or loss' if (a) acquired or incurred principally for the purpose of selling or re-purchasing in the near term; (b) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking; or (c) a derivative (except for a derivative that is a designated and effective hedging instrument).

Upon initial recognition these are designated by the Operator as 'at fair value through profit or loss' except for equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. At subsequent reporting dates, these investments are measured at fair value and any gains, and losses arising from the changes in fair value are included in the statement of profit and loss for the period in which they arise.

4.17.2 Held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Operator has the positive intent and ability to hold to maturity other than at fair value through profit or loss, available for sale and loans and receivables.

Held to maturity investments are subsequently measured at amortised cost using the effective interest method.

Gain or loss is also recognised in the statement of profit and loss when held to maturity investments are derecognised or impaired, and through the amortization process.

4.17.3 Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not (a) loans and receivables, (b) held to maturity investments, or (c) financial assets at fair value through profit or loss.

Quoted investments are initially recognised at cost inclusive of transaction costs. Unquoted investments are recorded at cost less impairment, if any.

Changes in the fair value of financial instruments classified as available-for-sale are recognised in other comprehensive income until derecognised or impaired, when the accumulated adjustments recognised in other comprehensive income are included in the statement of profit and loss.

Unquoted investments are carried at cost less impairment in value, if any. Investments other than shares are stated at their principal amounts less provision for amounts considered doubtful.

4.17.4 Impairment

The carrying amounts of assets are reviewed to determine whether there is any indication of impairment. If such indication exists the recoverable amount of the asset is estimated. An impairment loss is recognised wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised in the statement of profit and loss.

4.17.5 De-recognition

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

4.18 Fixed assets

4.18.1 These are stated at cost less accumulated depreciation / amortization and impairment, if any. Depreciation is charged over the estimated useful life of the asset on a systematic basis to income applying straight line method. Depreciation is charged from the month the asset is available for intended use. No depreciation is charged from the month of disposal of the asset.

Rates of depreciation:

• Furniture and fixtures	10%
• Computer equipment	33.3%
• Office and electrical equipment	15 - 20%
• Motor vehicles	20%

Normal repairs and maintenance are charged to the statement of profit and loss as and when incurred; major renewals and replacements are capitalized.

Gain or loss on disposal of fixed assets is taken to the statement of profit and loss.

4.19 Intangibles

These are stated at cost less accumulated amortisation and impairment loss, if any. Amortisation is charged over the estimated useful life of the asset on a systematic basis to income applying the straight line method at the rates specified in note 7 to the financial statements.

The carrying amounts are reviewed at each reporting date to assess whether these are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets are written down to their estimated recoverable amounts.

4.20 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the financial statements only when there is legally enforceable right to set off the recognised amount and the Operator intends either to settle on a net basis or realize the assets and settle the liabilities simultaneously.

4.21 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. Takaful Rules 2012 and the Insurance Rules, 2017 as the primary reporting format.

The Operator has five primary business segments for reporting purposes namely, fire and property damage, marine, motor, accident, health and miscellaneous. The nature and business activities of these segments are disclosed in note 4.1.

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

4.22 Contribution deficiency reserve

According to the requirements of the Insurance Rules, 2017, a contribution deficiency reserve needs to be created where the unearned contribution for any class of business is not sufficient to cover the liability after re-takaful from claims, and other supplementary expenses expected to be incurred after the reporting date in respect of the policies in that class of business. Any movement in the reserve is to be charged to the statement of profit and loss.

For this purpose, loss ratios for each class, excluding health 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. The liability of contribution deficiency in relation to Health and Personal accident takaful is calculated in accordance with the advice of actuary.

As at year end, a provision is created in respect of contribution deficiency reserve for those classes of business where it is estimated that the unearned contribution for that class will not be sufficient to provide for the expected losses and expenses attributable to the unexpired periods of policies in force at the reporting date.

	December 31, 2019	December 31, 2018
	-----Rupees-----	
5. QARD-E-HASNA TO PARTICIPANTS' TAKAFUL FUND		
Opening balance of Qard-e-Hasna	1,653,750	-
Qard-e-Hasna transferred from OPF during the year	-	1,653,750
Qard-e-Hasna returned by PTF during the year	(1,653,750)	-
Closing balance of Qard-e-Hasna	-	1,653,750

6. PROPERTY AND EQUIPMENT - OPF

2019						
Particulars	Cost		Depreciation		Written down value as at 31 December	Depreciation Rate %
	As at 1 January	Addition / (Disposals)	As at 31 December	As at 1 January	As at 31 December	
Computer hardware	25,000	-	25,000	4,861	8,332	33.33
					11,807	
2018						
Particulars	Cost		Depreciation		Written down value as at 31 December	Depreciation Rate %
	As at 1 January	Addition / (Disposals)	As at 31 December	As at 1 January	As at 31 December	
Computer hardware	-	25,000	25,000	-	4,861	33.33



7. INTANGIBLE ASSETS - OPF

2019							
		Cost -----		Depreciation -----			
Particulars	As at 1 January	Addition / (Disposals)	As at 31 December	As at 1 January	Amortisation for the year	As at 31 December	Written down value as at 31 December
							Amortisation Rate %
----- (Rupees) -----							
Computer software	200,000	-	200,000	38,885	66,660	105,545	94,455
							33.33

2018							
		Cost -----		Depreciation -----			
Particulars	As at 1 January	Addition / (Disposals)	As at 31 December	As at 1 January	Amortisation for the year	As at 31 December	Written down value as at 31 December
							Amortisation Rate %
----- (Rupees) -----							
Computer software	-	200,000	200,000	-	38,885	38,885	161,115
							33.33

		OPF		PTF	
		2019	2018	2019	2018
		-----Rupees-----			
8.	INVESTMENTS IN TDRS				
	Held to maturity				
	Deposits maturing within 12 months	8.1	47,000,000	45,000,000	-

8.1 This includes term deposits with an Islamic Bank having maturity within 12 months (i.e. upto January 30, 2020). The rate of return on these term deposits is 11.9% (2018: 10.5%) per annum.

	OPF		PTF	
	2019	2018	2019	2018
	-----Rupees-----			
9. OTHER RECEIVABLES				
Sindh sales tax receivable	296,000	117,800	-	-
Accrued profit on bank deposits	770,027	335,717	20,618	25,038
Advance commission	200,000	-	-	-
GST receivable claims	-	-	17,963	-
	1,266,027	453,517	38,581	25,038

10. TAKAFUL / RETAKAFUL RECEIVABLES
- Unsecured and considered good

Contribution due but unpaid			333,840	248,772
Due from other takaful / retakaful			<u>600,381</u>	<u>2,274,099</u>
			<u>934,221</u>	<u>2,522,871</u>

11. RECEIVABLE FROM PTF

Wakala fee	298,410	1,079,757
Modarib fee	<u>47,566</u>	<u>47,566</u>
	<u>345,976</u>	<u>1,127,323</u>

12. PREPAYMENTS

Advance tax	12.1	768,364	195,865	-	-
Others		<u>330,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>1,098,364</u>	<u>195,865</u>	<u>-</u>	<u>-</u>

12.1 This includes tax deducted on profit on savings accounts.

13. CASH AND BANK

Cash at bank					
Savings account	13.1	<u>4,910,392</u>	<u>2,734,577</u>	<u>3,878,964</u>	<u>4,235,378</u>
		<u>4,910,392</u>	<u>2,734,577</u>	<u>3,878,964</u>	<u>4,235,378</u>

13.1 These carry mark-up at rates ranging between 10.5% to 13% (2018:5.5% to 8.5%) per annum.

	December 31, 2019	December 31, 2018
	-----Rupees-----	

14. TAKAFUL / RETAKAFUL PAYABLES

Payable to re-takaful	8,268,732	3,307,483
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15. PAYABLE TO OPF

Wakala fee	298,410	1,079,757
Modarib fee	47,566	47,566
	345,976	1,127,323

	OPF		PTF	
	2019	2018	2019	2018
	-----Rupees-----			

16. OTHER CREDITORS AND ACCRUALS

Federal Takaful fee	-	-	9,361	34,110
FED payable	-	-	176,566	531,544
Sales tax on services	-	-	68,051	22,360
Commission payable	469,537	527,141	-	-
Auditors' fee	291,250	298,750	-	-
Others	349,825	308,450	-	-
	1,110,612	1,134,341	253,978	588,014

17. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as on December 31, 2019.

	December 31, 2019	April 1, 2018 to December 31, 2018
	-----Rupees-----	

18. CONTRIBUTION EARNED

Written gross contribution	7,180,614	6,950,587
Add: Unearned contribution reserve opening	3,314,877	-
Less: Unearned contribution reserve closing	(3,892,234)	(3,314,877)
Contribution earned	6,603,257	3,635,710

	Contribution written	Unearned contribution reserve		Contribution earned	Retakaful ceded	Retakaful expense	Net contribution
		Opening	Closing				
	----- Rupees -----						
Fire & Property	1,018,938	1,381,337	789,088	1,611,187	2,898,000	2,898,000	(1,286,813)
Marine, Aviation & Transport	493,004	51,712	199,642	345,074	1,656,000	1,656,000	(1,310,926)
Motor	5,961,302	1,717,285	2,916,102	4,762,485	1,440,000	1,440,000	3,322,485
Miscellaneous	(292,630)	164,543	(12,598)	(115,489)	621,000	621,000	(736,489)
	7,180,614	3,314,877	3,892,234	6,603,257	6,615,000	6,615,000	(11,743)

19. WAKALA EXPENSE

The shareholders of the company manage the general takaful operations for the participants and charges 30% for fire, 30% for marine, 40% for motor, 20% for health and 35% for miscellaneous of the gross contribution written as wakala fee against the services.

	December 31, 2019	April 1, 2018 to December 31, 2018
	-----Rupees-----	
Gross wakala fee	2,622,812	2,391,736
Add: Deferred wakala opening	1,174,418	-
Less: Deferred wakala closing	(1,392,456)	(1,174,418)
Wakala expense	2,404,774	1,217,318

20. NET CLAIMS

Claims paid	2,342,199	22,470
Less: Outstanding claims including IBNR opening	(1,149,688)	-
Add: Outstanding claims including IBNR closing	2,513,667	1,149,688
Claims expense	3,706,178	1,172,158

	Claims	Provision for outstanding		Claim	Retakaful & other recoveries		Net
	paid	Opening	Closing	expense	Opening	Closing	claim expense
	-----Rupees-----						
Fire & Property	-	7,577	168,696	161,119	-	-	161,119
Marine, Aviation & Transport	-	-	36,189	36,189	-	-	36,189
Motor	2,772,999	772,009	1,931,060	3,932,050	-	530,000	3,402,050
Miscellaneous	99,200	370,102	377,722	106,820	-	-	106,820
	2,872,199	1,149,688	2,513,667	4,236,178	-	530,000	3,706,178

21. DIRECT EXPENSES

	Note	December 31, 2019	April 1, 2018 to December 31, 2018
		-----Rupees-----	
Co-takaful surcharge	21.1	-	39,762

21.1 This is the service charges deducted by co-takaful at 2.5% of gross contribution revenue on PMDs in which the WTO is a co-takaful.

22. COMMISSION EXPENSE

	December 31, 2019	April 1, 2018 to December 31, 2018
	-----Rupees-----	
Commission paid or payable	1,325,725	1,533,549
Add: Deferred commission opening	735,604	-
Less: Deferred commission closing	(770,811)	(735,604)
Commission expense	1,290,518	797,945

April 1, 2018
to
December 31, 2018
-----Rupees-----

23. MANAGEMENT EXPENSES

Salaries, wages and benefits	910,200	897,400
Travelling and entertainment	-	213,305
Depreciation / amortization	74,992	43,746
Shariah advisory fee	1,133,340	822,755
Software maintenance	990,000	660,000
Others	35,340	23,320
	<u>3,143,872</u>	<u>2,660,526</u>

24. OTHER EXPENSES

Auditor's remuneration	373,750	373,750
Printing and stationery	27,940	894,800
Others	4,233	8,056
	<u>405,923</u>	<u>1,276,606</u>

OPF		PTF	
December 31, 2019	April 1, 2018 to December 31, 2018	December 31, 2019	April 1, 2018 to December 31, 2018
-----Rupees-----			

25. OTHER INCOME

Return on bank deposits	-	-	258,644	117,952
Others	9,697	33,044	17,116	962
	<u>9,697</u>	<u>33,044</u>	<u>275,760</u>	<u>118,914</u>

26. INVESTMENT INCOME

Income from term

- return on term deposit	<u>5,647,475</u>	<u>3,210,280</u>
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27. MODARIB'S FEE

The shareholders of the company manage the participants' investments as a Modarib and charge 40% Modarib's share of PTF investment income.

28. SEGMENT REPORTING

	For the year ended December 31, 2019				
	Fire and property damages	Marine, aviation & transport	Motor	Miscellaneous	Aggregate
	-----Rupees-----				
Participants' Takaful Fund					
Contribution written (inclusive of federal excise duty, federal insurance fee, and administrative surcharge)	1,175,268	581,266	6,962,490	(342,240)	8,376,784
Less : Federal excise duty	(146,137)	(83,333)	(941,620)	46,435	(1,124,655)
Less : Federal insurance fee	(10,193)	(4,929)	(59,568)	3,175	(71,515)
Gross written contribution (inclusive of Administrative Surcharges)	1,018,938	493,004	5,961,302	(292,630)	7,180,614
Gross contribution direct	984,613	471,339	5,715,558	(286,328)	6,885,182
Admin surcharge	34,325	21,665	245,744	(6,302)	295,432
Takaful contribution earned	1,611,187	345,072	4,762,485	(115,486)	6,603,257
Re-takaful expense	(2,898,000)	(1,656,000)	(1,440,000)	(621,000)	(6,615,000)
Net takaful contribution	(1,286,813)	(1,310,928)	3,322,485	(736,486)	(11,743)
Rebate earned	-	-	-	-	-
Operation income	(1,286,813)	(1,310,928)	3,322,485	(736,486)	(11,743)
Claim expense	(161,119)	(36,189)	(3,402,050)	(106,820)	(3,706,178)
Re-takaful & other recoveries revenue	-	-	-	-	-
Net claims	(161,119)	(36,189)	(3,402,050)	(106,820)	(3,706,178)
Wakala expense	(1,198,159)	(129,781)	(3,081,878)	2,005,044	(2,404,774)
Direct expense	-	-	-	-	-
Net takaful claim & expense	(1,359,278)	(165,970)	(6,483,928)	1,898,224	(6,110,952)
Surplus/(deficit) before investment income	(2,646,091)	(1,476,898)	(3,161,443)	1,161,738	(6,122,695)
Net investment income					275,760
Deficit for the period					(5,846,935)
Operator's Fund					
Wakala fee income	1,198,159	129,781	3,081,878	(2,005,044)	2,404,774
Commission expense	(567,180)	(81,945)	(686,715)	45,322	(1,290,518)
Management expense	(767,101)	(164,292)	(2,267,464)	54,985	(3,143,872)
					(2,029,616)
Investment income					5,657,172
General and administration expenses					(405,923)
Other Income					-
Profit before taxation					3,221,633
The following presents segments assets and liabilities as at December 31, 2019					
Segment assets	488,615	236,411	2,858,644	(140,207)	3,443,463
Unallocated assets					58,298,591
					61,742,054
Segment liabilities	4,134,473	3,665,337	10,027,770	(3,928,181)	13,899,399
Unallocated liabilities					3,878,256
					17,777,655

For the year ended December 31, 2018					
	Fire and property damages	Marine, aviation & transport	Motor	Miscellaneous	Aggregate
Participants' Takaful Fund	-----Rupees-----				
Contribution written (inclusive of federal Excise duty, federal insurance fee, and administrative surcharge)	2,565,495	1,550,633	3,180,477	800,576	8,097,181
Less : Federal excise duty	(348,856)	(188,959)	(429,769)	(109,479)	(1,077,063)
Less : Federal insurance fee	(21,962)	(13,480)	(27,235)	(6,854)	(69,531)
Gross written contribution (inclusive of Administrative Surcharges)	2,194,677	1,348,194	2,723,473	684,243	6,950,587
Gross contribution direct	2,126,845	1,314,956	2,638,351	663,657	6,743,809
Admin surcharge	67,832	33,238	85,122	20,586	206,778
Takaful contribution earned	813,340	1,296,482	1,006,188	519,700	3,635,710
Re-takaful expense	(2,173,500)	(1,242,000)	(1,080,000)	(465,750)	(4,961,250)
Net takaful contribution	(1,360,160)	54,482	(73,812)	53,950	(1,325,540)
Rebate earned	-	-	-	-	-
Operation income	(1,360,160)	54,482	(73,812)	53,950	(1,325,540)
Claim expense	(7,577)	(794,479)	(15,100)	(355,002)	(1,172,158)
Re-takaful & other recoveries revenue	-	-	-	-	-
Net claims	(7,577)	(794,479)	(15,100)	(355,002)	(1,172,158)
Wakala expense	(244,002)	(388,945)	(402,475)	(181,896)	(1,217,318)
Direct expense	(27,715)	(2,867)	(2,825)	(6,355)	(39,762)
Net takaful claim & expense	(279,294)	(1,186,291)	(420,400)	(543,253)	(2,429,238)
Surplus/(deficit) before investment income	(1,639,454)	(1,131,809)	(494,212)	(489,303)	(3,754,778)
Other income					-
Modarib's share of investment income					-
Deficit for the period					(3,754,778)
Operator's Fund					
Wakala fee income	244,002	388,945	402,475	181,896	1,217,318
Commission expense	(235,763)	(320,535)	(139,453)	(102,194)	(797,945)
Management expense	(595,183)	(948,735)	(736,304)	(380,304)	(2,660,526)
					(2,241,153)
Modarib's share of PTF investment income					47,566
General and administration expenses					(1,276,606)
Other Income					3,243,324
Profit before taxation					(226,869)
The following presents segments assets and liabilities as at December 31, 2018					
Segment assets	1,636,626	723,535	2,178,909	416,930	4,956,000
Unallocated liabilities					55,089,595
					60,045,595
Segment liabilities	3,196,047	927,436	4,141,905	658,713	8,924,101
Unallocated liabilities					2,872,043
					11,796,144

29. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associated companies, entities under common control, entities with common directors, major shareholders, directors, key management personnel and funded employee retirement benefit scheme.

The Company has not incurred any transactions with related parties during the period.

30. MOVEMENT IN INVESTMENTS

	Held to maturity	Available for sale	Fair value through P&L	Total
	----- Rupees -----			
At beginning of current period	45,000,000	-	-	45,000,000
Additions	47,000,000	-	-	47,000,000
Disposals	(45,000,000)	-	-	(45,000,000)
At end of current period	47,000,000	-	-	47,000,000

31. MANAGEMENT OF TAKAFUL AND FINANCIAL RISK

The Company issues contracts that transfer Takaful risk. This section summarises the risk and the way the Company manages it.

31.1 Takaful risk

The principal risk that is faced under takaful contracts is the possibility that the covered event occurs, the uncertainty of the amount of the resulting claims i.e. the frequency and severity of claims and that the actual claims and benefit payments exceed the carrying amount of the takaful liabilities. By the very nature of the takaful contract, this risk is random and therefore unpredictable. The objective of the Operator is to ensure that sufficient reserves are available to cover these liabilities.

The Operator manages these risks through its underwriting strategy, adequate re-takaful arrangements and proactive claims handling. The underwriting strategy aims to minimise takaful risks with a balanced mix and spread of business classes and by observing underwriting guidelines and limits. The Operator underwrites mainly fire & property, motor, marine cargo and transportation, health and other miscellaneous business. These classes of takaful are generally regarded as short term takaful contracts where claims are normally intimated and settled within a short time span, usually one year. This helps to mitigate takaful risk.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Operator has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. For large risks, particularly in property segment of business, risk inspections are carried out before accepting the risks. Similarly, in case of large risks, annual renewals are also preceded by on-site surveys. Where needed, risk mitigation measures are identified and communicated to the clients to improve the risk to an acceptable level.

Re-takaful arrangements in place include treaty and facultative arrangements, on non-proportional basis and also include catastrophe cover. The effect of such re-takaful arrangements is that the PTF may not suffer ultimate net takaful losses beyond the PTF's risk appetite in any one year.

The Operator's arrangement of re-takaful is diversified such that it is neither dependent on a single re-takaful operator nor the operations of the Operator are substantially dependent upon any single re-takaful contract. The Operator obtains re-takaful cover only from companies with sound financial health.

31.1.1 Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like political violence, environmental and economical, atmospheric disturbances, natural disasters, concentration of risks, civil riots etc. The Operator manages these risk through the measures described above. The Operator has limited its exposure to catastrophic and riot events by use of re-takaful arrangements.

The Operator monitors concentration of takaful risks primarily by class of business. The table below sets out the concentration of claims and contribution liabilities (in percentage terms) by class of business at the reporting date.

2019				
Class	Gross claim liabilities	Net claim liabilities	Gross contribution liabilities	Net contribution liabilities
	%	%	%	%
Fire and property damage	7%	7%	20%	20%
Marine, aviation and transport	1%	1%	0%	0%
Motor	77%	77%	5%	5%
Miscellaneous	15%	15%	0%	0%

2018				
Class	Gross claim liabilities	Net claim liabilities	Gross contribution liabilities	Net contribution liabilities
	%	%	%	%
Fire and property damage	0%	0%	42%	42%
Marine, aviation and transport	1%	1%	2%	2%
Motor	67%	67%	52%	52%
Miscellaneous	32%	32%	5%	5%

The Operator also monitors concentration of risk by evaluating multiple risks covered in the same geographical location. For fire and property risk a particular building and neighbouring buildings, which could be affected by a single claim incident, are considered as a single location. For earthquake risk, a complete city is classified as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk.

The Operator evaluates the concentration of exposures to individual and cumulative takaful risks and establishes its re-takaful policy to reduce such exposures to levels acceptable to the Operator.

The Operator's class wise major gross risk exposure is as follows:

Class	2019	2018
Fire and property damage	181,889,965	471,438,115
Marine, aviation and transport	371,196,375	149,875,000
Motor	22,000,000	16,000,000
Miscellaneous	1,000,000	144,281,546

Since the Operator operates in Pakistan only, hence, all the takaful risks relate to policies written in Pakistan.

31.1.2 Sources of uncertainty in estimation of future claim payments

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

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the reporting date. The details of estimation of outstanding claims (including IBNR) are given under note 4.6.

31.1.3 Process used to decide on 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 outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available.

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. The Operator has taken actuarial advice for the determination of IBNR claims which has been estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level.

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

31.1.4 Sensitivity analysis

The Operator believes that the claim liabilities under takaful contracts outstanding at the period end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The impact on the PTF surplus of the changes in the claim liabilities net of retakaful is analysed below. The sensitivity to changes in claim liabilities net of retakaful is determined separately for each class of business while keeping all other assumptions constant.

	Rupees	
	PTF	
	2019	
	Revenue	Equity
Impact of change in claim liabilities by + 10%		
Fire and property damage	-	-
Marine, aviation and transport	(758)	(531)
Motor	(77,201)	(54,041)
Miscellaneous	(37,010)	(25,907)
	(114,969)	(80,479)
Impact of change in claim liabilities by - 10%		
Fire and property damage	-	-
Marine, aviation and transport	758	531
Motor	77,201	54,041
Miscellaneous	37,010	25,907
	114,969	80,479

31.2 Financial risk

The Operator's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (comprising of currency risk, profit rate risk and other price risk). The Operator's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Operator's financial performance.

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

31.2.1 Credit risk

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

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

	OPF		PTF	
	2019	2018	2019	2018
Financial assets:	----- Rupees -----			
Bank balances	4,910,392	2,734,577	3,878,964	4,235,378
Investments in TDRs	47,000,000	45,000,000	-	-
Takaful / retakaful receivables	-	-	934,221	2,522,871
Accrued profit	770,027	335,717	20,618	25,038
	52,680,419	48,070,294	4,833,803	6,783,287

The credit quality of Operator's bank balances and deposits can be assessed with reference to external credit ratings.

The management monitors exposure to credit risk in contribution receivable from customers through regular review of credit exposure and prudent estimates of provisions for doubtful receivables.

The credit quality of claim recoveries from takaful / retakaful operators can be assessed with reference to external credit ratings.

31.2.4 Profit rate risk

The table below provides the maturity analysis of the Operator's liabilities as at reporting date. All liabilities are presented on a contractual cash flow basis except for the provision of outstanding claims (including IBNR), which are presented with their expected cash flows.

2019 - OPF						
Effective yield / mark-up rate %	Mark-up bearing		Non mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Total
10.5-13	4,910,392	-	4,910,392	-	-	4,910,392
11.9	47,000,000	-	47,000,000	-	-	47,000,000
	-	-	-	770,027	-	770,027
	51,910,392	-	51,910,392	770,027	-	52,680,419
	-	-	-	1,110,612	-	1,110,612
	-	-	-	1,110,612	-	1,110,612
	51,910,392	-	51,910,392	(340,585)	-	51,569,807

Financial assets

Bank balances
Investments in TDRs
Accrued profit

Financial liabilities

Other creditors and accruals

Total yield / mark-up rate risk sensitivity gap

2019 - PTF						
Effective yield / mark-up rate %	Mark-up bearing		Non mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Total
5.5 - 8.5	3,878,964	-	3,878,964	-	-	3,878,964
	-	-	-	934,221	-	934,221
	-	-	-	20,618	-	20,618
	3,878,964	-	3,878,964	954,839	-	4,833,803
	-	-	-	2,513,667	-	2,513,667
	-	-	-	8,268,732	-	8,268,732
	-	-	-	253,978	-	253,978
	-	-	-	11,036,377	-	11,036,377
	3,878,964	-	3,878,964	(10,081,538)	-	(6,202,574)

Financial assets

Bank balances
Takaful / retakaful receivables
Accrued profit

Financial liabilities

Provision for outstanding claims (excluding IBNR)
Takaful / retakaful payables
Other creditors and accruals

Total yield / mark-up rate risk sensitivity gap

Sensitivity analysis

As on December 31, 2019, the Window Takaful Operations had no financial instruments valued at fair value through profit or loss nor any variable rate instrument. It is therefore the Window Takaful Operations is not exposed to profit rate risk.

31.2.2 Liquidity risk

Liquidity risk is the risk that the Operator will encounter difficulty in meeting its obligations associated with financial liabilities, In respect of major loss event, there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected re-takaful recoveries.

The objective of the Operator's liquidity management process is to ensure, as far as possible, that it will always have sufficient liquidity to meet its claim and other liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Operator's reputation. It includes measuring and monitoring the future cash flows on daily, monthly and quarterly basis, maintaining sufficient cash reserves in bank accounts and a portfolio of highly marketable financial assets that can be easily liquidated in the event of an unforeseen interruption to cash flows.

The table below provides the maturity analysis of the Operator's liabilities as at the reporting date. All liabilities are presented on a contractual cash flow basis except for the provision of outstanding claims (including IBNR), which are presented with their expected cash flows.

2019						
	OPF			PTF		
	Upto one year	Greater than one year	Carrying amount	Upto one year	Greater than one year	
-----Rupees in '000'-----						
Financial liabilities						
Takaful / retakaful payables	-	-	-	8,268,732	8,268,732	-
Other creditors and accruals	1,110,612	1,110,612	-	253,978	253,978	-
	1,110,612	1,110,612	-	8,522,710	8,522,710	-
2018						
	OPF			PTF		
	Carrying amount	Upto one year	Greater than one year	Carrying amount	Upto one year	Greater than one year
-----Rupees in '000'-----						
Financial liabilities						
Takaful / Retakaful payables	-	-	-	3,307,483	3,307,483	-
Other creditors and accruals	1,134,341	1,134,341	-	588,014	588,014	-
	1,134,341	1,134,341	-	3,895,497	3,895,497	-

31.2.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of change in market prices such as profit rates, foreign exchange rates and equity prices.

The Operator limits market risk by investing only in term deposit receipts offering lucrative returns.

31.2.5 Foreign currency risk

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

31.2.6 Other price risk

Other price risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

As on December 31, 2019, the Window Takaful Operations had no financial instruments valued at fair value nor any variable rate instrument. It is therefore the Window Takaful Operations is not exposed to other price risk.

31.3 Fair value of financial instruments

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurement where such measurements are required as permitted by other IFRSs. It defines fair value as 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 (i.e. an exit price).

The fair values of all the financial instruments are estimated to be not significantly different from their carrying values.

The Company's accounting policy on fair value measurements of its investments is discussed in note 4.16 to these financial statements.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

As at December 31, 2019 and 2018 there were no financial assets or liabilities which can be classified under the above levels. The carrying value of financial instruments approximate their fair values.

31.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for stakeholders.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Senior management ensures that the Company's staff have adequate training and experience and fosters effective communication related to operational risk management.

31.5 Capital risk 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 Company currently meets the minimum paid up capital requirement i.e. 500 million as required by the Securities and Exchange Commission of Pakistan.

	2019	2018
	No. of employees	
32. NUMBER OF EMPLOYEES		
Number of employees as at December 31	<u>3</u>	<u>2</u>
Average number of employees as at December 31	<u>3</u>	<u>2</u>

33. NON-ADJUSTING EVENT


The COVID-19 coronavirus is a tragedy of currently unknowable proportions, bringing devastating consequences for individuals, families and communities far beyond its epicentre. As well as the immeasurable social impact, the spread of the virus since early January is affecting business and economic activity, with flow-on implications for financial reporting. For financial statements for the year ended December 31, 2019, there is no visible financial impact and as per requirements of IAS 10 "Events after the Reporting Period", the development and spread of the virus subsequent to 31 December 2019 is a non-adjusting event.


34. DATE OF AUTHORISATION OF ISSUE

These financial statements were authorised for issue on May 06, 2020 by the Board of Directors of the company.

35. GENERAL

All amount have been rounded off to the nearest rupees.


Air Commodore Ahsan Muhammad
Khan (Retd.) Director


Air Commodore Humayun Viqar
Zephyr (Retd.) Director


Sohail N. Kidwai
Chief Executive Officer


Nisar Ahmed Almani
Chief Financial Officer

**PATTERN OF SHARE HOLDING
HELD BY THE SHARE HOLDERS AS AT DECEMBER 31, 2019**

No. of Shareholders	From	To	Total Shares Held
192	1	100	2,881
112	101	500	39,814
87	501	1,000	74,427
181	1,001	5,000	429,993
41	5,001	10,000	326,575
24	10,001	15,000	311,664
15	15,001	20,000	276,491
8	20,001	25,000	196,000
4	25,001	30,000	115,923
5	30,001	35,000	169,000
5	35,001	40,000	189,500
1	40,001	45,000	41,500
4	45,001	50,000	194,000
3	50,001	55,000	162,000
2	55,001	60,000	120,000
1	60,001	65,000	60,500
1	65,001	70,000	69,500
2	70,001	75,000	144,000
1	85,001	90,000	90,000
1	90,001	95,000	95,000
2	100,001	105,000	209,500
1	110,001	115,000	110,500
1	115,001	120,000	120,000
1	200,001	205,000	204,000
1	210,001	215,000	212,500
1	220,001	225,000	225,000
1	295,001	300,000	300,000
1	305,001	310,000	307,500
1	395,001	400,000	400,000
1	415,001	420,000	420,000
1	830,001	835,000	834,000
1	2,495,001	2,500,000	2,500,000
1	3,135,001	3,140,000	3,136,963
1	6,345,001	6,350,000	6,345,296
1	41,565,001	41,570,000	41,565,973
706			60,000,000

CATEGORIES OF SHARE HOLDERS AS REQUIRED UNDER (CCG) AS ON DECEMBER 31, 2019

Name	Holding	%AGE
Directors, Chief Executive Officer, and their spouse and minor children	3,500	0.0058%
Associated Companies, undertakings and related parties. (Parent Company)	44,065,973	73.4433%
NIT and ICP	0	0.0000%
Banks Development Financial Institutions, Non Banking Financial Institutions.	0	0.0000%
Insurance Companies	5,500	0.0092%
Modarabas and Mutual Funds	0	0.0000%
Shareholders holding 10% or more	47,911,269	79.8521%
General Public	4,761,459	7.9358%
	0	0.0000%
Others (to be specified)		
Foreign Companies	6,345,296	10.5755%
Joint Stock Companies	4,818,772	8.0313%

NAME OF SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL AS ON DECEMBER 31, 2019

Name	Holding	%AGE
SHAHEEN FOUNDATION PAF	41,565,973	69.2766%
THE HOLLARD COMPANY LIMITED (CDC)	6,345,296	10.5755%
	47,911,269	79.8521%

INFORMATION AS REQUIRED UNDER CODE OF CORPORATE GOVERNANCE CATEGORIES OF SHAREHOLDER AS AT DECEMBER 31, 2019

Name	Holding	%AGE
<u>DIRECTORS, CEO THEIR SPOUSES & MINOR CHILDREN</u>		
AIR MARSHAL MUHAMMAD JAMSHED KHAN (RETD.)	500	0.0008%
AAMIR SHAHZAD MUGHAL	500	0.0008%
AIR COMMODORE JAMSHED IQBAL (RETD.)	500	0.0008%
AIR COMMODORE AHSAN MUHAMMAD KHAN (RETD.)	500	0.0008%
AIR COMMODORE HUMAYUN VIQAR ZEPHYR (RETD.)	500	0.0008%
GROUP CAPTAIN JAVED AKHTER KHAN (RETD.)	500	0.0008%
	3,000	0.0050%

ASSOCIATED COMPANIES

SHAHEEN FOUNDATION PAF	41,565,973	69.2766%
CENTRAL NON PUBLIC FUND. PAF	2,500,000	4.1667%
	44,065,973	73.4433%

PROXY FORM

I/We, _____ of _____
being member of Shaheen Insurance Company Limited and holder of _____
ordinary shares as per Share Register Folio No. _____ and/or CDC Participant ID
No. _____ and Account/Sub-Account No. _____
hereby appoint _____ of _____ as
my /our proxy to attend and vote for me/ us and on my/our behalf at the Annual General Meeting of
the Company to be held on Thursday, June 11, 2020 at 10.30 a.m. at the Head Office of Shaheen
Airport Services (SAPS) situated at SAPS Complex, Malir Avenue, Jinnah International Airport, Karachi
and at any adjournment thereof.

Signed this _____ day of, _____ 2020.

Witness: 1

Signature _____

Name _____

CNIC No. _____

Address _____

Signature on
Revenue
Stamp of Rs. 5/-

Witness: 2

Signature _____

Name _____

CNIC No. _____

Address _____

Notes:

1. The Proxy Form duly completed and signed along with attested copies of CNIC/Passport of the member, Proxy holder and the witnesses must be deposited at the Registered Office of the Company not later than 48 hours before the time of holding of the meeting. Original CNIC/Passport will be produced by the Proxy holder at the time of the meeting.
2. No persons shall be appointed as a Proxy unless he/she is a member of the company.
3. In case of corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signature of the representative shall be submitted along with Proxy Form to the Company.
4. CDC account holders and their proxies must attach attested photocopy of their CNIC/Passport with the Proxy Form.

مختار نامہ

میں / ہم _____ کا/ کے _____
 بحیثیت رکن شاہین انشورنس کمپنی لمیٹڈ اور حاصل حصص، _____ برطابق شیئرز رجسٹرڈ فولیو نمبر _____ اور/ یا سی
 ڈی سی پارٹنرشپ (شرکت) آئی ڈی نمبر _____ اور اکاؤنٹ (کھاتہ) سب اکاؤنٹ (ذیلی کھاتہ) نمبر _____
 محترم/محترمه _____ کا/ کے _____
 کو اپنے/ ہمارے ایماء پر بروز جمعرات مورخہ 11 جون، 2020، بوقت صبح 10:30 بجے کو بہ مقام ہیڈ آفس شاہین انشورنس سروسز (سپیس) واقع سپیس کمپلیکس
 بلیر ایونیو، جناح انٹرنیشنل انشورنس پورٹ، کراچی پر منعقد ہونے والے کمپنی کے سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے یا کسی بھی التوا کی صورت میں اپنا / ہمارا مختار
 (پراسی) مقرر کرتا ہوں/ کرتے ہیں۔
 آج بروز _____ بتاریخ _____ 2020 دستخط کیے گئے۔

گواہان

پانچ روپے مالیت کے رسیدی ٹکٹ پر دستخط

دستخط کمپنی کے نمونہ دستخط سے مماثل ہونے چاہئیں

۱۔ دستخط: _____
 نام: _____
 پتہ: _____
 کمپیوٹرائزڈ شناختی کارڈ یا پاسپورٹ نمبر: _____

۲۔ دستخط: _____
 نام: _____
 پتہ: _____
 کمپیوٹرائزڈ شناختی کارڈ یا پاسپورٹ نمبر: _____

نوٹ

- ۱۔ اس فارم کو پُر اور دستخط کر کے ممبر، پراسی (مختار) اور گواہان کے کمپیوٹرائزڈ قومی شناختی کارڈ/ پاسپورٹ کی مصدقہ نقول کے ہمراہ اجلاس شروع ہونے سے کم از کم 48 گھنٹے پہلے کمپنی کے رجسٹرڈ پتے پر جمع کرایا جائے۔ مختار (پراسی فارم) کو اصل شناختی کارڈ/ پاسپورٹ اجلاس کے وقت پیش کرنا ہوگا۔
- ۲۔ کسی بھی شخص کو مختار (پراسی) مقرر نہیں کیا جاسکتا الا یہ کہ وہ کمپنی کارکن ہو۔
- ۳۔ کارپوریٹ ادارہ ہونے کی صورت میں مختار نامہ (پراسی فارم) کے ہمراہ بورڈ آف ڈائریکٹرز کی قرارداد/ مختار نامہ اور نمائندے کے دستخط کے نمونہ بھی جمع کرائے جائیں گے۔
- ۴۔ سی ڈی سی اکاؤنٹ ہولڈر اور ان کے مختار کیلئے ضروری ہے کہ مختار نامہ (پراسی فارم) کے ہمراہ اپنے کمپیوٹرائزڈ شناختی کارڈ/ پاسپورٹ کی مصدقہ نقول بھی جمع کرائیں۔








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



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(based on live feed from KSE)
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-  Risk profiler*
-  Financial calculator
-  Subscription to Alerts (event notifications, corporate and regulatory actions)
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*Mobile apps are also available for download for android and ios devices



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