

AA

**ASPIRINGLY
DETERMINED &
OPTIMISTIC**

**2019
ANNUAL
REPORT**

60
Years of
Excellence

KEY
INFORMATION
2019

We are making
things better
together

AA

Rated by: PACRA

Rupees in Millions

4,311

Gross
Premium

2,142

Gross
Claims

8,183

Total
Assets

609

Profit
Before Tax

402

Profit
After Tax

352

Underwriting
Results

2,299

Total
Investment

18%

Return on
Total Equity

13.41%

Bonus
Shares

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Proxy Form

UNITED INTERNATIONAL GROUP

We're leading our sector and working with our clients to advance the cause of sustainability — even in places where you might not expect us.



The United Insurance Company of Pakistan Limited, a leading insurance provider in Pakistan, was established in the year 1959 on the 20th day of October. It was operational in Pakistan including East Pakistan (now Bangladesh). UIC has established a large network of branches throughout Pakistan currently operating 110 branches all over Pakistan. UIC doing General business including Group Health Insurance, Travel Insurance (Health), Travel Bonds & Guarantees, Livestock and Crop Insurance.

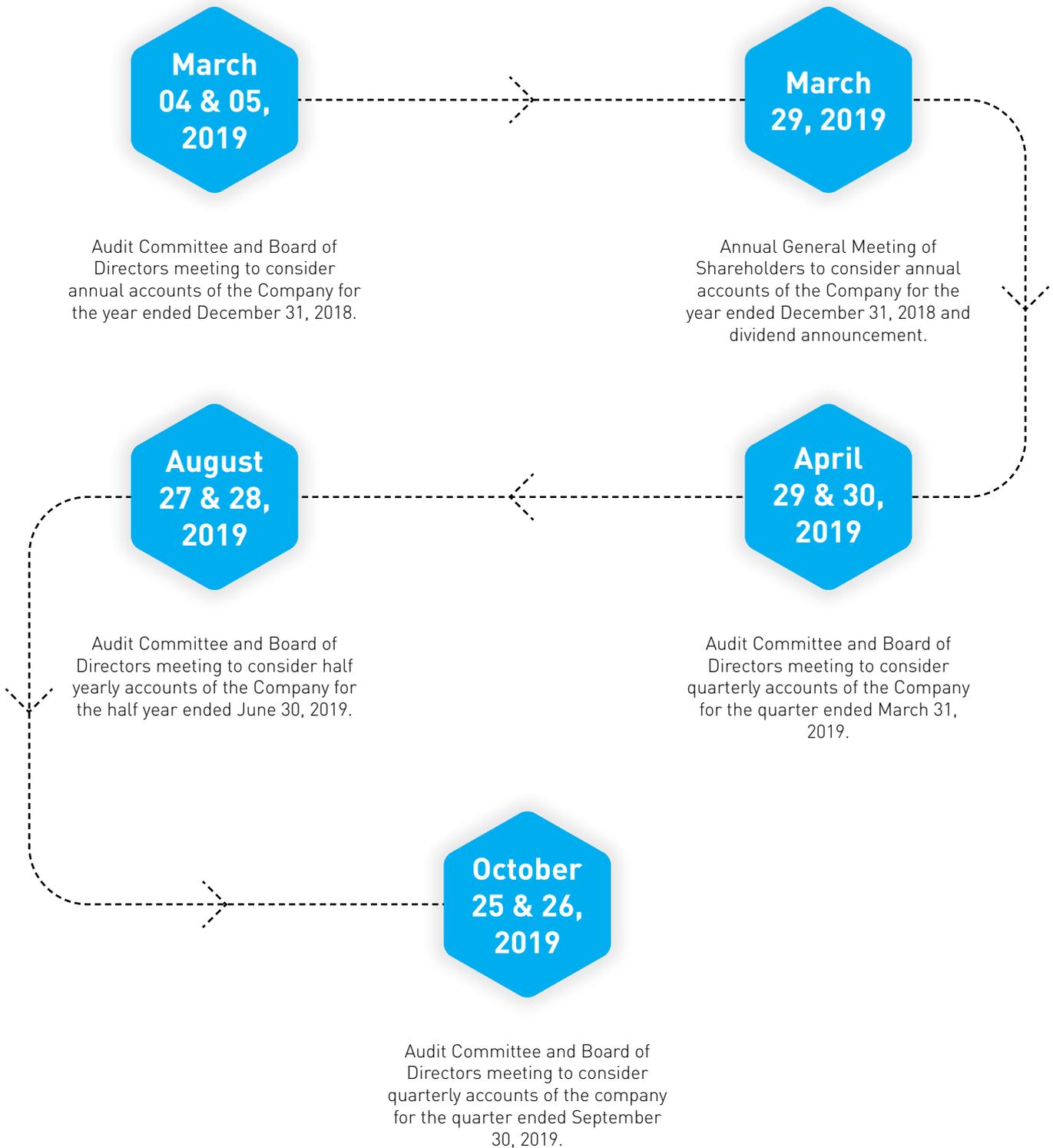
UIC is a part of the United international Group (UIG) as well as the company is a public limited company listed in Pakistan Stock Exchange Limited (Formerly Karachi Stock Exchange Limited).

Our traditional business model is based on cost effective risk management solutions to our policyholders through highest level of quality. We are dedicated to our customer as well as our shareholders to maximize their profits depending on the variables that are factored in with the investments. We are leading the insurance sector and working with our clients to advance the cause of sustainability even in the rural areas.

With our experience, global resources and vision we aim to provide financial certainties and eliminate financial risk from this uncertain world. Hence our motto "Your risk is secure with us" serves this purpose.



CORPORATE CALENDAR 2019



CORE BELIEFS

UIC believes in providing high quality solutions to risk exposures to the fulfillment of its customers through:

- Surpassing the values throughout the entire organization. These principles will guide us to succeed in our business, and will serve us well ahead into the future from day-to-day business operation to product development and customer services.
 - Building the team that takes responsibility for the delivery of our services. By developing our technical & marketing staff, who may deliver services competently. Also give them a sense of pride in the Company.
 - Believing that by being pro-active and meeting the changing needs of our clients through value – added products and services, meeting the aspirations of all our stakeholders.
 - Also believing that quality of work is the key factor in an organization. So, continuous quality improvements shall be the key drivers in our management processes.
 - Our commitment to integrity, customer centricity, sustainable value creation, excellence and teamwork fosters trust with our shareholders and our customers. It nurtures talent and mitigates internal risks through openness and transparency. It helps us secure the support of regulators and the investment community. It nurtures talent and mitigates internal risks through candor and transparency. It helps us secure the support of regulators and the investment community.
- » **Integrity**
To treat everyone fairly and honestly.
To comply with all applicable laws, regulations and internal policies.
 - » **Customer centricity**
To put our customers at the heart of all we do. We utilize of our global scale experience to convert insights and observations into useful ideas that we put to work for our customers.
 - » **Sustainable value creation**
To create and sustain value for our customers, our shareholders, our people and society. To maintain a culture of precision, stability and reliability that instills confidence and trust in our commitment to deliver when it matters now and in the future. A key component of sustainable value creation, and indeed of all our values, is our commitment to a high standard of corporate responsibility.
 - » **Excellence**
To aim for the highest quality and strive for continuous improvement in all that we do. Find new ways of solving problems. To test what we do and how we do it for fairness, diversity, trust, and mutual respect.
 - » **Teamwork**
To work together as one team...one Company. Collaborating and applying our global insights to deliver the best for our stakeholders. Value our diverse, talented workforce; and support them so that they can contribute to their full potential.

VISION & MISSION STATEMENTS

VISION

As an insurance company - to be the **"FIRST CHOICE"**

MISSION

By adopting insurance technologies will meet the global requirements for the regulators' compliances, enhance confidence of shareholders, country's business community & generate revenue in the shape of taxes



INVESTOR INFORMATION

INVESTOR'S AWARENESS

With reference to SRO 924(1) / 2016 dated September 9th, 2015 issued by the Securities and Exchange Commission of Pakistan (SECP), the following informational message has been added for investor's awareness:

The graphic features a central image of a traditional earthenware pot with a smartphone inside it. The phone screen displays the Jama Punji logo. Surrounding the pot are icons for a headset, a computer mouse, a Twitter bird, an email envelope, and a Facebook 'f' logo. The background is a light blue gradient.

www.jamapunji.pk

Jama Punji
سرمایہ کاری سمجھداری کے ساتھ

Be aware, Be alert, Be safe

Learn about investing at
www.jamapunji.pk

Key features:

- Licensed Entities Verification
- Scam meter*
- Jamapunji games*
- Tax credit calculator*
- Company Verification
- Insurance & Investment Checklist
- FAQs Answered
- Stock trading simulator (based on live feed from KSE)
- Knowledge center
- Risk profiler*
- Financial calculator
- Subscription to Alerts (event notifications, corporate and regulatory actions)
- Jamapunji application for mobile device
- Online Quizzes

Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan

jamapunji.pk [@jamapunji_pk](https://twitter.com/jamapunji_pk)

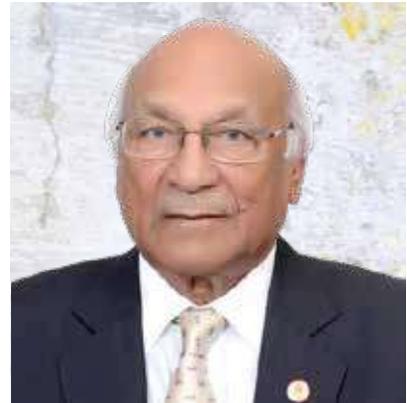
*Mobile apps are also available for download for android and ios devices.

BOARD OF DIRECTORS



Mian M.A. Shahid

ADVISOR TO THE BOARD / (CHAIRMAN UIG)



Javaid Sadiq

CHAIRMAN



Muhammed Rahat Sadiq

CHIEF EXECUTIVE OFFICER

BOARD OF DIRECTORS



Huma Waheed

DIRECTOR



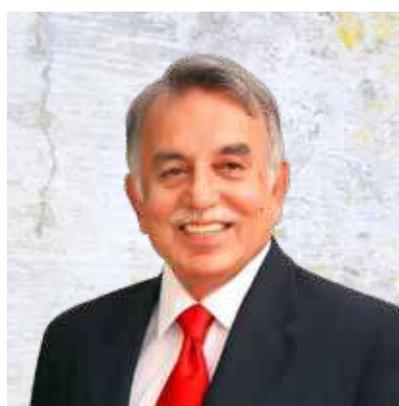
Khawas Khan Niazi

DIRECTOR/PRESIDENT



Syed Rahat Ali Shah

DIRECTOR



Agha Ali Imam

DIRECTOR



Jamil A. Khan

DIRECTOR

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN

Javaid Sadiq

DIRECTOR /PRESIDENT

Khawas Khan Niazi

CHIEF EXECUTIVE OFFICER

Muhammed Rahat Sadiq

DIRECTORS

Huma Waheed

Agha Ali Imam

Jamil A. Khan

Syed Rahat Ali Shah

ADVISOR TO THE BOARD

Mian M.A.Shahid
(Chairman UIG)

ADVISORS

Sardar Khan

(Former Managing Director
Universal Insurance Company
Limited)

Major General (R) Asif Duraiz
Akhtar

COMPANY SECRETARY

Athar A. Khan

CHIEF FINANCIAL OFFICER

Maqbool Ahmad

CHIEF INTERNAL AUDITOR

Abdul Mannan Munir

AUDITORS

M/S. Ilyas Saeed & Co.
Chartered Accountants

LEGAL ADVISORS

Muhammed Farooq Sheikh
(Advocate)

Mian Asghar Ali
(Advocate)

TAX ADVISOR

M/S. Sarwars Chartered
Accountants

CREDIT RATING AGENCY (PACRA)

INSURER FINANCIAL STRENGTH

AA (Double A) The Rating
Denotes a very strong
capacity to meet policyholder
and contract obligations. Risk
factors are modest, and the
impact of any adverse business
and economic factors is
expected to be very small.

COMPANY'S SHARE REGISTRAR

M/S. F.D.Registrar
Services(SMC-Pvt) Ltd.
1705,17th Floor, Saima Trade
Center, I.I.Chundrigar Road,
Karachi.

WEB PRESENCE

www.theunitedinsurance.com



REGISTERED OFFICE

204, 2nd Floor, Madina City
Mall, Abdullah Haroon Road,
Saddar Karachi.

TEL: 021-35621460-2,

021-35221803-4

FAX: 021-35621459

Email:

info@theunitedinsurance.com

HEAD OFFICE

UIG House, 6-D, Upper Mall,
Lahore

TEL: 042-35776475-85

UAN: 92-42-111-000-014

FAX: 92-42-35776486, 35776487

Email:

uicp@theunitedinsurance.com

KEY MANAGEMENT PERSONNEL

CONVENTIONAL BUSINESS

HEAD OF CONVENTIONAL BUSINESS

Tajammal Iqbal

SR. EXECUTIVE DIRECTOR UNDERWRITING

S.M. Qaiser Imam

SR. EXECUTIVE DIRECTOR/ GROUP COUNTRY MANAGER

Dr. Murtaza Mughal

JOINT DIRECTOR OPERATION

Tayyab Bashir

HEAD OF CORPORATE COMPLIANCE

Ali Hassan Bhatti

SR. GENERAL MANAGER RE-INSURANCE

Abrar Ahmad Minhas

GENERAL MANAGER HR & R

Wakeel Ahmad Mirza

JOINT DIRECTOR (I.T)

Munir Ahmad

GENERAL MANAGER HEALTH/ TRAVEL

Kashif Shafique

GENERAL MANAGER ADMINISTRATION

Maj.(R) Nadeem Iqbal Naz

DEPUTY GENERAL MANAGER CLAIMS

Kamran Zaman

A.G.M UNDERWRITING

Manzoor Hussain Mirza

A.G.M Reinsurance

Naeem Ahmad Babar

CHIEF MANAGER (WEB)

Muhammed Arshad

CHIEF MANAGER (AGRI)

Zulfiqar Ahmad

SR. MANAGER COORDINATION

Tahira Ashar

WINDOW TAKAFUL OPERATIONS

HEAD OF TAKAFUL OPERATIONS

Shakeel Ahmad

SHARIAH ADVISOR

Mufti Farhan Farooq

JOINT DIRECTOR OPERATIONS & TECHNICAL

Amir Hameed

SHARIAH COMPLIANCE OFFICER

Saad Munir Malik

EXECUTIVE DIRECTORS (MARKETING)

Muhammed Rafique Khan

Zarar Ahmad Butt

Mian Kashif Rasheed

Ch. Aslam Feroze

Rizwan-Ul-Haq

Shafaqat Ali Goraya

Hassan Nadeem

Ch. Shamas-ul-Haq

Kh. Adnan Hassan

Muhammed Mazhar Shah

Malik Khurram Mansoor

Nauman-ul-Haq

Tanveer Ahmad Bhatti

JOINT DIRECTORS (MARKETING)

Aslam Rajpoot

Malik Zafar Yousaf

Mian Muhammed Rafi

Faisal Javaid

Muhammed Mohsin ullah

Chaudhary Iqbal Tahir

Zafar Mahmood

Hassan Bin Dawood

Malik Azhar Ahmad

Mujeeb-ur-Rehman Khokhar

Zahid Mukhtar Paracha

Mian Muhammed Asif

Raheel Zia

Rana Muhammed Ashraf

Shahid Hussain Chishti

Junaid Akhtar Samoo

Mumtaz Ahmad Kahlon

BANKS & LEASING COMPANIES

BANKS

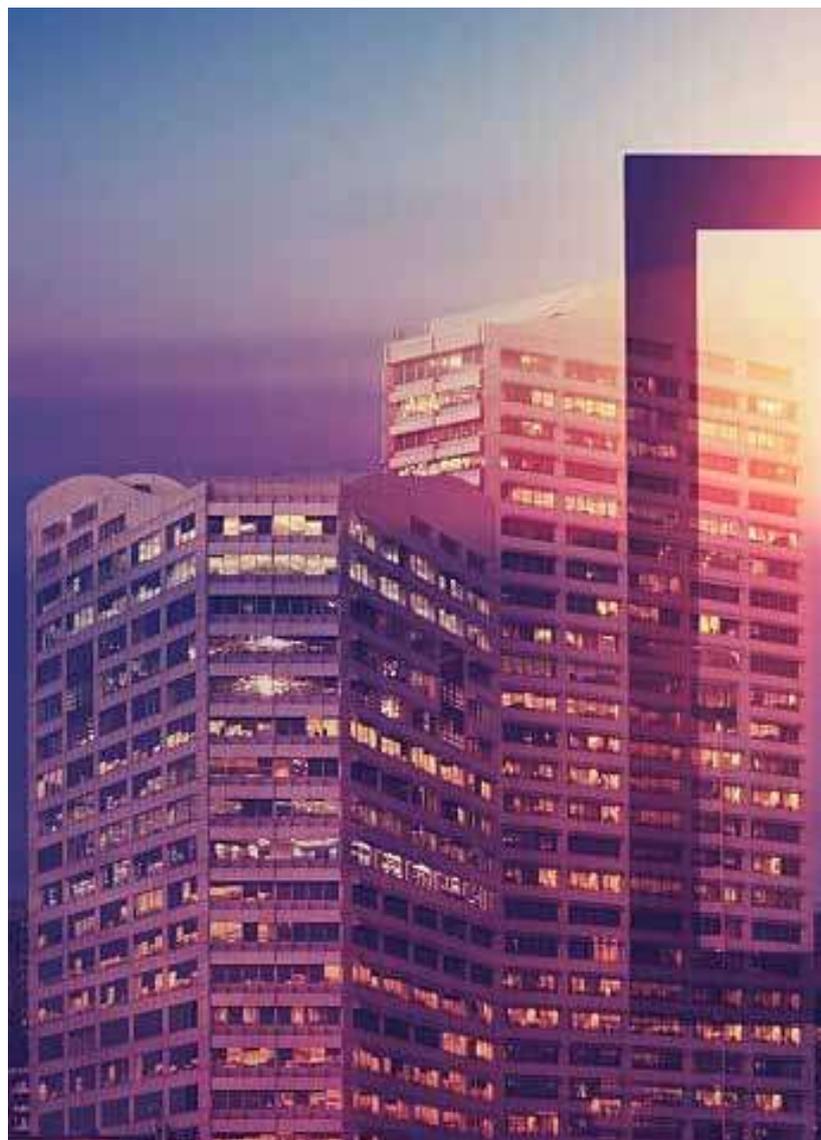
State Bank of Pakistan
National Bank of Pakistan
Bank Al-Habib Limited
Soneri Bank Limited
Bank Alfalah Limited
Meezan Bank Limited
SME Bank Limited
The Bank of Khyber
Summit Bank Limited
Silk Bank Limited
Samba Bank Limited
Zarai Taraqati Bank Limited
Sindh Bank Limited
The Bank of Punjab
First Women Bank Limited
The Punjab Provincial Cooperative Bank Limited
Allied Bank Limited
Habib Bank Limited
MCB Bank Limited
United Bank Limited
Al Baraka Bank (Pakistan) Limited
Askari Bank Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Standard Chartered Bank (Pakistan) Limited
Barclays Bank PLC, Pakistan
Habib Metropolitan Bank Limited
Karakoram Cooperative Bank Limited
Industrial Development Bank of Pakistan
JS Bank Limited
Bank Islami Pakistan Limited
Bank of Azad Jammu and Kashmir
MIB Islamic Bank Limited

LEASING COMPANIES

Orix Leasing Company Limited
Crescent Standard Modaraba

MICRO FINANCE BANKS

APNA Microfinance Bank Limited
Khushhali Microfinance Bank Limited
Pak-Oman Microfinance Bank Limited
The First Microfinance Bank Limited
Waseela Microfinance Bank Limited
U Microfinance Bank Limited
Tameer Microfinance Bank Limited
NRSP Microfinance Bank Limited



THE UNITED INSURANCE AT A GLANCE

- United Insurance is a member Company of "United International Group".
- Operating Since 1959, dealing in all areas of General Insurance business.
- One of the premier general insurance companies of Pakistan.
- First insurance company to obtain Window Takaful Operator License from SECP
- Rated "AA" which signifies very High Financial Capacity to meet Policy holders and contract obligations.
- Very strong Reinsurance arrangements with world renowned reinsurers.
- Focused on prompt settlement of claims.
- Extending success into new challenges.

A large, stylized hand is shown holding a massive white 'AA' rating symbol. The background is a city skyline at sunset, with buildings illuminated by warm orange and yellow light. The hand is dark and appears to be emerging from the right side of the frame, gripping the 'AA' symbol. The overall scene conveys a sense of strength and high financial capacity.

AA

Rated by: PACRA



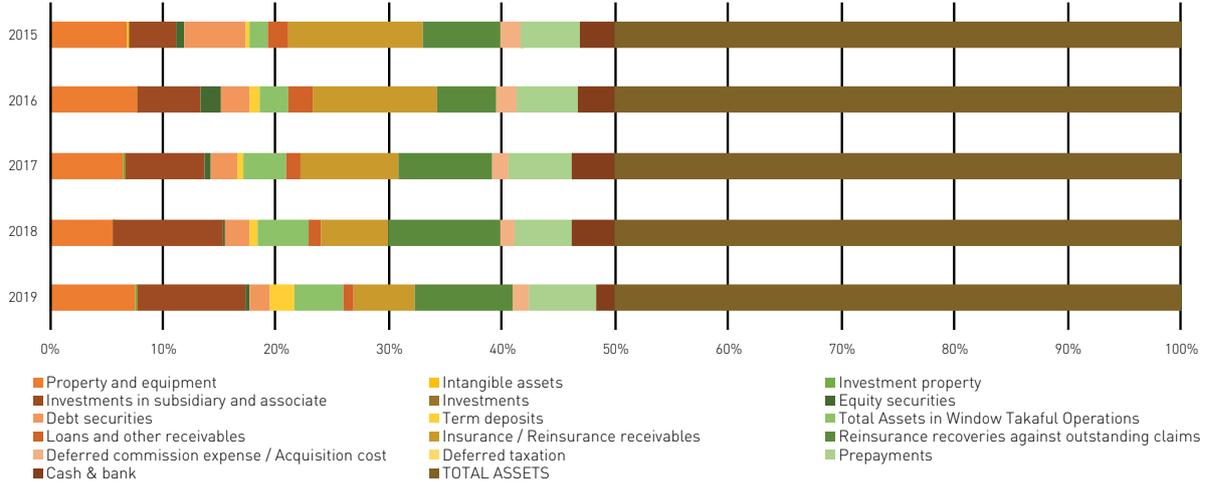
SIX YEARS AT A GLANCE

| SIX YEARS AT A GLANCE | (RUPEES IN MILLION) | | | | | |
|--|---------------------|-----------|-----------|-----------|-----------|-----------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| FINANCIAL DATA - CONVENTIONAL | | | | | | |
| Ordinary share capital | 2,601.017 | 2,261.754 | 2,001.552 | 1,803.200 | 1,288.000 | 920.000 |
| Reserves | 49.899 | 58.204 | 46.613 | 105.234 | 75.000 | 765.121 |
| Total Equity | 3,437.546 | 3,043.496 | 2,641.890 | 2,588.325 | 2,245.010 | 1,645.023 |
| Underwriting provisions | 3,666.234 | 3,419.505 | 3,087.593 | 2,366.383 | 2,298.038 | 2,489.671 |
| Investments including associates | 2,298.614 | 1,762.342 | 1,301.523 | 1,200.590 | 1,078.066 | 881.465 |
| Total Assets | 8,183.063 | 6,895.465 | 6,213.248 | 5,499.512 | 5,059.424 | 4,917.120 |
| Property and equipment | 1,245.612 | 774.641 | 810.596 | 841.897 | 706.754 | 628.212 |
| Cash & bank | 266.126 | 542.589 | 490.059 | 365.488 | 324.822 | 395.427 |
| Loans and other receivables | 126.657 | 158.735 | 178.082 | 238.938 | 177.013 | 121.640 |
| OPERATING DATA - CONVENTIONAL | | | | | | |
| Gross written premium | 4,310.794 | 4,227.348 | 4,163.546 | 3,781.741 | 3,062.158 | 2,474.744 |
| Net insurance premium | 2,541.595 | 2,574.381 | 2,678.708 | 2,473.432 | 2,151.784 | 1,536.703 |
| Net insurance claims | 1,153.501 | 2,730.465 | 1,287.193 | 934.519 | 742.329 | 419.432 |
| Management expenses | 917.014 | 832.410 | 921.226 | 797.738 | 628.696 | 592.085 |
| Premium deficiency (charge) / reverse | -1.165 | 0.000 | 3.565 | -5.261 | - | - |
| Underwriting profit / (loss) | 351.574 | 323.246 | 221.312 | 509.741 | 150.961 | 36.988 |
| Investment income | 67.101 | 8.365 | 67.205 | 73.106 | 60.729 | 63.404 |
| Profit before tax | 609.114 | 562.701 | 487.345 | 357.960 | 679.588 | 507.936 |
| Income tax expense | 207.523 | 173.478 | 195.061 | 79.513 | 59.563 | 47.049 |
| Profit after tax | 401.591 | 389.223 | 292.284 | 278.448 | 620.026 | 460.887 |
| FINANCIAL RATIOS - CONVENTIONAL | | | | | | |
| Profit before tax / Gross written premium (%) | 14.130 | 13.311 | 11.705 | 9.465 | 22.193 | 20.525 |
| Profit before tax / Net insurance premium (%) | 23.966 | 21.858 | 18.193 | 14.472 | 31.583 | 33.054 |
| Profit after tax / Gross written premium (%) | 9.316 | 9.207 | 7.020 | 7.363 | 20.248 | 18.624 |
| Profit after tax / Net insurance premium (%) | 15.801 | 15.119 | 10.911 | 11.258 | 28.814 | 29.992 |
| Management expenses / Gross written premium (%) | 21.272 | 19.691 | 22.126 | 21.094 | 20.531 | 23.925 |
| Management expenses / Net insurance premium (%) | 36.080 | 32.334 | 34.391 | 32.252 | 29.217 | 38.530 |
| Underwriting results / Net insurance premium (%) | 13.833 | 12.556 | 8.262 | 20.609 | 7.016 | 2.407 |
| Net insurance claims / Net insurance premium (%) | 45.385 | 106.063 | 48.053 | 37.782 | 34.498 | 27.294 |
| Return on Assets (%) | 4.908 | 5.645 | 4.704 | 5.063 | 12.255 | 9.373 |
| RETURN TO MEMBERS - CONVENTIONAL | | | | | | |
| Return on Total equity - PBT (%) | 17.719 | 18.489 | 18.447 | 13.830 | 30.261 | 30.877 |
| Return on Total equity - PAT (%) | 11.682 | 12.789 | 11.063 | 10.758 | 27.952 | 28.017 |
| Earning Per Share (Rs.) | 1.540 | 1.500 | 1.290 | 1.391 | 3.136 | 2.303 |
| Price earning ratio (times) | 6.234 | 7.907 | 12.000 | 16.015 | 6.903 | 12.138 |
| Market value at end of year (Rs.) | 9.60 | 11.86 | 15.48 | 22.28 | 21.65 | 27.95 |
| Highest value during the year (Rs.) | 11.820 | 12.700 | 26.610 | 28.990 | 42.550 | 30.450 |
| Lowest value during the year (Rs.) | 5.700 | 10.460 | 13.750 | 14.340 | 19.340 | 12.710 |
| Stock dividend per share (Rs.) | 1.1341 | 1.1500 | 1.3000 | 1.1100 | 4.0000 | 4.0000 |
| Cash dividend per share (Rs.) | - | - | - | 1.000 | - | - |
| Total assets per share (times) | 31.461 | 30.487 | 31.042 | 30.499 | 39.281 | 52.393 |
| LIQUIDITY / LEVERAGE RATIO - CONVENTIONAL | | | | | | |
| Current ratio (times) | 1.90 | 1.6312 | 1.4923 | 1.4542 | 1.652 | 1.948 |
| Total assets turnover (times) | 0.29 | 0.1832 | 0.1947 | 0.2226 | 0.227 | 0.254 |
| Property and equipment turnover (times) | 1.25 | 1.2393 | 1.3205 | 1.0931 | 1.236 | 1.965 |
| Total liability / Total equity (times) | 17.72 | 18.4886 | 18.4468 | 13.8298 | 30.261 | 30.877 |
| Return on capital employed (%) | 31.79 | 32.8006 | 32.2143 | 32.7884 | 25.457 | 19.086 |
| Ordinary share capital / Total assets (%) | 42.01 | 44.1377 | 42.5203 | 47.0646 | 44.387 | 34.128 |
| Total equity / Total assets (%) | 44.1377 | 42.5315 | 42.5203 | 47.0646 | 44.373 | 33.455 |
| DISTRIBUTION - CONVENTIONAL | | | | | | |
| Bonus share (Rs.) | 1.1341 | 1.1500 | 1.1300 | 1.1100 | 4.0000 | 3.1000 |
| Bonus share (%) | 13.41% | 15.00% | 13.00% | 11.00% | 40.00% | 31.00% |
| Cash dividend share (Rs.) | - | - | - | 1.000 | - | - |
| Cash dividend share (%) | 0% | 0% | 0% | 10% | - | - |
| Total distributions (%) | 13.41% | 15% | 13% | 21% | 40% | 31% |

VERTICAL ANALYSIS

| | YEARS | | | | |
|---|----------------|----------------|----------------|----------------|----------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| STATEMENT OF FINANCIAL POSITION | | | | | |
| Property and equipment | 15.22% | 11.23% | 13.05% | 15.31% | 13.75% |
| Intangible assets | 0.03% | 0.05% | 0.08% | 0.11% | 0.16% |
| Investment property | 0.06% | 0.04% | 0.04% | 0.05% | 0.06% |
| Investments in subsidiary and associate | 19.15% | 19.35% | 14.10% | 11.11% | 8.42% |
| Investments | - | - | - | - | - |
| Equity securities | 0.70% | 0.42% | 1.33% | 3.68% | 1.35% |
| Debt securities | 3.62% | 4.11% | 4.55% | 5.16% | 10.72% |
| Term deposits | 4.62% | 1.68% | 0.96% | 1.87% | 0.81% |
| Total Assets in Window Takaful Operations | 8.66% | 8.78% | 7.52% | 4.71% | 3.38% |
| Loans and other receivables | 1.55% | 2.30% | 2.87% | 4.34% | 3.50% |
| Insurance / Reinsurance receivables | 10.77% | 11.71% | 17.22% | 22.00% | 23.93% |
| Reinsurance recoveries against outstanding claims | 17.27% | 20.00% | 16.46% | 10.57% | 13.57% |
| Deferred commission expense / Acquisition cost | 2.93% | 2.53% | 2.83% | 3.58% | 3.50% |
| Deferred taxation | 0.00% | 0.00% | 0.00% | 0.00% | 0.19% |
| Prepayments | 12.15% | 9.92% | 11.11% | 10.84% | 10.22% |
| Cash & bank | 3.25% | 7.87% | 7.89% | 6.65% | 6.42% |
| TOTAL ASSETS | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| Ordinary share capital | 31.79% | 32.80% | 32.21% | 32.79% | 25.46% |
| Reserves | 0.61% | 0.84% | 0.75% | 1.91% | 1.35% |
| Unappropriated profit | 9.61% | 10.49% | 9.56% | 12.36% | 17.58% |
| Surplus on revaluation of fixed assets | 5.31% | 1.16% | 1.31% | 1.49% | 0.78% |
| Total liabilities in window takaful operations | 0.02% | 0.43% | 1.17% | 1.10% | 0.83% |
| Outstanding claims including IBNR | 23.11% | 24.93% | 22.30% | 14.39% | 15.81% |
| Unearned premium reserves | 18.94% | 22.27% | 25.45% | 27.09% | 27.46% |
| Premium deficiency reserves | 0.45% | 0.52% | 0.30% | 0.03% | 0.10% |
| Unearned Reinsurance Commission | 2.29% | 1.87% | 1.64% | 1.52% | 2.05% |
| Retirement benefit obligations | 0.00% | 0.00% | 0.00% | 1.07% | 1.24% |
| Deferred taxation | 2.15% | 0.54% | 0.21% | 0.26% | 0.00% |
| Borrowings | 0.95% | 0.76% | 1.12% | 1.47% | 2.19% |
| Insurance / Reinsurance Payables | 2.02% | 0.77% | 1.74% | 2.66% | 2.25% |
| Other Creditors and Accruals | 0.83% | 1.01% | 1.15% | 1.55% | 1.74% |
| Taxation - provision less payment | 1.91% | 1.60% | 1.09% | 0.32% | 1.18% |
| TOTAL EQUITY AND LIABILITIES | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| PROFIT AND LOSS ACCOUNT | | | | | |
| Net insurance premium | 100% | 100% | 100% | 100% | 100% |
| Net insurance claims | -45.38% | -50.70% | -48.05% | -37.78% | -34.50% |
| Premium deficiency | -0.05% | -0.67% | -0.64% | 0.14% | -0.20% |
| Net Commission and other acquisition costs | -4.66% | -3.74% | -8.66% | -9.50% | -9.30% |
| Management expenses | -36.08% | -32.33% | -34.39% | -32.25% | -29.22% |
| Investment income | 2.64% | 0.32% | 2.51% | 2.96% | 2.80% |
| Rental income | 0.09% | 0.09% | 0.09% | 0.09% | 0.10% |
| Other income | 1.95% | 1.08% | 1.75% | 1.23% | 0.99% |
| Other expenses | -0.19% | -0.31% | -0.33% | -0.79% | -1.20% |
| Finance cost | -0.23% | -0.12% | -0.20% | -0.42% | -0.60% |
| Share of loss from associate | 0.94% | 0.92% | -1.32% | -11.19% | -0.51% |
| Profit from Window Takaful Operations | 4.94% | 7.32% | 7.43% | 1.99% | 3.24% |
| Income tax expense | -8.17% | -6.74% | -7.28% | -3.21% | -2.80% |
| (Profit)/ loss after Tax | -15.80% | -15.12% | -10.91% | -11.26% | -28.80% |
| | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

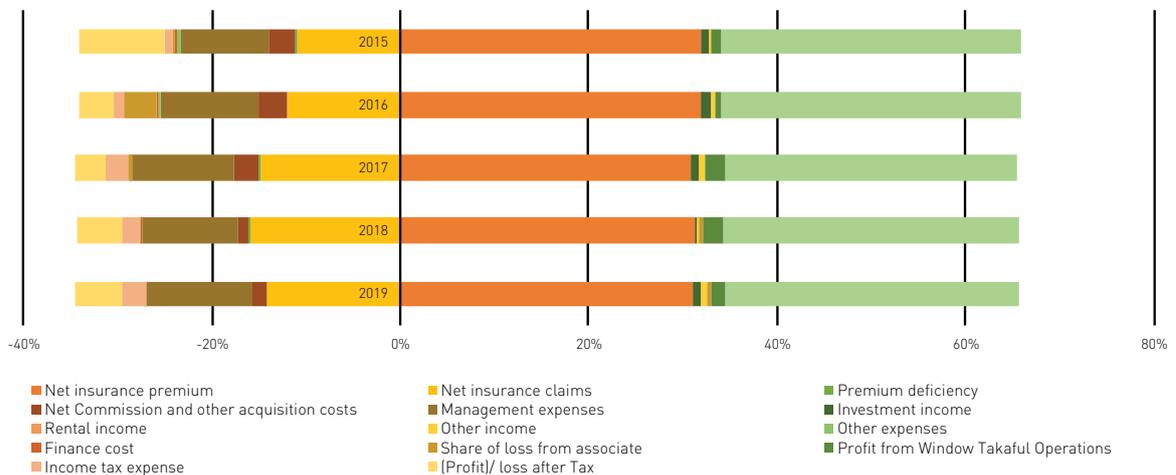
Horizontal Analysis-Assets



Horizontal Analysis-Equity and Liabilities



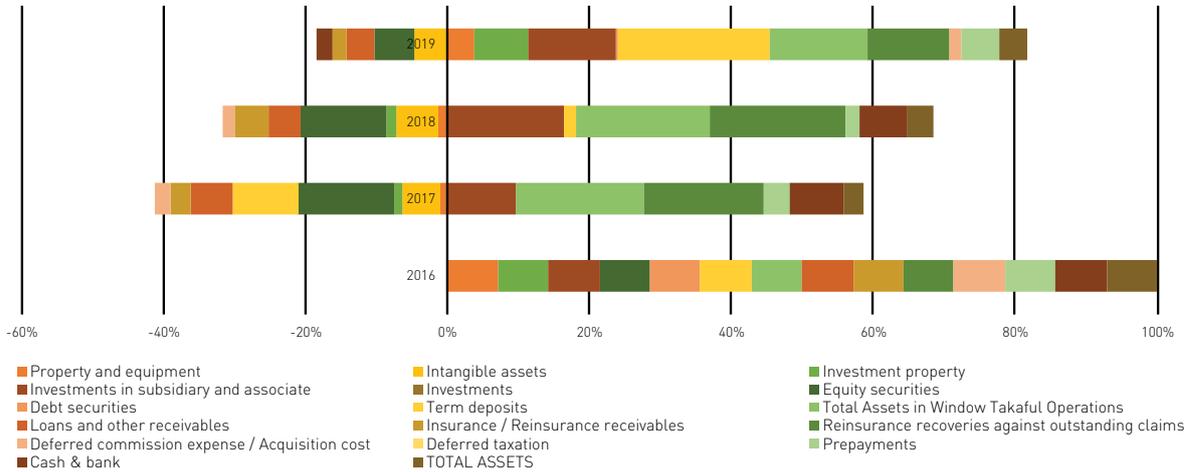
Horizontal Analysis-Profit and Loss Account



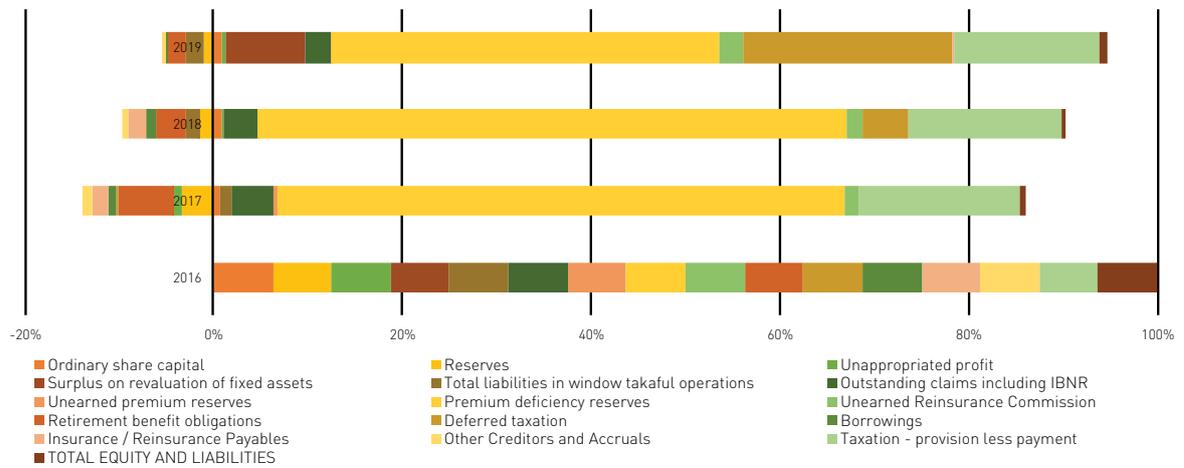
HORIZONTAL ANALYSIS

| | YEARS | | | |
|---|------------|---------------|---------------|-----------------|
| | 2016 | 2017 | 2018 | 2019 |
| STATEMENT OF FINANCIAL POSITION | | | | |
| Property and equipment | 100 | -3.72% | -7.99% | 47.95% |
| Intangible assets | - | -25.00% | -43.75% | -57.81% |
| Investment property | 100 | -5.00% | -9.75% | 94.34% |
| Investments in subsidiary and associate | 100 | 43.43% | 118.41% | 156.55% |
| Investments | | | | |
| Equity securities | 100 | -59.25% | -85.65% | -71.69% |
| Debt securities | 100 | -0.43% | -0.25% | 4.23% |
| Term deposits | 100 | -41.82% | 12.23% | 266.77% |
| Total Assets in Window Takaful Operations | 100 | 80.13% | 133.67% | 173.25% |
| Loans and other receivables | 100 | -26.46% | -33.57% | -46.99% |
| Insurance / Reinsurance receivables | 100 | -11.52% | -33.28% | -27.15% |
| Reinsurance recoveries against outstanding claims | 100 | 75.92% | 137.27% | 143.18% |
| Deferred commission expense / Acquisition cost | 100 | -10.70% | -11.35% | 21.82% |
| Deferred taxation | - | 0.00% | 0.00% | 0.00% |
| Prepayments | 100 | 15.78% | 14.78% | 66.89% |
| Cash & bank | 100 | 34.08% | 48.46% | -27.19% |
| TOTAL ASSETS | 100 | 12.94% | 25.38% | 48.80% |
| Ordinary share capital | 100 | 11.00% | 25.43% | 44.24% |
| Reserves | 100 | -55.82% | -44.69% | -52.58% |
| Unappropriated profit | 100 | -12.67% | 6.42% | 15.70% |
| Surplus on revaluation of fixed assets | 100 | -1.02% | -1.99% | 430.01% |
| Total liabilities in window takaful operations | 100 | 20.40% | -50.81% | -96.69% |
| Outstanding claims including IBNR | 100 | 75.09% | 117.26% | 139.03% |
| Unearned premium reserves | 100 | 6.14% | 3.06% | 4.04% |
| Premium deficiency reserves | 100 | 1004.27% | 2022.47% | 2091.15% |
| Unearned Reinsurance Commission | 100 | 22.26% | 54.37% | 124.85% |
| Retirement benefit obligations | 100 | -100.00% | -100.00% | -100.00% |
| Deferred taxation | 100 | -3.42% | 161.48% | 1126.17% |
| Borrowings | 100 | -13.48% | -35.24% | -3.45% |
| Insurance / Reinsurance Payables | 100 | -26.26% | -63.70% | 13.07% |
| Other Creditors and Accruals | 100 | -18.98% | -18.00% | -20.34% |
| Taxation - provision less payment | 100 | 283.87% | 521.39% | 783.16% |
| TOTAL EQUITY AND LIABILITIES | 100 | 12.94% | 17.11% | 33.35% |
| PROFIT AND LOSS ACCOUNT | | | | |
| Net insurance premium | 100 | 8.30% | 4.08% | 2.76% |
| Net insurance claims | 100 | 37.74% | 39.67% | 23.43% |
| Premium deficiency | 100 | -577.71% | -584.34% | -132.67% |
| Net Commission and other acquisition costs | 100 | -1.30% | -59.07% | -49.64% |
| Management expenses | 100 | 15.48% | 4.35% | 14.95% |
| Investment income | 100 | -8.07% | -88.56% | -8.21% |
| Rental income | 100 | 12.24% | 7.00% | 7.00% |
| Other income | 100 | 54.61% | -8.77% | 62.95% |
| Other expenses | 100 | -54.41% | -58.60% | -74.95% |
| Finance cost | 100 | -48.47% | -70.24% | -44.48% |
| Share of loss from associate | 100 | -87.21% | -108.56% | -108.61% |
| Profit from Window Takaful Operations | 100 | 304.58% | 283.16% | 155.01% |
| Income tax expense | 100 | 145.32% | 160.99% | 160.99% |

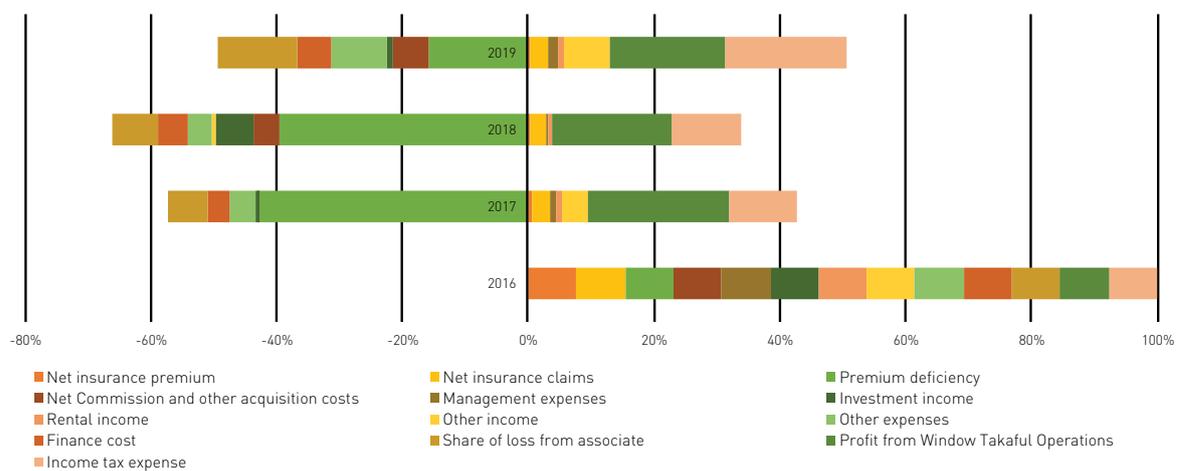
Vertical Analysis-Assets



Vertical Analysis-Equity and Liabilities



Vertical Analysis-Profit and Loss Account



SEGMENTWISE OUTLINE

Fire and Property Damage

Riot and Strike Damage

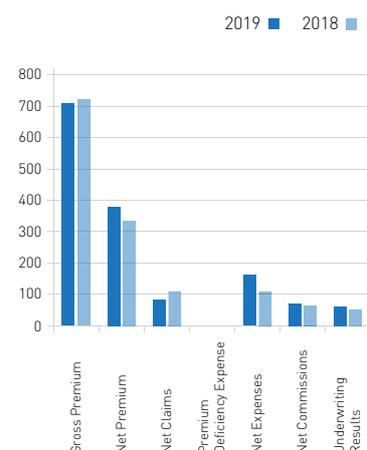
This policy provides coverage against loss or damage caused due to riot & strike or civil commotion or malicious damage due to any person who is member of an organization which aim is to overthrow any legal or de facto Government by terrorism or violence.

Allied Perils

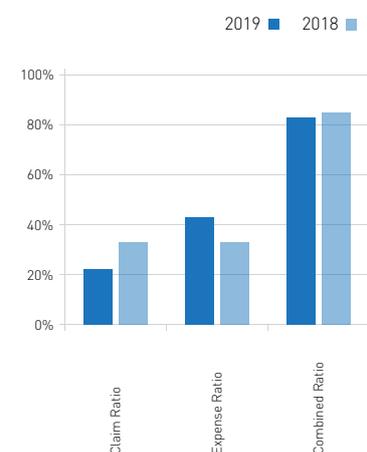
This is the most important and basic form of insurance and is essential for all types of business concerns. Fire and Allied Perils Insurance provides comprehensive cover in respect of loss of or damage to your property against fire and lightning. To further safeguard the interest of our valued clients the policy can be extended to cover riot and strike damage, malicious damage, atmospheric disturbance, earthquake (fire and shock), explosion, impact damage, aircraft damage etc.

| | 2019 | 2018 | Change % |
|----------------------------|--------------------|-------------|----------|
| | Rupees | Rupees | |
| Gross Premium | 708,550,426 | 721,259,489 | (1.76) |
| Net Premium | 380,036,582 | 335,511,688 | 13.27 |
| Net Claims | 84,435,016 | 110,176,963 | (23.36) |
| Premium deficiency expense | - | - | - |
| Net Expenses | 162,118,109 | 110,655,518 | 46.51 |
| Net Commissions | 70,704,793 | 64,064,776 | 10.36 |
| Underwriting Results | 62,778,664 | 50,614,431 | 24.03 |
| Claim Ratio | 22% | 33% | |
| Expense Ratio | 43% | 33% | |
| Combined Ratio | 83% | 85% | |

FIRE



FIRE - RATIOS



SEGMENTWISE OUTLINE

Marine, Aviation and Transport

Marine Cargo

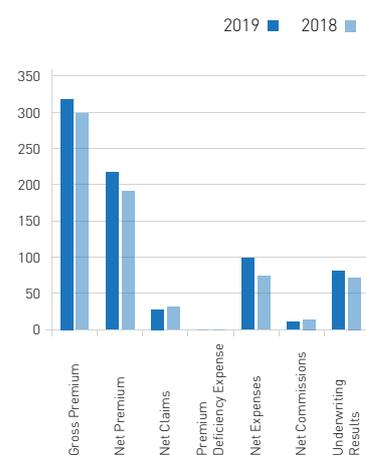
Marine Cargo insurance protects all goods while in transit depending upon the needs of client. Three broad types of cover are available i.e. Institute Cargo Clauses "A", "B" & "C". The cover takes care of risks associated with different modes of transportation.

Marine Hull Insurance

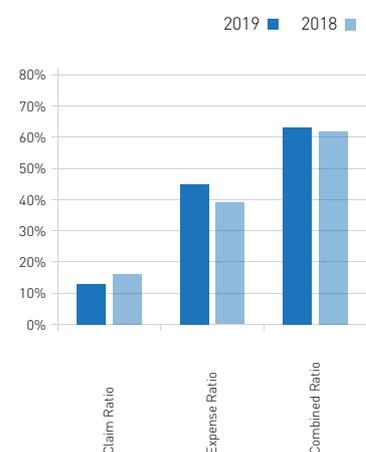
This cover is available for ocean going vessels, barges, tugs, dredgers, fishing trawlers, yachts, wooden dhows, pleasure/speed boats etc., under Institute Time Clauses Hulls. Cover is also provided for last breakup voyages from Karachi anchorage to Gadani.

| | 2019 | 2018 | Change % |
|----------------------------|--------------------|-------------|----------|
| | Rupees | Rupees | |
| Gross Premium | 318,430,393 | 298,294,425 | 6.75 |
| Net Premium | 217,315,639 | 190,930,597 | 13.82 |
| Net Claims | 27,773,347 | 31,352,307 | (11.42) |
| Premium deficiency expense | - | - | - |
| Net Expenses | 98,408,003 | 73,770,345 | 33.40 |
| Net Commissions | 10,551,459 | 14,053,634 | (24.92) |
| Underwriting Results | 80,582,830 | 71,754,311 | 12.30 |
| Claim Ratio | 13% | 16% | |
| Expense Ratio | 45% | 39% | |
| Combined Ratio | 63% | 62% | |

MARINE



MARINE - RATIOS



SEGMENTWISE OUTLINE

Motor

Auto Sure Plan - Auto Insurance with free Tracker Risks Covered

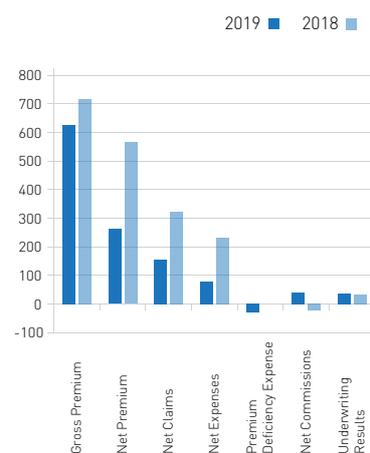
Accidental External means.
Riots, Strikes & Malicious Damages
Theft.
Fire, External explosion, self-ignition or lightning or frost.
Third Party Liability.

Value Added Features:

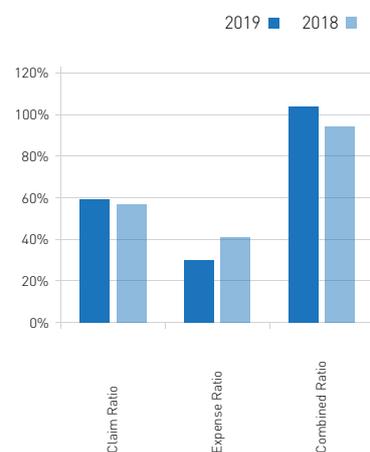
- Free towing to the nearest workshop.
- Get your car repaired from the workshop of your own choice.
- UIC claim experts will help in getting the Final Police Investigation Report.
- Free death repatriation of the driver within Pakistan.
- Funeral expenses & arrangements for the said person will be borne by UIC.
- No hidden taxes & charges.
- We commit to settle all theft and total loss claims within 30 days after reporting/submission of requisite documents.

| | 2019 | 2018 | Change % |
|----------------------------|---------------------|--------------|----------|
| | Rupees | Rupees | |
| Gross Premium | 652,263,115 | 715,148,402 | (8.79) |
| Net Premium | 261,259,256 | 564,822,913 | (53.74) |
| Net Claims | 154,874,636 | 321,412,389 | (51.81) |
| Net Expenses | 79,262,965 | 232,380,582 | (65.89) |
| Premium deficiency expense | (28,763,802) | - | - |
| Net Commissions | 38,763,624 | (22,725,231) | (270.58) |
| Underwriting Results | 37,121,477 | 33,755,173 | 9.97 |
| Claim Ratio | 59% | 57% | |
| Expense Ratio | 30% | 41% | |
| Combined Ratio | 104% | 94% | |

MOTOR



MOTOR - RATIOS



SEGMENTWISE OUTLINE

Crop

Crop Insurance

Financial protection against natural disasters, fire & lightning and insect / pets attack on standing crop.

Farmer

- Project his source of credit and debit carrying capacity.
- Low premium rates.

Lender (Bank)

Protected against default when crops fail.

Insurer

Selling and administration cost is greatly reduced due to larger business volume / turnover.

Farmer

Mandatory for all borrower farmers.

Crops Covered

All field Crops.

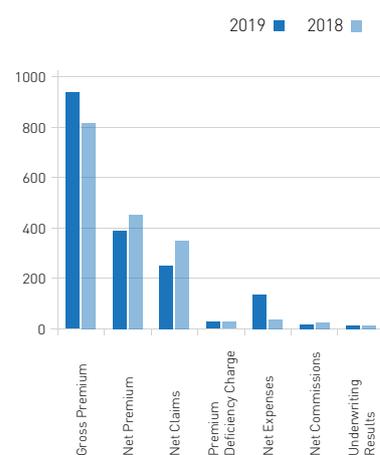
Types of Cover

The consortium provides two types of cover:

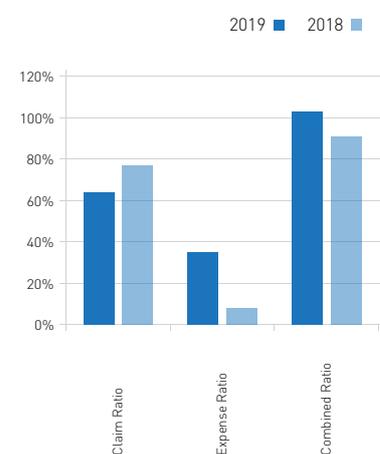
1. Catastrophe Area Loss Cover (CALC)
2. Catastrophe Individual Loss Cover (CILC)

| | 2019 Rupees | 2018 Rupees | Change % |
|---------------------------|----------------|----------------|----------|
| Gross Premium | 938,048,266 | 816,590,903 | 14.87 |
| Net Premium | 390,710,481 | 453,448,009 | (13.84) |
| Net Claims | 250,481,825 | 350,034,752 | (28.44) |
| Premium deficiency Charge | 27,598,977 | 27,598,977 | - |
| Net Expenses | 135,969,277 | 36,885,173 | 268.63 |
| Net Commissions | 17,413,970 | 24,804,116 | (29.79) |
| Underwriting Results | 14,444,386 | 14,124,991 | 2.26 |
| Claim Ratio | 64% | 77% | |
| Expense Ratio | 35% | 8% | |
| Combined Ratio | 103% | 91% | |

CROP



CROP - RATIOS



SEGMENTWISE OUTLINE

Miscellaneous



Workmen's Compensation

Employees are the most precious assets and result in the growth and prosperity for any organization. To protect the rights of this invaluable asset Workmen Compensation /Employer Liability Insurance provides coverage for any legal liabilities of the employers arising out of and in the course of employment as per Workmen Compensation Act, Fatal Accident Act, or as per Common Law.

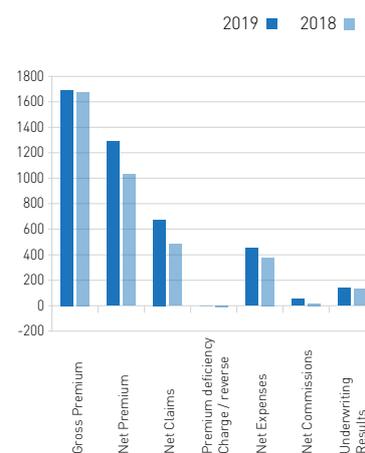
Cash in Transit Insurance

This policy provides coverage against loss of money whilst in transit due to forcible, violent, external and visible means.

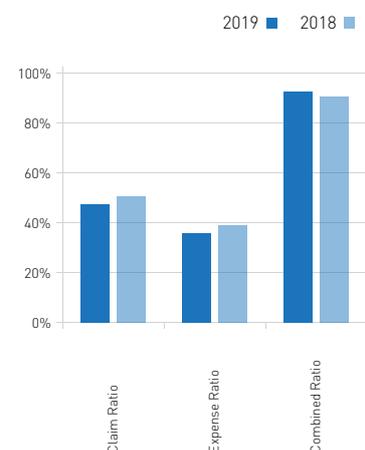
Accident Coverage

This cover operates 24 hours and on worldwide basis. It provides for payment of specified capital benefits following accidental death, bodily injury, permanent total disablement, permanent partial disablement, temporary total and temporary partial disablement caused by an accident. In addition the cover also provides reimbursement of emergency transportation to the nearest hospital and expense incurred for preparation and transportation of the mortal remains of the insured person from the place of death to home and can also be extended to cover medical expenses.

MISCELLANEOUS



MISCELLANEOUS - RATIOS



| | 2019 Rupees | 2018 Rupees | Change % |
|-------------------------------------|----------------|----------------|----------|
| Gross Premium | 1,693,502,220 | 1,676,054,776 | 1.04 |
| Net Premium | 1,292,273,512 | 1,029,668,164 | 25.50 |
| Net Claims | 635,936,575 | 492,297,255 | 29.18 |
| Premium deficiency Charge / reverse | - | (10,330,278) | (100.00) |
| Net Expenses | 441,255,378 | 378,718,410 | 16.51 |
| Net Commissions | 58,435,339 | 15,985,866 | 265.54 |
| Underwriting Results | 156,646,220 | 152,996,911 | 2.39 |
| Claim Ratio | 49% | 48% | |
| Expense Ratio | 34% | 37% | |
| Combined Ratio | 88% | 86% | |

SEGMENTWISE OUTLINE

Overall



Fire & Property Damage Insurance:

- Fire & allied perils
- Property all risk
- Industrial all risk
- Burglary
- Contractors all risk
- Machinery breakdown

Marine Aviation & Transport Insurance

- Marine Cargo Export
- Marine Cargo Import
- Marine Cargo inland transit
- Marine hull

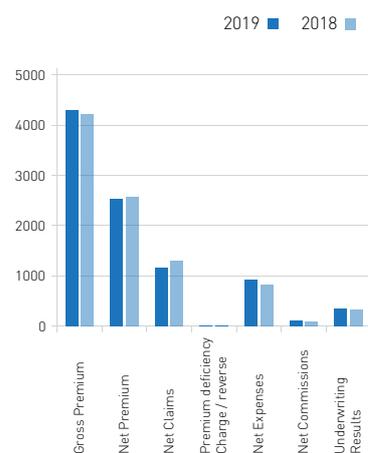
Motor Insurance

- Commercial vehicle comprehensive
- Private vehicle comprehensive
- Motor cycle comprehensive
- Motor third party liability

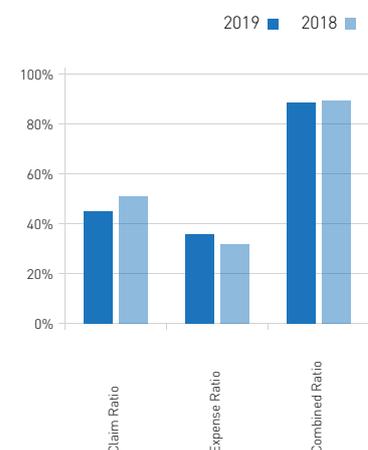
Miscellaneous Insurance

- Performance bond
- Maintenance bond
- Cash in safe
- Cash in transit
- Workmen's compensation
- Travel
- Aviation
- Health
- Live Stock
- Crop

OVERALL



OVERALL - RATIOS



| | 2019 Rupees | 2018 Rupees | Change % |
|-------------------------------------|----------------|----------------|----------|
| Gross Premium | 4,310,794,420 | 4,227,347,995 | 1.97 |
| Net Premium | 2,541,595,470 | 2,574,381,371 | (1.27) |
| Net Claims | 1,153,501,399 | 1,305,273,666 | (11.63) |
| Premium deficiency Charge / reverse | 1,164,825 | 17,268,699 | (93.25) |
| Net Expenses | 917,013,732 | 832,410,027 | 10.16 |
| Net Commissions | 118,341,937 | 96,183,161 | 23.04 |
| Underwriting Results | 351,573,577 | 323,245,817 | 8.76 |
| Claim Ratio | 45% | 51% | |
| Expense Ratio | 36% | 32% | |
| Combined Ratio | 86% | 87% | |

GROUP CHAIRMAN'S MESSAGE



To stay ahead of the tough competition, UIC has been broadening the spectrum, strengthening its business capabilities and extending its presence in Insurance Industry.

As a whole 2019 was a challenging year for insurance industry due to economic contraction, unhealthy trend in domestic capital market, several exchange rate fluctuation of foreign currency, inflation rate, effect of monitoring policy, short fall of energy supply etc. Despite the above adverse situation in the economy The United Insurance Company of Pakistan Limited remains confidently buoyant. Our vision will continue to be our motivation in directing the company ahead as we seek to overcome challenging times and build our resilience as a company with a bright and sustainable future.

UIC committed towards our mission of becoming the leading insurance company in Pakistan. This commitment is reflected through the milestones we achieved in 2019. Your Company achieved its highest ever Insurer Financial Strength rating of Double A (AA), a testament to the excellent guidance of its Board of Directors and efforts put in by the entire Company.

Your Company is managed by insurance professionals. As a service provider, the Company

continues to invest in people, systems and processes to deliver sustainable, profitable growth in a challenging and competitive business environment and maintain leading position in the country.

The Group is committed to execute its strategy of focusing on its core competencies, widening its presence in the insurance business and diversifying earnings through other associated company and associated undertaking.

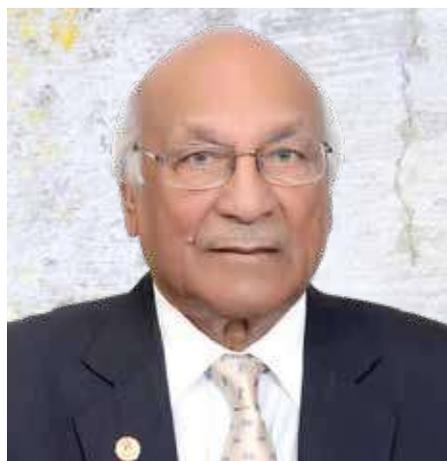
I would like to praise the management for its immense efforts in achieving consistent results in 2019 and hope that the Company would continue its upward growth trajectory in future as well.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mian M.A. Shahid'. The signature is stylized and fluid.

Mian M.A. Shahid
Chairman – UIG Group
Date: March 21, 2020

Chairman's Review Report



Dear Shareholders,

It is a privilege to serve as the Chairman of Board of Directors of The United Insurance Company of Pakistan Limited. I would like to thank all members of board for entrusting me with guiding direction of the Company to ensure that all my efforts will continue to be aimed at steering the Company towards consistent qualitative and quantitative growth in future as well.

The Company's performance for 2019 remained consistent as we closed the year delivering sound financial results with a premium growth of 1.97% per annum in current economic situation of Pakistan. Premium growth was recorded mainly in Marine, Crop and Miscellaneous businesses.

The Company's investment income increased by 702% from Rs. 8.365 million in 2018 to Rs. 67.101 million in 2019. Company's management expenses stand at 21% of GWP. Profit on investment in associates increased from Rs. 23.701 million in 2018 to Rs. 23.818 million in 2019 following the strategy of sustainable growth by focusing on further strengthening the risk and compliance management. Company's profit before tax increased from Rs. 562.701 in 2018 compared to Rs. 609.114 million in 2019. Similarly, profit after tax increased from Rs. 389.223 million in 2018 as compared to Rs. 401.591 million in 2019. We continued to follow the strategy of sustainable growth by focusing on further strengthening the risk and compliance management.

As Chairman of board of directors of the company, culture of openness and constructive debate during which all views are heard will be appreciated and it will be ensured that the board hears from appropriate range of senior management. I will remain firmly committed to ensure that Company complies with all relevant codes and regulations and ensure that our Board and management committees continues to take decisions that will create logical, ethical and strategic values in the short, medium and long term.

On governance side, performance of members of our Board remained excellent throughout the year and their collective contributions and efforts allowed the Company to not only achieve its targets but also maintain its excellent market reputation.

The Company has an independent Internal Audit department and follows a risk based audit methodology. Internal Audit reports are presented to Board by the Audit Committee on quarterly basis and areas for improvement are always considered.

UIC is governed in accordance with the requirements of Code of Corporate Governance to ensure that its performance and effectiveness is as per the expectations to achieve the goals and objectives of the Company. For the financial year ended December 31, 2019, performance is assessed as satisfactory.

All the Directors made viable contribution for the achievement of the desire results during the year. The expertise of the Independent and non-executive Directors were also a great help in the decision making process.

On behalf of the Board, I would like to extend my heartfelt appreciation to shareholders, stakeholders, esteemed bankers, worthy regulatory authorities our field staff and employees of the Company for their commitment and passion to advance this company forward.



Javaid Sadiq
Chairman

Date: March 21, 2020

CHIEF EXECUTIVE'S MESSAGE



Moving towards success by adopting Insurance Technologies, input of our Stakeholders and the trust of our Insured reposed in us.

Year 2019 was yet another challenging year for UIC, despite the upward inflation rate and devaluation of US \$ which had a direct bearing on our economy, we were able to not only maintain but increased our Gross written premium.

Over the years, UIC continues to maintain a well-balanced business portfolio of various lines of insurance. e.g. Fire, Marine, Motor, Crop, Live Stock, Engineering, Health Plan, Travel Cargo & Miscellaneous insurance. UIC believes in and practicing adequate service levels, good corporate governance and compliances resulting in significant impact on the company's sustainability.

Our focal point of doing business is meeting our insured's expectation of us, we believe that insurer must be financially sound and capable of indemnifying policyholders when misfortune strikes. Insurers should pay claims promptly to the satisfaction of it clients.

The Company continues its efforts to improve its performance in the light of its Board of Directors', Committee and SECP Directives. The Company's overall risk management programme focuses on

unpredictability of risks and include processes to minimize potential adverse risk effects on financial performance of the company using pro-active approach.

This message is meant for deep expression of our appreciation for our Group Chairman, Chairman, Board of Directors and Committee Members for their continued guidance rendered towards steering United Insurance Company towards greater levels of success.

I look forward to the continued commitment from all of our staff members towards achieving our commitments and targets for the year 2020.

Thanking You!

Sincerely,

A handwritten signature in black ink, appearing to read 'Muhammed Rahat Sadiq'. The signature is fluid and cursive, with a long horizontal stroke at the end.

Muhammed Rahat Sadiq
CEO

Date: March 21, 2020

DIRECTORS' REPORT TO THE MEMBERS



The Directors of "The United Insurance Company of Pakistan Limited" feel honour to present Company's 60th Annual Report of your Company, together with the combined audited financial statements of UIC and its Window Takaful Operations for the year ended December 31, 2019.

ECONOMIC OVERVIEW

Pakistan's economy has experienced frequent boom and bust cycles. Typically, each cycle comprised of 3-4 years of relatively higher growth followed by a macroeconomic crisis which necessitated the stabilization programs. The inability to achieve sustained and rapid economic growth is due to structural issues which require effective monetary and fiscal measures to achieve macroeconomic stability.

The outgoing five-year plan has seen an average growth of 4.7 percent against the target of 5.4 percent. This growth can be characterized as a consumption led growth. The unplanned borrowing from different sources increased both private and

public consumption resulting in higher debt repayment liabilities, which created severe macroeconomic imbalances. The investment did not pick up as higher demand was met primarily through imports leading to enormous rise in external imbalances. Due to low growth in revenues and the unplanned and unproductive expenditures, the fiscal deficit widened. The persistence of large fiscal and current account deficits and associated build up of public and external debt became the major source of macroeconomic imbalance. The new elected government faces formidable macroeconomic challenges. The foremost challenge to the economy is the rising aggregate demand without corresponding resources to support it, leading to rising fiscal and external account deficits. To address the issue of severe macroeconomic instability and to put the economy on the path of sustained growth and stability, the government has introduced a comprehensive set of economic and structural reform measures. As a short-term measure to get a breathing space, the government

secured \$9.2 billion from friendly countries to build up buffers and to ensure timely repayment of previous loans.

The government has also taken some overdue tough decisions i.e. increase in energy tariffs to stop further accumulation of circular debt, reduction in imports through regulatory duties and withdrawal of some of the tax relaxations given in the last budget in order to arrest the deterioration in primary balance. These painful decisions were tough for the new elected government, but at the same time were necessary for economic stabilization.

The impact of macroeconomic adjustment policies, such as monetary tightening, exchange rate adjustment, expenditure control and enhancement of regulatory duties on non-essential imports, started to become visible this year. These steps have served to bring some degree of stability and have also helped in reducing economic uncertainty. However, the situation calls for sustained efforts. The outgoing fiscal

DIRECTORS' REPORT TO THE MEMBERS

year 2018-19 witnessed a muted growth of 3.29 percent against the ambitious target of 6.2 percent. The target was based upon sectoral growth projections for agriculture, industry, and services at 3.8 percent, 7.6 percent and 6.5 percent respectively.

The total investments as a percentage of GDP was recorded at 15.4 percent against the target of 17.2 percent. The fixed investment as percentage of GDP remained 13.8 percent against the target of 15.6 percent, while public and private investments remained at 4.0 and 9.8 percent against the target of 4.8 and 10.8 percent respectively. The National Savings remained at 10.7 percent of GDP against the target of 13.1 percent.

The fiscal tightening and the rising inflation on account of increasing utility prices, rationalization of taxes, measures to reduce the primary balance, and any further exchange rate adjustments, along with higher oil prices, protectionists tendencies in some of the economies and tightening monetary conditions in the developed countries leading to lower capital inflows will remain downside risk.

Performance Review Conventional Business for the year ended December 31, 2019

During the year 2019 in the face of immense competitive pricing,

the company was able to attain the premium growth. Company's Gross Written Premium increased by 1.97%, from Rs 4,227.348 million in 2018 to Rs 4,310.794 million in 2019. Premium growth was recorded mainly in Marine, Crop and Miscellaneous businesses. The Company's net premium income stands at 59% of GWP. Overall the underwriting result, increased by 8.76% during the year from Rs. 323.246 million in 2018 to Rs. 351.574 million in 2019. The Company's investment income increased by 702% from Rs. 8.365 million in 2018 to Rs. 67.101 million in 2019. Company's management expenses stand at 21% of GWP. Profit on investment in associates increased from Rs. 23.701 million in 2018 to positive Rs. 23.819 million in 2019 following the strategy of sustainable growth by focusing on further strengthening the risk and compliance management. Whereas, revenue of the investee entity has been increased from Rs. 2,157.836 million in 2018 to Rs. 2,899.785 million in 2019. Company's profit before tax increased from Rs. 562.701 million in 2018 compared to Rs. 609.114 million in 2019. Similarly, profit after tax increased from Rs. 389.223 million in 2018 as compared to Rs. 401.591 million in 2019.

Earnings per Share

Your Company has reported earnings per share of Rs. 1.54 in 2019 as compared to Rs. 1.50 in 2018 (Restated).

Performance Review Window Takaful Operations for the year ended December 31, 2019

Company's Gross Written Contribution increased by 4.28% from Rs. 1,011.257 million in 2018 to Rs. 1,054.540 million in 2019. Contribution growth was recorded mainly in Fire, Motor and Health & Miscellaneous business which resulted in increase of 5.36% in Fire, 8.33% in Motor and 7.40% in Health & Miscellaneous businesses respectively as compare to Gross Written Contributions in 2018. The Company's net Contribution income stood at 58.46% of the Gross written contribution which is decreased by 8.51% in comparison to the year 2018. Management expenses increased by Rs. 13.326 million in 2019. Direct expenses of Participants takaful fund decreased from Rs. 51.627 million in 2018 to Rs. 35.440 million in 2019. Investment income of PTF stood at Rs. 2.297 million in 2019.

Segments Wise Performance Analysis – Conventional Business

Fire & Property

The gross written premium for the year ended 2019 was 708.550 million as compared to 721.259 million in 2018 and constituted 16.44% of the total gross written premium of the

DIRECTORS' REPORT TO THE MEMBERS

Company. Net claims as percentage of net premium revenue were 22.22% in 2019 as against 32.84% in 2018.

The underwriting profit for the year increased to 62.779 million as compared to 50.614 million in 2018.

Marine, Aviation & Transport

The gross written premium increased to 318.430 million in 2019 as compared to 298.294 million in 2018 and constituted 7.39% of the total gross written premium of the Company. Net claims as a percentage of net premium revenue were 12.78% in 2019 as against 16.42% in 2018. The underwriting profit for the year was 80.583 million in 2019 as compared to 71.754 million in 2018.

Motor

The gross written premium decreased to 652.263 million in 2019 as compared to 715.148 million in 2018. The gross written premium of this segment constitutes 15.13% of the total gross written premium of the Company. Net claims as percentage of net premium revenue was to 59.28% in 2019 as against 56.90% in 2018. The underwriting profit increased to 37.121 million in 2019 as compared to 33.755 million in 2018.

Crop

The gross written premium increased to 938.048 million in 2019 as compared to 816.591 million in 2018.

The gross written premium of this segment constitutes 21.78% of the total gross written premium of the Company. Net claims as percentage of net premium revenue was to 64.11% in 2019 as against 77.19% in 2018.

The underwriting profit increased to 14.444 million in 2019 as compared to 14.125 million in 2018.

Miscellaneous

The gross written premium increased to 1,693.502 million in 2019 as compared to 1,676.055 million in 2018.

The gross written premium of this segment constitutes 39.26% of the total gross written premium of the Company. Net claims as percentage of net premium revenue was to 49.21% in 2019 as compared to 47.81% in 2018. The underwriting profit for the year to 156.646 million in 2019 compared to negative 152.997 million in 2018.

Claims

Prompt settlement of claims is our vital function of which we are proud of. Natural Catastrophic claims are unavoidable and are complex in nature; these are either total or partial loss. Fire, Motor "own damage", Crop and Health claims accounted for majority of the claims which were promptly settled.

Re-insurance

Your Company follows a policy of optimizing risk retention through a carefully designed program of

re-insurance. We have structured our reinsurance program to protect the value at risk at all times during the policy period. Our reinsurance coverage and strategic disaster planning is based on Company's exposure, accumulation and concentration of risk at the location.

UIC's reinsurance arrangements predominantly comprise of excess of loss treaties, our panel consists of Swiss Re (Rated 'AA-' by S&P), Korean Re (Rated A- by AM Best), AXA XL (Rated AA- by S&P), Qatar General Insurance (Rated A- by AM Best) (Trust Re (Rated 'A-' by AM BEST), Labuan Re (Rated 'A-' by AM BEST), Malaysian Re (Rated 'A-' by AM BEST), PRCL(AA+ JCR-VIS) Hannover Re (Rated AA- by S&P) Kuwait Re (A- AM Best) , XL Catlin Singapore PteLtd (Rated 'A-' by S&P) Emirates International Dubai (Rated 'A-' by AM BEST), Beazley Pte Ltd (Rated A+ by S&P) Canopus Asia Pte Ltd (Rated A+ by S&P) and Korean Re (Rated A by S&P). Our enhanced capacity allows us to underwrite large risks.

Investment and other Income

Our investment objective is to attain maximum return on our investment portfolio for the company/ shareholders, the investment committee implements and monitors our investment strategies, guidelines and policies for the Board and the group's investment guideline. The Company will continue to place special consideration towards

DIRECTORS' REPORT TO THE MEMBERS

generating revenues and returns by safe and sound investments.

During the year income from investment increased from 8.365 million to 67.101 million. The break-up of investment income is as under:

| Particular | 2019 Million | 2018 Million |
|---|---------------|--------------|
| Dividend Income | 0.868 | 2.524 |
| Return on TFCs | 23.328 | 4.798 |
| Return on PIBs | 36.56 | 23.282 |
| Gain on Sale of 'available for sale investment' | 6.598 | (21.873) |
| Provision for impairment | - | - |
| Less: Investment related expenses | (0.253) | (0.365) |
| Total | 67.101 | 8.365 |

COMPANY'S ASSETS

Total assets of the Company as on December 31, 2019 stood at 8,183.063 million against 6,895.465 million last year showing an increase of 18.67% mainly due to investment and increase in property and equipment due to revaluation surplus in assets. The management's strategy is to optimize utilization of funds to maximize investment returns.

Internal Controls and Its Adequacy

The system of internal controls is sound and is being implemented and monitored by the Internal Audit Department. This is a continuing process and any weaknesses are identified and removed. Further, same is regularly reviewed by the board.

Risk Management Policy

The Company has developed and implemented a risk management policy which identifies major risks which may threaten the existence

of the Company. Our Company's Risk Management approach is made for qualitative evaluation of risk and minimizing its hazards. The same has also been adopted by your Board and is also subject to its review from time to time. Risk mitigation process and measures have been formulated and clearly spelled out in the said guidelines.

ISO 9001 CERTIFICATION

All Department of UIC Insurance are ISO 9001:2015 certified. By complying with this standard we have not only continuously improved our processes with the ultimate aim of Customer satisfaction but this also helped us in effective monitoring. At UIC, we are fully aware of how beneficial this standard is for us which includes but not limited to more organized operating environment, better working conditions, increased job

satisfaction and enhanced customer satisfaction. Quality awareness has increased because all employees have been trained to take the "ownership" of processes that they are involved in developing and improving. This has helped to develop a strong quality culture, where the employees identify problems such as systems or process issues and work on fixing them.

We have successfully achieved second Certification of ISO 9001: 2015 in November 2018

INFORMATION TECHNOLOGY

Your Directors recognize the importance of Technology in today's business environment by ensuring that we are up to date with the new technology in time with increasing numbers of policies and claims. The Communication infrastructure has been strengthened by upgrading the Reinsurance Management System fully integrated with our existing MIS. The Company is also developing "Business Intelligence Module (BIM)" through a software developer which would lead to further better quality services of chain of documents from branches to head office and vice versa.

HUMAN RESOURCE

At UIC, a greater emphasis is being placed on enhancing the quality of our HR, which will further enhance our marketing & administration

DIRECTORS' REPORT TO THE MEMBERS

capabilities of our employees, resulting in improved efficiency and qualitative services. At UIC we provide continuous & challenging opportunities for the intellectual and professional growth of our employees. The Company has created a culture that promotes teamwork, collaboration, openness and transparency of processes which builds overall trust resulting in improvement and reward recognition for its employees.

CORPORATE SOCIAL RESPONSIBILITIES – CSR

Education is the important pillar of the society and build a nation to develop a system leads towards healthy growth of each sectors leads a country to the scale of developed countries The primary focus of UIC's Corporate Social Responsibility (CSR) policy is to promote education at all level. In the Same spirit United Insurance has been running UIG School System in Faisalabad since 2016. The purpose of UIG School System is to prepare students with promise to enhance their intellectual, physical, social, emotional, spiritual and artistic growth so that they may realize their power for good as citizens of Pakistan.

UIC also believes in women empowerment and has collaborated with Kinnaird College, one of Pakistan's top business colleges in Lahore. Kinnaird College has more than a century old rich history

and tradition of excellence in educating young women. UIC provide sponsorship collaborating with Apna Bank to the deserving candidate of the college.

UIC works on grooming youth to build a healthy nation mentally and physically. Its higher officials delivers lectures on various topics to achieve the aim of the Company on different areas that are schools, colleges and social forums and promotes CSR activates in the society.

UIC is committed to maintain a Safe, Healthy and Sustainable environment wherever we operate – for our policyholders, people, customers, partners, contractors and the community at large.

Healthy life is vital for human happiness and well-being. Health can be defined as physical, mental, and social wellbeing, and as a resource for living a full life. It refers not only to the absence of disease, but the ability to recover and bounce back from illness and other problems.

UIC arrange free medical camp in Rawalpindi /Islamabad region for needy people.

United Insurance provides free of cost healthcare services through (Health Insurance Policy) to the people of UIG School System at Faisalabad. We also provide rehabilitation services to the poor and needy people of Pakistan.

To promote the social responsibility among the young generation. UIC arrange on regular basis the sport activities for a healthy society and developing a civic sense by conducting seminars, workshops through lectures in colleges and schools. We also focus on promoting character building among the youth and children.

RELATED PARTY TRANSACTIONS

At each board meeting, the Board of Directors approves Company's transactions with Associated Companies/Related Parties. All the transactions executed with related parties are on arm's length basis.

TRADING IN COMPANY'S SHARES

During the year 2019, no trading in the shares of the Company was carried out by the Directors, CEO, CFO, Secretary, Head of Internal Audit, Executive and their spouses and minor children.

The information about the trading in Company's shares is presented at the meeting of the board subsequent to such transactions.

INSURER'S FINANCIAL STRENGTH RATING

The Pakistan Credit Rating Agency Limited (PACRA) has maintained IFS Rating of The United Insurance Company of Pakistan Limited as AA

DIRECTORS' REPORT TO THE MEMBERS

(Double A) with "Stable Outlook". The rating reflects United Insurance's strong business fundamentals emanating from a sustained growth in GPW.

CODE OF CONDUCT

Your Company has designed a Code of Conduct to ensure ethical practices and integrity signed by all the employees. All our operational activities are carried out in a transparent manner strictly following the code of ethics, to which there is no compromise.

APPROPRIATION

Your Directors are pleased to present the following figures with recommendations for the year ended December 31, 2019.

FUTURE OUTLOOK

While 2019 is shaping up to be banner years for insurers, some concerns are being raised about an economic slowdown, if not a full-fledged recession, as early as 2020. Many are worried about the potential for ongoing disputes between the United States and China as well as other nations over tariffs and trade rules. Meanwhile, some expect the economic stimulus from federal tax cuts and additional government spending to peter out by 2020, while rising interest rates could perhaps discourage consumer borrowing, housing construction, and business expansion. In fact, Vanguard recently warned that the chances for a recession by late 2020 are between 30 and 40 percent. One warning sign

It would therefore be prudent for insurers to maintain their growth momentum by continuing to focus on improving operational efficiency, boosting productivity, and lowering costs with new technology and talent transformations, while customizing products and services to meet the evolving demands of the emerging digital economy.

ACKNOWLEDGEMENT

Your Directors would like to express their sincere appreciation for the for the assistance and co-operation received from the SECP, Bankers, Government authorities, and Business associates at all levels. We also thank our shareholders for posing their trust and confidence in the Company. Your Directors also wish to place on record their deep sense of appreciation for the committed services by the Company's executives, staff and workers.



Muhammed Rahat Sadiq
Chief Executive Officer

Date: March 21, 2020

| Particular | 2019 Rupees | 2018 Rupees |
|--|----------------------|----------------|
| Profit before tax | 401,590,726 | 389,222,610 |
| Other comprehensive income/(loss) for the year: | | |
| Items to be re-classified to profit and loss account in subsequent period | (8,305,626) | 11,713,692 |
| Items not to be re-classified to profit and loss account in subsequent year: | 576,241,153 | 793,193 |
| Share of other comprehensive income / (loss) from associate | - | - |
| Sub total | 567,935,527 | 12,506,885 |
| Total comprehensive income for the year | 969,526,253 | 401,729,495 |
| Last year unappropriated profit | 374,355,965 | 311,889,530 |
| Profit available for appropriation | 1,343,882,218 | 713,619,025 |
| Appropriated/appropriations: | | |
| 13.41% Final stock dividend (2018:15%) | 348,983,180 | 339,263,060 |
| Unappropriated profit | 994,899,038 | 374,355,965 |

Report on corporate and financial reporting frame work is part of Directors' Report which is available at page no. 37.

cited by economists was a flattening yield curve between short- and long-term interest rates—a development that has historically indicated a recession ahead.

REPORT ON CORPORATE

and Financial Reporting Framework

In compliance with the Corporate and Financial Reporting Framework of the Code of Corporate Governance, the directors confirm the following:

1. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and change in equity;
2. The Company has maintained proper books of accounts as required under the Companies Act, 2017;
3. The Company has followed consistently appropriate accounting policies in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
4. Financial Statements have been prepared by the Company in accordance with the International Accounting Standards, International Financial Reporting Standard and any other regulation or law (including but not limited to the Shariah guidelines/principles) as applicable in Pakistan. The departure there from (if any) has been adequately disclosed and explained;
5. The system of internal control is sound and is being implemented and monitored by the internal audit department. This is a continuing process and any weaknesses are removed and its effective implementation shall be ensured.
6. The fundamentals of the Company are strong and there are no doubts about its ability to continue as a going concern;
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;
8. Key operating and financial data for the last six years in summarized form, is included in this annual report on page 17;
9. Outstanding taxes and duties amounting to Rs. 195,194,176 which will be paid partially in the month of January 2020 and partially with income tax return of tax year 2020;
10. There are no statutory payments on accounts of taxes, duties, levies and charges which are outstanding as at December 31, 2019, except as those disclosed in the financial statements;
11. All significant plans, major decisions such as corporate restructuring, business expansion and discontinuance

of operations, shall be outlined along with future prospect;

- 12) The value of investment in assets of provident fund, on basis of audited accounts, as at December 31, 2019 was Rs 137,778,401;
13. The number of meetings attended by each Director is given hereunder;

| Sr. no | Name of Directors | Meetings Attended |
|--------|----------------------|-------------------|
| 1. | Javaid Sadiq | 4 out of 4 |
| 2. | Khawas Khan Niazi | 4 out of 4 |
| 3. | Muhammed Rahat Sadiq | 4 out of 4 |
| 4. | Huma Waheed | 4 out of 4 |
| 5. | Agha Ali Imam | 4 out of 4 |
| 6. | Jamil Ahmad Khan | 4 out of 4 |
| 7. | Syed Rahat Ali Shah | 4 out of 4 |

PATTERN OF SHAREHOLDING

The statement of pattern of shareholding as at December 31, 2019 is reported at page 46.

COMPOSITION OF BOARD

The total numbers of directors are seven as per the following:

- a) Male 06 (Six)
- b) Female 01 (One)

REPORT ON CORPORATE

and Financial Reporting Framework

| Category | Names |
|-------------------------|----------------------|
| Independent Director | Agha Ali Imam |
| | Jamil Ahmad Khan |
| Non-Executive Directors | Khawas Khan Niazi |
| | Javaid Sadiq |
| | Syed Rahat Ali Shah |
| Executive Directors | Muhammed Rahat Sadiq |
| | Huma Waheed |

MEMBERS OF BOARD COMMITTEE

The members of the Board Committees were as under:

| Audit Committee | | |
|--|-------------------------------|-----------|
| Mr. Agha Ali Imam | Independent Director | Chairman |
| Mr. Khawas Khan Niazi | Non-Executive Director | Member |
| Syed Rahat Ali Shah | Non-Executive Director | Member |
| Mr. Maqbool Ahmad | Chief Financial Officer | Member |
| Mr. Abdul Mannan Munir | Chief Internal Auditor | Secretary |
| Ethics, Human Resources & Remuneration Committee | | |
| Mr. Jamil Ahmad Khan | Independent Director | Chairman |
| Mr. Javaid Sadiq | Non-Executive Director | Member |
| Mr. Muhammed Rahat Sadiq | Executive Director | Member |
| Syed Rahat Ali Shah | Non-Executive Director | Member |
| Mr. Wakeel Ahmad Mirza | General Manager | Secretary |
| Investment Committee | | |
| Mr. Jamil Ahmad Khan | Independent Director | Chairman |
| Mr. Agha Ali Imam | Independent Director | Member |
| Mr. Muhammed Rahat Sadiq | Executive Director | Member |
| Mr. Tajammal Iqbal | Head of Conventional Business | Member |
| Mr. Maqbool Ahmad | Chief Financial Officer | Secretary |

DIRECTORS' REMUNERATION

The Board of Directors have a formal policy and transparent procedure for remuneration of directors in accordance with the Companies Act, 2017. The detail of remuneration to directors are mentioned in notes to the financial statements.

BOARD PERFORMANCE EVALUATION

The Board has developed a mechanism to evaluate its own performance by adopting of self-evaluation exercise through questionnaire on annual basis, which covers core areas of the functioning of the Board. The primary purpose of this evaluation is to enable the Board members to perform their

role and responsibilities more effectively towards progress of your Company. This evaluation is carried out under a self-evaluation methodology based on certain parameters. Critical areas that the questionnaire covers includes but not limited to the following:

- Evaluate and understand the statutory directive
- Assessment of overall roles

and responsibilities of the Board members

- Critically review the financial reporting requirement
- Identify the area of risk
- Trainings and up gradation of knowledge & skill of directors

The result of the board's self-assessment of its overall performance was satisfactory against the set criteria.

AUDITORS

The Company's Auditors M/s. Ilyas Saeed & Co., Chartered Accountants retire and offer themselves for re-appointment as Company's Auditors. The Audit Committee reviewed and recommended to the Board of Directors for re-appointment of M/s. Ilyas Saeed & Co., Chartered Accountants as auditors of the Company for the next financial year ending December 31, 2020.

MATERIAL CHANGES

During the reporting year, the company further invested in Apna Microfinance Bank by resulting in increase form Rs. 421,189,277 in 2018 to Rs. 692,183,678 in 2019 and percentage of holding in associate came to 44.50% in 2019. During the year 2019, property plant equipment of the company has been revalued and revaluation surplus of the company increased from Rs.80.813 million in 2018 to Rs.434.296 million in 2019. For the first time revaluation of

REPORT ON CORPORATE

and Financial Reporting Framework

motor vehicles has been made due to major change in market values of motor vehicles. Details of revaluation is available at Note no. 19A of financial statements.

INSURANCE ORDINANCE 2000

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

in our opinion the annual statutory accounts of the Company set out in the forms attached to the statement have been drawn up in accordance with the Insurance Ordinance, 2000 and any rules made there under;

the Company has at all times in the year complied with the provisions of the Ordinance and the rules made there under relating to paid-up capital, solvency and reinsurance arrangements; and

as at the date of the statement, the United Insurance Company of Pakistan Limited continues to be in compliance with the provisions of the Ordinance and the rules made

there under relating to paid-up capital, solvency and reinsurance arrangements.

For and on behalf of the Board



Javaid Sadiq
Chairman

Date: March 21, 2020



Muhammed Rahat Sadiq
Chief Executive Officer

Date: March 21, 2020

CODE OF CONDUCT

The directors and employees at all levels of “The United Insurance Company of Pakistan Limited” hereinafter called UICL shall adopt this code of conduct.

RELATIONSHIP WITH EMPLOYEES

The entity is an equal opportunity employer. Its employee recruitment and promotional policies are free of any gender bias, and is merit, and excellence oriented. It believes in providing its employees safe and healthy working conditions, and maintaining good channels of communications. The UICL expects its employees to abide by certain personal ethics, whereby UICL information and assets are not used for any personal advantage or gain. Any conflict of interests should be avoided, where it exists it should be disclosed, and guidance sought.

RELATIONSHIP WITH THE COMPANY

The UICL's policy is to conduct business with honesty and integrity and be ethical in all its dealings, showing respect for the interest of those with whom it has relationship. The advancement in the business procedures and practices and upgrading of electronic technology shall be adopted for the wellbeing of the company. The UICL does not support any political party nor contributes to the funds of groups whose activities promote party interests.

RELATIONSHIP WITH THE CLIENTS

The UICL is committed to run its business in an environment that is sound and sustainable. As a good corporate citizen, the UICL recognizes its social responsibilities, and will endeavor to contribute to community activities, for betterment of society as a whole.

RELATIONSHIP WITH MEMBERS

We are fully supported by our members to serve in the best interest of the company by achieving consistent growth and reputation of the company.

COMPLIANCE OF APPLICABLE LAWS AND REGULATIONS

The UICL complies with all laws and regulations. All employees are expected to familiarize themselves with laws and regulations governing their individual areas of responsibility, and not to transgress them. If in doubt, employees are expected to seek advice. The UICL believes in and fully adheres to the principles of reliability and credibility in its financial reporting and in transparency

of business transactions. The rules and regulations formulated and practiced shall not supersede any

Government or legislative body laws and regulations applicable to the company. The Board ensures that the above principles of Code of conduct are complied with, for which the Board has constituted the audit committee, to be supportive of compliance.

INDEPENDENT AUDITOR'S REVIEW REPORT

**To the members of The United Insurance Company of Pakistan Limited
Review Report on the Statement of Compliance contained in the repealed Listed Companies (Code of Corporate Governance) Regulations, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 and the Code of Corporate Governance for Insurers, 2016**

We have reviewed the enclosed Statement of Compliance contained in the repealed Listed Companies (Code of Corporate Governance) Regulations, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) and the Code of Corporate Governance for Insurers, 2016 (the Regulations), prepared by the Board of Directors of **The United Insurance Company of Pakistan Limited** (the Company) for the year ended December 31, 2019 in accordance with the requirements of Regulation 36 of the Regulations and provision (lxxvii) of the Code of Corporate Governance for Insurers, 2016.

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

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

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

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



ILYAS SAEED & CO.

Chartered Accountants

Engagement Partner: Muhammed Ilyas

Date: March 21, 2020

Place: Lahore

STATEMENT OF COMPLIANCE

with the Code of Corporate Governance for Insurers, 2016 and 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) & 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 United Insurance Company of Pakistan Limited has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are seven (7) as per the following:
 - a) Male : Six (6)
 - b) Female : One (1)
2. The Company encourages the representation of independent non-executive directors and directors representing minority on its Board of Directors. At present the composition of the Board is as follows:

| Category | Names |
|-------------------------|--|
| Independent Director | Agha Ali Imam Jamil Ahmad Khan |
| Non-Executive Directors | Khawas Khan Niazi Javaid Sadiq Syed Rahat Ali Shah |
| Executive Directors | Muhammed Rahat Sadiq Huma Waheed |

The independent directors meet the criteria of independence as laid down

in the Code and Regulations.

3. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this company (excluding the listed subsidiaries) of listed holding companies where applicable).
4. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
5. In this fiscal year no casual vacancy occurred on the Board.
6. The company has prepared a "Code of Conduct" and has ensured the appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
7. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
8. All powers of the Board have been duly exercised

and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive directors and the key officers have been taken by the Board of the relevant provisions of the Act and Regulations.

9. The meeting of the Board was presided over the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notice of the board meetings, along with the agenda and working papers, were circulated at least seven (7) days before the meetings. The minutes of the meeting were appropriated recorded and circulated.
10. The Board of Directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and Regulations.
11. The following directors have completed certified Director's Training Program (DTP) and they are fully aware of their duties and responsibilities:
 - Mr. Khawas Khan Niazi
 - Ms. Huma Waheed
 - Mr. Jamil Ahmad Khan
 - Mr. Syed Rahat Ali Shah

STATEMENT OF COMPLIANCE

with the Code of Corporate Governance for Insurers, 2016 and Listed Companies (Code of Corporate Governance) Regulations, 2019 for the year ended December 31, 2019

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

13. There was no change of Chief Financial Officer, Company Secretary and Head of Internal Audit during the year.

14. The Directors' Report for this year has been prepared in compliance with the requirement of the Code of Corporate Governance for Insurers, 2016 and Listed Companies (Code of Corporate Governance) Regulations, 2017 fully describes the salient matters required to be disclosed.

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

16. The Directors, Chief Executive Officer and other Executives do not hold any interest in the shares of the company other than disclosed in the pattern of shareholding.

17. The company has complied with all the corporate and financial reporting requirements of the Code.

18. The Board has formed the following Management Committees:

Underwriting Committee:

| Name of Member | Category |
|---------------------------|-----------|
| Mr. Khawas Khan Niazi | Chairman |
| Mr. Muhammed Rahat Sadiq | Member |
| Syed Muhammed Qaisar Imam | Member |
| Mr. Tayyab Bashir | Member |
| Mr. Amir Hameed | Member |
| Mr. Fahad Butt | Secretary |

Claims Settlement Committee:

| Name of Member | Category |
|--------------------------|-------------|
| Ms. Huma Waheed | Chairperson |
| Mr. Muhammed Rahat Sadiq | Member |
| Mr. Tajammal Iqbal | Member |
| Mr. Kamran Zaman | Member |
| Mr. Rizwan Safdar | Secretary |

Reinsurance & Co-insurance Committee:

| Name of Member | Category |
|--------------------------|-----------|
| Mr. Khawas Khan Niazi | Chairman |
| Mr. Muhammed Rahat Sadiq | Member |
| Mr. Amir Hameed | Member |
| Mr. Abrar Ahmad Minhas | Secretary |

Risk Management & Compliance Committee:

| Name of Member | Category |
|---------------------|-----------|
| Mr. Javaid Sadiq | Chairman |
| Ms. Huma Waheed | Member |
| Syed Rahat Ali Shah | Member |
| Mr. Waqar Tanveer | Secretary |

19. The Board has formed the following Board Committees:

Ethics, Human Resource & Remuneration Committee:

| Name of Member | Category |
|--------------------------|-----------|
| Mr. Jamil Ahmad Khan | Chairman |
| Mr. Javaid Sadiq | Member |
| Mr. Muhammed Rahat Sadiq | Member |
| Syed Rahat Ali Shah | Member |
| Mr. Wakeel Ahmad Mirza | Secretary |

Investment Committee:

| Name of Member | Category |
|--------------------------|-----------|
| Mr. Jamil Ahmad Khan | Chairman |
| Mr. Agha Ali Imam | Member |
| Mr. Muhammed Rahat Sadiq | Member |
| Mr. Tajammal Iqbal | Member |
| Mr. Maqbool Ahmad | Secretary |

20. The Board has formed an Audit Committee. It comprises of four (4) members. The chairman of the Committee is an independent director. The composition of the Audit Committee is as follows:

Audit Committee:

| Name of Member | Category |
|------------------------------|-----------|
| Mr. Agha Ali Imam | Chairman |
| Mr. Khawas Khan Niazi | Member |
| Syed Rahat Ali Shah | Member |
| Mr. Maqbool Ahmad (CFO) | Member |
| Mr. Abdul Mannan Munir (CIA) | Secretary |

STATEMENT OF COMPLIANCE

with the Code of Corporate Governance for Insurers, 2016 and Listed Companies [Code of Corporate Governance] Regulations, 2019 for the year ended December 31, 2019

21. The meetings of the Committees were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of references of the aforesaid Committees have been formed and advised to the Committees for compliance.
22. The Board has set up an effective internal audit function.
23. The Chief Executive Officer, Chief Financial Officer, Company Secretary, Compliance Officer and the Head of Internal Audit are competent and qualified as per the Code. The persons who are handling the underwriting, claims, reinsurance, risk management and grievance functions/department are competent, experience and qualified, as required under section 12 of the Insurance Ordinance, 2000.
24. The statutory auditors of the company have been appointed from the panel of auditors approved by the Commission in terms of sections 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 ICAP, that they or any of the partner of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
25. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
26. The Board ensures that the investment policy of the company has been drawn up in accordance with the provision of the Code.
27. The Board ensures that the risk management system of the insurance is in place as per the requirements of the Code. The company has set up a risk management department, which carries out its tasks as covered under the Code.
28. The Board ensures that as part of the risk management system, the company gets financial strength rating AA from Pakistan Credit Rating Agency (PACRA), which is being used by its risk management department and the respective Committee as a risk monitoring tool. The rating assigned by PACRA on 26-09-2019 is AA with Stable Outlook.
29. The Board has set up a grievance department, which fully complies with the requirements of the Code.
30. The Company has complied with the requirements relating to maintenance of register of person having access to inside information by designed senior

| Name of the Person | Designation |
|----------------------|------------------------------------|
| Muhammed Rahat Sadiq | Chief Executive Officer |
| Maqbool Ahmad | Chief Financial Officer |
| Athar Ali Khan | Company Secretary |
| Ali Hassan Bhatti | Head of Compliance |
| Abdul Manan Munir | Head of Internal Audit |
| S.M. Qaiser Imam | Head of Underwriting |
| Kamran Zaman | Head of Claims |
| Abrar Ahmad Minhas | Head of Reinsurance |
| Tayyab Bashir | Head of Operation – Conventional |
| Shakeel Ahmad | Head of Window Takaful |
| Amir Hameed | Head of Operation – Window Takaful |
| Wakeel Ahmad Mirza | Head of Human Resource |

STATEMENT OF COMPLIANCE

with the Code of Corporate Governance for Insurers, 2016 and Listed Companies (Code of Corporate Governance) Regulations, 2019 for the year ended December 31, 2019

management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names from the said list.

31. The Board has developed and approved the criteria for annual evaluation of its own performance as per the requirement of the Code. The evaluation has been done by the Board on annual basis.
32. The Company has not obtained any exemption(s) from the Securities and Exchange Commission of Pakistan in respect of the requirement of the Code.
33. We confirm that all other material principles contained in the Code and Regulations have been complied with.



Javaid Sadiq
Chairman

Date: March 21, 2020



Muhammed Rahat Sadiq
Chief Executive Officer

Date: March 21, 2020

Statement Under Section 46 (6) of The Insurance Ordinance, 2000

The Incharge of the management of the business was Mr. Muhammed Rahat Sadiq, Chief Executive Officer and the report on the affairs of business during the year 2019 signed by Muhammed Rahat Sadiq, Javaid Sadiq, Khawas Khan Niazi, Huma Waheed, Maqbool Ahmed and approved by the Board of Directors is part of the Annual Report 2019 under the title of "Directors' Report to the Members" and

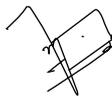
- a. In our opinion the annual statutory accounts of the United Insurance Company of Pakistan Limited set out in the forms attached to the statement have been drawn up in accordance with the Insurance Ordinance, 2000 and any rules made thereunder;
- b. The United Insurance Company of Pakistan Limited has at all times in the year complied with the provisions of the Ordinance and the rules made thereunder relating to paid-up capital, solvency and reinsurance arrangements; and
- c. As at the date of the statement, the United Insurance Company of Pakistan Limited continues to be in compliance with the provisions of the Ordinance and the rules made thereunder relating to paid-up capital, solvency and reinsurance arrangements.



Muhammed Rahat Sadiq
Chief Executive Officer



Huma Waheed
Director



Maqbool Ahmad
Chief Financial Officer



Khawas Khan Niazi
Director / President



Javaid Sadiq
Chairman

PATTERN OF SHAREHOLDING

As At December 31, 2019

| No. of Shareholders | Shareholding | | Total Shares Held |
|---------------------|--------------|--------|-------------------|
| | From | To | |
| 319 | 1 | 100 | 6,363 |
| 201 | 101 | 500 | 51,666 |
| 125 | 501 | 1000 | 89,032 |
| 336 | 1001 | 5000 | 828,098 |
| 126 | 5001 | 10000 | 928,520 |
| 58 | 10001 | 15000 | 703,548 |
| 38 | 15001 | 20000 | 665,873 |
| 23 | 20001 | 25000 | 502,923 |
| 18 | 25001 | 30000 | 497,004 |
| 11 | 30001 | 35000 | 363,715 |
| 11 | 35001 | 40000 | 413,561 |
| 9 | 40001 | 45000 | 376,085 |
| 7 | 45001 | 50000 | 334,903 |
| 5 | 50001 | 55000 | 255,454 |
| 4 | 55001 | 60000 | 234,607 |
| 3 | 60001 | 65000 | 185,270 |
| 3 | 65001 | 70000 | 206,435 |
| 4 | 70001 | 75000 | 292,112 |
| 3 | 75001 | 80000 | 232,574 |
| 2 | 80001 | 85000 | 165,861 |
| 2 | 95001 | 100000 | 194,964 |
| 4 | 100001 | 105000 | 412,924 |
| 2 | 105001 | 110000 | 215,231 |
| 3 | 110001 | 115000 | 338,198 |
| 2 | 115001 | 120000 | 232,761 |
| 1 | 125001 | 130000 | 128,826 |
| 1 | 130001 | 135000 | 132,500 |
| 1 | 135001 | 140000 | 139,596 |
| 1 | 140001 | 145000 | 143,000 |
| 4 | 145001 | 150000 | 586,918 |
| 1 | 155001 | 160000 | 155,783 |
| 1 | 175001 | 180000 | 178,378 |
| 1 | 195001 | 200000 | 199,000 |
| 2 | 210001 | 215000 | 424,002 |
| 1 | 230001 | 235000 | 232,047 |
| 1 | 245001 | 250000 | 249,740 |
| 1 | 270001 | 275000 | 271,591 |
| 1 | 290001 | 295000 | 292,725 |
| 1 | 330001 | 335000 | 331,815 |
| 1 | 340001 | 345000 | 343,054 |

PATTERN OF SHAREHOLDING

As At December 31, 2019

| No. of Shareholders | Shareholding | | Total Shares Held |
|---------------------|--------------|----------|--------------------|
| | From | To | |
| 1 | 345001 | 350000 | 350,000 |
| 1 | 390001 | 395000 | 391,459 |
| 1 | 400001 | 405000 | 404,688 |
| 1 | 405001 | 410000 | 406,285 |
| 1 | 435001 | 440000 | 438,045 |
| 1 | 450001 | 455000 | 453,841 |
| 1 | 515001 | 520000 | 516,810 |
| 1 | 565001 | 570000 | 568,440 |
| 1 | 575001 | 580000 | 576,866 |
| 1 | 740001 | 745000 | 742,459 |
| 1 | 895001 | 900000 | 899,780 |
| 1 | 920001 | 925000 | 924,500 |
| 1 | 950001 | 955000 | 950,560 |
| 1 | 1100001 | 1105000 | 1,101,804 |
| 1 | 1520001 | 1525000 | 1,522,648 |
| 1 | 1750001 | 1755000 | 1,754,397 |
| 1 | 1755001 | 1760000 | 1,755,315 |
| 1 | 3110001 | 3115000 | 3,110,563 |
| 1 | 4105001 | 4110000 | 4,109,983 |
| 1 | 6575001 | 6580000 | 6,577,111 |
| 1 | 6840001 | 6845000 | 6,842,994 |
| 1 | 7385001 | 7390000 | 7,387,085 |
| 1 | 7515001 | 7520000 | 7,518,867 |
| 1 | 7565001 | 7570000 | 7,566,251 |
| 1 | 8555001 | 8560000 | 8,558,607 |
| 1 | 13800001 | 13805000 | 13,801,002 |
| 1 | 15905001 | 15910000 | 15,909,039 |
| 1 | 18730001 | 18735000 | 18,731,446 |
| 1 | 21625001 | 21630000 | 21,626,702 |
| 1 | 24800001 | 24805000 | 24,804,448 |
| 1 | 37920001 | 37925000 | 37,922,937 |
| 1 | 49340001 | 49345000 | 49,340,093 |
| 1370 | | | 260,101,682 |

CATEGORIES OF SHAREHOLDING

As per Code of Corporate Governance as at December 31, 2019

| Sr. No. | Categories of Shareholding | Number of Shareholders | Share held | Percentage % |
|---------|--|------------------------|--------------------|---------------|
| 1 | Associated Companies, Undertaking & Related Parties (List "A" attached) | 2 | 67,557,537 | 25.97 |
| 2 | Mutual Funds, NIT, ICP & Government entity (List "B" attached) | 3 | 18,585 | 0.01 |
| 3 | Directors , CEO & Their Spouse and minor children (List "C" attached) | 7 | 63,339 | 0.02 |
| 4 | Executives | NIL | NIL | NIL |
| 5 | Public Sector companies & Corporations (List "D" attached) | 1 | 1,101,804 | 0.42 |
| 6 | Banks, DFIs, NBFI & Insurance Companies (List "E" attached) | 4 | 19,079 | 0.01 |
| 7 | Shareholders holding 5% or more (List "F" attached) | 5 | 120,517,220 | 46.33 |
| 8 | Others/Individual | 1,443 | 70,824,118 | 27.23 |
| | Total | 1465 | 260,101,682 | 100.00 |

CATEGORIES OF SHAREHOLDING

As per Code of Corporate Governance as at December 31, 2019

List A Associated Companies, Undertaking & Related Parties

| Sr. No. | Name | No. of Shares |
|---------|--------------------------------------|-------------------|
| 1 | United Track System (Private) Ltd | 53,450,076 |
| 2 | Tawasul Healthcare TPA (Private) Ltd | 14,107,461 |
| | | <u>67,557,537</u> |

List B Mutual Funds, NIT, ICP & Government entity

| Sr. No. | Name | No. of Shares |
|---------|--|---------------|
| 1 | National Bank of Pakistan Investor Account | 16,859 |
| 2 | Trustees First Capital Mutual Fund | 1,659 |
| 3 | IDBL (ICP Unit) | 67 |
| | | <u>18,585</u> |

List C Directors , CEO & Their Spouse and Minor Children

| Sr. No. | Name | No. of Shares |
|---------|----------------------|---------------|
| 1 | Muhammed Rahat Sadiq | 10,070 |
| 2 | Khawas Khan Niazi | 25,593 |
| 3 | Miss. Huma Waheed | 19,466 |
| 4 | Javaid Sadiq | 1,695 |
| 5 | Agha Ali Imam | 2,853 |
| 6 | Syed Rahat Ali Shah | 1,725 |
| 7 | Jamil Ahmad Khan | 1,937 |
| | | <u>63,339</u> |

List D Public Sector Companies & Corporations

| Sr. No. | Name | No. of Shares |
|---------|---------------------------------------|------------------|
| 1 | Pakistan Re-insurance Company Limited | <u>1,101,804</u> |

List E Banks, DFIs, NBFIs, Insurance Companies

| Sr. No. | Name | No. of Shares |
|---------|---|---------------|
| 1 | Eastern Federal Union Insurance Co., Ltd. | 10,249 |
| 2 | Habib Bank Limited | 343 |
| 3 | Habib Bank AG Zurich, Deira Dubai | 7,176 |
| 4 | Al-Zamin Management (Private) Limited | 1,311 |
| | | <u>19,079</u> |

List F Shareholders' Holding 5% or above

| Sr. No. | Name | No. of Shares |
|---------|---|--------------------|
| 1 | Margalla News International | 37,922,937 |
| 2 | Uig Global Services Ltd | 15,909,039 |
| 3 | United International Farms (Pvt.) Ltd. | 21,626,702 |
| 4 | United Software And Technologies Int. (Pvt.) Ltd. | 26,327,096 |
| 5 | Tawasul Risk Management Services (Pvt) Ltd. | 18,731,446 |
| | | <u>120,517,220</u> |

ممبران کو ڈائریکٹرز رپورٹ

| 2018 | 2019 | جزئیات |
|-------------|---------------|--|
| روپے | روپے | |
| 389,222,610 | 401,590,726 | بعد از ٹیکس منافع |
| | | دیگر جامع آمدنی (نقصان) سال کے دوران |
| 11,713,692 | (8,305,626) | بعد میں آنے والے عرصہ میں مرتب کیا گیا نفع و نقصان کا کھاتہ |
| 793,193 | 576,441,153 | بعد میں آنے والے عرصہ میں نہ مرتب کیا گیا نفع و نقصان کا کھاتہ |
| - | - | منسلک کمپنیز سے دیگر نقصان کا حصہ |
| 12,506,885 | 567,935,527 | ذیلی کل |
| 401,729,495 | 969,526,253 | کل جامع آمدنی رواں سال کے دوران |
| 311,889,530 | 374,355,965 | گزشتہ سال کا غیر مختص شدہ منافع |
| 713,619,025 | 1,343,882,218 | منافع مختص کرنے کے لئے دستیاب |
| 339,263,060 | 348,983,180 | غیر مختص شدہ منافع |
| 374,355,965 | 994,899,038 | کل |

پی، بکاروں، کاروباری معاونین اور حکومت کی ہر درجہ میں کی گئی مسلسل حمایت کے بے حد مشکور ہیں۔ آپ کے ڈائریکٹرز کمپنی کے افسران اعلیٰ اور ملازمین کی پر عزم کوششوں کی قدر کرتے ہیں، جن کی انتھک محنت سے کمپنی اپنے مقاصد حاصل کرنے میں کامیاب ہوتی ہے۔

دی یونائیٹڈ انشورنس کمپنی آف پاکستان لمیٹڈ کے ڈائریکٹرز کی طرف سے



جاوید صادق
چیئرمین



محمد راحت صادق
چیف ایگزیکٹو آفیسرز

۲۱ مارچ ۲۰۲۰

مستقبل کے نقطہ نظر

2019 انشورنس کمپنیز کے لئے ایک عمدہ سال گزرا ہے۔ کچھ تحفظات اکنامک سستی کے بارے میں رہے پر بالکل برا حال نہیں رہا ہے بہت سے لوگ چائنہ اور امریکا کے درمیان ہونے والی پیش رفت سے پریشان دکھائی دیتے ہیں کچھ ایکسپٹ توقع کر رہے ہیں کہ حکومت ٹیکس رعایتیں دے گی جس سے کاروبار میں بہتری آئے گی۔ کچھ ایکسپٹ یہ سمجھتے ہیں کہ 2020 میں 30 سے 40 فیصد تک بہتری متوقع ہے۔ اس لئے انشورنس کمپنیز کے لئے یہ ضروری ہے کہ اپنی گروتھ کو استحکام دیں اپنی اپریٹل قیمت کو کام کریں اور مختلف قسم کی پروڈکٹس اور سروسز دیں۔

اعتراف

آپ کے ڈائریکٹرز مختلف اداروں جیسا کہ ایس ای سی

ممبران کو ڈائریکٹرز رپورٹ

درجہ بندی ظاہر کرتی ہے کہ کمپنی میں پالیسی ہولڈرز سے متعلقہ کنٹریکٹ ذمہ داریوں کو پورا کرنے کی بہترین صلاحیت ہے۔ ریسکی عوامل سے خطرات معمولی ہوتے ہیں، منفی کاروباری و معاشی عوامل کے اثرات بہت کم متوقع ہوتے ہیں۔

ضابطہ اخلاق

آپ کی کمپنی نے ایک ضابطہ اخلاق تیار کیا ہے جو اخلاقی اور ایماندارانہ طرز عمل کو یقینی بنانے کیلئے ملازمین سے دستخط شدہ ہے۔ ہماری تمام آپریشنل سرگرمیاں سخت شفاف انداز میں چلائی جاتی ہیں جس میں اخلاقیات پر کوئی سمجھوتا نہیں ہو۔

اپروپرائزیشن

آپ کے ڈائریکٹرز درج ذیل اعداد و شمار پیش کرتے ہوئے خوش محسوس کر رہے ہیں یہ اعداد و شمار 2019 میں کمپنی کی کارکردگی کا احاطہ کرتے ہیں۔ کارپوریٹ اور فنانشل رپورٹنگ، فریم ورک، ڈائریکٹرز رپورٹ کا حصہ ہے اور صفحہ نمبر 37 پر موجود ہے۔

باہمی اشتراک کیا ہوا ہے۔ کثیر ڈکالچ پیچھلی ایک صدی سے خواتین کی تعلیم کے لئے کوشاں ہے۔

UIG گروپ مستحق طالبات کو مدد فراہم کرتا ہے تاکہ UIC وہ معاشرے میں اپنا بہترین کردار ادا کر سکیں نوجوانوں کی گرومنگ اور معاشرے میں ان کے اچھے کردار ادا کرنے کے لئے کوشاں ہے۔

ہمارے بڑے آفسران سکول، کالج اور یونیورسٹیز میں لیکچر دیتے ہیں تاکہ سوسائٹی میں اپنا کردار ادا کر سکیں۔

صاف، صحت مند ماحول بنانے میں اپنا کردار ادا UIC کرنے میں کوشاں ہے۔ صحت مند زندگی انسانی خوشی اور اچھی زندگی کے لئے بہت ضروری ہے یہ صرف اس لئے ضروری نہیں کہ انسان بیماری کے بغیر زندگی گزارے بلکہ اس لئے بھی ضروری ہے تاکہ انسان بیماری سے صحت یاب جلد ہو سکے اور مسائل کا مقابلہ کر

اسلام آباد اور راولپنڈی میں فری میڈیکل UIC سکے۔ کیپ کا بھی انعقاد کرتی ہے تاکہ ضرورت مند لوگوں کی خدمت کی جا سکے۔ سکول سسٹم کے ذریعے غریب UIC یونائیٹڈ انشورنس اور نادار افراد کو مفت ہیلتھ سہولیات مہیا کرتی ہے اور غریب افراد کو معاشرے کے اہم شہری بنانے میں سرکردہ ہے۔

نوجوانوں میں معاشرتی ذمہ داری کا احساس بڑھانے کے تواتر سے نوجوانوں کے درمیان کھیلوں کی UIC لئے سرگرمیاں منعقد کرتا رہتا ہے۔ اس کے علاوہ نوجوانوں اور بچوں کی اخلاقی اقدار کو بہتر بنانے کے لئے بھی سرگرمیاں مرتب کی جاتی ہیں۔

منسلک کمپنیز کے ساتھ لین دین

ہر ایک بورڈ مینٹنگ میں ڈائریکٹرز منسلک کمپنیوں اور متعلقہ پارٹنرز کے لین دین کی منظوری دیتے ہیں۔ متعلقہ پارٹنرز سے تمام لین دین مناسب قیمتوں پر کیا جاتا ہے۔

کمپنی کے شیئرز کی تجارت

سال 2019 میں کمپنی کے شیئرز کی کسی قسم کی تجارت کمپنی کے ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف فنانشل آفیسر، سیکرٹری، ہیڈ آف انٹرنل آڈٹ اور کمپنی کے اعلیٰ آفسران یا ان کے بیوی بچوں کی جانب سے نہیں کی گئی ہے۔ ایسے کسی بھی لین دین کی معلومات آنے والی بورڈ آف ڈائریکٹرز کی مینٹنگ میں زیر بحث لائی جاتی ہیں۔

انشورنس کی مالیاتی درجہ بندی

پاکستان کریڈٹ ریٹنگ ایجنسی (PACRA) نے آپ کی کمپنی کی انشورنس مالی درجہ بندی میں اپ گریڈنگ کی ہے اور کمپنی کی مالی درجہ بندی AA کردی ہے۔ یہ

امور کو بنانے اور بہتر چلانے کیلئے ملازمین کو مدد مل سکے اور وہ ان تمام انتظامی امور کی ذمہ داری قبول کر سکیں۔ اس سے بہتر کوالٹی ماحول بنانے میں مدد ملی ہے جس میں ملازمین مسائل کو نشانہ ہی اور انکو ختم کرنے کیلئے کام کرنے میں مدد ملی ہے۔ ہم نے دوسری آئی ایس او 9001:2015 سرٹیفیکیشن کامیابی سے نومبر 2018 میں مکمل کر لی ہے۔

انفارمیشن ٹیکنالوجی

آپ کے ڈائریکٹرز آجکل کے زمانے کے کاروباری ماحول سے خوب واقف ہیں اسی لئے پولیسیز اور کالیمز کی بڑھتی ہوئی مقدار کے پیش نظر، ہم نئی ٹیکنالوجی کے استعمال سے اپنے سسٹم کو اپ ڈیٹ کرتے ہیں۔ ری انشورنس مینجمنٹ سسٹم کو اپ گریڈ کرنے کی وجہ سے جو کہ مکمل سسٹم سے بڑا ہوا ہے۔ کمپنی M.I.S طور پر ہمارے بزنس انٹیلی جنس موڈیول بنا رہی ہے جس سے ہیڈ آفس اور براؤنچز کے درمیان دستاویزات کی سروسز کو بہتر بنانے میں مدد ملے گی۔

ہیومن ریسورس

یو آئی سی میں، اس بات پر پورا زور دیا جاتا ہے کہ ہمارے اہل کار کے معیار کو مزید بہتر بنایا جائے، جس سے ہمارے ملازمین کی مارکیٹنگ اور ایڈمن صلاحیتوں میں نکھار آئے، جس کے نتیجے میں ہماری خدمات کا معیار اور کارکردگی مزید بہتر ہوتی ہے۔

یو آئی سی میں، ہم اپنے ملازمین کی نشوونما کے لئے مسلسل چیلنجنگ مواقع فراہم کرتے رہتے ہیں۔ کمپنی ایسا ماحول قائم کرتی ہے جہاں ٹیم ورک، تعاون، کشادگی اور کام کی شفافیت ہو جس سے ایک مجموعی بھروسہ جنم لیتا ہے اس کے نتیجے میں ملازمین کو ترقی اور انعامات سے نوازہ جاتا ہے۔

کارپوریٹ سماجی ذمہ داری

تعلیم سوسائٹی کا بہت ضروری حصہ ہے جو کسی بھی ملک کی ترقی میں اہم کردار ادا کرتی ہے، یو آئی سی کی کارپوریٹ سوشل ذمہ داری کا بنیادی مقصد تعلیم پر فوکس کرنا ہے تاکہ تمام لیولز پر تعلیم کو پروموٹ کیا جاسکے اسی مقصد کی تکمیل کے لئے یونائیٹڈ گروپ سکول سسٹم چلا رہا ہے جس کا مقصد طلباء کی UIG ذہنی اور جسمانی تربیت کرنا ہے تاکہ وہ پاکستان کے اچھے شہری کے طور پر اپنی طاقت اور ذمہ داری سمجھ سکیں۔ UIC خواتین کی آزادی اور طاقت پر بھی مکمل یقین رکھتی ہے اسی مقصد کے لئے کمپنی نے پاکستان کے بہترین بزنس براؤنچز میں سے ایک کثیر ڈکالچ کے ساتھ

ممبران کو ڈائریکٹرز رپورٹ

موٹر

موٹر کا خام بیہر 2019 میں 652.263 ملین روپے رہا ہے جبکہ 2018 میں 715.148 ملین روپے تھا۔ اس کاروبار کا خام بیہر کمپنی کے کل بیہر کا 15.13 فیصد رہا ہے۔ خام کلیئرز اس کاروبار کے خالص بیہر 59.284 فیصد رہا ہے جبکہ 2018 میں 56.90 فیصد تھا۔ ذمیرہ نویسی منافع 37.121 ملین روپے رہا جبکہ 2018 میں 33.755 ملین روپے تھا۔

فصل

2019 میں خام بیہر 938.962 ملین روپے رہا جبکہ 2018 میں 816.591 ملین روپے رہا ہے۔ اس کاروبار کا خام بیہر کمپنی کے خام بیہر کا 21.784 فیصد ہے۔ اس کاروبار کا خالص کلیئرز بیہر 64.111 فیصد رہا ہے جبکہ 2018 میں 77.19 فیصد رہا ہے۔ 2019 میں ذمیرہ نویسی نتائج اضافے سے 14.44 ملین روپے رہے ہیں جوکہ 2018 میں 14.125 ملین روپے تھے۔

متفرق کاروبار

کمپنی متفرق کاروبار کا خام بیہر 2019 میں 1,693,502 ملین روپے رہا ہے جوکہ 2018 میں 1,676,055 ملین روپے رہا۔ متفرق کاروبار کا خام بیہر کمپنی کے کل بیہر کا 39.26 فیصد ہے۔ اس کاروبار کے خالص کلیئرز اس کے خالص بیہر کا 49.214 فیصد ہے جوکہ 2018 میں 47.81 فیصد تھے۔ ذمیرہ نویسی نتائج 2019 میں 156.646 ملین روپے رہے جوکہ 2018 میں 152.997 ملین روپے تھے۔

کلیئرز

کلیئرز کی جلد ادائیگی ہمارا خاصہ ہے جس پر ہمیں بلاشبہ فخر ہے۔ قدرتی آفات کی وجہ سے ہونے والے کلیئرز ناگزیر ہیں اور ان سے بچا نہیں جاسکتا۔ یہ جزوی اور مکمل نقصان دونوں طرح کے ہو سکتے ہیں۔ فائر، موٹر، کراپ اور صحت سے متعلقہ کلیئرز زیادہ تعداد میں ہوتے ہیں جو فوری ادا کر دیے جاتے ہیں۔

ری-انسورنس

آپ کی کمپنی ایک احتیاط سے مرتب کرتے ہوئے جامع پروگرام کے تحت رسک کم کرنے کی پالیسی پر کاربند ہے۔ ہم نے ری-انسورنس پروگرام ایسے مرتب کیا ہے جس کے ذریعے ہم پالیسی کے دورانیہ میں تمام رسک کو کور کر سکتے ہیں۔ ہماری ری-انسورنس پالیسی کمپنی کے رسک لیکسیو بیئر اور رسک عوامل کو مد نظر رکھتے ہوئے بنائی گئی ہے۔

کمپنی کے ری-انسورنس معاہدے زیادہ تر ایکس آف لوس ٹریٹی سے متعلقہ ہیں۔ ہمارے پینل پر شامل کمپنیز درج ذیل ہیں:

Swiss Re (Rated 'AA-' by S&P), Korean Re (Rated A- by AM Best), AXA XL (Rated AA- by S&P), Qatar General Insurance (Rated A- by AM Best) (Trust Re (Rated 'A-' by AM BEST), Labuan Re (Rated 'A-' by AM BEST), Malaysian Re (Rated 'A-' by AM BEST), PRCL(AA+ JCR-VIS) Hannover Re (Rated AA- by S&P) Kuwait Re (A- AM Best) , XL Catlin Singapore Pte Ltd (Rated 'A-' by S&P) Emirates International Dubai (Rated 'A-' by AM BEST), Beazley Pte Ltd (Rated A+ by S&P) Canopus Asia Pte Ltd (Rated A+ by S&P) and Korean Re (Rated A by S&P)

ہماری زیادہ ری-انسورنس کوریج ہمیں بڑے رسک انڈر رائٹ کرنے میں آسانی پیدا کرتے ہیں۔

سرمایہ کاری اور متفرق آمدن

ہمارا بنیادی مقصد کمپنی کے شیئر ہولڈرز کو کمپنی کی سرمایہ کاری سے زیادہ سے زیادہ منافع مہیا کرنا ہے۔ سرمایہ کاری کمپنی ہماری سرمایہ کاری پالیسی کو مرتب اور کنٹرول کرتی ہے اور گروپ کی سرمایہ کاری کی پالیسی سے متعلق رہنمائی فراہم کرتی ہے۔ کمپنی مضبوط اور محفوظ سرمایہ کاری کے ذریعے سرمایہ کاری آمدن حاصل کرنے پر اپنی توجہ مرکوز رکھے گی۔ اس سال کے دوران سرمایہ کاری آمدن 8.365 ملین روپے سے بڑھ کر 67.101 ملین روپے ہوئی ہے، سرمایہ کاری آمدن کی تفصیل درج ذیل ہے:

6,895,465 ملین روپے تھے ان میں 18.67 فیصد اضافہ ہوا ہے جوکہ سرمایہ کاری اور گنڈا اثاثہ جات کی روٹیویشن میں اضافہ کی وجہ سے ہے۔ انتظامیہ سرمایہ کاری آمدن میں اضافہ اور وسائل کے مناسب استعمال کے اصول پر کاربند ہے۔

انٹرنل کنٹرول اور اس کی افادیت

کمپنی کا اندرونی کنٹرول مضبوط اور بہترین ہیں جن کو کمپنی کا انٹرنل آڈٹ ڈیپارٹمنٹ چلا رہا ہے۔ یہ ایک مسلسل عمل ہے جس میں خامیوں کو شناخت کر کے ختم کیا جاتا ہے۔ اس کے علاوہ تمام عمل کو بورڈ وقفوں سے مانیٹر کرتا رہتا ہے۔

رسک مینجمنٹ پالیسی

کمپنی نے رسک مینجمنٹ پالیسی بنائی ہوئی ہے جو کمپنی کو درپیش اہم رسک اور مسائل کو کمپنی کے لئے نقصان دہ ہو سکتے ہیں کی شناخت کرنے میں مدد دیتی ہے۔ کمپنی کی رسک مینجمنٹ پالیسی خطرات اور رسک کی تشخیص اور ان کو کم کرنے میں مدد دیتی ہے۔ اس پالیسی کو بورڈ نے منظور کیا ہوا ہے اور تسلسل سے اسکی مانیٹرنگ کی جاتی ہے۔

آئی ایس او 9001 سرٹیفیکیشن

یو آئی سی کے تمام شعبہ جات آئی ایس او 9001:2015 سرٹیفائیڈ ہیں۔ اس سرٹیفیکیشن کو اپنانے سے ناصرف بہتر طریقہ کار کے ذریعے کسٹمرز کے اطمینان حاصل ہوتا ہے بلکہ یو آئی سی میں مؤثر نگرانی کرنے میں مدد ملتی ہے۔ ہم اس بات سے پوری طرح آگاہ ہیں کہ اس سرٹیفیکیشن کو اپنانے سے ہم کمپنی کے اندر بہتر اور منظم ماحول زیادہ پیشہ ور، اطمینان اور

| 2018 (ملین روپے) | 2019 (ملین روپے) | تفصیلات |
|---------------------|---------------------|--------------------------------------|
| 2.524 | 0.868 | منافع آمدن |
| 4.798 | 23.328 | TFC پر منافع |
| 23.282 | 36.56 | PIB پر منافع |
| [21.873] | 6.598 | سرمایہ کاری کی خرید و فروخت پر منافع |
| [0.365] | [0.253] | سرمایہ کاری سے متعلق اخراجات |
| 8.365 | 67.101 | کل منافع |

مطہن کسٹمرز حاصل کر سکتے ہیں۔ کوالٹی کو یقینی بنانے کیلئے ملازمین کو تربیت کے ذریعے آگاہی دی گئی ہے۔ یہ تربیت اس لئے بھی ضروری ہے تاکہ جن انتظامی

کمپنی کے اثاثہ جات

کمپنی کے کل اثاثہ جات 2019 کے اختتام پر 8183.063 ملین روپے رہے جوکہ 2018 میں

ممبران کو ڈائریکٹرز رپورٹ

دی یونائیٹڈ انشورنس کمپنی آف پاکستان لمیٹڈ کے ڈائریکٹرز کمپنی کی ساٹھویں (59) سالانہ رپورٹ اور اس کے کنونشن اور ہیکافل کاروبار کے سالانہ آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے فخر محسوس کرتے ہیں۔

اکانومی پر تجزیہ

پچھلے پلان میں ملک نے 5.4 گروتھ کے ٹارگٹ کے برعکس 4.7 گروتھ ٹارگٹ حاصل کیا۔ اس ترقی کو کھپت سے حاصل کردہ ترقی بھی کہا جاسکتا ہے۔ بغیر کسی پلان کے پرائیٹ اور پبلک سیکٹر میں فنڈز کے استعمال کی وجہ سے بہت بڑے قرض ادائیگی کے مسائل کو جنم دے دیا ہے جس کی وجہ سے ایک نقصان دہ مائیکرو اکنامک عدم توازن کھڑا ہو چکا ہے۔ ملکی سرمایہ کاری بڑھ نہیں سکی اور بڑھتی ہوئی ڈیمانڈ کو ایمپورٹ کے ذریعے حل کیا گیا جس کی وجہ سے بیرونی عدم توازن ہو گیا اور ذخائر کی کمی دیکھنے میں آئی۔ آمدنی اور اخراجات کے عدم توازن کی وجہ سے فیکل خسارہ بہت بڑھ گیا۔ فیکل اور کرنٹ اکاؤنٹ خسارے اور بیرونی اور اندرونی قرضوں میں اضافے کی وجہ سے مائیکرو اکنامک عدم توازن بہت زیادہ بڑھ گیا۔ حالیہ منتخب حکومت نے بہت سخت مائیکرو اکنامک مسائل کا سامنا کیا ہے۔

اکانومی کا ایک بڑا مسئلہ یہ ہے کہ ملکی ڈیمانڈ زیادہ ہے اور اس کو پورا کرنے کے لئے ملکی وسائل بے کم ہیں جس کی وجہ سے بیرونی اور فیکل خسارہ جنم لیتا ہے۔ مائیکرو اکنامک مسائل سے چھٹکارہ حاصل کرنے کیلئے اور اکانومی کو استحکام کے ساتھ ترقی کی راہ پر گامزن کرنے کیلئے حکومت نے بنیادی ڈھانچے کو ٹھیک کرنے کا جامع پلان مرتب کیا ہے۔ شارٹ ٹرم پلان کے لئے اور مسائل کو کم کرنے کے لئے حکومت نے دوست ممالک سے 9.2 بلین ڈالر قرضہ آسان شرائط پر حاصل کیا ہے تاکہ پچھلے قرضہ جات کو چکایا جاسکے۔

اس کے علاوہ حکومت نے کچھ سخت اقدامات جیسا کہ بجلی کی قیمتوں میں اضافہ، ایمپورٹ ڈیوٹی میں اضافہ، پچھلے بجٹ میں دی گئی ٹیکس چھوٹ کا خاتمہ کیا ہے تاکہ گردش قرضوں سے چھٹکارہ حاصل ہو اور بنیادی عدم توازن ختم ہو۔ نئی حکومت کے لئے یہ بہت سخت فیصلے تھے مگر اکانومی میں عدم توازن کو ختم کرنے کے لئے بہت ضروری تھے۔

مائیکرو اکنامک پالیسی میں تبدیلی کے ثمرات اس سال نظر آنے شروع ہو چکے ہیں۔ مائیزی کنٹرول، روپے میں گراوٹ، اخراجات میں کمی اور غیر ضروری ایمپورٹس

پر بڑھائی گئی ڈیوٹی سے فولڈ حاصل ہو رہے ہیں۔ ان اقدامات کی وجہ سے توازن پیدا ہوا ہے اور اکانومی میں بے یقینی کی کیفیت کا خاتمہ ہوا ہے۔ تاہم یہ حالت مستقل کوششوں کی متقاضی ہے۔ سال 2018-2019 میں 3.29 فیصد گروتھ ہوئی جبکہ ٹارگٹ 6.2 فیصد کا تھا۔ ٹارگٹ زرعی سروسز اور صنعتی انڈسٹری میں بالترتیب 3.8، 7.6 اور 6.5 فیصد اضافے کو مد نظر رکھتے ہوئے بنایا گیا تھا۔

مکمل سرمایہ کاری جی ڈی پی کا 1.54 فیصد رہی جبکہ ٹارگٹ 17.4 فیصد تھا۔ فیکل انوینٹس جی ڈی پی کا 13.8 فیصد رہی جبکہ ٹارگٹ 15.6 فیصد تھا۔ پبلک اور پرائیٹ سرمایہ کاری 4 اور 9.8 فیصد رہی جبکہ ٹارگٹ بالترتیب 4.8 اور 10.7 فیصد تھا۔ نیشنل سیونگ جی ڈی پی کا 10.7 فیصد رہی جبکہ ٹارگٹ 13.1 فیصد تھا۔ فیکل کنٹرول، مہنگائی میں اضافہ، ٹیکسز میں توازن، تیل کی قیمتوں میں اضافہ سے بنیادی توازن حاصل کرنے میں مدد حاصل ہوئی اور روپے کی قیمت میں استحکام حاصل کرنے میں مدد ہوئی ہے۔

کنونشن بزنس کا دسمبر 2019 کے اختتام پر کارکردگی کا جائزہ

سال 2019 کے دوران کمپنی اپنے بیمہ میں اضافہ حاصل کرنے میں کامیاب رہی ہے۔ کمپنی کے خام بیمہ میں 1.97 فیصد اضافہ ہوا ہے جو کہ 4,227.348 ملین روپے سے بڑھ کر 2019 میں 4,310,794 ملین روپے ریکارڈ کیا گیا ہے۔ بیمہ میں زیادہ تر اضافہ میرین، کراپ اور متفرق کاروبار میں ہوا ہے۔ کمپنی کا خالص بیمہ خام بیمہ 59 فیصد رہا ہے۔ کمپنی کے ذمیرہ نویسی نتائج میں 8.76 فیصد اضافہ ہوا ہے جو کہ 2018 میں 323.246 ملین روپے سے بڑھ کر 2019 میں 351.574 ملین روپے ہو گئے ہیں۔ کمپنی کی سرمایہ کاری آمدن میں 702 فیصد اضافہ ہوا ہے جو کہ 2018 میں 8.365 ملین روپے سے بڑھ کر 2019 میں 67.101 ملین روپے ہو گئی ہے۔

کمپنی کے انتظامی اخراجات خام بیمہ کا 21 فیصد رہے۔ منسلک کمپنیوں میں سرمایہ کاری آمدن میں اضافہ ہوا جو کہ 2018 میں 23.701 ملین روپے سے بڑھ کر 23.819 ملین روپے ہو گئی۔ منسلک کمپنی کی آمدن 2018 میں 2,157,836 ملین روپے سے بڑھ کر 2019 میں 2,899,785 ملین روپے ہو گئی ہے۔ کمپنی کا قبل از محصول منافع 2018 میں 562.701 ملین روپے سے بڑھ کر 2019 میں 609.114 ملین روپے ہو گیا ہے۔ اسی طرح بعد از محصول منافع 2018 میں 389.223 ملین روپے سے بڑھ کر 2019 میں

401.591 ملین روپے ہو گیا ہے۔

فی حصص آمدنی

آپ کی کمپنی کی فی حصص آمدنی 2019 میں 1.54 فیصد رہی ہے جو کہ 2018 میں 1.50 فیصد رہی تھی۔

ہیکافل کاروبار کا 31 دسمبر 2019 کے اختتام پر مالیاتی جائزہ

کمپنی کے ہیکافل شراکت میں 4.28 فیصد اضافہ ہوا ہے جو کہ 2018 میں 1,011,257 ملین روپے سے بڑھ کر 2019 میں 1,054,540 ملین روپے ہو گیا ہے۔ ہیکافل شراکت داری میں اضافہ فائر، موٹر اور صحت کے کاروبار میں آیا ہے جو کہ فائر میں 5.36 فیصد، موٹر میں 8.33 فیصد اور صحت اور متفرق کاروبار میں 7.40 فیصد رہا ہے۔ کمپنی کی ہیکافل خالص شراکت داری 58.46 فیصد رہی ہے جو کہ 2018 کی نسبت 8.51 فیصد کم ہو گئی ہے۔ انتظامی اخراجات پچھلے سال کی نسبت 13.326 ملین روپے بڑھ گئے ہیں۔ پارٹنر شپ ہیکافل فنڈ کے بلا واسطہ اخراجات 2018 میں 51.627 ملین روپے سے کم ہو کر 2019 میں 35.440 ملین روپے ہو گئے ہیں۔ پارٹنر شپ ہیکافل فنڈ کی سرمایہ کاری آمدن 2.297 ملین روپے رہی ہے۔

کنونشن کاروبار کا گنٹ وار مالیاتی جائزہ

فائر اور پراپرٹی

کمپنی کا خام بیمہ 2019 میں 708.550 ملین روپے رہا جو کہ 2018 میں 721.259 ملین روپے تھا۔ فائر کا بیمہ کمپنی کے کل بیمہ کا 16.44 فیصد رہا ہے۔ فائر کا خالص کلیمز خالص بیمہ کا 22.22 فیصد رہا ہے جو کہ 2018 میں 32.84 فیصد رہا ہے۔ ذمیرہ نویسی منافع 62.779 ملین روپے رہا ہے جو کہ 2018 میں 50.614 ملین روپے تھا۔

آبی، فضائی اور ذرائع نقل و حمل

خام بیمہ 2019 میں 318.430 ملین روپے رہا ہے جو کہ 2018 میں 298.294 ملین روپے تھا۔ خام بیمہ کل بیمہ کا 7.39 فیصد رہا ہے۔ خالص کلیم اس گنٹ کے خالص بیمہ کا 12.78 فیصد رہے ہیں جو کہ 2018 میں 16.42 فیصد تھے۔ ذمیرہ نویسی منافع 2019 میں 80.583 ملین روپے جبکہ 2018 میں 71.754 ملین روپے تھا۔

The United Insurance Company of Pakistan Limited

Financial Statements

For The Year Ended December 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the members of The United Insurance Company of Pakistan Limited Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **THE UNITED INSURANCE COMPANY OF PAKISTAN LIMITED (the Company)**, which comprise the statement of financial position as at December 31, 2019, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017, 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 profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matter

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:

INDEPENDENT AUDITOR'S REPORT

To the members of The United Insurance Company of Pakistan Limited Report on the Audit of the Financial Statements

| Sr. No. | Key audit matter(s) | How the matter was addressed in our audit |
|---------|--|--|
| 1 | <p>Valuation of Claim Liabilities</p> <p>Refer note 3.15 and 25 to the financial statements relating to valuation of claim liabilities.</p> <p>The Company's claim liabilities represent 43.87% of its total liabilities. Valuation of these claim liabilities involves significant management judgement regarding uncertainty in the estimation of claims payments and assessment of frequency and severity of claims. Claim liabilities are recognized on intimation of the insured event based on management judgment and estimation. The Company maintains provision for claims incurred but not reported (IBNR) based on the advice of an independent actuary. The actuarial valuation process involves significant judgement and the use of actuarial assumptions.</p> <p>We have identified the valuation of claim liabilities as key audit matter because estimation of claims liabilities involves a significant degree of judgment.</p> | <p>Our audit procedures in respect of this matter included the following:</p> <ul style="list-style-type: none"> • Obtained an understanding, evaluated the design and tested the key controls over the process of capturing, processing and recording of information related to the claims and recoveries from reinsurance arrangements; • Inspected significant arrangements with reinsurers to obtain an understanding of contracts terms and assessed that recoveries from reinsurance on account of claims reported has been accounted for based on terms and conditions; • Assessed the appropriateness of the Company's accounting policy for recording of claims in line with requirements of applicable accounting and reporting standards; • Tested claims transactions on 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 and assessed the sufficiency of reserving claim liabilities, by testing calculations on the relevant data including recoveries from reinsurers based on their respective arrangements; |

INDEPENDENT AUDITOR'S REPORT

To the members of The United Insurance Company of Pakistan Limited Report on the Audit of the Financial Statements

| | | |
|--|--|---|
| | | <ul style="list-style-type: none">• Used an external actuarial specialist to assist us in evaluation of general principles, actuarial assumptions and methods adopted for actuarial valuations by the actuary of the Company for determination of IBNR; and• Considered the adequacy of Company's disclosures about the estimates used and the sensitivity to key assumptions. |
|--|--|---|

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

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the requirements of Insurance Ordinance, 2000 and, Companies Act, 2017, 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 Statement

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole

INDEPENDENT AUDITOR'S REPORT

To the members of The United Insurance Company of Pakistan Limited Report on the Audit of the Financial Statements

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.

INDEPENDENT AUDITOR'S REPORT

To the members of The United Insurance Company of Pakistan Limited Report on the Audit of the Financial Statements

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;
- b) the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017, and are in agreement with the books of account;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

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



ILYAS SAEED & CO.

Chartered Accountants

Date: March 21, 2020

Place: Lahore

STATEMENT OF FINANCIAL POSITION

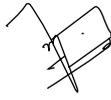
As at December 31, 2019

| | Note | 2019 Rupees | 2018 Rupees |
|---|------|----------------------|----------------|
| Assets | | | |
| Property and equipment | 5 | 1,245,611,799 | 774,641,320 |
| Intangible assets | 6 | 2,636,894 | 3,515,859 |
| Investment property | 7 | 5,270,660 | 2,447,702 |
| Investments in subsidiary and associate | 8 | 1,567,352,894 | 1,334,343,229 |
| Investments | | | |
| Equity securities | 9 | 57,369,264 | 29,082,689 |
| Debt securities | 10 | 296,004,052 | 283,282,668 |
| Term deposits | 11 | 377,887,755 | 115,633,412 |
| Total assets in window takaful operations | 11A | 708,353,645 | 605,758,680 |
| Loans and other receivables | 12 | 126,656,853 | 158,735,054 |
| Insurance / Reinsurance receivables | 13 | 881,519,739 | 807,437,613 |
| Reinsurance recoveries against outstanding claims | 25 | 1,413,623,096 | 1,379,267,940 |
| Salvage recoveries accrued | | - | - |
| Deferred commission expense / acquisition cost | 26 | 240,000,231 | 174,654,726 |
| Deferred taxation | 15 | - | - |
| Taxation - payment less provision | | - | - |
| Prepayments | 16 | 994,650,033 | 684,075,496 |
| Cash & bank | 17 | 266,125,644 | 542,588,730 |
| Total assets | | 8,183,062,559 | 6,895,465,118 |

The annexed notes from 1 to 46 form an integral part of these financial statements.


Muhammed Rahat Sadiq
Chief Executive Officer


Huma Waheed
Director


Maqbool Ahmad
Chief Financial Officer


Khawas Khan Niazi
Director / President


Javaid Sadiq
Chairman

STATEMENT OF FINANCIAL POSITION

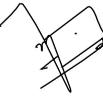
As at December 31, 2019

| | Note | 2019 Rupees | 2018 Rupees |
|--|------|----------------------|----------------------|
| Equity and liabilities | | | |
| Capital and reserves attributable to Company's equity holders | | | |
| Ordinary share capital | 18 | 2,601,016,820 | 2,261,753,760 |
| Share premium | | - | - |
| Reserves | 19 | 49,898,833 | 58,204,459 |
| Unappropriated profit | | 786,630,047 | 723,538,082 |
| Total equity | | 3,437,545,700 | 3,043,496,301 |
| Surplus on revaluation of fixed assets | 19A | 434,295,629 | 80,313,554 |
| Liabilities | | | |
| Total liabilities in window takaful operations | 11A | 1,994,399 | 29,660,180 |
| Underwriting provisions | | | |
| Outstanding claims including IBNR | 25 | 1,891,240,875 | 1,719,012,008 |
| Unearned premium reserves | 24 | 1,550,169,310 | 1,535,651,678 |
| Premium deficiency reserves | | 37,161,886 | 35,997,061 |
| Unearned reinsurance commission | 26 | 187,662,197 | 128,844,597 |
| Retirement benefit obligations | 14 | - | - |
| Deferred taxation | 15 | 175,738,714 | 37,475,478 |
| Borrowings | 20 | 77,823,296 | 52,198,875 |
| Premium received in advance | | - | - |
| Insurance / Reinsurance payables | 21 | 165,321,214 | 53,070,549 |
| Other creditors and accruals | 22 | 67,739,837 | 69,723,191 |
| Taxation - provision less payment | | 156,369,502 | 110,021,646 |
| Total liabilities | | 4,311,221,230 | 3,771,655,263 |
| Total equity and liabilities | | 8,183,062,559 | 6,895,465,118 |
| Contingency(ies) and commitment(s) | 23 | - | - |

The annexed notes from 1 to 46 form an integral part of these financial statements.


Muhammed Rahat Sadiq
Chief Executive Officer


Huma Waheed
Director


Maqbool Ahmad
Chief Financial Officer


Khawas Khan Niazi
Director / President


Javaid Sadiq
Chairman

PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2019

| | Note | 2019 Rupees | 2018 Rupees |
|--|------|--------------------|--------------------|
| Net insurance premium | 24 | 2,541,595,470 | 2,574,381,371 |
| Net insurance claims | 25 | (1,153,501,399) | (1,305,273,666) |
| Premium deficiency | | (1,164,825) | (17,268,699) |
| Net commission and other acquisition costs | 26 | (118,341,937) | (96,183,161) |
| Insurance claims and acquisition expenses | | (1,273,008,161) | (1,418,725,526) |
| Management expenses | 27 | (917,013,732) | (832,410,028) |
| Underwriting results | | 351,573,577 | 323,245,817 |
| Investment income | 28 | 67,101,243 | 8,365,474 |
| Rental income | 29 | 2,292,000 | 2,292,000 |
| Other income | 30 | 49,516,449 | 27,722,946 |
| Other expenses | 31 | (4,872,957) | (8,053,892) |
| Results of operating activities | | 465,610,312 | 353,572,345 |
| Finance cost | 32 | (5,791,228) | (3,103,672) |
| Share of profit from associate | | 23,818,651 | 23,701,346 |
| Profit from window takaful operations | | 125,476,048 | 188,530,802 |
| Profit before tax | | 609,113,783 | 562,700,821 |
| Income tax expense | 33 | (207,523,057) | (173,478,211) |
| Profit after tax | | 401,590,726 | 389,222,610 |
| Earnings (after tax) per share - Rupees | | | |
| - basic and diluted (re-stated) | 34 | 1.54 | 1.50 |

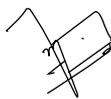
The annexed notes from 1 to 46 form an integral part of these financial statements.



Muhammed Rahat Sadiq
Chief Executive Officer



Huma Waheed
Director



Maqbool Ahmad
Chief Financial Officer



Khawas Khan Niazi
Director / President



Javaid Sadiq
Chairman

STATEMENT OF COMPREHENSIVE INCOME

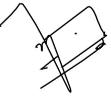
For the year ended December 31, 2019

| | 2019 Rupees | 2018 Rupees |
|---|--------------------|--------------------|
| Profit after tax | 401,590,726 | 389,222,610 |
| Other comprehensive income/(loss): | | |
| Items to be re-classified to profit and loss account in subsequent period: | | |
| Unrealized (loss) on revaluation of available-for-sale investments - net of deferred tax | (7,391,101) | (5,560,145) |
| Realized loss/(gain) on revaluation of available-for-sale investments - net off deferred tax | (1,628,256) | 22,132,284 |
| Share of other comprehensive (loss)/income from takaful: | | |
| Unrealized (loss) on revaluation of available-for-sale investments - net of deferred tax | (6,674,029) | (7,387,760) |
| Realized loss / (gain) on revaluation of available for sale investments- net off deferred tax | 7,387,760 | 2,529,313 |
| | (8,305,626) | 11,713,692 |
| Items not to be re-classified to profit and loss account in subsequent year: | | |
| Incremental depreciation - net of deferred tax | 764,299 | 793,193 |
| Surplus on revaluation of fixed assets - net of deferred tax | 572,793,449 | - |
| Share of other comprehensive (loss)/income from takaful: | | |
| Surplus on revaluation of fixed assets - net of deferred tax | 2,683,405 | - |
| Share of other comprehensive income / (loss) from associate | - | - |
| Other comprehensive income / (loss) for the year | 567,935,527 | 12,506,885 |
| Total comprehensive income for the year | 969,526,253 | 401,729,495 |

The annexed notes from 1 to 46 form an integral part of these financial statements.


Muhammed Rahat Sadiq
Chief Executive Officer


Huma Waheed
Director


Maqbool Ahmad
Chief Financial Officer


Khawas Khan Niazi
Director / President


Javid Sadiq
Chairman

CASH FLOW STATEMENT

For the year ended December 31, 2019

| | 2019 Rupees | 2018 Rupees |
|---|----------------------|----------------------|
| Operating cash flows: | | |
| a) Underwriting activities | | |
| Insurance premium received | 4,499,069,931 | 4,481,605,353 |
| Reinsurance premium paid | (2,004,305,577) | (1,747,782,627) |
| Claims paid | (2,141,759,416) | (2,396,774,434) |
| Reinsurance and other recoveries received | 1,111,522,931 | 1,084,008,040 |
| Commission paid | (508,911,766) | (388,250,895) |
| Commission received | 384,041,924 | 320,140,120 |
| Management expenses paid | (824,787,476) | (737,329,489) |
| Net cash flow from underwriting activities | 514,870,551 | 615,616,068 |
| b) Other operating activities | | |
| Income tax paid | (161,175,201) | (113,076,555) |
| General expenses paid | (4,872,957) | (8,053,892) |
| Other operating (payments) | (2,117,834) | (580,196) |
| Other operating receipts | 26,533,609 | 283,866,018 |
| Loans advanced | (19,850,741) | (11,569,042) |
| Loan repayments received | 15,942,945 | 14,375,246 |
| Net cash flow from other operating activities | (145,540,179) | 164,961,579 |
| Total cash flow from all operating activities | 369,330,372 | 780,577,647 |
| Investment activities: | | |
| Profit/return received | 52,459,334 | 3,358,448 |
| Dividend received | 867,623 | 2,523,988 |
| Rental received | 2,292,000 | 2,067,000 |
| Payment for investment/investment properties | (575,493,912) | (514,309,250) |
| Proceeds from investment/investment properties | 66,705,319 | 26,065,739 |
| Fixed capital expenditure | (34,435,554) | (29,734,868) |
| Proceeds from sale of property and equipment | 26,918,825 | 15,670,598 |
| Net assets in window takaful operations | (130,260,746) | (181,738,810) |
| Total cash flow from investing activities | (590,947,111) | (676,097,155) |
| Financing activities: | | |
| Proceeds from issuance of shares | - | - |
| Interest paid | (5,926,193) | (3,440,290) |
| Loan received | - | - |
| Loan paid | - | - |
| Dividends paid | - | - |
| Lease liability paid | (48,920,154) | (48,510,936) |
| Total cash flow from financing activities | (54,846,347) | (51,951,226) |
| Net cash flow from all activities | (276,463,086) | 52,529,266 |
| Cash and cash equivalents at the beginning of the year | 542,588,730 | 490,059,464 |
| Cash and cash equivalents at the end of the year | 266,125,644 | 542,588,730 |

CASH FLOW STATEMENT

For the year ended December 31, 2019

| | 2019 Rupees | 2018 Rupees |
|---|--------------------|--------------------|
| Reconciliation to profit and loss account | | |
| Operating cash flows | 369,330,372 | 780,577,647 |
| Depreciation & amortization expense | (92,226,256) | (95,080,539) |
| Finance charges on lease rentals | (5,926,193) | (3,440,290) |
| Profit on disposal of property and equipment | 17,653,004 | 12,775,962 |
| Profit/(loss) on disposal of investment/investment properties | (31,617,548) | (31,617,548) |
| Rental income | 2,292,000 | 2,292,000 |
| Dividend income | 867,623 | 2,523,988 |
| Share of profit from associate | 23,818,651 | 23,701,346 |
| Increase/(Decrease) in assets other than cash | 201,168,376 | (218,471,999) |
| (Increase) in liabilities other than borrowings | (298,106,931) | (300,752,763) |
| Provision for doubtful debts | - | - |
| Gain and other investment income | 84,076,882 | 34,975,996 |
| Income from window takaful operations | 130,260,746 | 181,738,810 |
| Profit after taxation | 401,590,726 | 389,222,610 |

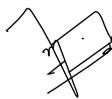
The annexed notes from 1 to 46 form an integral part of these financial statements.



Muhammed Rahat Sadiq
Chief Executive Officer



Huma Waheed
Director



Maqbool Ahmad
Chief Financial Officer



Khawas Khan Niazi
Director / President



Javaid Sadiq
Chairman

STATEMENT OF CHANGES IN EQUITY

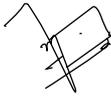
For the year ended December 31, 2019

| | Attributable to equity holders of the Company | | | | | | Total |
|---|---|-----------------|--------------------------------------|-------------------|----------------------------|-----------------------|----------------------|
| | Share capital | Capital reserve | Revenue reserves | | | Unappropriated profit | |
| | | | Reserve for issuance of bonus shares | General reserve | Available for sale reserve | | |
| ----- Rupees ----- | | | | | | | |
| Balance as at January 01, 2018 | 2,001,552,000 | - | - | 75,115,917 | (28,625,150) | 593,724,039 | 2,641,766,806 |
| Transfer to reserve for issue of bonus shares | - | - | 260,201,760 | - | - | (260,201,760) | - |
| Bonus share reserve capitalized on issuance of shares | 260,201,760 | - | (260,201,760) | - | - | - | - |
| Dividends relating to 2017 | - | - | - | - | - | - | - |
| Total comprehensive income for the year | | | | | | | |
| Profit for the year | - | - | - | - | - | 389,222,610 | 389,222,610 |
| Other comprehensive income | - | - | - | - | 11,713,692 | 793,193 | 12,506,885 |
| | - | - | - | - | 11,713,692 | 390,015,803 | 401,729,495 |
| Balance as at December 31, 2018 | 2,261,753,760 | - | - | 75,115,917 | (16,911,458) | 723,538,082 | 3,043,496,301 |
| Balance as at January 01, 2019 | 2,261,753,760 | - | - | 75,115,917 | (16,911,458) | 723,538,082 | 3,043,496,301 |
| Transfer to reserve for issue of bonus shares | - | - | 339,263,060 | - | - | (339,263,060) | - |
| Bonus share reserve capitalized on issuance of shares | 339,263,060 | - | (339,263,060) | - | - | - | - |
| Dividends relating to 2018 | - | - | - | - | - | - | - |
| Total comprehensive income for the year | | | | | | | |
| Profit for the year | - | - | - | - | - | 401,590,726 | 401,590,726 |
| Other comprehensive income | - | - | - | - | (8,305,626) | 764,299 | (7,541,327) |
| | - | - | - | - | (8,305,626) | 402,355,025 | 394,049,399 |
| Balance as at December 31, 2019 | 2,601,016,820 | - | - | 75,115,917 | (25,217,084) | 786,630,047 | 3,437,545,700 |

The annexed notes from 1 to 46 form an integral part of these financial statements.


Muhammed Rahat Sadiq
 Chief Executive Officer


Huma Waheed
 Director


Maqbool Ahmad
 Chief Financial Officer


Khawas Khan Niazi
 Director / President


Javaid Sadiq
 Chairman

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

1 LEGAL STATUS AND NATURE OF BUSINESS

The United Insurance Company of Pakistan Limited (“the Company”) was incorporated on October 20, 1959, in Pakistan as a Public Limited Company under the Defunct Companies Act, 1913, now the Companies Act, 2017, and its shares are quoted on Pakistan Stock Exchange Limited. The Registered Office of the Company is situated at 204, 2nd floor, Madina City Mall, Abdullah Haroon Road, Saddar, Karachi, in the province of Sindh, and its Head Office is located in Lahore, in the province of Punjab. The principal activity of the Company is General Insurance Business and it qualifies as a domestic insurance company under the Insurance Ordinance, 2000 and undertakes Fire & Property Damage, Marine Aviation & Transport, Motor, Crop and Miscellaneous General Insurance. The Company has been allowed to carry on Window Takaful Operation on August 18, 2014 by the Securities and Exchange Commission of Pakistan (SECP) under Takaful Rules, 2012. The Company has not transacted any insurance business outside Pakistan.

For the purpose of carrying on takaful business, the Company has formed a Waqf/ Participants’ Takaful Fund (PTF) on June 09, 2014 under a trust deed. The trust deed governs the relationship of shareholders and policy holders for management of takaful operations.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

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

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

In terms of the requirements of the Takaful Rules 2012, read with SECP Circular 25 of 2015 dated 09 July 2015, the assets, liabilities, profit and loss and other comprehensive income of the Operator Fund of the General Takaful operations of the Company have been presented as a single line item in the statement of financial position, the profit and loss account and the statement of comprehensive income of the Company respectively.

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

2.1 Basis of measurement

The financial statements have been prepared under the historical cost convention except for certain obligations under employee retirement benefits which are measured at present value, certain property and equipment which are measured at revalued amount and certain financial instruments which are measured at fair value.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

2.2 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is the Company's functional and presentation currency. All figures have been rounded to the nearest rupee, unless otherwise stated.

2.3 Standards, interpretations and amendments effective in (current year)

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

IFRS 14 Regulatory Deferral Accounts

IFRS 16 Leases

IFRS 9 Financial Instruments – Classification and Measurement

IFRS 15 Revenue from Contracts with Customers

IFRIC 23 Uncertainty over Income Tax Treatments

IFRS 11 Joint Arrangements – Annual Improvements to IFRS Standards 2015-17 Cycle

IAS 12 Income Taxes - Annual Improvements to IFRS Standards 2015-17 Cycle

IAS 19 Employee Benefits – Plan Amendment, Curtailment or Settlement (Amendments)
Foreign Currency Transactions and Advance Consideration

IAS 28 Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures (Amendments)

• IFRS 9 – Financial Instruments

The amendments introduce two approaches for entities that apply IFRS 4 to reduce the impact of deferring effective dates with IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments: an overlay approach and a temporary exemption from applying IFRS 9. The Company has adopted for a temporary exemption from application of IFRS 9.

The effective date of the amendments permitting the temporary exemption is for annual periods beginning on or after 01 January, 2018. The temporary exemption is available for annual reporting periods beginning before 01 January, 2022 and will expire once IFRS 17 becomes effective.

• IFRS 15 - Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

IFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures. The management reviewed and assessed the Company's existing contracts with the policy holders and concluded that there is no material impact on the revenue recognition from policy holders as same fall under the ambit of IFRS-17 Insurance Contracts and the Insurance Rules, 2017.

The adoption of the above amendments, and improvement to accounting standards and interpretations did not have any significant effect on the financial statements.

• IFRS 16 – Leases

This standard was notified by the SECP to be effective from annual periods beginning on or after January 01, 2019. Accordingly, the Company has adopted IFRS 16 using the modified retrospective approach as permitted under the specific transitional provisions in the Standard. This Standard 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 an on-balance sheet lease accounting model for leases entered by the lessee. A lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding 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 either finance or operating leases.

The right-of-use assets recognized subsequent to the adoption are 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. The right-of-use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the Standard:

- grandfathered the assessment of which transactions are lease on the date of initial application;
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Impacts on financial statements

As a result of applying IFRS-16, in relation to the lease security deposits which were previously recognized as "leased security deposits" under the head loans and other receivables, now classified as right-to-use assets. Depreciation on the same is charged as per applicable rate on right-to-use assets. However, no impact on lease liability is made due to this adjustment.

| Particulars | Cost | Accumulated depreciation |
|-------------------|------------|--------------------------|
| Impact of IFRS-16 | 21,538,575 | 3,449,731 |

The Company has opted not to recognise right-of-use assets for leases of low value or short term leases, having remaining lease term of less than 12 months as at January 01, 2019. The payments associated with such leases are recognised as an expense as disclosed in note 27.3.

2.4 Standards, interpretations and amendments not effective at year end

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan have not become effective during current year:

| Standards, amendments or interpretation | Effective date (Annual periods beginning on or after) |
|---|---|
| IFRS 17 Insurance Contracts | 01-Jan-22 |
| IFRS 7 Financial Instruments: Disclosures | 01-Jan-20 |

Annual Improvements 2015-2017 Cycle

| | |
|------------------------------|-----------|
| IFRS 3 Business Combinations | 01-Jan-19 |
|------------------------------|-----------|

2.5 In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

| Standards, amendments or interpretation | |
|---|-----------|
| IFRS 17 Insurance contracts | 01-Jan-22 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

2.6 Standards, interpretations and amendments becoming effective in future period but not relevant:

There are certain new standards, amendments to standards and interpretations that are effective for different future periods but are considered not to be relevant to Company's operations, therefore not disclosed in these financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these financial statements are set out below:

3.1 Property and Equipment

3.1.1 Operating assets

3.1.1.1 Owned assets

These are stated at cost less accumulated depreciation and accumulated impairment, if any, except for freehold land, certain buildings and motor vehicles which are stated at revalued amount, less impairment in value, if any.

Depreciation on all property and equipment is charged to profit and loss account on reducing balance method so as to write off depreciable amount of an asset over its estimated useful life at the rates specified in note 5.1 to the financial statements. Depreciation on additions to/ disposal from property and equipment for the year is charged on "number of days basis".

Maintenance and normal repairs are charged to profit and loss account as and when incurred, while major renewals and improvements are capitalized. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

Surplus arising on revaluation of an item of property and equipment is created to surplus on revaluation of property and equipment, except to the extent of reversal of deficit previously charged to income, in which case that portion of the surplus is recognized in income. Deficit on revaluation of an item of property and equipment is charged to surplus on revaluation of that asset to the extent of surplus and any excess deficit is charged to income. On subsequent sale or retirement of revalued item of property and equipment, the attributable balance of surplus is transferred to unappropriated profit through statement of comprehensive income. The surplus on revaluation of property and equipment to the extent of incremental depreciation charged on the related assets is transferred to appropriated profit through statement of comprehensive income.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

3.1.1.2 Right-of-use assets

The company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises 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, less any lease incentives received.

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

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.

- Ijarah contracts

Ijarah rentals (Ijarah) under Ijarah contracts are recognized as an expense in the profit and loss on a straight-line basis over the Ijarah term as per Islamic Financial Accounting Standard issued by SECP vide S.R.O 431(I)/2007 dated May 22, 2007.

3.2 Intangibles assets

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

Amortization on intangibles is charged to profit and loss account on the reducing balance method so as to write off amortization amount of an intangible asset over its estimated useful life at the rates specified in note 6 to the financial statements. Amortization on additions to/ disposal from intangibles, if any is charged on "number of days basis".

The gain or (loss) on disposal or retirement of an intangible asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

3.3 Investment property

Investment properties are held for earning rentals and capital appreciation. Investment property is accounted for under the cost model in accordance with International Accounting Standards (IAS) 40 Investment property.

Depreciation policy, subsequent capital expenditures and gain/ losses on disposal are accounted for in the same manner as tangible Property and Equipment.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

3.4 Insurance contracts

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

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

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 damage
- Marine, aviation and transport
- Motor
- Crop
- Miscellaneous

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

Marine Insurance covers the loss or damage of vessels, cargo, terminals and any transport of 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.

Crop insurance provides financial protection against natural disasters, fire and lightning and insect/ pets attack on standing crop.

Other various types of insurance are classified in miscellaneous category which includes mainly engineering and livestock, personal accident, worker's compensation, travel guard, products of financial institutions and health insurance etc.

The Company does not issue any insurance contracts with discretionary participation features (DPF) or any investment contracts.

3.5 Deferred commission expense / acquisition cost

Commission and other incremental acquisition costs incurred in obtaining and recording policies of insurance and reinsurance are deferred and calculated by applying twenty-fourths method and recognized as assets where they can be reliably measured and it is probable that they will give rise to premium revenue that will be recognized in subsequent reporting periods. Incremental acquisition costs of a policy are costs of selling, underwriting and initialing an insurance policy which has been issued, i.e., the costs are identified at the level of an individual policy and not at the level of a portfolio of policies.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

Deferred acquisition costs (if any) are amortized systematically over the reporting periods over which the related premium revenue is recognized.

An acquisition cost which is not incremental are recognized as expense during the period in which the related premium revenue is recognized.

3.6 Unearned premium

The portion of premium written relating to the unexpired period of coverage is recognized as unearned premium by the Company. This liability is calculated by applying twenty-fourths method as specified in the Insurance Accounting Regulations, 2017.

3.7 Premium deficiency

The Company maintains a provision in respect of premium deficiency for the class of business where the unearned premium reserve is not adequate to meet the expected future liability after reinsurance, from claims and other supplementary expenses, expected to be incurred after the statement of financial position date in respect of the unexpired policies in that class of business at the statement of financial position date. This provision (liability adequacy test) is recognized in accordance with the requirements given in International Financial Reporting Standard (IFRS) 4- Insurance contracts. The movement in the premium deficiency reserve is recorded as an expense/ income in profit and loss account for the year.

For this purpose, loss ratios for each class are estimated based on historical claim development. Historical experience is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. Further, actuarial valuation has been carried out to determine the amount of premium deficiency reserve in respect of Accident and Health insurance as required by Insurance Rules, 2017. If these ratios are adverse, premium deficiency is determined. The loss ratios estimated on these basis for the unexpired portion are as follows:

| | 2019 | 2018 |
|----------------------------------|------|------|
| - Fire and property damage | 32% | 41% |
| - Marine, aviation and transport | 26% | 32% |
| - Motor | 57% | 51% |
| - Crop | 49% | 32% |
| - Miscellaneous | 54% | 54% |

Based on analysis of combined operating ratio for the expired period of each reportable segment, the management considers that the unearned premium reserves for all the classes of business as at the year end is adequate to meet the expected future liability, after reinsurance, from claims and other expenses expected to be incurred after the statement of financial position date in respect of policies in those classes of business in force at the statement of financial position date. No reserve for the same has been made in these financial statements except for the segment of Motor to be recognised as premium deficiency reserve.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

3.8 Reinsurance contracts held

Insurance contracts entered into by the Company with reinsurers for compensation of losses suffered on insurance contracts issued are reinsurance contracts. These reinsurance contracts include both facultative and treaty arrangement contracts.

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

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

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

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

The Company assesses its reinsurance assets for impairment on statement of financial position date. If there is objective evidence that reinsurance assets are impaired, the Company reduces the carrying amount of the reinsurance assets to its recoverable amount and recognizes impairment loss in the profit and loss account.

3.9 Receivables and payables related to insurance contracts

Receivables and payables related to insurance contracts are recognized when due at cost which is the fair value of the consideration given less provision for impairment, if any.

3.9.1 Insurance / Reinsurance receivable

Receivables under insurance contracts are recognized when due at the fair value of consideration receivable less provision for doubtful debts, if any. If there is objective evidence that the receivable is impaired, the Company reduces the carrying amount of the receivable accordingly and recognizes that impairment loss in profit and loss account.

3.9.2 Reinsurance recoveries against outstanding claims

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

3.10 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 follows IFRS 8 'Operating Segments', the Insurance Ordinance, 2000 and the Insurance Rules, 2017 for segment reporting of operating results using the classes of business as specified therein.

Based on its classification of insurance contracts issued, the Company has five primary business segments for reporting purposes namely Fire and Property Damage, Marine Aviation and Transport, Motor, Crop and Miscellaneous. The nature and business activities of these segments are disclosed in respective notes to the financial statements.

Assets and liabilities are allocated to particular segments on the basis of gross premium written. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

3.10.1 Financial instruments

Financial assets and financial liabilities within the scope of IAS - 39 are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of contractual rights that comprise of 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 derecognizing of the financial assets and financial liabilities is included in the profit and loss account for the year.

Financial instruments carried on the statement of financial position date include cash and bank deposits, investments, insurance/reinsurance receivables, premium and claim reserves detained by cedants, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, provision for outstanding claims, insurance/reinsurance payables, other creditors and accruals and liabilities against assets subject to finance lease.

The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.11 Cash & cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand and balances with banks.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

3.12 Revenue recognition

3.12.1 Premium

Premium income includes administrative surcharge that represents documentation and other charges recovered by the Company from policy holders in respect of policies issued, at the rate of 5% of the premium written subject to a maximum of Rs. 5,000/- per policy.

Premium written under a policy is recognized as income over the period of insurance from the date of issuance of the policy to which it relates to its expiry. Where the pattern of incidence of risk varies over the period of the policy, premium is recognized as revenue in accordance with the pattern of the incidence of risk.

3.12.2 Commission income

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

3.12.3 Investment income

Return on investments and term deposits are recognized using the effective interest rate method. Profit or loss on sale of investments is recognized at the time of sale. Dividend income is recognized when right to receive such dividend is established.

3.12.4 Dividend income and other income

Dividend income and entitlement of bonus shares are recognized when the Company's right to receive such dividend and bonus shares is established. Rental and other income are recognized as and when accrued.

3.13 Investment

3.13.1 Recognition

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

- In subsidiary and associates
- In equity securities
- In debt securities
- In term deposits

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

3.13.2 Measurement

In subsidiary and associates

Entities in which the Company has significant influence but not control and which are neither its subsidiary nor joint ventures are associates and are accounted for by using the equity method of accounting.

Under equity method of accounting, the investments are initially recognised at cost; thereafter its carrying amount is increased or decreased for the Company's share of post acquisition changes in the net assets of the associate and dividend distributions. Goodwill relating to an associate is included in carrying amount of the investment and is not amortized. The Company's share of the profit and loss of the associate is accounted for in the Company's profit and loss account, whereas changes in the associate's equity which has not been recognised in the associates' profit and loss account are recognised directly in other comprehensive income of the Company.

After application of equity method, the carrying amount of investment in associate is tested for impairment by comparing its recoverable amount (higher of value in use and fair value less cost to sell) with its carrying amount and loss, if any, is recognised in profit and loss account.

In equity securities - Available for sale

Available for sale investments are those non-derivative investments that are designated as available for sale or are not classified in any other category. These are primarily those investments that are intended to be held for an undefined period of time or may be sold in response to the need for liquidity.

Subsequent to initial recognition at cost including the transaction cost, these are measured at fair value, Changes in fair value are recognized as other comprehensive income until the investment is derecognized or impaired. Gains and losses on derecognition and impairment losses are recognized in profit or loss.

Return on fixed income securities classified as available for sale is recognized on a time proportion basis.

In debt securities - Held to maturity

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity and are initially measured at cost. At subsequent reporting dates, these are measured at amortized cost using the effective yield method.

Any premium paid or discount availed on acquisition of held to maturity investments is deferred and amortized over the term of the investment using the effective yield unless the impact of amortization is immaterial to the financial statements.

Income from held to maturity investments is recognized on a time proportion basis taking into account the effective yield on the investments.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

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

In Term deposits - Held to maturity

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity and are initially measured at cost. At subsequent reporting dates, these are measured at amortized cost using the effective yield method.

Any premium paid or discount availed on acquisition of held to maturity investments is deferred and amortized over the term of the investment using the effective yield unless the impact of amortization is immaterial to the financial statements.

Income from held to maturity investments is recognized on a time proportion basis taking into account the effective yield on the investments.

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

Investment in window takaful operations

Investment in window takaful operations has been measured and disclosed in accordance with the provisions of Takaful Rules 2012 and Circular No. 25 of 2015, dated July 09, 2015 on "Financial Reporting of Window Takaful Operations by Non-Life Insurers".

Net assets in window takaful operations are recorded after adjusting the portion of profit/ (loss) and other comprehensive income/ (loss) from Operators Fund (OPF) of takaful operations.

Profit/ loss share from takaful operations in profit and loss account is recorded as 100 percent share of profit/ loss from Operators' Fund (OPF) in takaful operations. Similarly share of other comprehensive income/ (loss) from takaful operations is recorded in other comprehensive income of the Company based on 100 percent share of other comprehensive income/ (loss) from OPF.

Qarz-e-Hasna funded by Operators' Fund (OPF) of takaful operations to Participants' Takaful Fund (PTF) of takaful operations is recorded as apportionment of profit in the financial statements of the Company.

3.14 Offsetting of financial assets and liabilities

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

3.15 Provisions

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 previous years.

The Company recognizes liability in respect of all claims incurred up to the statement of financial position date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of incident giving rise to the claims 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 claims reported but not settled at the statement of financial position date is made on the basis of individual case estimates. The case estimates are based on the assessed amounts of individual losses and where loss assessments have not been carried out, the estimates are established in light of currently available information, past experience of similar claims and in some cases in relation to the sums insured. Case estimates are reviewed periodically to ensure that the recognized outstanding claim amounts are adequate to cover expected future payments including expected claims settlement costs and are updated as and when new information becomes available.

The provision for claims incurred but not reported (IBNR) is consistently made at the statement of financial position date in accordance with the SECP Circular no. 9 of 2016. IBNR claim have 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.

IBNR for all classes is determined and recognized in accordance with valuation carried out by an appointed actuary which is also based on Chain Ladder (CL) method.

3.16 Taxation

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

3.16.1 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. The charge for current tax also include adjustments, where considered necessary, to the provision for taxation made in previous years arising from assessments finalized during the current year for such years.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

3.16.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the statement of financial position date between the tax bases and carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date. Deferred tax is charged or credited to the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

3.17 Staff retirement benefits

Defined benefit plan

The Company operates an approved defined contribution provident fund for all permanent employees. Equal contributions are made by employees and the company at the rate of 8.34 percent (2018: 8.34 percent) of gross salary per month and charged to profit and loss account.

3.18 Leases

The policy relating to leased assets is given under note 3.1.1.2 to the financial statements.

3.19 Impairment of assets

The carrying amount of assets are reviewed at each statement of financial position 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 recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account.

Where impairment loss subsequently reverses, the carrying amounts of the assets are increased to the revised recoverable amounts but limited to the carrying amounts that would have been determined had no impairment loss been recognised for the assets in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

In addition, impairment on available for sale investments and reinsurance assets are recognized as follows:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

3.19.1 Available for sale

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 financing cash flows.

3.19.2 Reinsurance assets

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.

3.20 Dividend distribution

Profit distribution to shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability, to the extent it is unclaimed/unpaid, in the Company's financial statements in the year in which the dividends are approved by the Board of Directors.

3.21 Management expenses

Management expenses include expenses incurred for the purpose of business and are recorded in the financial statements as and when accrued.

3.22 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 services received, whether or not billed to the Company.

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, 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 statement of financial position date and adjusted to reflect the current best estimate.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

3.23 Foreign currency transactions and translations

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

3.24 Zakat

Zakat on investment income is accounted for in the year of deduction, under Zakat and Ushr Ordinance, 1980.

3.25 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.

3.26 Bonus shares

Reserve for issue of bonus shares is created in the year in which such an issue is approved.

3.27 Related party transactions

Party is said to be related, if they are able to influence the operating and financial decisions of the Company and vice versa. The Company in the normal course of business carries out transactions with related parties. Transactions with related parties are priced at comparable uncontrolled market price and are carried out at arm's length prices.

3.28 Change in accounting policies

The Company has changed its accounting policy in relation to recognition of motor vehicles (owned) and motor vehicles (right-of-use) from cost model to revaluation model under IAS-16 Property, Plant and Equipment. Motor vehicles are now stated at revalued amounts in fixed asset schedule, previously these were stated at cost less accumulated depreciation and accumulated impairment. This change in accounting policy has been applied prospectively and comparative information has not been restated. Had there been no revaluation, the cost, accumulated depreciation and book value of revalued assets as at December 31, 2019 are mentioned in note 5.1.4 of financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities as well as income and expenses.

The judgments, estimates and assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

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

In particular, the matters involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

| | |
|--|--------|
| - Useful lives of property and equipment | 3.1 |
| - Deferred commission expense/acquisition cost | 3.5 |
| - Unearned premium | 3.6 |
| - Premium deficiency | 3.7 |
| - Provision for doubtful debt | 3.9.1 |
| - Segment reporting | 3.10 |
| - Unearned re-insurance commission | 3.12.2 |
| - Provisions | 3.15 |
| - Taxation | 3.16 |
| - Staff retirement benefits | 3.17 |
| - Impairment in value of investments | 3.19 |

| | Note | 2019 Rupees | 2018 Rupees |
|---------------------------------|------|----------------------|----------------|
| 5 PROPERTY AND EQUIPMENT | | | |
| Operating assets | 5.1 | 1,107,761,799 | 706,678,243 |
| Right-of-use assets | 5.2 | 137,850,000 | 67,963,077 |
| Capital work-in-progress | | - | |
| | | 1,245,611,799 | 774,641,320 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

5.1 OPERATING ASSETS

| Description | 2018 | | | | As at 31 December | 2017 | | | | Depreciation rate % | |
|--------------------------------|----------------------|-------------------|---------------------|---------------------|----------------------|--------------------|-------------------|---------------------|---------------------|---------------------|--------------------|
| | As at 01 January | Addition | (Disposal) | Adjustment | | As at 31 December | For the year | (Disposal) | Adjustment | | As at 31 December |
| Rupees | | | | | | | | | | | |
| Owned assets | | | | | | | | | | | |
| Freehold land | 268,295,000 | - | - | - | 268,295,000 | - | - | - | - | 268,295,000 | - |
| Buildings | 174,301,419 | - | - | - | 174,301,419 | 42,680,142 | 6,581,064 | - | - | 49,261,206 | 125,040,213 |
| Furniture and fixtures | 136,534,044 | 122,400 | - | - | 136,656,444 | 71,413,059 | 6,518,485 | - | - | 77,931,544 | 58,724,900 |
| Office equipment | 54,627,156 | 623,568 | (174,448) | 3,510,000 | 58,586,276 | 21,646,115 | 3,532,061 | (117,424) | 659,939 | 25,720,691 | 32,865,585 |
| Computer equipment | 27,031,095 | 3,151,900 | (553,981) | - | 29,629,014 | 18,994,249 | 3,034,254 | (530,070) | - | 21,498,434 | 8,130,580 |
| Vehicles | 493,756,602 | 11,786,500 | (28,736,738) | 85,585,000 | 562,391,364 | 348,352,652 | 34,721,777 | (25,939,334) | 43,359,592 | 400,494,687 | 161,896,677 |
| Cycles | 103,640 | - | - | - | 103,640 | 72,423 | 10,405 | - | - | 82,828 | 20,812 |
| Motor tracking devices | 140,215,000 | 14,050,500 | - | - | 154,265,500 | 80,223,824 | 22,337,200 | - | - | 102,561,024 | 51,704,476 |
| Total | 1,294,863,956 | 29,734,868 | (29,465,167) | 89,095,000 | 1,384,228,657 | 583,382,464 | 76,735,246 | (26,586,828) | 44,019,531 | 677,550,414 | 706,678,243 |
| 5.2 Right-of-use assets | | | | | | | | | | | |
| Vehicles | 146,514,000 | 30,968,000 | - | (85,585,000) | 91,897,000 | 50,380,516 | 16,912,999 | - | (43,359,592) | 23,933,923 | 67,963,077 |
| Office equipment | 3,510,000 | - | - | (3,510,000) | - | 528,423 | 131,516 | - | (659,939) | - | - |
| Total | 150,024,000 | 30,968,000 | - | (89,095,000) | 91,897,000 | 50,908,939 | 17,044,515 | - | (44,019,531) | 23,933,923 | 67,963,077 |
| Grand total | 1,444,887,956 | 60,702,868 | (29,465,167) | - | 1,476,125,657 | 634,291,403 | 93,779,761 | (26,586,828) | - | 701,484,338 | 774,641,320 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

5.1.1 Disposal of fixed assets

| Particulars | Cost | Accumulated depreciation | Written down value | Sales proceeds | Gain/(loss) | Mode of disposal | Sold to | Status |
|---------------------------|-------------------|--------------------------|--------------------|-------------------|-------------------|------------------|---------------|----------|
| -----Rupees----- | | | | | | | | |
| Vehicles | | | | | | | | |
| PREMIO - LEA-13-4003 | 2,259,510 | 1,914,304 | 345,206 | 1,550,000 | 1,204,794 | Negotiation | Mr. Quyyum | Outsider |
| CIVIC VTI - LED-10-7461 | 1,627,119 | 1,376,863 | 250,256 | 1,150,000 | 899,744 | Negotiation | Mr. Qaisar | Outsider |
| CIVIC VTECH - LEE-07-9209 | 1,460,000 | 1,362,027 | 97,973 | 950,000 | 852,027 | Negotiation | Mr. Qaisar | Outsider |
| AUDI - LED-08-8103-2 | 1,369,000 | 1,280,780 | 88,220 | 825,000 | 736,780 | Negotiation | Mr. Qaisar | Outsider |
| COROLA - AUW-866 | 1,251,128 | 1,009,654 | 241,474 | 1,060,000 | 818,526 | Negotiation | Mr. Qaisar | Outsider |
| SWIFT - LED-10-5386 | 896,610 | 785,398 | 111,212 | 550,000 | 438,788 | Negotiation | Mr. Ahmad Ali | Outsider |
| CULTUS - LEC-10-8329 | 845,000 | 673,303 | 171,697 | 400,000 | 228,303 | Negotiation | Mr. Quyyum | Outsider |
| MEHRAN - BRS-12-730 | 405,000 | 225,782 | 179,218 | 265,000 | 85,782 | Negotiation | Mr. Afzal | Outsider |
| CIVIC - RIW-1001 | 402,500 | 314,612 | 87,888 | 324,999 | 237,111 | Negotiation | Mr. Afzal | Outsider |
| LAND CRUISER - EF-531 | 17,000,000 | 10,394,214 | 6,605,786 | 12,500,000 | 5,894,214 | Negotiation | Mr. Afzal | Outsider |
| Sub total | 27,515,867 | 19,336,937 | 8,178,930 | 19,574,999 | 11,396,069 | | | |

The following assets with book value below Rs. 50,000/- were disposed off during the year:

| Particulars | Cost | Accumulated depreciation | Written down value | Sales proceeds | Gain/(loss) | Mode of disposal | Sold to |
|--------------------------|-------------------|--------------------------|--------------------|-------------------|-------------------|------------------|---------|
| Vehicles | 9,798,370 | 9,215,792 | 582,576 | 6,302,999 | 5,720,423 | Negotiation | Various |
| Computer equipment | 430,800 | 286,605 | 142,409 | 58,795 | (83,614) | Negotiation | Various |
| Office computer | 278,866 | 260,799 | 18,067 | 22,032 | 3,966 | Negotiation | Various |
| Vehicles tracking device | 3,736,000 | 3,392,160 | 343,840 | 960,000 | 616,160 | Negotiation | Various |
| Sub-total | 14,244,036 | 13,155,356 | 1,086,892 | 7,343,826 | 6,256,935 | | |
| Grand total 2019 | 41,759,903 | 32,492,293 | 9,265,822 | 26,918,825 | 17,653,004 | | |
| Grand total 2018 | 9,527,575 | 9,075,835 | 468,037 | 4,890,598 | 4,422,561 | | |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

- 5.1.2 There are no assets held by third parties and assets with zero values.
- 5.1.3 The land, building, motor vehicles and right-to-use of motor vehicles revalued by Anderson Consulting (Pvt.) Limited, independent valuer, registered with Pakistan Banks' Association, by using market value basis method on December 31, 2019. Fair values are determined by using observable prices in an active market on arm's length terms. All the revaluation surplus is charged to surplus on revaluation of fixed assets as per requirements of the Companies Act, 2017. As per revaluation report, forced sale value of the assets as on December 31, 2019 is Rs. 945,930,526/-.
- 5.1.4 Had there been no revaluation, the cost, accumulated depreciation and book value of revalued assets as at December 31, 2019, would have been as follows:

| Description | Cost | | | | Depreciation | | | | Written values as at 31 December | Depreciation rate % | | |
|-------------------------|----------------------|-------------------|---------------------|--------------|----------------------|--------------------|-------------------|---------------------|----------------------------------|---------------------|--------------------|-------------------|
| | As at 01 January | Additions | Disposal | Adjustment | As at 31 December | As at 01 January | Additions | Disposal | | | Adjustment | As at 31 December |
| | -----Rupees----- | | | | | | | | | | | |
| Land | 201,806,610 | 13,950,335 | - | - | - | - | - | - | - | - | 215,756,945 | - |
| Building | 144,119,262 | 2,025,000 | - | - | 146,144,262 | 42,287,182 | 5,294,104 | - | - | 47,581,286 | 98,562,976 | 5% |
| Vehicles (owned) | 562,391,364 | 5,654,400 | (37,314,237) | 17,000,000 | 547,731,527 | 400,494,687 | 32,902,812 | (28,552,729) | 10,111,110 | 414,955,880 | 132,775,647 | 20% |
| Vehicles (right-of-use) | 91,897,000 | 74,544,575 | - | (17,000,000) | 149,441,575 | 23,933,923 | 21,018,327 | - | (10,111,110) | 34,841,140 | 114,600,435 | 20% |
| 2019 | 1,000,214,236 | 96,174,310 | (37,314,237) | - | 1,059,074,309 | 466,715,792 | 59,215,243 | (28,552,729) | - | 497,378,306 | 561,696,003 | |
| | -----Rupees----- | | | | | | | | | | | |
| Land | 201,806,610 | - | - | - | - | - | - | - | - | - | 201,806,610 | - |
| Building | 144,119,262 | - | - | - | 144,119,262 | 36,927,599 | 5,359,583 | - | - | 42,287,182 | 101,832,080 | 5% |
| Vehicles (owned) | 493,756,602 | 11,786,500 | (28,736,738) | 85,585,000 | 562,391,364 | 348,352,652 | 34,721,777 | (25,939,334) | 43,359,592 | 400,494,687 | 161,896,677 | 20% |
| Vehicles (right-of-use) | 146,514,000 | 30,968,000 | - | (85,585,000) | 91,897,000 | 50,380,516 | 16,912,999 | - | (43,359,592) | 23,933,923 | 67,963,077 | 20% |
| 2018 | 986,196,474 | 42,754,500 | (28,736,738) | - | 1,000,214,236 | 435,660,767 | 56,994,359 | (25,939,334) | - | 466,715,792 | 533,498,444 | |

6 INTANGIBLE ASSETS

| Description | Cost | | | | Amortization | | | | Estimated Amortization period | | | |
|---------------------------------|------------------|----------|----------|-------------|-------------------|------------------|----------------|----------|-------------------------------|------------------|-------------------|--------------------------------------|
| | As at 01 January | Addition | Disposal | Adjustments | As at 31 December | As at 01 January | For the year | Disposal | | Adjustments | As at 31 December | Written down value as at 31 December |
| | -----Rupees----- | | | | | | | | | | | |
| Computer software - 2019 | 8,339,600 | - | - | - | 8,339,600 | 4,823,741 | 878,965 | - | - | 5,702,706 | 2,636,894 | 4 |
| Computer software - 2018 | 8,339,600 | - | - | - | 8,339,600 | 3,651,788 | 1,171,953 | - | - | 4,823,741 | 3,515,859 | 4 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

| | Note | 2019 Rupees | 2018 Rupees |
|---|------|----------------------|----------------------|
| 8 INVESTMENT IN SUBSIDIARY AND ASSOCIATE | | | |
| Investments in associate | 8.1 | 692,183,678 | 421,189,277 |
| Share deposit money | 8.2 | 613,015,264 | 651,000,000 |
| Advance for purchase of shares | 8.3 | 262,153,952 | 262,153,952 |
| | | 1,567,352,894 | 1,334,343,229 |

8.1 Investment in associate- Apna Microfinance Bank Limited

8.1.1 Movement of investment in associate

| | | | |
|---|--|--------------------|--------------------|
| Beginning of the year | | 421,189,277 | 397,487,931 |
| Acquisition/(disposal) of investment in associate | | 247,175,750 | - |
| | | 668,365,027 | 397,487,931 |
| Share of profit during the year | | 23,818,651 | 23,701,346 |
| Less: dividend received | | - | - |
| Change in comprehensive income | | - | - |
| End of the year | | 692,183,678 | 421,189,277 |

The Company's interests in its associate are as follows:

| Name | Country of incorporation | Assets | Liabilities | Revenues | Profit | % Interest held |
|--------------------------------|--------------------------|----------------------|----------------------|----------------------|-------------------|-----------------|
| Apna Microfinance Bank Limited | Pakistan | 9,141,717,782 | 8,307,594,878 | 1,290,404,119 | 23,818,651 | 44.50% |
| Total 2019 | | 9,141,717,782 | 8,307,594,878 | 1,290,404,119 | 23,818,651 | 44.50% |
| Apna Microfinance Bank Limited | Pakistan | 7,842,255,883 | 7,186,438,874 | 960,236,931 | 23,701,346 | 44.50% |
| Total 2018 | | 7,842,255,883 | 7,186,438,874 | 960,236,931 | 23,701,346 | 44.50% |

8.1.2 Particulars of investment in associate

| 2019 | 2018 | Face value per share (Rupees) | Name of associate | 2019 Rupees | 2018 Rupees |
|-------------------------|-------------|-------------------------------|---------------------------------|--------------------|----------------|
| Number of shares | | | | | |
| 153,073,308 | 111,250,000 | 10 | Apna Micro Finance Bank Limited | 692,183,678 | 421,189,277 |

Market value of investment and percentage of holding in associate are Rs. 3,721,212,117/- and 44.50% respectively (2018: Rs. 719,787,500/- and 44.50%). 153,073,308 (2018: 111,250,000) number of shares in associate are frozen with CDC under the provision of section 10(2) of the Microfinance Institutions Ordinance, 2001.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

| | Note | 2019 Rupees | 2018 Rupees |
|--|-------|---------------------|----------------|
| 8.2 Share deposit money | | | |
| Apna Microfinance Bank Limited | | 613,015,264 | 651,000,000 |
| 8.3 Advance for purchase of shares | | | |
| Advance for purchase of shares | 8.3.1 | 262,153,952 | 262,153,952 |
| 8.3.1 These advances have been given for the purchase of shares of M/s. Apna Microfinance Bank Limited to the other sponsors / shareholders of M/s. Apna Microfinance Bank Limited. | | | |
| 9 INVESTMENTS IN EQUITY SECURITIES | | | |
| Available for sale | 9.1 | 57,369,264 | 29,082,689 |
| 9.1 Available for sale | | | |
| Listed shares | | 72,740,304 | 34,145,161 |
| Less: unrealized loss on revaluation of investment | | (18,382,847) | (7,808,558) |
| Carrying value | 9.1.1 | 54,357,457 | 26,336,603 |
| Mutual Funds | | 2,847,519 | 2,734,202 |
| Add: unrealized gain on revaluation of investment | | 164,288 | 11,884 |
| Carrying value | 9.1.2 | 3,011,807 | 2,746,086 |
| | | 57,369,264 | 29,082,689 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

9.1.1 Ordinary shares of quoted companies

| 2019 | 2018 | 2019 | 2018 | Sector and name of investee company | 2019 | 2018 |
|--------------------------------------|----------------|------------------------|--------|--|-------------------|-------------------|
| Number of shares | | Market value per share | | | Rupees | Rupees |
| (fully paid shares of Rs. 10/- each) | | | | | | |
| Textile composite | | | | | | |
| 400,000 | 400,000 | 3.30 | 5.01 | Kohinoor Industries Ltd | 1,320,000 | 2,004,000 |
| Engineering | | | | | | |
| 32,400 | 27,000 | 55.76 | 80.83 | General Tyre & Rubber Co | 1,806,624 | 2,182,410 |
| - | 10,500 | - | 171.43 | Cherat Packaging Ltd | - | 1,800,015 |
| - | 75,000 | - | 82.68 | Avanceon Limited | - | 6,201,000 |
| 45,000 | 10,000 | 110.84 | 154.05 | International Industries Ltd | 4,987,800 | 1,540,500 |
| 162 | 162 | 338.23 | 427.66 | Thal Limited | 54,793 | 69,281 |
| Chemicals | | | | | | |
| - | 15 | - | 37 | United Distributors Pak Limited | - | 555 |
| 10,000 | - | 188.74 | - | Searle Company Limited | 1,887,400 | - |
| Leasing | | | | | | |
| 155,000 | 155,000 | 2.81 | 3.35 | SME Leasing Limited | 435,550 | 519,250 |
| Capital markets | | | | | | |
| 25,000 | 25,000 | 56.89 | 41.5 | Arif Habib Limited | 1,422,250 | 1,037,500 |
| 35,000 | 35,000 | 33.49 | 32.07 | Arif Habib Corporation Ltd | 1,172,150 | 1,122,450 |
| Oil and gass | | | | | | |
| 423,000 | - | 21.52 | - | Sui Southern Gas Company | 9,102,960 | - |
| 54,000 | - | 76.17 | - | Sui Northern Gas Pipeline Limited | 4,113,180 | - |
| Food and beverages | | | | | | |
| - | 200 | - | 462.75 | Shezan International | - | 92,550 |
| - | 250 | - | 20.05 | Roshan Packages Ltd | - | 5,012 |
| Auto industry | | | | | | |
| 50,000 | 4,000 | 76.17 | 95.03 | Ghandhara Nissan Ltd | 3,808,500 | 380,120 |
| 87,500 | - | 133.28 | - | Ghandhara Industries Ltd | 11,662,000 | - |
| Commercial banks | | | | | | |
| 76,500 | 76,500 | 164.50 | 122.64 | United Bank Limited | 12,584,250 | 9,381,960 |
| 1,393,562 | 818,627 | | | | 54,357,457 | 26,336,603 |

9.1.1.1 Cost of ordinary shares of quoted companies as at December 31, 2019 is Rs. 72,740,304/- (2018: Rs. 40,070,734/-).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

9.1.2 Mutual fund certificates

| | 2019 | 2018 | 2019 | 2018 | Name of entity | 2019 | 2018 |
|--|-----------------|---------|---------------------|-------|----------------------------------|-----------|-----------|
| | Number of units | | Unit price (Rupees) | | | Rupees | Rupees |
| | 265,117 | 255,645 | 11.36 | 10.74 | NBP NAFA income opportunity fund | 3,011,807 | 2,746,086 |

9.1.2.1 Cost of Mutual fund certificates as at December 31, 2019 is Rs. 2,847,519/- (2018: Rs. 2,734,202/-).

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

10 INVESTMENTS IN DEBT SECURITIES

10.1 Held to maturity

| | | | |
|-----------------------|--------|-------------|-------------|
| Government securities | 10.1.1 | 296,004,052 | 283,282,668 |
|-----------------------|--------|-------------|-------------|

10.1.1 Government securities

| Face value (Rupees) | No. of certificates | Types of security | 2019 | 2018 |
|---------------------|---------------------|--------------------------------------|--------------------|--------------------|
| 67,000,000 | 670,000 | Pakistan investment bonds - 10 years | 68,772,156 | 69,013,845 |
| 210,000,000 | 2,100,000 | Pakistan investment bonds - 10 years | 221,305,363 | 214,268,823 |
| 6,700,000 | 67,000 | Pakistan investment bonds - 5 years | 5,926,533 | - |
| 283,700,000 | 2,837,000 | | 296,004,052 | 283,282,668 |

The Pakistan Investment Bonds amounting to Rs. 283,700,000/- (2018: Rs. 227,000,000/-) are placed as statutory deposit with the State Bank of Pakistan in accordance with the requirements of clause (a) of the sub-section 2 of section 29 of the Insurance Ordinance, 2000.

11 INVESTMENTS IN TERM DEPOSITS

11.1 Held to maturity

| | | | |
|------------------------------------|------|--------------------|--------------------|
| Deposits maturing within 12 months | 11.2 | 377,887,755 | 115,633,412 |
| Deposits maturing after 12 months | | - | - |
| | | 377,887,755 | 115,633,412 |

11.2 The rate of return on Term Deposit Certificates issued by various banking companies ranges from 4% to 12% per annum (2018: 4.00% to 9.00% per annum). These Term Deposit Certificates have maturity up to September 18, 2020.

11.3 This includes TDRs held with Apna Microfinance Bank Limited, a related party, amounting to Rs. Nil (2018: Rs. 72,000,000/-)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

| | Note | 2019 Rupees | 2018 Rupees |
|--|---|--------------------|----------------|
| 11A TOTAL ASSETS IN WINDOW TAKAFUL OPERATIONS (WTO) | | | |
| Total assets in operators' fund | | 708,353,645 | 605,758,680 |
| Total liabilities in operators' fund | | (1,994,399) | (29,660,180) |
| Net assets in window takaful operations (WTO) | | 706,359,246 | 576,098,500 |
| Movement of investment in window takaful operations (WTO) | | | |
| Balance at beginning of the year | | 576,098,500 | 394,359,690 |
| Share in profit of WTO | | 125,476,048 | 188,530,802 |
| Share in other comprehensive (loss) / income of WTO | | 4,784,698 | (6,791,992) |
| Balance at year end | | 706,359,246 | 576,098,500 |
| 12 LOANS AND OTHER RECEIVABLE | | | |
| <i>Considered good</i> | | | |
| Receivable from related parties | 12.1 | 20,176,103 | 28,468,572 |
| Rent receivable | | 1,053,500 | - |
| Accrued investment income | | 22,361,157 | 8,586,871 |
| Lease security deposits | | 5,235,400 | 14,141,325 |
| Other security deposits | | 40,895,348 | 33,730,735 |
| Loans to employees | 12.2 | 14,897,424 | 11,161,495 |
| Branch balance receivable | | 8,697,793 | 37,177,707 |
| Other receivable | | 13,340,128 | 25,468,349 |
| | | 126,656,853 | 158,735,054 |
| 12.1 | Represents amount due from M/s United Track System (Pvt) Ltd. and Tawasul Healthcare TPA (Private) Ltd., associated undertakings, amounting to Rs. 20,176,103/- (2018: Rs. 28,368,572) and Rs. Nil (2018: Rs. 100,000) respectively. The maximum aggregate amount of receivable from related parties at the end of any month during the year was Rs. 61,296,424/- (2018: 41,119,971/-). | | |
| 12.2 Loans to employees | | | |
| Executives | | 14,831,024 | 9,083,962 |
| Non-executives | | 66,400 | 2,077,533 |
| | 12.2.1 | 14,897,424 | 11,161,495 |

12.2.1 These represent interest free loan to employees.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

| | Note | 2019 Rupees | 2018 Rupees |
|--|------|--------------------|----------------|
| 13 | | | |
| INSURANCE / Reinsurance RECEIVABLES | | | |
| <i>Unsecured and considered good</i> | | | |
| Due from insurance contract holders | | 569,119,377 | 509,646,048 |
| Less : Provision for impairment of receivables from insurance contract holders | 13.1 | - | - |
| Due from other insurers / reinsurers | | 312,400,362 | 297,791,565 |
| Less : Provision for impairment of due from other insurers / reinsurers | | - | - |
| | | 881,519,739 | 807,437,613 |

13.1 Provision for impairment of receivables from insurance contract holders

| | | |
|--------------------------------------|---|-------------|
| Balance at the beginning of the year | - | (6,508,518) |
| Provision made during the year | - | - |
| Bad debts recovered during the year | - | 6,508,518 |
| | - | - |

14 RETIREMENT BENEFIT OBLIGATIONS

The gratuity scheme has been closed by the Company with effect from 30th April 2017 and all the liabilities of the scheme have been discharged / paid by the Fund. There are no Gratuity Fund Assets as at 31.12.2019 after settlements of all Gratuity Benefits. Refer to notes 3.17 and 41 supra.

15 DEFERRED TAXATION

| Deferred tax liability / (asset) arising in respect of: | | |
|---|--------------------|-------------|
| Accelerated depreciation on property and equipment | 46,807,369 | 44,592,719 |
| Accelerated depreciation on intangibles | 764,699 | 414,978 |
| Liability against assets subject to finance lease | 10,665,374 | 4,571,619 |
| Accrued investment income | 6,657,194 | 2,595,203 |
| Unrealised gain/(loss) on remeasurment of investment | (8,009,394) | (6,994,669) |
| Liability relating to revaluation surplus on fixed assets | 118,853,472 | (7,704,372) |
| Deferred tax liability/ (asset) | 175,738,714 | 37,475,478 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

| | Note | 2019 Rupees | 2018 Rupees |
|---|---|--------------------|----------------|
| 16 PREPAYMENTS | | | |
| Prepaid reinsurance premium ceded | | 989,711,038 | 682,584,097 |
| Prepaid rent | | 4,938,995 | 1,491,399 |
| Prepaid miscellaneous expenses | | - | - |
| | | 994,650,033 | 684,075,496 |
| 17 CASH & BANK | | | |
| Cash and cash equivalent | | | |
| -Cash in hand | | 233,755 | 216,926 |
| -Policy & revenue stamps, bond papers | | - | - |
| Cash at bank | | | |
| -Current accounts | 17.1 | 166,480,752 | 381,527,148 |
| -Saving accounts | 17.2 | 99,411,137 | 160,844,656 |
| | | 266,125,644 | 542,588,730 |
| 17.1 | This includes Rs. 3,899,190/- (2018: Rs. 2,161,108/-) held with Apna Microfinance Bank Limited an associated undertaking. | | |
| 17.2 | This includes Rs. 612,010/- (2018: Rs. 34,475/-) held with Apna Microfinance Bank Limited an associated undertaking. | | |
| 17.3 | The rate of return on PLS saving accounts maintained at various banks ranges from 5% to 12.5% per annum (2018: 2.5% to 6.5% per annum). | | |
| 17.4 | Cash and short term borrowing include the following for the purpose of the cash flow statement. | | |
| Cash & bank | | 266,125,644 | 542,588,730 |
| Short term borrowings of up to three months including running finance, if any | | - | - |
| | | 266,125,644 | 542,588,730 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

18 ORDINARY SHARE CAPITAL

18.1 Authorized share capital

| 2019 | 2018 | Note | 2019 Rupees | 2018 Rupees |
|--------------------|-------------|----------------------------------|----------------------|----------------|
| Number of shares | | | | |
| 300,000,000 | 300,000,000 | Ordinary shares of Rs. 10/- each | 3,000,000,000 | 3,000,000,000 |

18.2 Issued, subscribed and paid-up share capital

| 2019 | 2018 | | 2019 | 2018 |
|--------------------|-------------|--|----------------------|---------------|
| Number of shares | | | | |
| 10,963,475 | 10,963,475 | Ordinary shares of Rs. 10/- each fully paid in cash | 109,634,750 | 109,634,750 |
| 249,138,207 | 215,211,901 | Ordinary shares of Rs. 10/- each issued as fully paid bonus shares | 2,491,382,070 | 2,152,119,010 |
| 260,101,682 | 226,175,376 | | 2,601,016,820 | 2,261,753,760 |

Reconciliation of issued, subscribed and paid up share capital

| | | | | |
|--------------------|-------------|---|----------------------|---------------|
| 226,175,376 | 200,155,200 | Ordinary shares of Rs. 10/- each fully paid in cash | 2,261,753,760 | 2,261,753,760 |
| 33,926,306 | 26,020,176 | Bonus shares issued during the year | 339,263,060 | - |
| 260,101,682 | 226,175,376 | | 2,601,016,820 | 2,261,753,760 |

18.3 As at December 31, 2019, United Track System (Private) Limited and Tawasul Healthcare TPA (Private) Ltd. associated undertakings held 53,450,076 /- (2018: 46,478,328), 14,543,461 (2018: 12,037,119) ordinary shares of the Company of Rs. 10 each, respectively.

19 RESERVES

Capital reserves

| | | |
|------------------------------|---|---|
| Reserve for exceptional loss | - | - |
|------------------------------|---|---|

Revenue reserves

| | | |
|----------------------------|---------------------|--------------|
| General reserve | 75,115,917 | 75,115,917 |
| Reserve for bonus shares | 19.1 | - |
| Available for sale reserve | (25,217,084) | (16,911,458) |

49,898,833 58,204,459

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

| | 2019 Rupees | 2018 Rupees |
|---------------------------------------|----------------|----------------|
| 19.1 Reserve for bonus shares | | |
| Balance at the beginning of the year | - | - |
| Transfer from unappropriated profit | 339,263,060 | 260,201,760 |
| Transfer from general reserve | - | - |
| Bonus shares issued | (339,263,060) | (260,201,760) |
| Balance at the end of the year | - | - |

19A SURPLUS ON REVALUATION OF FIXED ASSETS

| Particulars | Land | Building | Motor Vehicles | Right-to-use Assets | Motor Vehicles (WTO) |
|---|--------------------|--------------------|--------------------|---------------------|----------------------|
| Surplus on Assets | | | | | |
| Opening balance 01-01-2018 | 66,488,390 | 22,662,669 | - | - | - |
| Add: Revaluation made during the year | - | - | - | - | - |
| Less: Realization of surplus on disposal | - | (1,133,133) | - | - | - |
| Less: Incremental depreciation charged in current year | - | - | - | - | - |
| Total revaluation 31-12-2018 | 66,488,390 | 21,529,536 | - | - | - |
| Related deferred tax liability | | | | | |
| Opening balance 01-01-2018 | - | (8,044,312) | - | - | - |
| Add: Related deferred tax liability on revaluation made during the year | - | - | - | - | - |
| Less: Related deferred tax liability on incremental depreciation transferred to retained earnings | - | 339,940 | - | - | - |
| Closing balance 31-12-2018 | - | (7,704,372) | - | - | - |
| Revaluation surplus on fixed assets net of deferred tax - 2018 | 66,488,390 | 13,825,164 | - | - | - |
| Surplus on Assets | | | | | |
| Opening balance 01-01-2019 | 66,488,390 | 21,529,536 | - | - | - |
| Add: Revaluation made during the year | 81,858,415 | 83,319,876 | 274,000,353 | 23,249,565 | 3,779,443 |
| Less: Realization of surplus on disposal | - | (1,076,477) | - | - | - |
| Less: Incremental depreciation charged in current year | - | - | - | - | - |
| Total revaluation 31-12-2019 | 148,346,805 | 103,772,935 | 274,000,353 | 23,249,565 | 3,779,443 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

| Particulars | Land | Building | Motor Vehicles | Right-to-use Assets | Motor Vehicles (WTO) |
|---|--------------------|---------------------|---------------------|---------------------|----------------------|
| Related deferred tax liability | | | | | |
| Opening balance 01-01-2019 | - | (7,704,372) | - | - | - |
| Add: Related deferred tax liability on revaluation made during the year | - | (24,162,764) | (79,460,102) | (6,742,374) | (1,096,038) |
| Less: Related deferred tax liability on incremental depreciation transferred to retained earnings | - | 312,178 | - | - | - |
| Closing balance 31-12-2019 | - | (31,554,958) | (79,460,102) | (6,742,374) | (1,096,038) |
| Revaluation surplus on fixed assets net of deferred tax - 2019 | 148,346,805 | 72,217,977 | 194,540,251 | 16,507,191 | 2,683,405 |

19B The land, building, motor vehicles and right-to-use assets of the Company have been revalued by Anderson Consulting (Pvt.) Limited, independent valuer, registered with Pakistan Banks' Association, by using market value basis method on December 31, 2019. Fair values are determined by using observable prices in an active market on arm's length terms. All the revaluation surplus is charged to surplus on revaluation of fixed assets as per requirements of the Companies Act, 2017. Revaluation surplus is carried at the amount after adjustment of deferred taxation and incremental depreciation.

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

20 BORROWINGS

| | | | |
|---|------|-------------------|------------|
| Liabilities against assets subject to finance lease | 20.1 | 77,823,296 | 52,198,875 |
| Current portion | | 33,580,240 | 20,972,704 |
| Non-current portion | | 44,243,056 | 31,226,171 |

20.1 Liabilities against assets subject to finance lease

Future minimum lease payments under finance lease together with the present value of the minimum lease payments are as follows:

| | 2019 | | | 2018 | | |
|---|------------------------------|--------------------------------------|-----------------------|------------------------------|--------------------------------------|-----------------------|
| | Minimum lease payments (MLP) | Financial charges for future periods | Principal outstanding | Minimum lease payments (MLP) | Financial charges for future periods | Principal outstanding |
| ----- Rupees ----- | | | | | | |
| Not later than one year | 40,004,259 | 6,424,019 | 33,580,240 | 23,337,341 | 2,364,637 | 20,972,704 |
| Later than one year and not later than five years | 48,475,721 | 4,232,665 | 44,243,056 | 33,050,191 | 1,824,020 | 31,226,171 |
| Over five years | - | - | - | - | - | - |
| | 88,479,980 | 10,656,684 | 77,823,296 | 56,387,532 | 4,188,657 | 52,198,875 |

20.1 The Company intends to exercise its option to acquire leased vehicles upon completion of lease period. The average rate of interest implicit in the lease ranges from 8.5% to 16.25% per annum (2018: 8.64% to 11% per annum). These are secured against personal guarantees of chief executive and directors of the Company, demand promissory note for full lease rentals plus residual value, security deposit and title of ownership of leased vehicles. These rentals are payable in equal monthly instalments and there is no financial restriction in the lease agreements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

| | Note | 2019 Rupees | 2018 Rupees |
|---|--------|--------------------|-------------------|
| 21 INSURANCE / Reinsurance PAYABLES | | | |
| Due to insurance contract holders | | - | - |
| Due to insurers / reinsurers | | 165,321,214 | 53,070,549 |
| | | 165,321,214 | 53,070,549 |
| 22 OTHER CREDITORS AND ACCRUALS | | | |
| Agents commission payable | | - | - |
| Federal excise duty / sales tax | | 16,800,000 | 9,994,919 |
| Federal insurance fee | | 2,875,321 | 4,509,803 |
| Payable to related parties | | - | - |
| Accrued expenses | | 4,987,011 | 6,314,667 |
| Other tax payables | | 19,149,353 | 18,200,466 |
| Unpaid and unclaimed dividend | | 1,501,813 | 1,507,891 |
| Provident fund contribution | | 1,320,409 | 3,992,734 |
| Auditors' remuneration | | 3,075,000 | 2,450,000 |
| Others | | 18,030,930 | 22,752,711 |
| | | 67,739,837 | 69,723,191 |
| 23 CONTINGENCY(IES) AND COMMITMENT(S) | | | |
| 23.1 Contingencies | | | |
| There are no known contingencies on statement of financial position date. (2018: Nil). | | | |
| 23.2 Commitments | | | |
| There are following commitments on statement of financial position date. | | | |
| For future Ijarah rentals payable | 23.2.1 | 20,266,546 | 8,376,750 |
| 23.2.1 Commitments for rentals under Ijarah contracts in respect of vehicles are as follows: | | | |
| Not later than one year | | 8,389,625 | 8,376,750 |
| Later than one year and not later than five years | | 11,876,921 | - |
| Later than five years | | - | - |
| | | 20,266,546 | 8,376,750 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

| | Note | 2019 Rupees | 2018 Rupees |
|---|------|----------------------|----------------------|
| 24 NET INSURANCE PREMIUM | | | |
| Written gross premium | | 4,310,794,420 | 4,227,347,995 |
| Add: unearned premium reserve - opening | | 1,535,651,678 | 1,581,500,585 |
| Less: unearned premium reserve - closing | | (1,550,169,310) | (1,535,651,678) |
| Premium earned | | 4,296,276,788 | 4,273,196,902 |
| Less: reinsurance premium ceded | | 2,061,808,259 | 1,693,034,644 |
| Add: prepaid reinsurance premium - opening | | 682,584,097 | 688,364,984 |
| Less: prepaid reinsurance premium - closing | | (989,711,038) | (682,584,097) |
| Reinsurance expense | | 1,754,681,318 | 1,698,815,531 |
| | | 2,541,595,470 | 2,574,381,371 |

| | | | |
|---|------|----------------------|----------------------|
| 25 NET INSURANCE CLAIMS | | | |
| Claims paid | | 2,141,759,416 | 2,396,774,434 |
| Add: outstanding claims including IBNR - closing | 25.1 | 1,891,240,875 | 1,719,012,008 |
| Less: outstanding claims including IBNR - opening | | (1,719,012,008) | (1,385,321,234) |
| Claims expense | | 2,313,988,283 | 2,730,465,208 |
| Less: reinsurance and other recoveries received | | 1,126,131,728 | 1,068,530,660 |
| Add: reinsurance and other recoveries in respect of outstanding claims - closing | | 1,413,623,096 | 1,379,267,940 |
| Less: reinsurance and other recoveries in respect of outstanding claims - opening | | (1,379,267,940) | (1,022,607,058) |
| Reinsurance and other recoveries revenue | | 1,160,486,884 | 1,425,191,542 |
| | | 1,153,501,399 | 1,305,273,666 |

25.1 Claim development

| Accident year | 2016 | 2017 | 2018 | 2019 |
|--|---------------|---------------|---------------|---------------|
| Estimate of ultimate claims costs: | | | | |
| At end of accident year | 1,576,607,002 | 2,487,302,833 | 2,644,068,066 | 2,391,615,282 |
| One year later | 735,237,255 | 1,108,745,774 | 1,083,850,388 | - |
| Two years later | 362,930,832 | 557,534,621 | - | - |
| Three years later | - | - | - | - |
| Four years later | - | - | - | - |
| Current estimate of cumulative claims | 362,930,832 | 557,534,621 | 1,083,850,388 | 2,391,615,282 |
| Cumulative payments to date | (362,930,832) | (362,842,684) | (789,043,033) | (989,873,699) |
| Liability recognised in the statement of financial position | - | 194,691,937 | 294,807,355 | 1,401,741,583 |

25.2 The aforesaid includes outstanding claims of Rs. 434,806,235/- (2018: 357,880,480/-) which are payable to a related party.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

| | Note | 2019 Rupees | 2018 Rupees |
|---|------|----------------|----------------|
| 26 NET COMMISSION EXPENSE / ACQUISITION COST | | | |
| Commission paid or payable | | 508,911,766 | 388,250,895 |
| Add: deferred commission expense - opening | | 174,654,726 | 175,925,630 |
| Less: deferred commission expense - closing | | (240,000,231) | (174,654,726) |
| Net commission | | 443,566,261 | 389,521,799 |
| Less: commission received or recoverable | | 384,041,924 | 320,140,120 |
| Add: unearned re-insurance commission - opening | | 128,844,597 | 102,043,115 |
| Less: unearned re-insurance commission - closing | | (187,662,197) | (128,844,597) |
| Commission from reinsurers | | 325,224,324 | 293,338,638 |
| | | 118,341,937 | 96,183,161 |
| 27 MANAGEMENT EXPENSES | | | |
| Employee benefit cost | 27.1 | 393,945,816 | 403,297,573 |
| Travelling expenses | | 18,667,666 | 15,326,627 |
| Advertisements & sales promotion | | 4,898,495 | 1,788,864 |
| Printing and stationery | | 2,719,084 | 3,144,708 |
| Depreciation expense | 27.2 | 91,347,291 | 93,908,586 |
| Amortisation | | 878,965 | 1,171,953 |
| Rent, rates and taxes | 27.3 | 64,499,234 | 62,823,118 |
| Legal & professional fee - business related | | 46,267,950 | 44,798,330 |
| Electricity, gas and water | | 11,531,785 | 9,562,866 |
| Entertainment | | 6,443,553 | 5,442,432 |
| Vehicle running expenses | | 84,177,373 | 77,824,535 |
| Office repairs and maintenance | | 19,048,926 | 8,864,663 |
| Bank charges | | 2,190,054 | 3,260,570 |
| Postages, telegrams and telephone | | 8,980,680 | 9,450,728 |
| Annual supervision fee SECP | | 7,834,346 | 7,523,488 |
| Motor tracking devices charges | | 63,079,440 | 62,502,692 |
| Service charges | | 60,930,292 | 9,511,413 |
| Software maintenance | | 12,604,571 | 7,833,683 |
| Miscellaneous | | 16,968,211 | 4,373,199 |
| | | 917,013,732 | 832,410,028 |
| 27.1 Employee benefit cost | | | |
| Salaries, allowance and other benefits | | 370,679,427 | 375,963,719 |
| Charges for post employment benefit | | 23,266,389 | 27,333,854 |
| | | 393,945,816 | 403,297,573 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

| | 2019 Rupees | 2018 Rupees |
|---|--|-------------------|
| 27.2 Depreciation | | |
| Investment property | 177,042 | 128,826 |
| Fixed assets | 70,151,922 | 76,735,245 |
| Right-to-use assets | 21,018,327 | 17,044,515 |
| | 91,347,291 | 93,908,586 |
| 27.3 | This includes expense relating to short-term leases as per IFRS-16 amounting to Rs. 46,100,997/- (2018: 48,292,734/-). | |
| 28 INVESTMENT INCOME | | |
| Income from equity securities | | |
| Available for sale | | |
| Dividend income on shares | 724,759 | 2,334,970 |
| Dividend income on mutual fund | 142,864 | 189,018 |
| Income from debt securities | | |
| Available for sale | | |
| Return on Government securities | - | - |
| Held to maturity | | |
| Return on Government securities | 31,270,548 | 23,282,178 |
| Income from term deposits | | |
| Return on term deposits | 23,328,125 | 4,797,511 |
| | 55,466,296 | 30,603,677 |
| Net realized gains / (loss) on investments | | |
| Available for sale financial assets | | |
| -Equity securities | 6,598,202 | (21,862,349) |
| -Mutual funds | - | (11,062) |
| -Government securities | 5,289,337 | - |
| Held to maturity | | |
| -Government securities | - | - |
| Total investment income | 67,353,835 | 8,730,266 |
| Less: (Provision) / Reversal for impairment in value of available for sale securities | | |
| -Equity securities | - | - |
| -Debt securities | - | - |
| Less: investment related expenses | (252,592) | (364,792) |
| Net Investment Income | 67,101,243 | 8,365,474 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

| | Note | 2019 Rupees | 2018 Rupees |
|---|------|-------------------|-------------------|
| 29 RENTAL INCOME | | | |
| Rental income | | 2,292,000 | 2,292,000 |
| Less: expenses of investment property | | - | - |
| | | 2,292,000 | 2,292,000 |
| 30 OTHER INCOME | | | |
| Income from financial assets | | | |
| Bad debts recovered | | - | 6,508,518 |
| Return on bank balances | | 16,948,871 | 8,135,762 |
| Liabilities written back | | - | - |
| Miscellaneous income | | 14,914,574 | 300,704 |
| | | 31,863,445 | 14,944,984 |
| Income from non financial assets | | | |
| Gain on disposal of fixed assets | | 17,653,004 | 12,775,962 |
| Discount income | | - | 2,000 |
| | | 17,653,004 | 12,777,962 |
| | | 49,516,449 | 27,722,946 |
| 31 OTHER EXPENSES | | | |
| Auditors' remuneration | 31.1 | 3,800,000 | 3,500,000 |
| Subscriptions | | 1,046,162 | 4,453,787 |
| Expenses on bonus issue | | - | 82,100 |
| Donations | | 26,795 | 18,005 |
| Others | | - | - |
| | | 4,872,957 | 8,053,892 |
| 31.1 Auditors' remuneration: | | | |
| Annual audit fee and report on CCG compliance | | 2,275,000 | 2,100,000 |
| Half yearly review | | 605,000 | 550,000 |
| Other certifications | | 700,000 | 650,000 |
| Out of pocket expenses | | 220,000 | 200,000 |
| | | 3,800,000 | 3,500,000 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

| | 2019 Rupees | 2018 Rupees |
|--|--------------------|--------------------|
| 32 FINANCE COST | | |
| Mark-up on finance lease | 5,926,193 | 3,440,290 |
| Exchange loss/(gain) | (134,965) | (336,618) |
| | 5,791,228 | 3,103,672 |
| 33 INCOME TAX EXPENSE | | |
| For the year | | |
| Current | 216,887,036 | 145,372,387 |
| Deferred | 26,801,958 | 18,346,269 |
| For the prior year(s) | | |
| Current | (36,165,937) | 9,759,555 |
| Deferred | - | - |
| | 207,523,057 | 173,478,211 |
| 33.1 Reconciliation between effective and applicable tax rate | | |
| Applicable tax rate | 29.00 | 29.00 |
| Effect of income charged at different rates | - | (0.01) |
| Effect of tax on amounts deductible for tax purposes | 0.67 | (1.42) |
| Effect of opening deferred tax | - | - |
| Effective tax rate | 29.67 | 27.57 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

34 EARNINGS PER SHARE - BASIC AND DILUTED

34.1 Basic earnings per share

- Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of shares as at the year end as follows:

| | 2019 | 2018 |
|--|--------------------|-------------|
| | -----Rupees----- | |
| Profit after tax for the year | 401,590,726 | 389,222,610 |
| | Number of shares | |
| Weighted average number of shares of Rs. 10/- each | 260,101,682 | 260,101,682 |
| | -----Rupees----- | |
| Earnings per share - basic and diluted (re-stated) | 1.54 | 1.50 |

- No figure for diluted earnings per share has been presented as the Company has not issued any instrument which would have an impact on earnings per share when exercised.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

35 COMPENSATION OF DIRECTORS AND EXECUTIVES

| | 2019 | | | | 2018 | | | |
|---|------------------|------------------|--------------------|--------------------|------------------|------------------|--------------------|--------------------|
| | Chief Executive | Directors | Executives | Total | Chief Executive | Directors | Executives | Total |
| | -----Rupees----- | | | | | | | |
| Professional fee | - | - | - | - | - | - | - | - |
| Managerial remuneration | 5,103,538 | 2,631,600 | 90,513,677 | 98,248,815 | 4,451,676 | 2,390,302 | 79,130,331 | 85,972,309 |
| Leave encashment | - | - | - | - | - | - | - | - |
| Bonus | - | - | - | - | - | - | - | - |
| Ex-gratia allowance | - | - | - | - | - | - | - | - |
| Rent & house maintenance | 2,296,798 | 1,185,240 | 43,066,434 | 46,548,472 | 2,003,160 | 577,764 | 35,229,776 | 37,810,700 |
| Medical | 510,354 | 263,160 | 8,609,387 | 9,382,901 | 445,164 | 736,934 | 8,202,307 | 9,384,405 |
| Utilities | - | - | - | - | - | - | - | - |
| Charge for defined benefit plan | - | - | - | - | - | - | - | - |
| Contribution to defined contribution plan | 659,400 | 340,272 | 11,858,243 | 12,857,915 | 575,460 | 313,751 | 10,366,422 | 11,255,633 |
| Total | 8,570,090 | 4,420,272 | 154,047,741 | 167,038,103 | 7,475,460 | 4,018,751 | 132,928,836 | 144,423,047 |
| Executive directors | 8,570,090 | 4,420,272 | - | 12,990,362 | 7,475,460 | 4,018,751 | - | 11,494,211 |
| Number of persons | 1 | 3 | 109 | 113 | 1 | 3 | 112 | 116 |

35.1 The chief executive officer, chairman and certain executives are also provided with free use of the Company's maintained car.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

36 RELATED PARTY TRANSACTIONS

Related parties comprise of chief executive officer, directors, major shareholders, key management personnel, associated companies, entities with common directors and employee retirement benefit funds. The transactions with related parties are carried out at commercial terms and conditions and compensation to key management personnel is on employment terms. The transactions and balances with related parties other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

| | | 2019 | 2018 |
|---------------------------------------|---|-------------|-------------|
| Nature of relationship | Nature of transaction | Rupees | Rupees |
| Balances at year end: | | | |
| Associated undertakings | Receivable at year end | 22,607,376 | 28,368,572 |
| | Investment through equity shares at year end | 692,183,678 | 421,189,277 |
| | Investment through term deposits at year end | - | 72,000,000 |
| | Share deposit money | 613,015,264 | 651,000,000 |
| | Bank deposits at year end | 4,511,200 | 2,195,582 |
| | Claims lodged/payable | 434,806,235 | 357,880,480 |
| Associated persons | Advance for purchase of shares | 262,153,952 | 262,153,952 |
| Key management personnel | Loan to key management personnel | 14,831,024 | 9,083,962 |
| | (Payable to) defined contribution plan | 1,320,409 | 3,992,734 |
| Transactions during the year: | | | |
| | Motor tracking devices purchased | 8,814,500 | 14,050,500 |
| | Motor tracking device charges paid | 45,750,230 | 44,448,645 |
| | Device monitoring charges paid | 17,399,000 | 17,588,582 |
| | Rental income received during the year | 1,350,000 | 1,125,000 |
| | Health service charges | 5,183,192 | 9,866,684 |
| | Interest received on bank deposits | 4,888,969 | 286,885 |
| | Cash deposited in bank deposits | 780,024,576 | 560,838,782 |
| | Cash withdrawals in bank deposits | 777,708,958 | 561,794,337 |
| | Insurance premium received during the year | 483,148 | - |
| | Claims paid | 233,875,459 | 250,000,000 |
| | Share deposit money paid | 237,108,078 | 301,000,000 |
| Associated persons | Advance for purchase of shares paid | - | 141,435,968 |
| Key management personnel | Remuneration of key management personnel | 154,047,741 | 132,928,836 |
| Staff retirement benefits plan | Provision for gratuity during the year | - | - |
| | Benefits paid | - | - |
| Employees' provident fund | Employer's contributions made during the period | 23,266,389 | 27,333,854 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

37 SEGMENT INFORMATION

The operator has five primary business segments for reporting purposes namely fire and property damage, marine aviation and transport, motor, crop & miscellaneous.

Assets and liabilities, wherever possible have been assigned to the following segments based on specific identification or allocated on the basis of Premium written by each segment.

| 2019 | FIRE AND PROPERTY DAMAGE | MARINE AVIATION AND TRANSPORT | MOTOR | CROP | MISCELLANEOUS | TREATY | TOTAL |
|---|--------------------------------|-------------------------------------|----------------------|----------------------|------------------------|----------|------------------------|
| ----- Rupees ----- | | | | | | | |
| Gross written premium (Inclusive of admin surcharge) | 708,550,426 | 318,430,393 | 652,263,115 | 938,048,266 | 1,693,502,220 | | 4,310,794,420 |
| Gross direct premium | 624,213,959 | 299,547,700 | 514,431,233 | 937,134,641 | 1,397,206,893 | - | 3,772,534,426 |
| Facultative inward premium | 68,941,058 | 9,791,119 | 120,769,730 | 886,153 | 281,414,067 | - | 481,802,127 |
| Administrative surcharge | 15,395,409 | 9,091,574 | 17,062,152 | 27,472 | 14,881,260 | - | 56,457,867 |
| Insurance premium earned | 708,024,511 | 315,548,257 | 710,038,495 | 786,846,256 | 1,775,819,269 | - | 4,296,276,788 |
| Insurance premium ceded to reinsurance | (327,987,929) | (98,232,618) | (448,779,239) | (396,135,775) | (483,545,757) | - | (1,754,681,318) |
| Net insurance premium | 380,036,582 | 217,315,639 | 261,259,256 | 390,710,481 | 1,292,273,512 | - | 2,541,595,470 |
| Commission income | 26,930,084 | 10,561,644 | 98,822,143 | 85,522,997 | 103,387,456 | - | 325,224,324 |
| Net underwriting income | 406,966,666 | 227,877,283 | 360,081,399 | 476,233,478 | 1,395,660,968 | - | 2,866,819,794 |
| Insurance claims | (525,713,439) | (34,429,291) | (485,527,406) | (581,634,707) | (686,683,440) | - | (2,313,988,283) |
| Insurance claims recovered from reinsurance | 441,278,423 | 6,655,944 | 330,652,770 | 331,152,882 | 50,746,865 | - | 1,160,486,884 |
| Net claims | (84,435,016) | (27,773,347) | (154,874,636) | (250,481,825) | (635,936,575) | - | (1,153,501,399) |
| Commission expenses | (97,634,877) | (21,113,103) | (60,058,519) | (102,936,967) | (161,822,795) | - | (443,566,261) |
| Management expenses | (162,118,109) | (98,408,003) | (79,262,965) | (135,969,277) | (441,255,378) | - | (917,013,732) |
| Premium deficiency expense | - | - | (28,763,802) | 27,598,977 | - | - | (1,164,825) |
| Net insurance claims and expenses | (344,188,002) | (147,294,453) | (322,959,922) | (461,789,092) | (1,239,014,748) | - | (2,515,246,217) |
| Underwriting results | 62,778,664 | 80,582,830 | 37,121,477 | 14,444,386 | 156,646,220 | - | 351,573,577 |
| Net investment income | | | | | | - | 67,101,243 |
| Rental income | | | | | | - | 2,292,000 |
| Other income | | | | | | - | 49,516,449 |
| Other expenses | | | | | | - | (4,872,957) |
| Finance cost | | | | | | - | (5,791,228) |
| Profit from WTO Operations | | | | | | - | 125,476,048 |
| Share of profit from associates | | | | | | - | 23,818,651 |
| Profit before tax | | | | | | - | 609,113,783 |
| Segment assets - Conventional | 879,179,887 | 89,953,641 | 513,386,903 | 308,753,240 | 1,681,242,400 | - | 3,472,516,071 |
| Segment assets - Operator | 129,677,172 | 73,175,678 | 204,570,775 | - | 154,046,669 | - | 561,470,294 |
| Unallocated assets - Conventional | | | | | | - | 4,002,192,843 |
| Unallocated assets - Operator | | | | | | - | 146,883,351 |
| Total assets | | | | | | - | 8,183,062,559 |
| Segment liabilities - Conventional | 936,210,502 | 86,112,994 | 397,597,669 | 439,920,094 | 1,934,552,337 | - | 3,794,393,595 |
| Segment liabilities - Operator | - | - | - | - | - | - | - |
| Unallocated liabilities - Conventional | | | | | | - | 514,833,236 |
| Unallocated liabilities - Operator | | | | | | - | 1,994,399 |
| Total liabilities | | | | | | - | 4,311,221,230 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

37.1 SEGMENT INFORMATION

The operator has five primary business segments for reporting purposes namely fire and property damage, marine aviation and transport, motor, crop & miscellaneous.

Assets and liabilities, wherever possible have been assigned to the following segments based on specific identification or allocated on the basis of Premium written by each segment.

| 2018 | FIRE AND PROPERTY DAMAGE | MARINE AVIATION AND TRANSPORT | MOTOR | CROP | MISCELLANEOUS | TREATY | TOTAL |
|---|--------------------------------|-------------------------------------|---------------|---------------|-----------------|--------|----------------------|
| ----- Rupees ----- | | | | | | | |
| Gross written premium (Inclusive of admin surcharge) | 721,259,489 | 298,294,425 | 715,148,402 | 816,590,903 | 1,676,054,776 | - | 4,227,347,995 |
| Gross direct premium | 667,721,032 | 280,551,661 | 620,421,518 | 816,562,288 | 1,663,739,099 | - | 4,048,995,598 |
| Facultative inward premium | 36,352,971 | 8,439,175 | 72,443,586 | - | - | - | 117,235,732 |
| Administrative surcharge | 17,185,486 | 9,303,589 | 22,283,298 | 28,615 | 12,315,677 | - | 61,116,665 |
| Insurance premium earned | 792,073,922 | 296,546,028 | 901,021,364 | 839,886,346 | 1,443,669,242 | - | 4,273,196,902 |
| Insurance premium ceded to reinsurance | (456,562,234) | (105,615,431) | (336,198,451) | (386,438,337) | (414,001,078) | - | (1,698,815,531) |
| Net insurance premium | 335,511,688 | 190,930,597 | 564,822,913 | 453,448,009 | 1,029,668,164 | - | 2,574,381,371 |
| Commission income | 34,435,268 | 11,094,496 | 73,728,954 | 80,828,351 | 93,251,569 | - | 293,338,638 |
| Net underwriting income | 369,946,956 | 202,025,093 | 638,551,867 | 534,276,360 | 1,122,919,733 | - | 2,867,720,009 |
| Insurance claims | (517,487,713) | (69,072,616) | (468,998,603) | (511,550,419) | (1,163,355,857) | - | (2,730,465,208) |
| Insurance claims recovered from reinsurance | 407,310,750 | 37,720,309 | 147,586,214 | 161,515,667 | 671,058,602 | - | 1,425,191,542 |
| Net claims | (110,176,963) | (31,352,307) | (321,412,389) | (350,034,752) | (492,297,255) | - | (1,305,273,666) |
| Commission expenses | (98,500,044) | (25,148,130) | (51,003,723) | (105,632,467) | (109,237,435) | - | (389,521,799) |
| Management expenses | (110,655,518) | (73,770,345) | (232,380,582) | (36,885,173) | (378,718,410) | - | (832,410,028) |
| Premium deficiency expense | - | - | - | (27,598,977) | 10,330,278 | - | (17,268,699) |
| Net insurance claims and expenses | (319,332,525) | (130,270,782) | (604,796,694) | (520,151,369) | (969,922,822) | - | (2,544,474,192) |
| Underwriting results | 50,614,431 | 71,754,311 | 33,755,173 | 14,124,991 | 152,996,911 | - | 323,245,817 |
| Net investment income | | | | | | | 8,365,474 |
| Rental income | | | | | | | 2,292,000 |
| Other income | | | | | | | 27,722,946 |
| Other expenses | | | | | | | (8,053,892) |
| Finance cost | | | | | | | (3,103,672) |
| Profit from WTO Operations | | | | | | | 188,530,802 |
| Share of profit from associates | | | | | | | 23,701,346 |
| Profit before tax | | | | | | | 562,700,821 |
| Segment assets - Conventional | 618,343,290 | 95,233,985 | 478,578,757 | 324,289,666 | 1,481,688,548 | - | 2,998,134,246 |
| Segment assets - Operator | 152,926,381 | 63,905,162 | 150,078,972 | - | 177,138,120 | - | 544,048,635 |
| Unallocated assets - Conventional | | | | | | | 3,291,572,192 |
| Unallocated assets - Operator | | | | | | | 61,710,045 |
| Total assets | | | | | | | 6,895,465,118 |
| Segment liabilities - Conventional | 731,595,302 | 75,510,994 | 390,215,580 | 256,975,071 | 1,982,281,885 | - | 3,436,578,831 |
| Segment liabilities - Operator | 8,172,731 | 6,485,933 | 7,161,814 | - | 4,636,802 | - | 26,457,280 |
| Unallocated liabilities - Conventional | | | | | | | 305,416,252 |
| Unallocated liabilities - Operator | | | | | | | 3,202,900 |
| Total liabilities | | | | | | | 3,771,655,263 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

38 MOVEMENT IN INVESTMENTS

| | Held to maturity | Available for sale | Fair value through P&L | Total |
|--|------------------|--------------------|------------------------|---------------|
| At beginning of previous year | 342,710,469 | 82,573,398 | - | 425,283,867 |
| Additions | 55,693,637 | 72,039,671 | - | 127,733,308 |
| Disposals (sale and redemption) | - | (117,733,706) | - | (117,733,706) |
| Fair value net gains (excluding net realized gains) | - | (7,796,674) | - | (7,796,674) |
| Designated at fair value through profit or loss upon initial recognition | - | - | - | - |
| Classified as held for trading | - | - | - | - |
| Impairment losses | 511,974 | - | - | 511,974 |
| At beginning of current year | 398,916,080 | 29,082,689 | - | 427,998,769 |
| Additions | 262,254,343 | 105,401,895 | - | 367,656,238 |
| Disposals (sale and redemption) | - | (58,896,761) | - | (58,896,761) |
| Fair value net loss (excluding net realized gains) | - | (18,218,559) | - | (18,218,559) |
| Designated at fair value through profit or loss upon initial recognition | - | - | - | - |
| Classified as held for trading | - | - | - | - |
| Amortization | 12,721,384 | - | - | 12,721,384 |
| At end of current year | 673,891,807 | 57,369,264 | - | 731,261,071 |

39 MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

39.1 Insurance risks

39.1.1 Risk management framework

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

Insurance risk

The Company accepts the insurance risk through its insurance contracts where it assumes the risk of loss from persons or organizations that are directly subject to the underlying loss. The Company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

The Company manages its risk via its underwriting and reinsurance strategy within an overall risk management framework. Exposures are managed by having documented underwriting limit and criteria. Reinsurance is purchased to mitigate the risk of potential loss to the Company. Reinsurance policies are written with approved reinsurers either on a proportional, excess of loss treaty or facultative basis.

A concentration of risk may also arise from a single insurance contract issued to particular demographic type of policyholder, within a geographical location or to types of commercial business. The Company minimizes its exposure to significant losses by obtaining reinsurance from a number of reinsurers who are dispersed over several geographical regions.

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 insurers. 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 IAP (Insurance Association of Pakistan). 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 punched into the IT system/application through which a number of MIS reports can be generated to assess the concentration of risk.

Reinsurance arrangements

Reinsurance arrangements are key components in the global economy as a means of supporting acceptance of risk by insurance organizations. Arrangements are the most effective ways of getting risks of all types, underwritten by the Company. The Company has prestigious reinsurance arrangements with the world wide acclaimed reinsurers.

In compliance of the regulatory requirement, the reinsurance agreements are duly submitted with Securities and Exchange Commission of Pakistan on an annual basis.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

39.1.2 Sources of Uncertainty in estimation of future claim payments

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.

An estimated amount of the claim is recorded immediately on intimation to the Company. The estimation of the amount is based on the amount notified by the policy holder, management or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims. Incurred But Not Reported (IBNR) claims have 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.

There are several variable factors which affect the amount and timing of recognized claim liabilities. However, the management considers that uncertainty about the amount and timing of claim payments is generally resolved within a year. 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. It is likely that final settlement of these liabilities may be different from recognized amounts.

39.1.3 Changes in assumptions

The principal assumption underlying the liability estimation of IBNR and premium deficiency reserve 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

Sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate will not affect fair value of any financial instrument. For cash flow sensitivity analysis of variable rate instruments a hypothetical change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit for the year by the amounts shown below.

| | Increase / (decrease) in basis points | Effect on profit before tax | Effect on equity |
|--|---|--------------------------------|---------------------|
| As at December 31, 2019 | | | |
| Cash flow sensitivity - variable rate financial liabilities | 100 | (778,233) | (552,545) |
| | (100) | 778,233 | 552,545 |
| Cash flow sensitivity - variable rate financial assets | 100 | 7,956,639 | 5,649,214 |
| | (100) | (7,956,639) | (5,649,214) |
| As at December 31, 2018 | | | |
| Cash flow sensitivity - variable rate financial liabilities | 100 | (521,989) | (370,612) |
| | (100) | 521,989 | 370,612 |
| Cash flow sensitivity - variable rate financial assets | 100 | 5,683,478 | 4,035,268 |
| | (100) | (5,683,478) | (4,035,268) |

It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified above. The analysis assumes that all other variables remain constant.

a) Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or liability will fluctuate due to changes in foreign currency rates. Foreign exchange risk arises mainly where receivables and payables exists due to transactions in foreign currencies. As of the statement of financial position date, the Company does not have material assets or liabilities which are exposed to foreign currency risk except for amount due from and due to reinsurers.

b) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. The Company is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs. 54,357,457 /- (2018: Rs. 26,336,603 /-) at the statement of financial position.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

The Company manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies. The Company has strategic equity investment in its associate amounting to Rs. 692,183,678 /- (2018: Rs. 421,189,277 /-) which is held for long term.

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

c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. To guard against the risk, the Company maintains balance of cash and other equivalents and readily marketable securities. The maturity profile of assets and liabilities are also monitored to ensure adequate liquidity is maintained.

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

On the statement of financial position date the Company has cash and bank balance of Rs. 266,125,644 /- (2018: Rs. 542,588,730 /-).

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date on an undiscounted cash flow basis.

| | 2019 | | | |
|-----------------------------------|----------------------|------------------------|----------------------|--------------------|
| | Carrying amount | Contractual cash flows | Up to one year | More than one year |
| | -----Rupees----- | | | |
| Financial liabilities | | | | |
| Outstanding claims including IBNR | 1,891,240,875 | 1,891,240,875 | 1,891,240,875 | - |
| Insurance / reinsurance payables | 165,321,214 | 165,321,214 | 165,321,214 | - |
| Other creditors and accruals | 67,739,837 | 67,739,837 | 67,739,837 | - |
| Borrowings | 77,823,296 | 88,479,980 | 33,580,240 | 44,243,056 |
| | 2,202,125,222 | 2,212,781,906 | 2,157,882,166 | 44,243,056 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

| | 2018 | | | |
|--|----------------------|------------------------|----------------------|--------------------|
| | Carrying amount | Contractual cash flows | Up to one year | More than one year |
| -----Rupees----- | | | | |
| Financial liabilities | | | | |
| Outstanding claims including IBNR | 1,719,012,008 | 1,719,012,008 | 1,719,012,008 | - |
| Amount due to other Insurers/ Reinsurers | 53,070,549 | 53,070,549 | 53,070,549 | - |
| Other creditors and accruals | 69,723,191 | 69,723,191 | 69,723,191 | - |
| Borrowings | 52,198,875 | 56,387,532 | 20,972,704 | 31,226,171 |
| | 1,894,004,623 | 1,898,193,280 | 1,862,778,452 | 31,226,171 |

39.1.4 Sensitivity analysis

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

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

| 10% increase in loss | Profit before tax | | Share holders' equity | |
|--------------------------------|----------------------|---------------|-----------------------|--------------|
| | 2019 | 2018 | 2019 | 2018 |
| ----- Rupees ----- | | | | |
| Net | | | | |
| Fire and property damage | (8,443,502) | (11,017,696) | (5,994,886) | (7,822,564) |
| Marine, aviation and transport | (2,777,335) | (3,135,231) | (1,971,908) | (2,226,014) |
| Motor | (15,487,464) | (32,141,239) | (10,996,099) | (22,820,280) |
| Crop | (25,048,183) | (35,003,475) | (17,784,210) | (24,852,467) |
| Miscellaneous | (63,593,658) | (49,229,726) | (45,151,497) | (34,953,105) |
| | (115,350,142) | (130,527,367) | (81,898,600) | (92,674,429) |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

| 10% decrease in loss | Profit before tax | | Share holders' equity | |
|--------------------------------|--------------------|-------------|-----------------------|------------|
| | 2019 | 2018 | 2019 | 2018 |
| | ----- Rupees ----- | | | |
| Net | | | | |
| Fire and property damage | 8,443,502 | 11,017,696 | 5,994,886 | 7,822,564 |
| Marine, aviation and transport | 2,777,335 | 3,135,231 | 1,971,908 | 2,226,014 |
| Motor | 15,487,464 | 32,141,239 | 10,996,099 | 22,820,280 |
| Crop | 25,048,183 | 35,003,475 | 17,784,210 | 24,852,467 |
| Miscellaneous | 63,593,658 | 49,229,726 | 45,151,497 | 34,953,105 |
| | 115,350,142 | 130,527,367 | 81,898,600 | 92,674,430 |

Claims development table

The table shown in note 25.1 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

39.2 Financial risk

39.2.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market variables such as interest rates, foreign exchange rates and market prices.

a) Equity price risk

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

| | Fair Value | Hypothetical price change | Estimated fair value after hypothetical change in price | Hypothetical increase / (decrease) in shareholder's equity | Hypothetical increase / (decrease) in profit/(loss) before tax |
|-------------------|------------|---------------------------|---|--|--|
| December 31, 2019 | 57,369,264 | 10 % increase | 63,106,190 | 4,073,217 | 5,736,926 |
| | | 10 % decrease | 51,632,338 | (4,073,217) | (5,736,926) |
| December 31, 2018 | 29,082,689 | 10 % increase | 31,990,958 | 2,908,269 | 2,908,269 |
| | | 10 % decrease | 26,174,420 | (2,908,269) | (2,908,269) |

b) Interest/mark up rate risk

Interest/ mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest/ mark-up rates. Sensitivity to interest/ mark-up rate risk arises from mismatches of financial assets and liabilities that mature or reprise in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The short term borrowing arrangements have variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR) as indicated in respective notes.

At the statement of financial position date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

| FINANCIAL ASSETS AND LIABILITIES | 2019 | | | | | | Total |
|---|---|--------------------------|-------------------------|-------------------------------|-------------------------|----------------------|----------------------|
| | Effective yield/ mark-up rate per annum % | Interest/mark-up bearing | | Non-interest/ mark-up bearing | | Sub total | |
| | | Maturity up to one year | Maturity after one year | Maturity up to one year | Maturity after one year | | |
| | | | | | | | |
| ----- Rupees ----- | | | | | | | |
| Financial assets | | | | | | | |
| Investments in associate | - | - | - | - | 1,567,352,894 | 1,567,352,894 | 1,567,352,894 |
| Investments | | | | | | | |
| - Equity securities | - | - | - | 57,369,264 | - | 57,369,264 | 57,369,264 |
| - Government securities | 7.61 - 9.90 | 296,004,052 | 296,004,052 | - | - | 296,004,052 | 296,004,052 |
| - Term deposits | 2.26 - 11.50 | 377,887,755 | 377,887,755 | - | - | 377,887,755 | 377,887,755 |
| Loans and other receivables | - | 22,361,157 | 22,361,157 | 104,295,696 | - | 104,295,696 | 126,656,853 |
| Insurance / Reinsurance receivable | - | - | - | 881,519,739 | - | 881,519,739 | 881,519,739 |
| Reinsurance recoveries against outstanding claims | - | - | - | 1,413,623,096 | - | 1,413,623,096 | 1,413,623,096 |
| Prepayments | - | - | - | - | - | - | - |
| Cash and bank | 2.5 - 6.5 | 99,411,137 | 99,411,137 | 166,714,507 | - | 166,714,507 | 266,125,644 |
| December 31, 2019 | | 499,660,049 | 296,004,052 | 795,664,101 | 2,623,522,302 | 1,567,352,894 | 4,986,539,297 |
| Financial liabilities | | | | | | | |
| Premium received in advance | - | - | - | - | - | - | - |
| Borrowings | | | | | | | |
| | | 33,580,240 | 44,243,056 | 77,823,296 | - | - | 77,823,296 |
| Outstanding claims including IBNR | - | - | - | 1,891,240,875 | - | 1,891,240,875 | 1,891,240,875 |
| Insurance/Reinsurance payables | - | - | - | 165,321,214 | - | 165,321,214 | 165,321,214 |
| Other creditors and accruals | - | - | - | 67,739,837 | - | 67,739,837 | 67,739,837 |
| December 31, 2019 | | 33,580,240 | 44,243,056 | 77,823,296 | 2,124,301,926 | - | 2,202,125,222 |
| Off statement of financial position items | | | | | | | |
| Financial commitments: | | | | | | | |
| For future ijarah rentals payable | | 8,389,625 | 11,876,921 | 20,266,546 | - | - | 20,266,546 |
| December 31, 2019 | | 8,389,625 | 11,876,921 | 20,266,546 | - | - | 20,266,546 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

| FINANCIAL ASSETS AND LIABILITIES | 2018 | | | | | |
|---|---|-------------------------|--------------------------|-------------------------|-------------------------------|----------------------|
| | Effective yield/ mark-up rate per annum % | | Interest/mark-up bearing | | Non-interest/ mark-up bearing | |
| | Maturity up to one year | Maturity after one year | Sub total | Maturity up to one year | Maturity after one year | Sub total |
| | ----- Rupees ----- | | | | | |
| | % | | | | | |
| Financial assets | | | | | | |
| Investments in associate | - | - | - | - | 1,334,343,229 | 1,334,343,229 |
| Investments | | | | | | |
| - Equity securities | - | - | - | 29,082,689 | - | 29,082,689 |
| - Government securities | 7.61 - 9.90 | 283,282,668 | 283,282,668 | - | - | 283,282,668 |
| - Term deposits | 2.26 - 11.50 | 115,633,412 | 115,633,412 | - | - | 115,633,412 |
| Loans and other receivables | - | 8,586,871 | 8,586,871 | 150,148,183 | - | 158,735,054 |
| Insurance / Reinsurance receivables | - | - | - | 807,437,613 | - | 807,437,613 |
| Reinsurance recoveries against outstanding claims | - | - | - | 1,379,267,940 | - | 1,379,267,940 |
| Prepayments | - | - | - | - | - | - |
| Cash and bank | 2.52 - 6.5 | 160,844,656 | 160,844,656 | 381,744,074 | - | 542,588,730 |
| December 31, 2018 | | 285,064,939 | 283,282,668 | 568,347,607 | 1,334,343,229 | 4,650,371,335 |
| Financial liabilities | | | | | | |
| Premium received in advance | - | - | - | - | - | - |
| Borrowings | 20,972,704 | 31,226,171 | 52,198,875 | - | - | 52,198,875 |
| Outstanding claims including IBNR | - | - | - | 1,719,012,008 | - | 1,719,012,008 |
| Insurance/Reinsurance payables | - | - | - | 53,070,549 | - | 53,070,549 |
| Other creditors and accruals | - | - | - | 69,723,191 | - | 69,723,191 |
| December 31, 2018 | | 20,972,704 | 31,226,171 | 52,198,875 | 1,841,805,748 | 1,894,004,623 |
| Off statement of financial position items | | | | | | |
| Financial commitments: | | | | | | |
| For future ijarah rentals payable | | 8,376,750 | - | 8,376,750 | - | 8,376,750 |
| December 31, 2018 | | 8,376,750 | - | 8,376,750 | - | 8,376,750 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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39.3 Credit risk and concentration of credit risk

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

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

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

| | 2019 Rupees | 2018 Rupees |
|---|----------------------|----------------------|
| Investments in associate | 1,567,352,894 | 1,334,343,229 |
| Investments | | |
| -Equity securities | 57,369,264 | 29,082,689 |
| -Government securities | 296,004,052 | 283,282,668 |
| -Term deposits | 377,887,755 | 115,633,412 |
| Loans and other receivables | 126,656,853 | 158,735,054 |
| Insurance / Reinsurance receivable | 881,519,739 | 807,437,613 |
| Reinsurance recoveries against outstanding claims | 1,413,623,096 | 1,379,267,940 |
| Prepayments | - | - |
| Cash and bank | 266,125,644 | 542,588,730 |
| | 4,986,539,297 | 4,650,371,335 |

The Company did not hold any collateral against the above during the year. General provision is made for receivables according to the Company's policy. The impairment provision is written off when the Company expects that it cannot recover the balance due. During the year receivables of Rs. Nil (2018: Rs. 6,508,518/-) were further provided for and the provision of Rs. Nil (2018: Rs. Nil) were reversed due to recoveries. The movement in the provision for doubtful debt account is shown in note no. 13 to the financial statements. 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 recent history of default.

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For the year ended December 31, 2019

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

| | Ratings | | Ratings agency | 2019 | 2018 |
|---|------------|-----------|----------------|--------------------|--------------------|
| | Short term | Long term | | Rupees | Rupees |
| Bank Alfalah Limited | AA+ | A1+ | PACRA | 21,607,348 | 23,567,765 |
| Allied Bank Limited | AAA | A1+ | PACRA | 11,334,320 | 34,080,748 |
| Habib Metropolitan Bank Limited | AA+ | A1+ | PACRA | 2,348,260 | - |
| Habib Bank Limited | AAA | A-1+ | JCR-VIS | 32,274,343 | 32,167,387 |
| Bank Al-Habib Limited | AA+ | A1+ | PACRA | 20,288,963 | 33,682,048 |
| Bank Islami Pakistan Limited | A+ | A1 | PACRA | 4,346,830 | 1,192,782 |
| Soneri Bank Limited | AA- | A1+ | PACRA | 11,397,699 | 11,670,690 |
| Albaraka Bank Pakistan Limited | A | A1 | PACRA | 2,266,676 | 1,190,021 |
| Askari Bank Limited | AA+ | A1+ | PACRA | 2,425,683 | 932,781 |
| Zarai Tarqiati Bank Limited | AAA | A-1+ | JCR-VIS | 54,698,225 | 77,996,804 |
| Industrial Development Bank of Pakistan * | - | - | - | - | 41,147 |
| The Bank of Khyber | A | A1 | PACRA | 5,824,941 | - |
| The Bank of Punjab | AA | A1+ | PACRA | 6,253,530 | 7,049,133 |
| Faysal Bank Limited | AA | A1+ | PACRA | 4,692,521 | 3,392,663 |
| First Women Bank Limited | A- | A2 | PACRA | 294,164 | 1,704,682 |
| MCB Bank Limited | AAA | A1+ | PACRA | 4,237,701 | 6,066,541 |
| National Bank of Pakistan Limited | AAA | A1+ | PACRA | 4,618,865 | 5,824,864 |
| Punjab Provincial Co-operative Bank Limited * | - | - | - | 5,138,453 | 1,175,091 |
| Samba Bank Limited | AA | A-1 | JCR-VIS | 22,205,713 | 214,535,899 |
| Silk Bank Limited | A- | A-2 | JCR-VIS | 7,286,067 | 5,126,834 |
| SME Bank Limited | B- | B | PACRA | 19,428 | 19,428 |
| United Bank Limited | AAA | A-1+ | JCR-VIS | 5,420,558 | 8,551,773 |
| U Microfinance bank Limited | A | A-1 | JCR-VIS | 173,934 | 2,000,599 |
| Summit Bank Limited | A- | A-1 | JCR-VIS | 9,447,263 | 19,287,421 |
| Dubai Islamic Bank Pakistan Limited | AA | A-1+ | JCR-VIS | 7,311,943 | 45,575,534 |
| APNA Microfinance Bank Limited | BBB+ | A3 | PACRA | 4,511,201 | 2,195,583 |
| Sindh Bank Limited | A+ | A-1 | JCR-VIS | 2,724,994 | 906,145 |
| Karakoram Co-Operative Bank Limited* | - | - | - | 264,420 | 35,279 |
| Tameer Microfinance Bank Limited* | - | - | - | - | 316,574 |
| Bank of Azad Jammu & Kashmir* | - | - | - | 53,116 | 2,820 |
| NRSP Micro Finance Bank Limited | A | A1 | PACRA | 3,215,371 | 1,187,828 |
| JS Bank Limited | AA- | A1+ | PACRA | 3,805,451 | 98,538 |
| Khushali Bank Limited | A+ | A-1 | JCR-VIS | 5,403,908 | 796,403 |
| | | | | 265,891,889 | 542,371,805 |

* Credit ratings are not available

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The age analysis of due from insurance contract holders and due from insurers/ reinsurers is as follows:

| | 2019 Rupees | 2018 Rupees |
|--------------|--------------------|--------------------|
| Up to 1 year | 813,995,327 | 745,587,460 |
| 1-2 years | 67,524,412 | 61,850,153 |
| 2-3 years | - | - |
| Over 3 years | - | - |
| Total | 881,519,739 | 807,437,613 |

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 agreement.

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

The credit quality of amount due from insurers and reinsurers can be assessed with reference to external credit ratings as follows:

| | Due from insurers / reinsurers | Reinsurance recoveries against outstanding claims | 2019 Rupees | 2018 Rupees |
|-----------------------------|--------------------------------------|---|----------------------|----------------------|
| A or above (including PRCL) | 312,340,992 | 1,413,623,096 | 1,725,964,088 | 597,327,954 |
| Others | 59,370 | - | 59,370 | 1,079,731,551 |
| Total | 312,400,362 | 1,413,623,096 | 1,726,023,458 | 1,677,059,505 |

39.4 Capital management

The Company's objectives when managing capital or to safeguard the company's ability to continue as going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The company currently meets the paid up capital requirement as required by Security and Exchange Commission of Pakistan.

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39.5 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Company uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Company using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorized into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- 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 or indirectly.
- 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).
- Transfers between levels of the fair value hierarchy are recognized by the Company at the end of the reporting period during which the change occurred.

| | Carrying amount | | | | Fair value | | | | |
|---|-----------------|-----------------------|---------------------------|-----------------------------|---------------|---------------|---------|---------|---------------|
| | Investments | Loans and receivables | Cash and cash equivalents | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| ----- Rupees ----- | | | | | | | | | |
| 31 December 2019 | | | | | | | | | |
| Financial assets - not measured at fair value | | | | | | | | | |
| Cash in hand* | - | - | 233,755 | - | 233,755 | - | - | - | - |
| Cash at bank* | - | - | 265,891,889 | - | 265,891,889 | - | - | - | - |
| Term deposits maturing within 12 months* | - | - | 377,887,755 | - | 377,887,755 | - | - | - | - |
| Term deposits maturing after 12 months* | - | - | - | - | - | - | - | - | - |
| Investments | - | - | - | - | - | - | - | - | - |
| - Equity securities | 72,740,304 | - | - | - | 72,740,304 | 54,357,457 | - | - | 54,357,457 |
| - Mutual fund certificates | 3,011,807 | - | - | - | 3,011,807 | 3,011,807 | - | - | 3,011,807 |
| - Pakistan investment bonds | 296,004,052 | - | - | - | 296,004,052 | 296,004,052 | - | - | 296,004,052 |
| - Investment in associate | 692,183,678 | - | - | - | 692,183,678 | 3,721,212,117 | - | - | 3,721,212,117 |
| - Share deposit money* | 613,015,264 | - | - | - | 613,015,264 | - | - | - | - |
| - Advance for purchase of shares* | 262,153,952 | - | - | - | 262,153,952 | - | - | - | - |
| Loans to employees* | - | 14,897,424 | - | - | 14,897,424 | - | - | - | - |
| Due from insurance contract holders* | - | 569,119,377 | - | - | 569,119,377 | - | - | - | - |
| Due from other insurers / reinsurers* | - | 312,400,362 | - | - | 312,400,362 | - | - | - | - |
| Accrued investment income* | - | 22,361,157 | - | - | 22,361,157 | - | - | - | - |
| Reinsurance recoveries against outstanding claims* | - | 1,413,623,096 | - | - | 1,413,623,096 | - | - | - | - |
| Sundry receivables* | - | 43,267,524 | - | - | 43,267,524 | - | - | - | - |
| | 1,939,109,057 | 2,375,668,940 | 644,013,399 | - | 4,958,791,396 | 4,074,585,433 | - | - | 4,074,585,433 |
| Financial liabilities - not measured at fair value | | | | | | | | | |
| Outstanding claims including IBNR* | - | - | - | 1,891,240,875 | 1,891,240,875 | - | - | - | - |
| Insurance/Reinsurance payables* | - | - | - | 165,321,214 | 165,321,214 | - | - | - | - |
| Accrued expenses* | - | - | - | 8,062,011 | 8,062,011 | - | - | - | - |
| Other creditors and accruals* | - | - | - | 45,515,484 | 45,515,484 | - | - | - | - |
| Borrowings* | - | - | - | 77,823,296 | 77,823,296 | - | - | - | - |
| | - | - | - | 2,187,962,880 | 2,187,962,880 | - | - | - | - |

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

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| | Carrying amount | | | | Total | Fair value | | | Total |
|--|-----------------|-----------------------|---------------------------|-----------------------------|---------------|---------------|---------|---------|---------------|
| | Investments | Loans and receivables | Cash and cash equivalents | Other financial liabilities | | Level 1 | Level 2 | Level 3 | |
| ----- Rupees ----- | | | | | | | | | |
| 31 December 2018 | | | | | | | | | |
| Financial assets - not measured at fair value | | | | | | | | | |
| Cash in hand* | - | - | 216,926 | - | 216,926 | - | - | - | - |
| Cash at bank* | - | - | 542,371,804 | - | 542,371,804 | - | - | - | - |
| Term deposits maturing within 12 months* | - | - | 115,633,412 | - | 115,633,412 | - | - | - | - |
| Term deposits maturing after 12 months* | - | - | - | - | - | - | - | - | - |
| Investments | - | - | - | - | - | - | - | - | - |
| - Equity securities | 34,145,161 | - | - | - | 34,145,161 | 26,336,603 | - | - | 26,336,603 |
| - Mutual fund certificates | 2,746,086 | - | - | - | 2,746,086 | 2,746,086 | - | - | 2,746,086 |
| - Pakistan investment bonds | 283,282,668 | - | - | - | 283,282,668 | 283,282,668 | - | - | 283,282,668 |
| - Investment in associate | 421,189,277 | - | - | - | 421,189,277 | 719,787,500 | - | - | 719,787,500 |
| - Share deposit money* | 651,000,000 | - | - | - | 651,000,000 | - | - | - | - |
| - Advance for purchase of shares* | 262,153,952 | - | - | - | 262,153,952 | - | - | - | - |
| Loans to employees* | - | 11,161,495 | - | - | 11,161,495 | - | - | - | - |
| Due from insurance contract holders* | - | 509,646,048 | - | - | 509,646,048 | - | - | - | - |
| Due from other insurers/reinsurers* | - | 297,791,565 | - | - | 297,791,565 | - | - | - | - |
| Accrued investment income* | - | 8,586,871 | - | - | 8,586,871 | - | - | - | - |
| Reinsurance recoveries against outstanding claims* | - | 1,379,267,940 | - | - | 1,379,267,940 | - | - | - | - |
| Sundry receivables* | - | 91,114,628 | - | - | 91,114,628 | - | - | - | - |
| | 1,654,517,144 | 2,297,568,547 | 658,222,142 | - | 4,610,307,833 | 1,032,152,857 | - | - | 1,032,152,857 |
| Financial liabilities - not measured at fair value | | | | | | | | | |
| Outstanding claims including IBNR* | - | - | - | 1,719,012,008 | 1,719,012,008 | - | - | - | - |
| Insurance/Reinsurance payables* | - | - | - | 53,070,549 | 53,070,549 | - | - | - | - |
| Accrued expenses* | - | - | - | 8,764,667 | 8,764,667 | - | - | - | - |
| Other creditors and accruals* | - | - | - | 49,072,725 | 49,072,725 | - | - | - | - |
| Borrowings* | - | - | - | 52,198,875 | 52,198,875 | - | - | - | - |
| | - | - | - | 1,882,118,824 | 1,882,118,824 | - | - | - | - |

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

2019
Rupees

40 STATEMENT OF SOLVENCY

| Assets | |
|---|----------------------|
| Property and equipment | 1,245,611,799 |
| Intangible asset | 2,636,894 |
| Investment property | 5,270,660 |
| Investments in subsidiary & associate | 1,567,352,894 |
| Investments | |
| Equity securities | 57,369,264 |
| Debt securities | 296,004,052 |
| Term deposits | 377,887,755 |
| Total assets in window takaful operations | 708,353,645 |
| Loans and other receivables | 126,656,853 |
| Insurance/Reinsurance receivables | 881,519,739 |
| Reinsurance recoveries against outstanding claims | 1,413,623,096 |
| Deferred commission expense | 240,000,231 |
| Prepayments | 994,650,033 |
| Cash & bank | 266,125,644 |
| Total assets (A) | 8,183,062,559 |

In-admissible assets as per following clauses of section 32(2) of the Insurance Ordinance, 2000

| | | |
|---|--|----------------------|
| (h) | Insurance / Reinsurance receivables | 661,139,805 |
| (i) | Intangible asset- computer software | 2,636,894 |
| (k) | Amounts available to the insurer under guarantees | 43,274,135 |
| (l) | Assets subject to encumbrances | 162,000,000 |
| (t) | Loans to employees and agents | 14,897,424 |
| (u)-(i) | Motor vehicles including leased | 544,651,326 |
| (u)-(i) | Motor tracking devices | 41,471,921 |
| (u)-(ii) & (iii) | Furniture, fixtures, office and computer equipment | 91,255,110 |
| (U)-(i) | Assets in WTO | 23,859,449 |
| Total of inadmissible assets (B) | | 1,585,186,064 |
| Total admissible assets (C=A-B) | | 6,597,876,495 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

2019
Rupees

| Total Liabilities | |
|--|----------------------|
| Total liabilities in window takaful operations | 1,994,399 |
| Underwriting provisions | |
| Outstanding claims including IBNR | 1,891,240,875 |
| Unearned premium reserve | 1,550,169,310 |
| Premium deficiency reserve | 37,161,886 |
| Unearned reinsurance commission | 187,662,197 |
| Deferred taxation | 175,738,714 |
| Borrowings | 77,823,296 |
| Premium received in advance | - |
| Insurance/Reinsurance payables | 165,321,214 |
| Other creditors and accruals | 67,739,837 |
| Taxation - provision less payment | 156,369,502 |
| Total liabilities (D) | 4,311,221,230 |
| Total net admissible assets (E=C-D) | 2,286,655,265 |
| Minimum solvency requirement (higher of following) | 446,893,706 |
| Method A - U/s 36(3)(a) | 150,000,000 |
| Method B - U/s 36(3)(b) | 446,893,706 |
| Method C - U/s 36(3)(c) | 344,141,018 |
| Excess in net admissible assets over minimum Requirements | 1,839,761,559 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

41 PROVIDENT FUND RELATED DISCLOSURE

The Company has maintained an employee provident fund trust and investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017, and the rules formulated for this purpose. The salient information of the fund is as follows:

| | Note | 2019 Rupees Audited | 2018 Rupees Audited |
|---------------------------------|------|---------------------------|---------------------------|
| Size of the fund - total assets | | 133,836,996 | 105,124,193 |
| Cost of investments | 41.1 | 124,000,000 | 36,000,000 |
| Percentage of investments made | | 92.65% | 34.24% |
| Fair value of investments | | 124,765,973 | 36,460,656 |

41.1 The break-up cost of investments is as follows:

| | Amount 2019 | Percentage of total fund | Amount 2018 | Percentage of total fund |
|-----------------------|--------------------|-----------------------------|-------------------|-----------------------------|
| Term deposit receipts | 93,000,000 | 69.49% | 29,000,000 | 27.58% |
| Mutual funds | 31,000,000 | 23.16% | 7,000,000 | 6.66% |
| | 124,000,000 | 92.65% | 36,000,000 | 34.24% |

2019 2018

---Numbers---

42 NUMBER OF EMPLOYEES

| | | |
|---|------------|-----|
| As at December 31 | 697 | 737 |
| Average number of employees during the year | 630 | 660 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

43 CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified, wherever necessary, for the purpose of comparison and better presentation. However, no significant reclassification have been made.

44 SUBSEQUENT EVENTS - NON ADJUSTING

The board of directors have proposed final cash dividend for the year ended December 31, 2019 of Rs. Nil per share (2018: Rs. Nil per share) in addition to bonus shares for the year ended December 31, 2019 of Rs. 1.1342 per share (2018: Rs. 1.5 per share), amounting to Rs. 348,983,180 /- (2018: Rs. 339,263,060/-) at their meeting held on March 21, 2020 for the approval of the members at the annual general meeting to be held on April 27, 2020. For the purpose of dividend bonus shares to be issued will not be considered.

45 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on March 21, 2020 the Board of Directors of the Company.

46 GENERAL

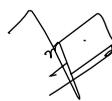
The figures in the financial statements has been rounded off to the nearest Rupee.



Muhammed Rahat Sadiq
Chief Executive Officer



Huma Waheed
Director



Maqbool Ahmad
Chief Financial Officer



Khawas Khan Niazi
Director / President



Javaid Sadiq
Chairman

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Rai Anwaar Alam,

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Dera Ismail Khan.

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Mr. Muhammed Rauf,

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OUR BRANCHES

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Ch. Shehnaz,

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Mian M. Asif,

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Ch. Iqbal Tahir

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Mr. Mansoor Shoaib,

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OUR BRANCHES

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Khawaja Sohail Anwar,

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Bank Road, Karkhana Bazar.
Vehari.

OUR BRANCHES

Mr. Ejaz Ahmad,

Senior General Manager,
The United Insurance Company of Pakistan Ltd.
House No: 1408/475, New Latif Park Old,
Sukkur.

Mr. Tahir Mehboob Awan,

General Manager
The United Insurance Company of Pakistan Ltd.
2nd Floor, Mall-1, New Opening (01-08-2019)
Saddar Road,
Rawalpindi.

Mr. Rizwan Saleem,

General Manager
Office No. 11, 1st Floor, Muhammed Arcade, LMQ
Road, Near Chungi No. 9,
Multan.

Raheel Zia,

Joint Director
The United Insurance Company of Pakistan Ltd.
Office No. 406, 4th Floor, Kohistan Tower,
Saddar,
Rawalpindi.

Mr. Ishaq Awan,

General Manager
The United Insurance Company of Pakistan Ltd.
Office # 10 & 11, 5th Floor, Rizwan Arcade,
Adam jee road, Sadar,
Rawalpindi.

Mr. Rakesh Kumar,

A.G.M
The United Insurance Company of Pakistan Ltd.
Office No. 1607, 16th Floor, K.S Trade Tower, New
Chilli New. Branch re-Opening,
Karachi.

WINDOW TAKAFUL OPERATION

Mr. Shakeel Ahmad,

Head of Window Takaful Operations,
Shahrah-e-Qaideen Branch,
Karachi.

Mr. Hassan Nadeem,

Country Head/E.D,
F-7 Markaz Branch,
Islamabad.

Mr. Taufeeq Mannan,

Corporate Head/General Manager Marketing,
Ibrahim Trade Tower Branch,
Karachi.

Mr. Mumtaz Kahloon,

G.M/Branch Head,
Tahawar Plaza Branch,
Lahore.

Mr. Faisal Afzal,

Branch Head,
Eden Centre Branch,
Lahore.

Mr. Irfan Tirmazi,

Branch Head/A.G.M,
Taj Arcade Branch,
Lahore.

The United Insurance Company of Pakistan Limited

Window Takaful Operations Financial Statements

For The Year Ended December 31, 2019



SHARIAH AUDITOR'S REPORT ON COMPLIANCE

Independent Reasonable Assurance Report to the Board of Directors on the Statement of Management's Assessment of Compliance with the Shari'ah Principles

We were engaged by the Board of Directors of United Insurance Company of Pakistan 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 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 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 the Takaful Rules 2012.

Responsibilities of the Management

The Board of Directors / management of the Company are responsible for designing, implementing and maintaining internal controls relevant to the preparation of the annexed statement that is free from material misstatement, whether due to fraud or error. It also includes ensuring the overall compliance of the Takaful Operations with the Takaful Rules, 2012. The Board of Directors / management of the Company are also responsible for preventing and detecting fraud and for identifying and ensuring that the Takaful Operations comply with laws and regulations applicable to its activities. They are also responsible for ensuring that the management, where appropriate, those charged with governance, and personnel involved with the Takaful Operations compliance with the Takaful Rules, 2012 are properly trained, systems are properly updated and that any changes in reporting encompass all significant business units.

Our Independence and Quality Control

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

The firm applies International Standard on Quality Control 1 "Quality Control for Firms That Perform 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.

Our responsibilities

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

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

SHARIAH AUDITOR'S REPORT ON COMPLIANCE

Reasonable assurance is less than absolute assurance.

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

The procedures performed included:

- Evaluate the systems, procedures and practices in place with respect to the Takaful operations against the Takaful Rules, 2012 and Shariah advisor's guidelines;
- Evaluating the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee / Shari'ah 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.

Conclusion

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

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



ILYAS SAEED & CO.

Chartered Accountants
Engagement Partner: Muhammed Ilyas

Date: March 21, 2020

Place: Lahore

SHARIAH ADVISOR'S REPORT TO THE BOARD OF DIRECTORS

for the Year Ended December 31, 2019

الحمد لله رب العالمين والصلاة والسلام على سيد الانبياء
والمرسلين وعلى اله واصحابه اجمعين، وبعد.

Being a Shariah Advisor of The United Insurance of Company of Pakistan Limited Window Takaful Operations (hereafter referred as the "Operator") it is my responsibility to review the Takaful products including PMDs and all relevant documents, underwriting procedures, Re-Takaful Arrangements, and all financial activities related to the Participants and shareholder funds undertaken by the operator.

On the other hand it is the responsibility of the Operator to follow the prevailing Takaful Rules issued by SECP and guidelines set by the Shariah Advisor and to take prior approval of Shariah Advisor for all policies and services being offered by the Operator.

In my opinion and to the best of my understanding based on Shariah compliance review, explanations provided by the Operator and audit report of the External auditors, below are the findings:

1. Underwriting, investments and financial activities undertaken by the Operator for the year ended 31 December, 2019 were in accordance with the Takaful Rules, 2012 and guidelines issued by me in the capacity of Shariah Advisor.
2. Appropriate accounting policies and basis of measurement have been consistently applied in preparation of the financial statements of "Participant Takaful Fund (Waqf Fund)" and "Operator Fund".
3. The Operator found performing its duties to its level best by following Shariah guidelines and through consultation with me where needed.
4. Any cases which were required to be consulted in accordance with the Shariah and Takaful Rules have been discussed and duly resolved.
5. Shariah Compliance review has been conducted, related matters have been discussed and duly revised

Consequently, I pray to Allah Almighty to grant United Window Takaful Operations remarkable success and help the entire team at every step and keep away from every hindrance and difficulty.



Mufti Muhammed Farhan Farooq

Shariah Advisor

Window Takaful Operations

Date: March 21, 2020

وصل اللهم وسلم وبارك على سيدنا محمد وعلى اله واصحابه اجمعين

INDEPENDENT AUDITOR'S REPORT

To the members of The United Insurance Company of Pakistan Limited- Window Takaful Operations Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **THE UNITED INSURANCE COMPANY OF PAKISTAN LIMITED – WINDOW TAKAFUL OPERATIONS (the Operator)**, which comprise the statement of financial position as at December 31, 2019, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

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

Basis for Opinion

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

Key Audit Matter

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.

We have determined that there are no key audit matters to communicate in our report.

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

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

To the members of The United Insurance Company of Pakistan Limited-
Window Takaful Operations

Report on the Audit of the Financial Statements

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statement

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the members of The United Insurance Company of Pakistan Limited-
Window Takaful Operations

Report on the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

The engagement partner on the audit resulting in this independent auditor's report is **Muhammed Ilyas**.



ILYAS SAEED & CO.

Chartered Accountants

Date: March 21, 2020

Place: Lahore

STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

| | Note | Participants' takaful fund | Operator's fund | Aggregate 2019 | Aggregate 2018 |
|---|------|----------------------------|--------------------|----------------------|----------------------|
| -----Rupees----- | | | | | |
| Assets | | | | | |
| Property and equipment | 5 | 24,499,629 | 26,353,040 | 50,852,669 | 53,788,964 |
| Intangible assets | | - | - | - | - |
| Investment property | | - | - | - | - |
| Investment in subsidiary and associate | | - | - | - | - |
| Investments | | | | | |
| Equity securities | 6 | 66,198,121 | 32,949,806 | 99,147,927 | 107,412,246 |
| Debt securities | 7 | 21,137,973 | - | 21,137,973 | 81,864,859 |
| Term deposits | 8 | - | 64,000,000 | 64,000,000 | - |
| Loans and other receivables | 9 | 27,530,552 | 466,714,382 | 494,244,934 | 490,711,186 |
| Takaful/Re-takaful receivables | 10 | 383,814,502 | - | 383,814,502 | 443,028,408 |
| Retakaful recoveries against outstanding claims | | 132,447,203 | - | 132,447,203 | 84,310,177 |
| Salvage recoveries accrued | | - | - | - | - |
| Deferred commission expense | | - | 103,585,065 | 103,585,065 | 66,071,456 |
| Deferred taxation | | - | - | - | - |
| Taxation - payment less provision | | - | - | - | - |
| Prepayments | 11 | 263,204,768 | - | 263,204,768 | 245,314,358 |
| Cash & bank | 12 | 18,955,176 | 14,751,352 | 33,706,528 | 32,976,662 |
| Total assets | | 937,787,924 | 708,353,645 | 1,646,141,569 | 1,605,478,316 |
| Fund and liabilities | | | | | |
| Waqf/participants' takaful fund (PTF) | | | | | |
| Ceded money | 13 | 500,000 | - | 500,000 | 500,000 |
| Accumulated deficit | | (32,320,740) | - | (32,320,740) | (47,337,278) |
| Available for sale reserve | | (30,713,913) | - | (30,713,913) | (16,817,260) |
| Total waqf/participants' takaful funds | | (62,534,653) | - | (62,534,653) | (63,654,538) |
| Operator's fund (OPF) | | | | | |
| Statutory fund | 14 | - | 50,000,000 | 50,000,000 | 50,000,000 |
| Accumulated Profit | | - | 661,979,844 | 661,979,844 | 536,503,796 |
| Available for sale reserve | | - | (9,400,041) | (9,400,041) | (10,405,296) |
| Total operator's funds | | - | 702,579,803 | 702,579,803 | 576,098,500 |
| Surplus on revaluation of fixed assets | 14A | - | 3,779,443 | 3,779,443 | - |
| Liabilities | | | | | |
| Underwriting provisions | | | | | |
| Provision for outstanding claims (including IBNR) | | 183,386,885 | - | 183,386,885 | 215,396,440 |
| Contribution deficiency reserve | | 7,924,944 | - | 7,924,944 | 676,350 |
| Reserve for unearned contribution | | 249,852,862 | - | 249,852,862 | 298,742,552 |
| Reserve for unearned retakaful rebate | | 54,966,764 | - | 54,966,764 | 49,266,798 |
| Staff retirement benefits | 15 | - | - | - | - |
| Deferred taxation | | - | - | - | - |
| Borrowings | | - | - | - | - |
| Contribution received in advance | | - | - | - | - |
| Takaful/Re-takaful payables | 16 | 39,519,648 | - | 39,519,648 | 36,552,019 |
| Other creditors and accruals | 17 | 464,671,474 | 1,994,399 | 466,665,873 | 492,400,195 |
| Taxation - provision less payment | | - | - | - | - |
| Total liabilities | | 1,000,322,577 | 1,994,399 | 1,002,316,976 | 1,093,034,354 |
| Total fund and liabilities | | 937,787,924 | 708,353,645 | 1,646,141,569 | 1,605,478,316 |
| Contingency(ies) and commitment(s) | 18 | - | - | - | - |

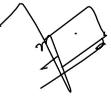
The annexed notes from 1 to 40 form an integral part of these financial statements.



Muhammed Rahat Sadiq
Chief Executive Officer



Huma Waheed
Director



Maqbool Ahmad
Chief Financial Officer



Khawas Khan Niazi
Director / President



Javaid Sadiq
Chairman

PROFIT AND LOSS ACCOUNT

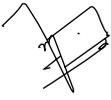
For the year ended December 31, 2019

| | Note | 2019 Rupees | 2018 Rupees |
|---|------|--------------------|---------------------|
| Participants' takaful fund revenue account | | | |
| Net takaful contribution | 19 | 616,491,674 | 677,232,292 |
| Net takaful claims | 20 | (306,085,086) | (355,843,105) |
| Contribution deficiency | | (7,248,594) | (42,890) |
| Net rebate on retakaful | 21 | 101,609,396 | 69,132,093 |
| Wakala fee | 26 | (358,670,476) | (404,353,596) |
| Takaful claims and acquisition expenses | | (570,394,760) | (691,107,498) |
| Direct expenses | 22 | (35,440,469) | (51,626,990) |
| Underwriting results | | 10,656,444 | (65,502,196) |
| Investment Income | 23 | 2,297,197 | 5,803,936 |
| Other income | 24 | 2,510,625 | 3,461,872 |
| Mudarib's share of investment income | 25 | (447,730) | (1,450,984) |
| Result of operating activities-PTF | | 15,016,537 | (57,687,372) |
| Operator's revenue account | | | |
| Wakala fee | 26 | 358,670,476 | 404,353,596 |
| Net commission and other acquisition costs | 27 | (107,344,255) | (99,795,846) |
| Management expenses | 28 | (125,665,823) | (112,340,077) |
| | | 125,660,397 | 192,217,673 |
| Mudarib's share of PTF investment income | 25 | 447,730 | 1,450,984 |
| Other income | 29 | 260,892 | 208,058 |
| Investment income | 30 | 6,097,516 | (98,571) |
| Other expenses | 31 | (6,990,487) | (5,247,342) |
| | | (184,349) | (3,686,871) |
| Profit for the year | | 125,476,048 | 188,530,802 |

The annexed notes from 1 to 40 form an integral part of these financial statements.


Muhammed Rahat Sadiq
 Chief Executive Officer


Huma Waheed
 Director


Maqbool Ahmad
 Chief Financial Officer


Khawas Khan Niazi
 Director / President


Javaid Sadiq
 Chairman

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2019

| | 2019 Rupees | 2018 Rupees |
|--|---------------------|---------------------|
| Participants' takaful fund (PTF) | | |
| Result of operating activities-PTF | 15,016,537 | (57,687,372) |
| Other comprehensive income for the year | | |
| Item to be re-classified to profit and loss account in subsequent period: | | |
| Unrealized loss on revaluation of available for sale investments | (30,713,913) | (16,817,260) |
| Realized loss/(gain) on revaluation of available for sale investments | 16,817,260 | 5,101,569 |
| Item not to be re-classified to profit and loss account in subsequent period | - | - |
| | (13,896,653) | (11,715,691) |
| Total comprehensive (loss)/income for the year | 1,119,883 | (69,403,063) |
| Operator's fund (OPF) | | |
| Profit for the year | 125,476,048 | 188,530,802 |
| Other comprehensive income for the year | | |
| Item to be re-classified to profit and loss account in subsequent period: | | |
| Unrealized loss on revaluation of available for sale investments | (9,400,041) | (10,405,296) |
| Realized loss/(gain) on revaluation of available for sale investments | 10,405,296 | 3,613,304 |
| | 1,005,255 | (6,791,992) |
| Item not to be re-classified to profit and loss account in subsequent period | | |
| Surplus on revaluation of fixed assets | 3,779,443 | - |
| Total comprehensive income for the year | 130,260,746 | 181,738,810 |

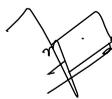
The annexed notes from 1 to 40 form an integral part of these financial statements.



Muhammed Rahat Sadiq
Chief Executive Officer



Huma Waheed
Director



Maqbool Ahmad
Chief Financial Officer



Khawas Khan Niazi
Director / President



Javaid Sadiq
Chairman

CASH FLOW STATEMENT

For the year ended December 31, 2019

| | PTF Participants' takaful fund | OPF Operator's fund | Aggregate 2019 | Aggregate 2018 |
|---|--------------------------------------|---------------------------|---------------------|---------------------|
| -----Rupees----- | | | | |
| Operating cash flows: | | | | |
| a) Underwriting activities: | | | | |
| Takaful Contribution received | 1,096,118,669 | - | 1,096,118,669 | 975,074,327 |
| Retakaful contribution (paid) / received | (481,743,303) | (20,117,789) | (501,861,092) | (437,561,144) |
| Claims paid | (558,564,952) | - | (558,564,952) | (440,252,103) |
| Retakaful and other recoveries received | 193,000,490 | - | 193,000,490 | 86,674,979 |
| Commission paid | - | (144,857,864) | (144,857,864) | (121,603,446) |
| Management and other expenses paid | (21,727,827) | (128,570,354) | (150,298,180) | (141,805,603) |
| Wakala fee (paid)/ received | (358,670,476) | 358,670,476 | - | - |
| Retakaful rebate received | 107,309,362 | - | 107,309,362 | 82,840,366 |
| Net cash flow from underwriting activities | (24,278,037) | 65,124,470 | 40,846,432 | 3,367,376 |
| b) Other operating activities: | | | | |
| Other operating (payments)/ receipts | (30,127,385) | (7,627,539) | (37,754,924) | 26,100,126 |
| Loans advanced | - | (1,051,368) | (1,051,368) | (1,575,840) |
| Loan repayments received | - | 1,079,376 | 1,079,376 | 2,121,712 |
| Net cash flow from other operating activities | (30,127,385) | (7,599,531) | (37,726,916) | 26,645,998 |
| Total cash flow from all operating activities | (54,405,422) | 57,524,939 | 3,119,516 | 30,013,374 |
| Investment activities: | | | | |
| Investment income/ (loss) received | 3,117,998 | 5,778,055 | 8,896,053 | 6,736,618 |
| (Payments) for investment / Investment properties | 43,225,560 | (45,984,074) | (2,758,514) | (24,544,732) |
| Fixed capital expenditure | (2,206,000) | (6,321,189) | (8,527,189) | (6,607,040) |
| Total cash flow from investing activities | 44,137,558 | (46,527,208) | (2,389,650) | (24,415,154) |
| Financing activities: | | | | |
| Statutory reserve | - | - | - | - |
| Ceded money | - | - | - | - |
| Qarz e hasna | - | - | - | - |
| Total cash flow financing activities | - | - | - | - |
| Net cash flow from all activities | (10,267,864) | 10,997,731 | 729,866 | 5,598,220 |
| Cash and cash equivalents at the beginning of the year | 29,223,040 | 3,753,621 | 32,976,661 | 27,378,442 |
| Cash and cash equivalents at the end of the year | 18,955,176 | 14,751,352 | 33,706,528 | 32,976,662 |

CASH FLOW STATEMENT

For the year ended December 31, 2019

| | PTF | OPF | Aggregate | Aggregate |
|---|----------------------------|--------------------|--------------------|--------------------|
| | Participants' takaful fund | Operator's fund | 2019 | 2018 |
| -----Rupees----- | | | | |
| Reconciliation of profit and loss account | | | | |
| Net cash flow from underwriting activities | (54,405,422) | 57,524,939 | 3,119,517 | 30,013,374 |
| Depreciation expense | (11,649,747) | (3,593,180) | (15,242,927) | (19,064,271) |
| Rentals on car ijarah | - | - | - | (4,674,605) |
| Increase/(decrease) in assets other than cash | (20,568,958) | 27,375,697 | 6,806,740 | 324,395,464 |
| (Increase)/decrease in liabilities other than borrowings | 82,526,207 | 27,665,781 | 110,191,988 | (214,246,770) |
| Realized gain/(loss) on revaluation of available for sale investments | 16,817,260 | 10,405,296 | 27,222,554 | 8,714,873 |
| Investment income | 2,297,197 | 6,097,516 | 8,394,713 | 5,705,365 |
| (Loss)/profit for the year | 15,016,537 | 125,476,048 | 140,492,585 | 130,843,430 |
| Attributed to: | | | | |
| Participants' takaful fund | 15,016,537 | - | 15,016,537 | (57,687,372) |
| Operator's fund | - | 125,476,048 | 125,476,048 | 188,530,802 |
| | 15,016,537 | 125,476,048 | 140,492,585 | 130,843,430 |

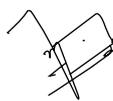
The annexed notes from 1 to 40 form an integral part of these financial statements.



Muhammed Rahat Sadiq
Chief Executive Officer



Huma Waheed
Director



Maqbool Ahmad
Chief Financial Officer



Khawas Khan Niazi
Director / President



Javid Sadiq
Chairman

STATEMENT OF CHANGES IN FUNDS

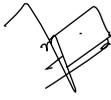
Aa at December 31, 2019

| | Ceded money | Accumulated deficit | Available for sale reserve | Total |
|--|-----------------------|---------------------------|-----------------------------------|---------------------|
| -----Rupees----- | | | | |
| Participants' takaful fund | | | | |
| Balance as at January 01, 2018 | 500,000 | 10,350,095 | (5,101,569) | 5,748,526 |
| Total comprehensive income/(loss) | | | | |
| Deficit for the year | - | (57,687,372) | - | (57,687,372) |
| Other comprehensive loss for the year | - | - | (11,715,691) | (11,715,691) |
| | - | (57,687,372) | (11,715,691) | (69,403,063) |
| Balance as at December 31, 2018 | 500,000 | (47,337,277) | (16,817,260) | (63,654,538) |
| Balance as at January 01, 2019 | 500,000 | (47,337,277) | (16,817,260) | (63,654,538) |
| Total comprehensive loss | | | | |
| Surplus for the year | - | 15,016,537 | - | 15,016,537 |
| Other comprehensive loss for the year | - | - | (13,896,653) | (13,896,653) |
| | - | 15,016,537 | (13,896,653) | 1,119,883 |
| Balance as at December 31, 2019 | 500,000 | (32,320,740) | (30,713,913) | (62,534,653) |
| | Statutory fund | Accumulated profit | Available for sale reserve | Total |
| -----Rupees----- | | | | |
| Operator's fund | | | | |
| Balance as at January 01, 2018 | 50,000,000 | 347,972,994 | (3,613,304) | 394,359,690 |
| Total comprehensive income / (loss) | | | | |
| Profit after tax | - | 188,530,802 | - | 188,530,802 |
| Other comprehensive loss for the year | - | - | (6,791,992) | (6,791,992) |
| | - | 188,530,802 | (6,791,992) | 181,738,810 |
| Balance as at December 31, 2018 | 50,000,000 | 536,503,796 | (10,405,296) | 576,098,500 |
| Balance as at January 01, 2019 | 50,000,000 | 536,503,796 | (10,405,296) | 576,098,500 |
| Total comprehensive income | | | | |
| Profit after tax | - | 125,476,048 | - | 125,476,048 |
| Other comprehensive income for the year | - | - | 1,005,255 | 1,005,255 |
| | - | 125,476,048 | 1,005,255 | 126,481,303 |
| Balance as at December 31, 2019 | 50,000,000 | 661,979,844 | (9,400,041) | 702,579,803 |

The annexed notes from 1 to 40 form an integral part of these financial statements.


Muhammed Rahat Sadiq
 Chief Executive Officer


Huma Waheed
 Director


Maqbool Ahmad
 Chief Financial Officer


Khawas Khan Niazi
 Director / President


Javaid Sadiq
 Chairman

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

1 LEGAL STATUS AND NATURE OF BUSINESS

The United Insurance Company of Pakistan Limited (hereinafter called 'the Company') was incorporated in Pakistan on October 20, 1959, as a Public Limited Company under the Defunct Companies Act, 1913, now the Companies Act, 2017, and its shares are quoted on Pakistan Stock Exchange Limited. The Registered Office of the Company is situated at 204, 2nd floor, Madina City Mall, Abdullah Haroon Road, Saddar, Karachi, and its Head Office is located in Lahore. The principal activity of the Company is General Insurance Business and it qualifies as a domestic insurance company under the Insurance Ordinance, 2000 and undertakes Fire & Property Damage, Marine aviation & Transport, Motor and Miscellaneous General Insurance.

The United Insurance Company of Pakistan Limited has been allowed to work as Window Takaful Operator (WTO) (hereinafter called "the Operator") through License No. 1 on August 18, 2014 by Securities and Exchange Commission of Pakistan under the Takaful Rules, 2012 to carry on Islamic General Insurance in Pakistan. For the purpose of carrying on takaful business, the Company has formed a Waqf/Participants' Takaful Fund (PTF) on June 09, 2014 under a trust deed. The trust deed governs the relationship of shareholders and policy holders for management of takaful operations. The Operator has not transacted any business outside Pakistan.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

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

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

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

2.1 Basis of measurement

The financial statements have been prepared under the historical cost convention except for certain obligations under employee retirement benefits which are measured at present value and certain financial instruments which are measured at fair value.

2.2 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is the Company's functional currency and presentation currency. All figures have been rounded to the nearest rupee, unless otherwise stated.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

2.3 Standards, interpretations and amendments effective in (current year)

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

| | |
|----------|---|
| IFRS 14 | Regulatory Deferral Accounts |
| IFRS 16 | Leases |
| IFRS 9 | Financial Instruments – Classification and Measurement |
| IFRS 15 | Revenue from Contracts with Customers |
| IFRIC 23 | Uncertainty over Income Tax Treatments |
| IAS 19 | Employee Benefits – Plan Amendment, Curtailment or Settlement (Amendments) Foreign Currency Transactions and Advance Consideration |
| IAS 28 | Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures (Amendments) |
| IFRS 11 | Joint Arrangements – Annual Improvements to IFRS Standards 2015-17 Cycle |
| IAS 12 | Income Taxes - Annual Improvements to IFRS Standards 2015-17 Cycle |
| IAS 19 | Employee Benefits – Plan Amendment, Curtailment or Settlement (Amendments) |

IFRS 9 – Financial Instruments

The amendments introduce two approaches for entities that apply IFRS 4 to reduce the impact of deferring effective dates with IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments: an overlay approach and a temporary exemption from applying IFRS 9. The Company has adopted for a temporary exemption from application of IFRS 9.

The effective date of the amendments permitting the temporary exemption is for annual periods beginning on or after 01 January 2018. The temporary exemption is available for annual reporting periods beginning before 01 January 2022 and will expire once IFRS 17 becomes effective.

IFRS - 15

IFRS 15 Revenue from Contracts with Customers supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures. The management reviewed and assessed the Company's existing contracts with the policy holders and concluded that there is no material impact on the revenue recognition from policy holders as same fall under the ambit of IFRS-17 Insurance Contracts and the Insurance Rules, 2017.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

IFRS 16 – Leases

This standard was notified by the SECP to be effective from annual periods beginning on or after January 01, 2019. Accordingly, the Company has adopted IFRS 16 using the modified retrospective approach as permitted under the specific transitional provisions in the Standard. This Standard 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 an on-balance sheet lease accounting model for leases entered by the lessee. A lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding 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 either finance or operating leases.

The right-of-use assets recognized subsequent to the adoption are 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. The right-of-use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the Standard:

- grandfathered the assessment of which transactions are lease on the date of initial application;
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The adoption of the above amendments, and improvement to accounting standards and interpretations did not have any significant effect on the financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

2.4 Standards, interpretations and amendments not effective at year end

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan have not become effective during current year:

| Standards, amendments or Interpretation | Effective date (annual periods beginning on or after) |
|---|--|
| IFRS 17 Insurance Contracts | 1-Jan-22 |
| IFRS 7 Financial Instruments: Disclosures | 1-Jan-20 |

2.5 In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

| | |
|-----------------------------|----------|
| IFRS 17 Insurance contracts | 1-Jan-22 |
|-----------------------------|----------|

The Company expects that the adoption of the above standards will have material effect on the Company's financial statements, in the period of initial application.

2.6 Standards, interpretations and amendments becoming effective in future period but not relevant:

There are certain new standards, amendments to standards and interpretations that are effective for different future periods but are considered not to be relevant to Company's operations, therefore not disclosed in these financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these financial statements are set out below.

3.1 Property and equipment

3.1.1 Operating assets

These are stated at cost less accumulated depreciation except for freehold land, which is stated at cost, and certain buildings which are stated at revalued amount so as to keep the carrying value equal to the fair market value of the asset.

Depreciation on all fixed assets is charged to profit and loss account on the reducing balance method so as to write off depreciable amount of an asset over its useful life at the rates stated in note 5.3. Depreciation on additions to/ disposal from fixed assets for the year is charged on "number of days basis".

Maintenance and normal repairs are charged to profit and loss account as and when incurred, while major renewals and improvements are capitalized.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the operator and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

- Ijarah contracts

Ijarah rentals (Ijarah) under Ijarah contracts are recognised as an expense in the profit and loss on a straight-line basis over the Ijarah term as per Islamic Financial Accounting Standard issued by SECP S.R.O 431(I)/2007 dated May 22, 2007.

3.2 Takaful contracts

The Takaful contracts are based on the principles of wakala. The takaful contracts so agreed usually inspire concept of tabarru (to donate for benefit of others) and mutual sharing of losses with the overall objective of eliminating the element of uncertainty. Contracts under which the Participant Takaful Fund (PTF) accepts significant takaful risk from another party (the policy holder) by agreeing to compensate the policyholder if a specified uncertain future event (the takaful event) adversely affects the policyholder are classified as takaful contracts. Takaful risk is significant if a takaful event could cause the PTF to pay significant benefits due to the happening of the takaful event compared to its non happening. Once a contract has been classified as a takaful contract, it remains a takaful contract for the remainder of its lifetime, even if the takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

The PTF underwrites non-life takaful contracts that can be categorized into fire and property, marine, aviation and transport, motor, health and miscellaneous contracts. Contracts may be concluded for a fixed term of one year, for less than one year and in some cases for more than one year. However, most of the contracts are for twelve months duration. Takaful contracts entered into by the PTF under which the contract holder is another takaful operator/ insurer of a facultative nature are included within the individual category of takaful contracts, other than those which fall under the treaty.

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, damage 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

Health takaful provides basic hospital 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 guard and other coverage.

3.3 Deferred commission expense/acquisition cost

Commission and other incremental acquisition costs incurred in obtaining and recording policies of takaful and retakaful were deferred and calculated by applying twenty-fourths method and recognized as assets where they can be reliably measured and it is probable that they will give rise to contribution revenue that will be recognized in subsequent reporting periods. Incremental acquisition costs of a policy are costs of selling, underwriting and initialing an insurance policy which has been issued, i.e., the costs are identified at the level of an individual policy and not at the level of a portfolio of policies.

Deferred acquisition costs (if any) were amortized systematically over the reporting periods over which the related contribution revenue is recognized.

An acquisition cost which is not incremental were recognized as expense during the period in which the related contribution revenue is recognized.

3.4 Unearned contribution

The unearned portion of contribution written net of wakala fee is set aside as a reserve and is recognized as a liability. This liability is calculated by applying twenty-fourths method as specified in the Insurance Accounting Regulations, 2017.

3.5 Contribution deficiency reserves

The Operator maintains a provision in respect of contribution deficiency for the class of business where the unearned contribution liability is not adequate to meet the expected future liability after retakaful, from claims and other supplementary expenses, expected to be incurred after the statement of financial position date in respect of the unexpired policies in that class of business at the statement of financial position date. The movement in the contribution deficiency reserve is recorded as an expense/ income in profit and loss account for the year.

For this purpose, loss ratios for each class are estimated based on historical claim development. Historical experience is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. Further, actuarial valuation has been carried out to determine the amount of contribution deficiency reserve in respect of Accident and Health Takaful classes as required by Insurance Rules, 2017. If these ratios are adverse, contribution deficiency is determined. The loss ratios estimated on these basis for the unexpired portion are as follows:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

| | 2019 | 2018 |
|----------------------------------|-------------|------|
| - Fire and property damage | 45% | 27% |
| - Marine, aviation and transport | 49% | 34% |
| - Motor | 41% | 34% |
| - Miscellaneous | 70% | 87% |

Based on analysis of combined operating ratio for the expired period of each reportable segment, the management considers that the unearned contribution reserves for all the classes of business, except for the segment of fire, as at the year end is adequate to meet the expected future liability, after retakaful, from claims and other expenses expected to be incurred after the statement of financial position date in respect of policies in those classes of business in force at the statement of financial position date. Hence, no reserve for the same has been made in these financial statements except for the segment of personal accident where actuary provides for the figure to be recognized as contribution deficiency reserve.

3.6 Re-takaful ceded

Takaful contracts entered into by the operator with retakaful companies for compensation of losses suffered on takaful contracts issued are retakaful contracts. These retakaful contracts include both facultative and treaty arrangement contracts.

The operator enters into retakaful contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward retakaful contributions are accounted for in the same period as the related contributions for the direct or accepted retakaful business.

Retakaful liabilities represent balance due to retakaful companies. Amounts payable are estimated in a manner consistent with the related retakaful contract. Retakaful assets represent balances due from retakaful companies. Amounts recoverable from retakaful companies are estimated in a manner consistent with the provisions for outstanding claims or settled claims associated with the retakaful policies and are in accordance with the related retakaful contract.

Retakaful assets are not offset against related takaful liabilities. Income or expenses from retakaful contracts are not offset against expenses or income from related takaful assets.

Retakaful assets or liabilities are derecognized when the contractual rights are extinguished or expired.

The operator assesses its retakaful assets for impairment on statement of financial position date. If there is objective evidence that retakaful assets are impaired, the operator reduces the carrying amount of the retakaful assets to its recoverable amount and recognizes impairment loss in the profit and loss account, if any.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

3.7 Receivables and payables related to takaful contracts

Receivables and payables related to takaful contracts are recognized when due at cost which is the fair value of the consideration given less provision for impairment, if any.

3.7.1 Takaful / Re-takaful receivables

Contributions due from takaful/retakaful represents the amount due from participants and other takaful insurers on account of takaful contracts. These are recognized at cost, which is the fair value of the contribution to be received less provision for impairment, if any.

3.7.2 Retakaful recoveries against outstanding claims

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

3.8 Segment reporting

A business segment is a distinguishable component of the operator that is engaged in providing services that are subject to risks and returns that are different from those of other business segments. The operator accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Takaful Rules, 2012 as the primary reporting format.

Based on its classification of takaful contracts issued, the operator has four primary business segments for reporting purposes namely fire and property damage, marine aviation and transport, motor, and health & miscellaneous. The nature and business activities of these segments are disclosed in respective notes to the Financial Statements.

Assets and liabilities are allocated to particular segments on the basis of contribution written. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

3.8.1 Financial instruments

Financial assets and financial liabilities within the scope of IAS - 39 are recognized at the time when the Operator becomes a party to the contractual provisions of the instrument and de-recognized when the Operator loses control of contractual rights that comprise of 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 derecognizing of the financial assets and financial liabilities is included in the profit and loss account for the year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

Financial instruments carried on the statement of financial position date include cash and bank deposits, investments, takaful/retakaful receivables, contribution and claim reserves detained by cedants, accrued investment income, retakaful recoveries against outstanding claims, sundry receivables, provision for outstanding claims, takaful/retakaful payables, other creditors and accruals and liabilities against assets subject to finance lease.

The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.9 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash, cheques, pay orders, demand drafts and balances with banks.

3.10 Revenue recognition

a) Contribution

Contributions including administrative surcharge received / receivable (if any) under a takaful policy are recognized as written at the time of issuance of participant membership document (PMD) and recorded as income of the PTF. Contributions are stated gross of commission payable to intermediaries and exclusive of taxes and duties levied on contributions. Takaful contribution income under a policy is recognized as income of PTF over the period of takaful. Administrative surcharge recovered from participant is recognized as part of contribution.

Wakala fee

The operator manages the general takaful operations for the participants and charges 30% (2018: 40%) on gross contribution for fire and marine while 35% (2018: 40%) on motor and health & miscellaneous as wakala fee against the services. It is recognized as expense of PTF and income of OPF.

b) Rebate income/commission expense

Commission expenses and other acquisition costs are charged to the profit and loss account at the time the PMD are accepted. Rebate income from retakaful operator is recognized at the time of issuance of the underlying takaful policy by the operator. This income is deferred and recognized as revenue in accordance with the pattern of recognition of the retakaful contribution to which it relates. Rebate from retakaful operator is arrived at after taking the impact of opening and closing unearned rebate. Profit/ rebate, if any, which the Operator may be entitled to under the terms of retakaful is recognized on accrual basis. Further, Rebate on retakaful is recognized as income of PTF according to the requirements of Takaful Rules, 2012.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

c) Investment income/expense

Return on investments and fixed deposits are recognized using the effective interest rate method. Profit or loss on sale of investments is recognized at the time of sale.

The operator manage the participants' investments as a Modarib and charge such percentage, as approved by the Shahriah Advisor, on Modarib's share of net investment income of PTF.

d) Dividend income

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

e) Rental and other income

Rental and other income is recognized as and when accrued.

3.11 Investments

a) In equity securities

Available for sale

Available for sale investments are those non-derivative investments that are designated as available for sale or are not classified in any other category. These are primarily those investments that are intended to be held for an undefined period of time or may be sold in response to the need for liquidity.

Subsequent to initial recognition at cost including the transaction cost, these are measured at fair value, Changes in fair value are recognized as other comprehensive income until the investment is derecognized or impaired. Gains and losses on derecognition and impairment losses are recognized in profit or loss.

Return on fixed income securities classified as available for sale is recognized on a time proportion basis.

b) In debt securities

Held to maturity

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity and are initially measured at cost. At subsequent reporting dates, these are measured at amortized cost using the effective yield method.

Any contribution paid or discount availed on acquisition of held to maturity investments is deferred and amortized over the term of the investment using the effective yield unless the impact of amortization is immaterial to the financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

Income from held to maturity investments is recognized on a time proportion basis taking into account the effective yield on the investments.

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

c) In term deposits

Held to maturity

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity and are initially measured at cost. At subsequent reporting dates, these are measured at amortized cost using the effective yield method.

Any contribution paid or discount availed on acquisition of held to maturity investments is deferred and amortized over the term of the investment using the effective yield unless the impact of amortization is immaterial to the financial statements.

Income from held to maturity investments is recognized on a time proportion basis taking into account the effective yield on the investments.

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

3.12 Offsetting of financial assets and financial liabilities

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

3.13 Provisions

The Operator recognizes liability in respect of all claims incurred up to the statement of financial position date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of incident giving rise to the claims except as otherwise expressly indicated in an Takaful contract. The liability for claims include 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 consistently made at the statement of financial position date in accordance with the SECP Circular no. 9 of 2016. IBNR claim have 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

IBNR for all classes is determined and recognized in accordance with valuation carried out by an appointed actuary which is also based on Chain Ladder (CL) method.

3.14 Staff retirement benefits

Defined benefit plan

The Company operates an approved defined contribution provident fund for all permanent employees. Equal contributions are made by employees and the employer at the rate of 8.34 percent (2018: 8.34 percent) of basic salary per month and charged to profit and loss account.

3.15 Impairment of assets

The carrying amount of assets are reviewed at each statement of financial position 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 recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account.

Where impairment loss subsequently reverses, the carrying amounts of the assets are increased to the revised recoverable amounts but limited to the carrying amounts that would have been determined had no impairment loss been recognized for the assets in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

In addition, impairment on available for sale investments and retakaful assets are recognized as follows:

i) Available for sale

The operator 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 operator 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 financing cash flows.

ii) Re-takaful assets

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

3.16 Management expenses

3.16.1 Direct expense

Direct expenses are part of Participants Takaful Fund. These expenses are related to the underwriting business and represent directly attributable expenses and indirect expenses allocated to the various classes of business on the basis of gross contribution revenue.

3.16.2 Management expense

Expenses not allocable to the underwriting business are charged as management expenses. Management expenses of takaful business are allocated to revenue account of operator as per requirements of Takaful Rules, 2012.

3.16.3 Claims expense

General takaful 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 previous years.

3.17 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 services received, whether or not billed to the Company.

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, 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 statement of financial position date and adjusted to reflect the current best estimate.

3.18 Foreign currency transactions and translations

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

3.19 Takaful surplus

Takaful surplus attributable to the participants is calculated after charging all direct costs and setting aside various reserves and charity. Allocation to participants, if applicable, is made after deducting the claims paid to them during the year. Further, surplus will be distributed to participants after payment of qarz-e-hasna to operator.

3.20 Qarz-e-hasna

Qarz-e-hasna is provided by Operators' Fund to Participants' Takaful Fund in case of deficit in Participants' Takaful Fund.

3.21 Zakat

Zakat on investment income is accounted for in the year of deduction, under Zakat & Ushr Ordinance, 1980.

3.22 Related party transactions

Party is said to be related, if they are able to influence the operating and financial decisions of the operator and vice versa. The operator in the normal course of business carries out transactions with related parties. Transactions with related parties are priced at comparable uncontrolled market price and are carried out at arm's length prices.

3.23 Change in accounting policies

The Company has changed its accounting policy in relation to recognition of motor vehicles from cost model to revaluation model under IAS-16 Property, Plant and Equipment. Motor vehicles are now stated at revalued amounts in fixed asset schedule, previously these were stated at cost less accumulated depreciation and accumulated impairment. This change in accounting policy has been applied prospectively and comparative information has not been restated. Had there been no revaluation, the cost, accumulated depreciation and book value of revalued assets as at December 31, 2019 is mentioned in note 5.3.2 of financial statements.

4 USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities as well as income and expenses.

The judgments, estimates and assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

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

In particular, the matters involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

| | Note |
|---|-------------|
| - Provision for unearned contribution and bad debts | 3.4 |
| - Provision for outstanding claims (including IBNR) | 3.13 |
| - Deferred commission/ unearned rebate on retakaful | 3.3 |
| - Contribution deficiency reserve | 3.5 |
| - Useful lives of fixed assets | 3.1 |
| - Staff retirement benefits | 3.14 |
| - Segment reporting | 3.8 |
| - Impairment in value of investments | 3.15 |

| | 2019 | 2018 |
|-----------------------------------|-------------------|---------------|
| | Rupees | Rupees |
| 5 | | |
| PROPERTY AND EQUIPMENT | | |
| 5.1 | | |
| Participants' takaful fund | | |
| Operating assets | 24,499,629 | 33,943,376 |
| 5.2 | | |
| Operator's fund | | |
| Operating assets | 26,353,040 | 19,845,588 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

5.3 Operating assets

| Particulars | Operator's fund | | | Participants' takaful fund | | | Grand total |
|--|-----------------------|------------------|--------------------|----------------------------|-------------------|------------------------|--------------------|
| | Furniture and fixture | Office equipment | Computer equipment | Motor vehicles | Total | Motor tracking devices | |
| | -----Rupees----- | | | | | | |
| Cost | | | | | | | |
| Balance as at January 01, 2018 | 16,983,692 | 3,979,710 | 2,896,254 | 3,807,800 | 27,667,456 | 97,056,897 | 124,724,353 |
| Additions during the year | 264,500 | 321,219 | 431,471 | 1,749,350 | 2,766,540 | 3,840,500 | 6,607,040 |
| Disposals | - | - | - | - | - | - | - |
| Transfers/adjustments | - | - | - | - | - | - | - |
| Balance as at December 31, 2018 | 17,248,192 | 4,300,929 | 3,327,725 | 5,557,150 | 30,433,996 | 100,897,397 | 131,331,393 |
| Balance as at January 01, 2019 | 17,248,192 | 4,300,929 | 3,327,725 | 5,557,150 | 30,433,996 | 100,897,397 | 131,331,393 |
| Additions during the year | 13,975 | 33,776 | 137,343 | 6,136,095 | 6,321,189 | 2,507,500 | 8,828,689 |
| Disposals | - | - | - | - | - | (301,500) | (301,500) |
| Revaluation surplus/ (deficit) | - | - | - | 3,779,443 | 3,779,443 | - | 3,779,443 |
| Transfers/adjustments | - | - | - | - | - | - | - |
| Balance as at December 31, 2019 | 17,262,167 | 4,334,705 | 3,465,068 | 15,472,688 | 40,534,628 | 103,103,397 | 143,638,025 |
| Depreciation | | | | | | | |
| Balance as at January 01, 2018 | 4,245,526 | 955,374 | 1,718,339 | 766,607 | 7,685,846 | 50,792,312 | 58,478,158 |
| Charge for the year | 1,281,067 | 318,931 | 470,295 | 832,269 | 2,902,562 | 16,161,709 | 19,064,271 |
| Disposals | - | - | - | - | - | - | - |
| Transfers/adjustments | - | - | - | - | - | - | - |
| Balance as at December 31, 2018 | 5,526,593 | 1,274,305 | 2,188,634 | 1,598,876 | 10,588,408 | 66,954,021 | 77,542,429 |
| Balance as at January 01, 2019 | 5,526,593 | 1,274,305 | 2,188,634 | 1,598,876 | 10,588,408 | 66,954,021 | 77,542,429 |
| Charge for the year | 1,172,330 | 305,881 | 401,157 | 1,713,812 | 3,593,180 | 11,685,715 | 15,278,895 |
| Disposals | - | - | - | - | - | (35,968) | (35,968) |
| Transfers/adjustments | - | - | - | - | - | - | - |
| Balance as at December 31, 2019 | 6,698,923 | 1,580,186 | 2,589,791 | 3,312,688 | 14,181,588 | 78,603,768 | 92,785,356 |
| Written down values as at December 31, 2018 | 11,721,599 | 3,026,624 | 1,139,091 | 3,958,274 | 19,845,588 | 33,943,376 | 53,788,964 |
| Written down values as at December 31, 2019 | 10,563,244 | 2,754,519 | 875,277 | 12,160,000 | 26,353,040 | 24,499,629 | 50,852,669 |
| Rate of depreciation (%) | 10 | 10 | 33.33 | 20 | | 33.33 | |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

5.3.1 The motor vehicles have been revalued by Anderson Consulting (Pvt.) Limited, independent valuer, registered with Pakistan Banks' Association, by using market value basis method on December 31, 2019. Fair values are determined by using observable prices in an active market on arm's length terms. All the revaluation surplus is charged to surplus on revaluation of fixed assets as per requirements of the Companies Act, 2017. As per revaluation report, forced sale value of the motor vehicles as on December 31, 2019 in Rs. 10,336,000/-.

5.3.2 Had there been no revaluation, the cost, accumulated depreciation and book value of revalued assets as at December 31, 2019 would have been as follows:

| Particulars | Cost | | | Depreciation | | | Written down values as at 31 December | Depreciation Rate % | | |
|----------------|------------------|------------------------|------------|-------------------|------------------|---------------------------|---------------------------------------|---------------------|------------|----|
| | As at 01 January | Additions / (Disposal) | Adjustment | As at 31 December | As at 01 January | For the year / (Disposal) | | | Adjustment | |
| Motor vehicles | 5,557,150 | 6,136,095 | - | 11,693,245 | 1,598,876 | 1,713,812 | - | 3,312,688 | 8,380,557 | 20 |
| 2019 | 5,557,150 | 6,136,095 | - | 11,693,245 | 1,598,876 | 1,713,812 | - | 3,312,688 | 8,380,557 | |
| Motor vehicles | 3,807,800 | 1,749,350 | - | 5,557,150 | 766,607 | 832,269 | - | 1,598,876 | 3,958,274 | 20 |
| 2018 | 3,807,800 | 1,749,350 | - | 5,557,150 | 766,607 | 832,269 | - | 1,598,876 | 3,958,274 | |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

| | Note | 2019 Rupees | 2018 Rupees |
|--|-------|---------------------|----------------|
| 6 | | | |
| INVESTMENT IN EQUITY SECURITIES | | | |
| 6.1 | | | |
| Participants' takaful fund | | | |
| Available for sale | | | |
| Listed shares at cost | | 87,097,729 | 87,097,729 |
| Less: unrealized loss on revaluation of investment | | (30,458,942) | (15,655,176) |
| Carrying value | 6.1.1 | 56,638,787 | 71,442,553 |
| Mutual funds at cost | | 9,814,305 | 7,243,465 |
| Less: unrealized loss on revaluation of investment | | (254,971) | (1,162,084) |
| Carrying value | 6.1.2 | 9,559,334 | 6,081,382 |
| | | 66,198,121 | 77,523,935 |

6.1.1 Listed shares

| 2019 | 2018 | Fair value per share | Name of investee company | 2019 Rupees | 2018 Rupees |
|--|---------|----------------------|---|-------------------|----------------|
| Number of shares (Fully paid ordinary shares of Rs. 10/- each) | | | | | |
| 241,000 | 241,000 | 106.14 | Nishat Mills Limited | 25,579,740 | 30,493,730 |
| 64,600 | 64,600 | 55.76 | The General Tyre and Rubber Company of Pakistan Limited | 3,602,095 | 5,221,618 |
| 145,475 | 145,475 | 188.74 | The Searle Company Limited | 27,456,952 | 35,727,205 |
| | | | | 56,638,787 | 71,442,553 |

6.1.2 Mutual Funds

| 2019 | 2018 | Unit price (Rupees) | Name of investee company | 2019 | 2018 |
|----------------|--------|------------------------|--|------------------|-----------|
| 72,435 | 72,435 | 93.68 | NAFA Islamic Active Allocation Plan-VI | 6,785,932 | 6,081,382 |
| 50,732 | - | 10.82 | NBP Riba Free Savings Fund | 548,748 | - |
| 10,181 | - | 110.53 | ABL Islamic Financial Planning Fund | 1,125,343 | - |
| 108,969 | - | 10.09 | NBP Islamic Savings Fund | 1,099,311 | - |
| 242,317 | 72,435 | | | 9,559,334 | 6,081,382 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

| | Note | 2019 Rupees | 2018 Rupees |
|--|-------|-------------------|----------------|
| 6.2 Operator's fund | | | |
| Listed shares at cost | | 36,732,779 | 34,676,539 |
| Less: unrealized loss on revaluation of investment | | (9,045,239) | (9,504,139) |
| Carrying value | 6.2.1 | 27,687,540 | 25,172,400 |
| Mutual funds at cost | | 5,617,068 | 5,617,068 |
| Less: unrealized loss on revaluation of investment | | (354,802) | (901,157) |
| Carrying value | 6.2.2 | 5,262,266 | 4,715,911 |
| | | 32,949,806 | 29,888,311 |

6.2.1 Listed shares

| 2019 | 2018 | Fair value per share | Name of investee company | 2019 | 2018 |
|--|---------|----------------------|------------------------------------|-------------------|------------|
| Number of shares (Fully paid ordinary shares of Rs. 10/- each) | | | | | |
| 330,000 | 330,000 | 27.07 | Pak Electron Limited | 8,933,100 | 8,217,000 |
| 221,000 | 220,000 | 76.17 | Sui Northern Gas Pipelines Limited | 16,833,570 | 16,955,400 |
| 63,000 | - | 30.49 | Pioneer Cement Limited | 1,920,870 | - |
| 614,000 | 550,000 | | | 27,687,540 | 25,172,400 |

6.2.2 Mutual Funds

| 2019 | 2018 | Fair value per share (Rupees) | Name of investee company | 2019 | 2018 |
|------------------------|--------|-------------------------------|--|------------------|-----------|
| Number of units | | | | | |
| 56,171 | 56,171 | 93.68 | NAFA Islamic Active Allocation Plan-VI | 5,262,266 | 4,715,911 |
| 56,171 | 56,171 | | | 5,262,266 | 4,715,911 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

| | Note | 2019 Rupees | 2018 Rupees | | | |
|--|--------------------------------|-----------------------|--|----------------------|-------------------|------------|
| 7 | | | | | | |
| INVESTMENT IN DEBT SECURITIES | | | | | | |
| 7.1 | | | | | | |
| Participants' takaful fund | | | | | | |
| Held-to maturity | | | | | | |
| Sukuk bonds | 7.1.1 | 21,137,973 | 61,792,693 | | | |
| 7.1.1 | | | | | | |
| Participants' takaful fund-sukuk bonds | | | | | | |
| | Face value (Rupees) | Profit payment | Types of security | Maturity date | | |
| | 21,000,000 | Half yearly | Government of Pakistan ijarah sukuk | 30-Jun-2020 | 21,137,973 | 61,792,693 |
| 7.2 | | | | | | |
| Operator's fund | | | | | | |
| Held-to maturity | | | | | | |
| Sukuk bonds | 7.2.1 | - | | | | 20,072,166 |
| 7.2.1 | | | | | | |
| Operator's fund-sukuk bonds | | | | | | |
| | Face value (Rupees) | Profit payment | Types of security | Maturity date | | |
| | 20,000,000 | Half yearly | Government of Pakistan ijarah sukuk | 29-Mar-2019 | - | 20,072,166 |
| 8 | | | | | | |
| INVESTMENT IN TERM DEPOSITS | | | | | | |
| 8.1 | | | | | | |
| Operator's fund | | | | | | |
| Short term deposits | 8.1.1 | 64,000,000 | | | | - |
| 8.1.1 | | | | | | |
| The rate of return on Certificate of Islamic Investment issued by Meezan Bank Limited for the year 11.50% (2018: Nil) per annum. | | | | | | |
| 9 | | | | | | |
| LOAN AND OTHER RECEIVABLES | | | | | | |
| 9.1 | | | | | | |
| Participants' takaful fund -considered good | | | | | | |
| Receivable from related parties | 9.1.1 | - | | | | 353,487 |
| Accrued investment income | | - | | | | 820,801 |
| Security deposits | 9.1.2 | 27,194,948 | | | | 22,900,463 |
| Advance tax | | - | | | | 508,897 |
| Other receivables | | 335,604 | | | | - |
| | | 27,530,552 | | | | 24,583,648 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

9.1.1 Represents amount due from M/s United Track System (Private) Limited, an associated undertaking, amounting to Rs. Nil (2018: Rs.353,487/-)

9.1.2 Security deposit represents earnest money deposited against tenders offered by different parties.

| | Note | 2019 Rupees | 2018 Rupees |
|---|-------|--------------------|--------------------|
| 9.2 Operator's fund -considered good | | | |
| Accrued investment income | | 594,683 | 275,222 |
| Security deposits | | 4,332,199 | 1,209,000 |
| Loan to employees | 9.2.1 | 1,285,852 | 1,313,860 |
| Advance tax | | 847,920 | 118,891 |
| Other receivables | | 1,768,500 | 5,860,642 |
| Wakala fee receivable | | 457,885,229 | 457,349,924 |
| | | 466,714,382 | 466,127,538 |

9.2.1 Unsecured

| | | | |
|----------------|--|------------------|------------------|
| Executives | | 878,687 | 1,114,185 |
| Non-executives | | 407,165 | 199,675 |
| | | 1,285,852 | 1,313,860 |

10 TAKAFUL/RE-TAKAFUL RECEIVABLES

10.1 Participants' takaful fund -unsecured and considered good

| | | | |
|---|--------|--------------------|--------------------|
| Due from takaful contract holders | | 228,496,452 | 270,074,825 |
| Less: provision for impairment of receivables from takaful contract holders | | - | - |
| Due from Takaful/Re-takaful operators | | 158,349,722 | 175,985,255 |
| Less: provision for impairment of receivables from Takaful/Re-takaful | 10.1.1 | (3,031,672) | (3,031,672) |
| | | 383,814,502 | 443,028,408 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

| | Note | 2019 Rupees | 2018 Rupees |
|---|---|-------------------|-------------------|
| 10.1.1 Provision for impairment of receivables from Takaful/ Retakaful | | | |
| Balance at the beginning of the year | | 3,031,672 | - |
| Provision made during the year | | - | 3,031,672 |
| Bad debts recovered during the year | | - | - |
| | | 3,031,672 | 3,031,672 |
| 11 PREPAYMENTS | | | |
| 11.1 Participants' takaful fund | | | |
| Prepaid re-takaful contribution ceded | | 263,204,768 | 245,314,358 |
| 12 CASH & BANK | | | |
| 12.1 Participants' takaful fund | | | |
| Cash at bank | | | |
| -Current accounts | | 4,130,050 | 9,010,284 |
| -Saving accounts | 12.3 | 14,825,126 | 20,212,757 |
| | | 18,955,176 | 29,223,041 |
| 12.2 Operator's fund | | | |
| Cash in hand | | 54,260 | 204,500 |
| Cash at bank | | | |
| -Current accounts | | 13,844,377 | 1,669,140 |
| -Saving accounts | 12.3 | 852,715 | 1,879,981 |
| | | 14,751,352 | 3,753,621 |
| 12.3 | The rate of return on PLS saving accounts maintained at various banks range from 4% to 8% (2018: 1% to 3%) per annum. | | |
| 13 CEDED MONEY | | | |
| Waqf money | 13.1 | 500,000 | 500,000 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

- 13.1** The amount of Rs. 500,000/- has been set apart for Waqf Fund/ Participant Takaful Fund as Waqf money according to the Waqf deed prepared for the purpose of creation of Waqf Fund/ Participant Takaful Fund.

| | Note | 2019 Rupees | 2018 Rupees |
|--------------------------|------|-------------------|----------------|
| 14 STATUTORY FUND | | | |
| Statutory reserves | 14.1 | 50,000,000 | 50,000,000 |

- 14.1** Amount of Rs. 50 million is deposited as statutory reserves to comply with provisions of para 4 of Circular No 8 of 2014 read with section 11(c) of the Takaful Rules, 2012 issued by Securities and Exchange Commission of Pakistan which states that "Every insurer who is interested to commence window takaful business shall transfer an amount of not less than 50 million Rupees to be deposited in a separate bank account for window takaful business duly maintained in a scheduled bank".

14A SURPLUS ON REVALUATION OF FIXED ASSETS

Operator's fund

| | | | |
|--|--|------------------|---|
| Surplus on motor vehicles | | | |
| Balance at beginning of the year | | - | - |
| Add: Revaluation made during the year | | 3,779,443 | - |
| Less: Revaluation made during the year | | - | - |
| Less: Realization of surplus on disposal of motor vehicles | | - | - |
| Total revaluation surplus on vehicles | | 3,779,443 | - |
| Less: | | | |
| Incremental depreciation charged in current year | | - | - |
| Total revaluation surplus at the end of the year | | 3,779,443 | - |

- 14B** The motor vehicles have been revalued by Anderson Consulting (Pvt.) Limited, independent valuer, registered with Pakistan Banks' Association, by using market value basis method on December 31, 2019. Fair values are determined by using observable prices in an active market on arm's length terms. All the revaluation surplus is charged to surplus on revaluation of fixed assets as per requirements of the Companies Act, 2017. Revaluation surplus is carried at the amount after adjustment of incremental depreciation.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

15 STAFF RETIREMENT BENEFITS

The gratuity scheme has been closed by the Company with effect from 30th April 2017 and all the liabilities of the scheme have been discharged / paid by the Fund. There are no Gratuity Fund Assets as at 31.12.2019 after settlements of all Gratuity Benefits. Refer to note 3.14 supra.

| | 2019 Rupees | 2018 Rupees |
|---|--------------------|----------------|
| 16 TAKAFUL / RE-TAKAFUL PAYABLES | | |
| 16.1 Participants' takaful fund | | |
| Takaful / re-takaful operators payables | 39,519,648 | 16,434,230 |
| 16.2 Operator's fund | | |
| Takaful / re-takaful operators payables | - | 20,117,789 |
| 17 OTHER CREDITORS AND ACCRUALS | | |
| 17.1 Participants' takaful fund | | |
| Federal Excise Duty / Sales tax | 3,261,225 | 1,802,466 |
| Federal Takaful Fee | 195,635 | 232,487 |
| Other taxes payable | 2,687,175 | 648,458 |
| Wakala fee payable | 457,885,229 | 457,349,924 |
| Other payables | 642,210 | 22,824,469 |
| | 464,671,474 | 482,857,804 |
| 17.2 Operator's fund | | |
| Commission payable | - | 6,339,491 |
| Provident fund contribution | - | 362,334 |
| Auditors' remuneration | 850,000 | 850,000 |
| Other taxes payable | 1,144,399 | 1,990,566 |
| | 1,994,399 | 9,542,391 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

| | Note | 2019 Rupees | 2018 Rupees |
|---------------|--|--------------------------|----------------|
| 18 | CONTINGENCY(IES) AND COMMITMENT(S) | | |
| 18.1 | Contingencies | | |
| | There are no contingencies at the statement of financial position date. | | |
| 18.2 | Commitments | | |
| | There are following commitments on statement of financial position date: | | |
| | Future ijarah rentals payable | 18.2.1 14,617,664 | 3,517,304 |
| 18.2.1 | Commitments for rentals under ijarah contracts are as follows: | | |
| | Due within one year | 6,002,278 | 1,347,993 |
| | Due after one year but not later than five year | 8,615,385 | 2,169,311 |
| | | 14,617,664 | 3,517,304 |
| 19 | NET TAKAFUL CONTRIBUTION | | |
| | Written gross contribution | 1,054,540,295 | 1,011,257,959 |
| | Add: provision for unearned contribution- opening | 298,742,552 | 295,890,385 |
| | Less: provision for unearned contribution - closing | (249,852,862) | (298,742,552) |
| | Contribution earned | 1,103,429,985 | 1,008,405,792 |
| | Less: re-takaful contribution ceded | 504,828,721 | 406,657,376 |
| | Add: prepaid re-takaful contribution - opening | 245,314,358 | 169,830,482 |
| | Less: prepaid re-takaful contribution - closing | (263,204,768) | (245,314,358) |
| | Re-takaful expense | 486,938,311 | 331,173,500 |
| | | 616,491,674 | 677,232,292 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

| | Note | 2019 Rupees | 2018 Rupees |
|--|------|--------------------|--------------------|
| 20 NET TAKAFUL CLAIMS | | | |
| Claims Paid | | 558,564,952 | 440,252,103 |
| Add: outstanding claims including IBNR - closing | 20.1 | 183,386,885 | 215,396,440 |
| Less: outstanding claims including IBNR - opening | | (215,396,440) | (116,989,901) |
| Claims expense | | 526,555,397 | 538,658,642 |
| Less: re-takaful and other recoveries received | | 172,333,285 | 149,388,537 |
| Add: re-takaful and other recoveries in respect of outstanding claims - closing | | 132,447,203 | 84,310,177 |
| Less: re-takaful and other recoveries in respect of outstanding claims - opening | | (84,310,177) | (50,883,177) |
| Re-takaful and other recoveries revenue | | 220,470,311 | 182,815,537 |
| | | 306,085,086 | 355,843,105 |

| Accident year | 2016 | 2017 | 2018 | 2019 |
|---------------|------|------|------|------|
|---------------|------|------|------|------|

20.1 Claim development

| | | | | |
|---------------------------------------|---------------|--------------|---------------|---------------|
| Estimate of ultimate claims costs: | | | | |
| At end of accident year | 257,551,293 | 362,538,154 | 623,936,821 | 298,566,772 |
| One year later | 315,462,342 | 147,228,162 | 394,001,756 | - |
| Two years later | 197,662,035 | 49,383,309 | - | - |
| Three years later | - | - | - | - |
| Current estimate of cumulative claims | 197,662,035 | 49,383,309 | 394,001,756 | 298,566,772 |
| Cumulative payments to date | (197,662,035) | (46,307,351) | (366,239,210) | (146,018,391) |

| | | | | |
|--|---|-----------|------------|-------------|
| Liability recognised in the statement of financial position | - | 3,075,958 | 27,762,546 | 152,548,381 |
|--|---|-----------|------------|-------------|

| | 2019 Rupees | 2018 Rupees |
|--|----------------|----------------|
|--|----------------|----------------|

21 NET REBATE ON RETAKAFUL

| | | |
|--|--------------------|-------------------|
| Rebate received or recoverable | 107,309,362 | 82,840,366 |
| Add: unearned re-takaful rebate - opening | 49,266,798 | 35,558,525 |
| Less: unearned re-takaful rebate - closing | (54,966,764) | (49,266,798) |
| Rebate from reinsurers | 101,609,396 | 69,132,093 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

| | 2019 Rupees | 2018 Rupees |
|---|-------------------|-------------------|
| 22 DIRECT EXPENSES | | |
| Depreciation | 11,649,747 | 16,161,709 |
| Annual monitoring fee | 15,640,021 | 22,684,465 |
| Health service charges | 3,393,925 | 7,050,871 |
| Bank charges | 65,750 | 180,127 |
| Legal and professional charges | - | 695,456 |
| Bad and doubtful debts | - | 3,031,672 |
| Other expenses | 4,691,026 | 1,822,690 |
| | 35,440,469 | 51,626,990 |
| 23 INVESTMENT INCOME | | |
| Participants' takaful fund | | |
| Income from equity securities | | |
| Available for sale | | |
| Dividend income on mutual fund | 91,052 | - |
| Dividend income on shares | 402,448 | 2,005,250 |
| Income from debt securities | | |
| Held to maturity | | |
| Return on Government securities | 1,507,807 | 2,886,298 |
| Income from term deposits | | |
| Return on term deposits | 295,890 | 1,054,314 |
| | 2,297,197 | 5,945,862 |
| Net realized gains on investments | | |
| Available for sale financial assets | | |
| -Equity securities | - | (59,559) |
| Realised loss on: | | |
| -Equity securities | - | - |
| -Debt securities | - | - |
| | - | (59,559) |
| Net unrealized gains/(losses) on investments | | |
| Net unrealised gains / (losses) on investments at fair value through profit or loss (held for trading purpose) | - | - |
| Net unrealised gains / (losses) on investments at fair value through profit or loss (designated upon initial recognition) | - | - |
| | - | - |
| Total investment income | 2,297,197 | 5,886,303 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

| | Note | 2019 Rupees | 2018 Rupees |
|---|--|----------------------|-------------------|
| Less: (Provision) / Reversal for impairment in value of available for sale securities | | | |
| -Equity securities | | - | - |
| -Debt securities | | - | - |
| Less: investment related expenses | | - | (82,367) |
| Net investment income | | 2,297,197 | 5,803,936 |
| 24 OTHER INCOME | | | |
| Return on bank balances | | 917,803 | 1,347,257 |
| Liabilities written back | | 142,892 | 1,073,796 |
| Stamp duty | | 1,449,930 | 1,040,819 |
| | | 2,510,625 | 3,461,872 |
| 25 MUDARIB'S FEE | | | |
| Mudarib's share of investment income | 25.1 | 447,730 | 1,450,984 |
| 25.1 | The operator manage the participants' investments as a Mudarib and charge 25% Mudarib's share of net investment income. | | |
| 26 WAKALA FEE | | | |
| Wakala fee | 26.1 | 358,670,476 | 404,353,596 |
| 26.1 | Wakala fee for different segments is calculated at 30% (2018: 40%) in case of fire and marine while 35% (2018: 40%) in case of motor and health & miscellaneous on gross contribution. | | |
| 27 NET COMMISSION AND OTHER ACQUISITION COST | | | |
| Commission paid or payable | | 144,857,864 | 121,603,446 |
| Add: deferred commission expense - opening | | 66,071,456 | 44,263,856 |
| Less: deferred commission expense - closing | | (103,585,065) | (66,071,456) |
| Net commission | | 107,344,255 | 99,795,846 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

| | Note | 2019 Rupees | 2018 Rupees |
|---|------|--------------------|--------------------|
| 28 | | | |
| MANAGEMENT EXPENSES | | | |
| Employee benefit cost | 28.1 | 81,438,685 | 71,940,546 |
| Travelling expenses | | 9,280,938 | 346,602 |
| Advertisements & sales promotion | | - | 1,600,000 |
| Printing and stationery | | 9,281,570 | 6,630,647 |
| Depreciation expense | | 3,593,180 | 2,902,562 |
| Rent, rates and taxes | 28.2 | 13,497,827 | 12,411,883 |
| Electricity, gas and water | | 1,681,203 | 1,260,878 |
| Entertainment | | 1,183,002 | 1,856,076 |
| Vehicle running expenses | | 3,581,792 | 10,028,398 |
| Office repairs and maintenance | | 736,359 | 1,786,758 |
| Bank charges | | 23,800 | 81,870 |
| Postage, telegrams and telephone | | 1,262,549 | 1,204,785 |
| Miscellaneous | | 104,919 | 289,072 |
| | | 125,665,823 | 112,340,077 |
| 28.1 | | | |
| Employee benefit cost | | | |
| Salaries, allowance and other benefits | | 76,803,320 | 67,070,155 |
| Charges for post employment benefit | | 4,635,365 | 4,870,391 |
| | | 81,438,685 | 71,940,546 |
| 28.2 | | | |
| Rent, rates and taxes include rental on car ijarah amounting to Rs.4,987,897/- (2018: 4,674,605/-). | | | |
| 29 | | | |
| OTHER INCOME | | | |
| Return on bank balances | | 260,892 | 208,058 |
| Gain on settlement of post employment benefit | | - | - |
| | | 260,892 | 208,058 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

| | Note | 2019 Rupees | 2018 Rupees |
|---|------|------------------|--------------------|
| 30 | | | |
| INVESTMENT INCOME | | | |
| Operators fund | | | |
| Income from equity securities | | | |
| Available for sale | | | |
| Dividend income on mutual fund | | - | - |
| Dividend income on listed shares | | 1,558,050 | - |
| Income from debt securities | | | |
| Held to maturity | | | |
| Return on Government securities | | 207,017 | 1,048,922 |
| Income from term deposits | | | |
| Return on term deposits | | 3,954,017 | 293,830 |
| | | 5,719,084 | 1,342,752 |
| Net realized gains on investments | | | |
| Available for sale financial assets | | | |
| -Equity securities | | 398,425 | (1,273,543) |
| -Debt securities | | - | - |
| Realised loss on: | | | |
| -Equity securities | | - | - |
| -Debt securities | | - | - |
| | | 398,425 | (1,273,543) |
| Net unrealized gains/(losses) on investments | | | |
| Net unrealised gains/(losses) on investments at fair value through profit or loss (held for trading purpose) | | - | - |
| Net unrealised gains/(losses) on investments at fair value through profit or loss (designated upon initial recognition) | | - | - |
| Total investments income | | 6,117,509 | 69,209 |
| Less: investment related expenses | | (19,993) | (167,780) |
| Net investment Income | | 6,097,516 | (98,571) |
| 31 | | | |
| OTHER EXPENSES | | | |
| Shariah advisor fee | | 1,268,248 | 1,102,704 |
| Annual supervision fee | | 1,770,239 | 776,795 |
| Legal and professional charges | | 400,000 | 196,338 |
| Software charges | | 2,552,000 | 2,171,505 |
| Auditors' remuneration | 31.1 | 1,000,000 | 1,000,000 |
| | | 6,990,487 | 5,247,342 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

| | Note | 2019 Rupees | 2018 Rupees |
|------------------------------------|------|------------------|------------------|
| 31.1 AUDITORS' REMUNERATION | | | |
| Audit fee | | 850,000 | 850,000 |
| Half yearly review | | 150,000 | 150,000 |
| Out-of-pocket expenses | | - | - |
| | | 1,000,000 | 1,000,000 |

32 REMUNERATION OF EXECUTIVES

| Accident year | Chief Executive | | Directors | | Executives | |
|---|-----------------|--------|-----------|--------|-------------------|-------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees |
| Professional fee | - | - | - | - | - | - |
| Managerial remuneration | - | - | - | - | 26,777,402 | 23,310,624 |
| Leave encashment | - | - | - | - | - | - |
| Bonus | - | - | - | - | - | - |
| Ex-gratia allowance | - | - | - | - | - | - |
| Charge for defined benefit plan | - | - | - | - | - | - |
| Contribution to defined contribution plan | - | - | - | - | 2,430,636 | 2,808,468 |
| Rent and house maintenance | - | - | - | - | - | 9,715,443 |
| Utilities | - | - | - | - | - | - |
| Medical | - | - | - | - | 1,846,706 | 2,158,977 |
| Conveyance | - | - | - | - | - | - |
| | - | - | - | - | 31,054,744 | 37,993,512 |
| Number of persons | - | - | - | - | 22 | 30 |

Certain executives are also provided with free use of the Company's maintained car.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

33 RELATED PARTY TRANSACTIONS

Related parties comprise of directors, major shareholders, key management personnel, associated companies, entities with common directors and employee retirement benefit funds. The transactions with related parties are carried out at commercial terms and conditions and compensation to key management personnel is on employment terms. The transactions and balances with related parties other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

| Relation with undertaking | Nature and transaction | 2019 Rupees | 2018 Rupees |
|--------------------------------------|---|-------------------|----------------|
| Balances at year end: | | | |
| Associated undertakings | Receivable/ (payable) at year end | - | (20,537,140) |
| Key management personnel | Loan to key management personnel | 818,687 | 1,114,185 |
| Staff retirement benefits plan | (Payable) to defined benefit plan | - | - |
| | (Payable) to defined contribution plan | - | (362,334) |
| Transactions during the year: | | | |
| Associated undertakings | Motor tracking devices purchased | 2,507,500 | 3,840,500 |
| | Device monitoring charges paid | 15,513,076 | 22,684,465 |
| | Health service charges paid | 3,100,000 | 6,723,521 |
| Key management personnel | Remuneration of key management personnel | 31,054,744 | 37,993,512 |
| Staff retirement benefits plan | Provision for gratuity during the year | - | - |
| | Benefits paid | - | - |
| Employees' provident fund | Employer's contributions made during the period | 4,635,365 | 4,870,391 |
| Provisions for doubtful debts | | - | - |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

34 SEGMENT REPORTING

The operator has four primary business segments for reporting purposes namely fire and property damage, marine aviation and transport, motor, and health & miscellaneous.

Assets and liabilities, wherever possible have been assigned to the following segments based on specific identification or allocated on the basis of contribution written by each segment.

| 2019 | FIRE AND PROPERTY DAMAGE | MARINE AVIATION AND TRANSPORT | MOTOR | HEALTH & MISCELLANEOUS | TREATY | TOTAL |
|--|--------------------------|-------------------------------|--------------------|------------------------|----------|----------------------|
| ----- Rupees ----- | | | | | | |
| Participants' Takaful Fund | | | | | | |
| Gross written contribution (inclusive of admin surcharge) | 134,321,101 | 34,090,854 | 316,555,625 | 569,572,715 | - | 1,054,540,295 |
| Gross direct contribution | 68,127,590 | 23,677,204 | 265,821,059 | 561,859,553 | - | 919,485,406 |
| Facultative inward contribution | 66,176,020 | 10,385,480 | 50,714,729 | 7,654,862 | - | 134,931,091 |
| Administrative surcharge | 17,491 | 28,170 | 19,837 | 58,300 | - | 123,798 |
| Takaful contribution earned | 148,273,906 | 36,274,220 | 332,377,680 | 586,504,179 | - | 1,103,429,985 |
| Takaful contribution ceded to retakaful | (69,248,100) | (18,587,834) | (46,385,988) | (352,716,389) | - | (486,938,311) |
| Net takaful contribution | 79,025,806 | 17,686,386 | 285,991,691 | 233,787,790 | - | 616,491,674 |
| Rebate income | 12,803,112 | 4,523,592 | 9,836,241 | 74,446,451 | - | 101,609,396 |
| Net underwriting income | 91,828,917 | 22,209,979 | 295,827,932 | 308,234,241 | - | 718,101,069 |
| Takaful claims | 10,372,383 | 9,591,115 | 145,062,912 | 361,528,987 | - | 526,555,397 |
| Takaful claims recovered from retakaful | 12,137,871 | 7,674,005 | 43,452,806 | 157,205,629 | - | 220,470,311 |
| Net claims | (1,765,488) | 1,917,110 | 101,610,106 | 204,323,358 | - | 306,085,086 |
| Wakala fee | 40,291,239 | 10,219,121 | 110,788,053 | 197,372,063 | - | 358,670,476 |
| Direct expenses | 4,514,197 | 1,145,709 | 10,638,645 | 19,141,918 | - | 35,440,469 |
| Contribution deficiency expense | - | - | - | 7,248,594 | - | 7,248,594 |
| Net takaful claims and expenses | 43,039,949 | 13,281,940 | 223,036,804 | 428,085,933 | - | 707,444,625 |
| Underwriting results | 48,788,969 | 8,928,039 | 72,791,129 | (119,851,692) | - | 10,656,444 |
| Net investment income | | | | | | 2,297,197 |
| Rental income | | | | | | - |
| Other income | | | | | | 2,510,625 |
| Other expenses | | | | | | - |
| Mudarib's share of investment income | | | | | | (447,730) |
| Result of operating activities-PTF | | | | | | 15,016,536 |
| Operators' Fund Account | | | | | | |
| Wakala fee | 40,291,239 | 10,219,121 | 110,788,053 | 197,372,063 | - | 358,670,476 |
| Net commission and other acquisition costs | (20,388,092) | (6,981,070) | (27,770,257) | (52,204,836) | - | (107,344,255) |
| Management expenses | | | | | | (125,665,823) |
| Other income | | | | | | 260,892 |
| Investment income | | | | | | 6,097,516 |
| Other expenses | | | | | | (6,990,487) |
| Mudarib's share of investment income | | | | | | 447,730 |
| Profit for the year | | | | | | 125,476,048 |
| Segment assets - (PTF) | 126,267,585 | 18,988,050 | 160,100,129 | 474,110,708 | - | 779,466,472 |
| Unallocated assets - (PTF) | | | | | | 158,321,452 |
| Total assets - (PTF) | | | | | | 937,787,924 |
| Segment assets - (OPF) | 129,677,172 | 73,175,678 | 204,570,775 | 154,046,669 | - | 561,470,293 |
| Unallocated assets - (OPF) | | | | | | 146,883,352 |
| Total assets - (OPF) | | | | | | 708,353,645 |
| Segment liabilities - (PTF) | 176,007,445 | 83,214,386 | 323,135,948 | 402,704,824 | - | 985,062,604 |
| Unallocated liabilities - (PTF) | | | | | | 15,259,973 |
| Total liabilities - (PTF) | | | | | | 1,000,322,577 |
| Segment liabilities - (OPF) | - | - | - | - | - | - |
| Unallocated liabilities - (OPF) | | | | | | 1,994,399 |
| Total liabilities - (OPF) | | | | | | 1,994,399 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

34.1 SEGMENT REPORTING

The operator has four primary business segments for reporting purposes namely fire and property damage, marine aviation and transport, motor, and health & miscellaneous.

Assets and liabilities, wherever possible have been assigned to the following segments based on specific identification or allocated on the basis of contribution written by each segment.

| 2018 | FIRE AND PROPERTY DAMAGE | MARINE AVIATION AND TRANSPORT | MOTOR | MISCELLANEOUS & Health | Treaty | TOTAL |
|---|--------------------------------|-------------------------------------|--------------|---------------------------|--------|---------------|
| ----- Rupees ----- | | | | | | |
| Participants' Takaful Fund | | | | | | |
| Gross written contribution (inclusive of admin surcharge) | 127,493,058 | 61,202,269 | 292,212,550 | 530,350,082 | - | 1,011,257,959 |
| Gross direct contribution | 61,274,361 | 50,726,145 | 241,313,285 | 522,638,836 | - | 875,952,627 |
| Facultative inward contribution | 66,176,020 | 10,385,480 | 50,714,729 | 7,654,862 | - | 134,931,091 |
| Administrative surcharge | 42,677 | 90,644 | 184,536 | 56,384 | - | 374,241 |
| Takaful contribution earned | 108,347,125 | 58,050,125 | 304,001,246 | 538,007,296 | - | 1,008,405,792 |
| Takaful contribution ceded to retakaful | (61,671,806) | (29,244,627) | (37,838,822) | (202,418,246) | - | (331,173,500) |
| Net takaful contribution | 46,675,319 | 28,805,498 | 266,162,424 | 335,589,051 | - | 677,232,292 |
| Rebate income | 11,439,255 | 7,030,607 | 7,607,846 | 43,054,385 | - | 69,132,093 |
| Net underwriting income | 58,114,575 | 35,836,104 | 273,770,270 | 378,643,436 | - | 746,364,385 |
| Takaful claims | 88,002,621 | 13,857,329 | 167,072,981 | 269,725,711 | - | 538,658,642 |
| Takaful claims recovered from retakaful | 83,378,321 | 11,651,496 | 12,036,260 | 75,749,460 | - | 182,815,537 |
| Net claims | 4,624,300 | 2,205,833 | 155,036,721 | 193,976,251 | - | 355,843,105 |
| Wakala fee | 50,980,168 | 24,444,618 | 116,811,243 | 212,117,567 | - | 404,353,596 |
| Direct expenses | 6,508,807 | 3,124,513 | 14,918,107 | 27,075,563 | - | 51,626,990 |
| Contribution deficiency expense | - | - | - | 42,890 | - | 42,890 |
| Net takaful claims and expenses | 62,113,275 | 29,774,964 | 286,766,071 | 433,212,271 | - | 811,866,581 |
| Underwriting results | (3,998,700) | 6,061,140 | (12,995,801) | (54,568,835) | - | (65,502,196) |
| Net investment income | | | | | | 5,803,936 |
| Rental income | | | | | | - |
| Other income | | | | | | 3,461,872 |
| Other expenses | | | | | | - |
| Result of operating activities-PTF | | | | | | (57,687,372) |
| Operators' fund account | | | | | | - |
| Wakala fee | 50,980,168 | 24,444,618 | 116,811,243 | 212,117,567 | - | 404,353,596 |
| Net commission and other acqui- sition costs | (16,856,578) | (8,859,996) | (36,976,374) | (37,102,898) | - | (99,795,846) |
| Management expenses | | | | | | (112,340,077) |
| Other income | | | | | | 208,058 |
| Investment income | | | | | | (98,571) |
| Other expenses | | | | | | (5,247,342) |
| Profit for the year | | | | | | 1,450,984 |
| Segment assets - (PTF) | 158,639,963 | 30,571,681 | 96,602,030 | 489,870,941 | - | 775,684,615 |
| Unallocated assets - (PTF) | | | | | | 224,035,021 |
| Total assets - (PTF) | | | | | | 999,719,636 |
| Segment assets - (OPF) | 152,926,381 | 63,905,162 | 150,078,972 | 177,046,080 | - | 543,956,595 |
| Unallocated assets - (OPF) | | | | | | 61,802,086 |
| Total assets - (OPF) | | | | | | 605,758,680 |
| Segment liabilities - (PTF) | 180,978,689 | 151,229,738 | 255,967,790 | 449,013,726 | - | 1,037,189,944 |
| Unallocated liabilities - (PTF) | | | | | | 26,184,230 |
| Total liabilities - (PTF) | | | | | | 1,063,374,174 |
| Segment liabilities - (OPF) | 8,172,731 | 6,485,933 | 7,161,814 | 4,636,802 | - | 26,457,280 |
| Unallocated liabilities - (OPF) | | | | | | 3,202,900 |
| Total liabilities - (OPF) | | | | | | 29,660,180 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

35 MOVEMENT IN INVESTMENTS

| | Held to maturity | Available for sale | Fair value through P&L | Total |
|--|------------------|--------------------|------------------------|---------------|
| At beginning of previous year | 148,125,960 | 35,114,096 | - | 183,240,056 |
| Additions | - | 210,959,568 | - | 210,959,568 |
| Disposals (sale and redemption) | (66,000,000) | (111,438,863) | - | (177,438,863) |
| Fair value net loss (excluding net realised gains) | - | (27,222,556) | - | (27,222,556) |
| Designated at fair value through profit or loss upon initial recognition | - | - | - | - |
| Classified as held for trading | - | - | - | - |
| Impairment losses | (261,101) | - | - | (261,101) |
| At beginning of current year | 81,864,859 | 107,412,246 | - | 189,277,104 |
| Additions | 64,000,000 | 4,627,079 | - | 68,627,079 |
| Disposals (sale and redemption) | (60,628,015) | - | - | (60,628,015) |
| Fair value net loss (excluding net realised gains) | - | (12,891,398) | - | (12,891,398) |
| Designated at fair value through profit or loss upon initial recognition | - | - | - | - |
| Classified as held for trading | - | - | - | - |
| Impairment losses | (98,870) | - | - | (98,870) |
| At end of current year | 85,137,973 | 99,147,927 | - | 184,285,900 |

36 MANAGEMENT OF TAKAFUL RISK AND FINANCIAL RISK

36.1 Risk management framework

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

36.2 Takaful risks

36.2.1 Takaful risk

The operator accepts the takaful risk through its takaful contracts where it assumes the risk of loss from persons or organizations that are directly subject to the underlying loss. The operator is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.

The operator manages its risk via its underwriting and retakaful strategy within an overall risk management framework. Exposures are managed by having documented underwriting limit and criteria. Retakaful is purchased to mitigate the risk of potential loss to the operator. Retakaful policies are written with approved retakaful companies on either a proportional or excess of loss treaty basis.

A concentration of risk may also arise from a single takaful contract issued to particular demographic type of policyholder, within a geographical location or to types of commercial business. The operator minimizes its exposure to significant losses by obtaining retakaful from a number of retakaful companies who are dispersed over several geographical regions.

Further, the operator 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 takaful risk.

Geographical concentration of takaful risk

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

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the commercial/ industrial residential occupation of the takaful companies. 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/ retakaful personnel for their evaluation. Reference is made to the standard construction specifications as laid down by IAP (Takaful Association of Pakistan). For instance, the presence of Perfect Party Walls, Double Fire Proof Iron Doors, physical separation between the buildings within an policy holder'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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

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 punched into the IT system/ application through which a number of MIS reports can be generated to assess the concentration of risk.

36.2.2 Retakaful arrangements

Retakaful arrangements are key components in the global economy as a means of supporting acceptance of risk by takaful organizations. Arrangements are the most effective ways of getting coverage of all types risks, underwritten by the operator. The operator has prestigious retakaful arrangements with the world wide acclaimed retakaful companies.

In compliance of the regulatory requirement, the retakaful agreements are duly submitted with Securities and Exchange Commission of Pakistan (SECP) on an annual basis.

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

| | Maximum sum insured | | Retakaful cover | | Highest net liability | |
|--------------------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|--------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| ----- Rupees ----- | | | | | | |
| Fire and property damage | 1,159,600,358 | 1,067,000,000 | 1,109,600,358 | 785,250,000 | 50,000,000 | 281,750,000 |
| Marine, aviation and transport | 393,912,299 | 678,136,802 | 381,412,299 | 496,102,602 | 12,500,000 | 182,034,200 |
| Motor | 26,913,975 | 26,913,975 | 25,413,975 | 18,685,481 | 1,500,000 | 8,228,494 |
| Health & miscellaneous | 8,392,240,813 | 940,370,000 | 8,342,240,813 | 697,777,500 | 50,000,000 | 242,592,500 |
| | 9,972,667,445 | 2,712,420,777 | 9,858,667,445 | 1,997,815,583 | 114,000,000 | 714,605,194 |

The table below sets out the concentration of takaful contract liabilities by type of contract:

| | Gross liabilities | | Gross assets | | Net liabilities / (assets) | |
|--------------------------------|--------------------|----------------------|--------------------|--------------------|----------------------------|--------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| ----- Rupees ----- | | | | | | |
| Fire and property damage | 176,007,445 | 180,978,689 | 126,267,585 | 158,639,963 | 49,739,860 | 22,338,726 |
| Marine, aviation and transport | 83,214,386 | 151,229,738 | 18,988,050 | 30,571,681 | 64,226,337 | 120,658,057 |
| Motor | 323,135,948 | 255,967,790 | 160,100,129 | 96,602,030 | 163,035,819 | 159,365,759 |
| Health & miscellaneous | 402,704,824 | 449,013,726 | 474,110,708 | 489,870,941 | (71,405,884) | (40,857,215) |
| | 985,062,604 | 1,037,189,944 | 779,466,472 | 775,684,615 | 205,596,131 | 261,505,328 |

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For the year ended December 31, 2019

36.2.3 Uncertainty in the estimation of future claims payment

Claims on general takaful contracts are payable on a claim occurrence basis. The operator is liable for all insured events that occur during the term of the takaful contract.

An estimated amount of the claim is recorded immediately on intimation to the Company. The estimation of the amount is based on the amount notified by the policy holder, management or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims. Incurred But Not Reported (IBNR) claims have 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.

There are several variable factors which affect the amount and timing of recognized claim liabilities. However, the management considers that uncertainty about the amount and timing of claim payments is generally resolved within a year. The operator 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 recognised amounts.

36.2.4 Key assumptions

The principal assumption underlying the liability estimation of IBNR and contribution deficiency reserve is that the operator'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.

36.2.5 Sensitivity analysis

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

As the operator enters into short term takaful contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on profit of PTF net of retakaful.

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For the year ended December 31, 2019

| | Profit | | Participants' takaful fund | |
|--------------------------------|---------------------|---------------------|----------------------------|---------------------|
| | 2019 | 2018 | 2019 | 2018 |
| | ----- Rupees ----- | | | |
| 10% increase in loss | | | | |
| Net | | | | |
| Fire and property damage | 176,549 | (462,430) | 176,549 | (462,430) |
| Marine, aviation and transport | (191,711) | (220,583) | (191,711) | (220,583) |
| Motor | (10,161,011) | (15,503,672) | (10,161,011) | (15,503,672) |
| Health & Miscellaneous | (20,432,336) | (19,397,625) | (20,432,336) | (19,397,625) |
| | (30,608,509) | (35,584,310) | (30,608,509) | (35,584,310) |

| | Profit | | Participants' takaful fund | |
|--------------------------------|--------------------|-------------------|----------------------------|-------------------|
| | 2019 | 2018 | 2019 | 2018 |
| | ----- Rupees ----- | | | |
| 10% decrease in loss | | | | |
| Net | | | | |
| Fire and property damage | (176,549) | 462,430 | (176,549) | 462,430 |
| Marine, aviation and transport | 191,711 | 220,583 | 191,711 | 220,583 |
| Motor | 10,161,011 | 15,503,672 | 10,161,011 | 15,503,672 |
| Health & miscellaneous | 20,432,336 | 19,397,625 | 20,432,336 | 19,397,625 |
| | 30,608,509 | 35,584,310 | 30,608,509 | 35,584,310 |

36.3 Financial risk

36.3.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market variables such as interest rates, foreign exchange rates and market prices.

a) Interest / mark up rate risk

Interest/ mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest/ mark-up rates. Sensitivity to interest/ mark-up rate risk arises from mismatches of financial assets and liabilities that mature or reprice in a given period. The operator manages this mismatch through risk management strategies where significant changes in gap position can be adjusted. The short term borrowing arrangements have variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR) as indicated in respective notes.

At the statement of financial position date, the interest rate profile of the operator's significant interest bearing financial instruments was as follows:

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For the year ended December 31, 2019

Sensitivity analysis

The operator does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate will not affect fair value of any financial instrument. For cash flow sensitivity analysis of variable rate instruments a hypothetical change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) profit for the year by the amounts shown below.

| | Increase / (decrease) in basis points | Effect on profit | Effect on fund |
|---|--|---------------------|-------------------|
| -----Rupees----- | | | |
| As at December 31, 2019 | | | |
| Cash flow sensitivity - variable rate financial liabilities | 100 | - | - |
| | (100) | - | - |
| Cash flow sensitivity - variable rate financial assets | 100 | 1,188,445 | 1,188,445 |
| | (100) | (1,188,445) | (1,188,445) |
| As at December 31, 2018 | | | |
| Cash flow sensitivity - variable rate financial liabilities | 100 | - | - |
| | (100) | - | - |
| Cash flow sensitivity - variable rate financial assets | 100 | 1,148,415 | 1,148,415 |
| | (100) | (1,148,415) | (1,148,415) |

b) Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or liability will fluctuate due to changes in foreign currency rates. Foreign exchange risk arises mainly where receivables and payables exists due to transactions in foreign currencies. As of the statement of financial position date, the operator does not have material assets or liabilities which are exposed to foreign currency risk except for amount due from and due to retakaful companies.

36.3.2 Liquidity risk

Liquidity risk is the risk that the operator will encounter difficulty in meeting obligations associated with its financial liabilities. To guard against the risk, the operator maintains balance of cash and other equivalents and readily marketable securities. The maturity profile of assets and liabilities are also monitored to ensure adequate liquidity is maintained. All financial liabilities of the operator are short term in nature.

Liquidity risk is the risk that the operator may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

On the statement of financial position date the operator has cash and bank balance of Rs. 14,751,352 (2018: Rs. 3,753,621 /-).

The table below analysis the operator's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date on an undiscounted cash flow basis.

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For the year ended December 31, 2019

| FINANCIAL ASSETS AND LIABILITIES | 2019 | | | | | | Total |
|---|--|--------------------------|--------------------------------------|--------------------------|--------------------|--|----------------------|
| | Effective yield/mark-up rate per annum | Interest/mark-up bearing | | | Sub total | Non interest/mark-up bearing financial instruments | |
| | | Maturity up to one year | Maturity over one year to five years | Maturity over five years | | | |
| | % | Rupees | | | | | |
| Financial assets | | | | | | | |
| Cash and bank deposits | 2 to 3 | 33,706,528 | - | - | 33,706,528 | - | 33,706,528 |
| Investments | 4 to 8 | 64,000,000 | 21,137,973 | - | 85,137,973 | 99,147,927 | 184,285,900 |
| Loans and others receivables | | - | - | - | - | 494,244,934 | 494,244,934 |
| Takaful / Re-takaful receivables | | - | - | - | - | 383,814,502 | 383,814,502 |
| Retakaful recoveries against outstanding claims | | - | - | - | - | 132,447,203 | 132,447,203 |
| | | 97,706,528 | 21,137,973 | - | 118,844,501 | 1,109,654,565 | 1,228,499,066 |
| Financial liabilities | | | | | | | |
| Provision for outstanding claims (including IBNR) | | - | - | - | - | 183,386,885 | 183,386,885 |
| Takaful / Re-takaful payables | | - | - | - | - | 39,519,648 | 39,519,648 |
| Other creditors and accruals | | - | - | - | - | 466,665,873 | 466,665,873 |
| | | - | - | - | - | 689,572,406 | 689,572,406 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

| FINANCIAL ASSETS AND LIABILITIES | 2018 | | | | | | Total |
|---|--|--------------------------|--------------------------------------|--------------------------|-------------|--|---------------|
| | Effective yield/mark-up rate per annum % | Interest/mark-up bearing | | | Sub total | Non interest/mark-up bearing financial instruments | |
| | | Maturity up to one year | Maturity over one year to five years | Maturity over five years | | | |
| | ----- Rupees ----- | | | | | | |
| Financial assets | | | | | | | |
| Cash and bank deposits | 2 to 3 | 32,976,662 | - | - | 32,976,662 | - | 32,976,662 |
| Investments - restated | 4 to 8 | 60,412,166 | 21,452,693 | - | 81,864,859 | 107,412,246 | 189,277,105 |
| Loans and others receivables | | - | - | - | - | 490,711,186 | 490,711,186 |
| Takaful / Re-takaful receivables | | - | - | - | - | 443,028,408 | 443,028,408 |
| Retakaful recoveries against outstanding claims | | - | - | - | - | 84,310,177 | 84,310,177 |
| | | 93,388,828 | 21,452,693 | - | 114,841,521 | 1,125,462,018 | 1,240,303,539 |
| Financial liabilities | | | | | | | |
| Provision for outstanding claims (including IBNR) | | - | - | - | - | 215,396,440 | 215,396,440 |
| Takaful / Re-takaful payables | | - | - | - | - | 36,552,019 | 36,552,019 |
| Other creditors and accruals | | - | - | - | - | 492,400,195 | 492,400,195 |
| | | - | - | - | - | 744,348,654 | 744,348,654 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

| | 2019 | | | |
|---|--------------------|------------------------|--------------------|--------------------|
| | Carrying amount | Contractual cash flows | Up to one year | More than one year |
| -----Rupees----- | | | | |
| Financial liabilities | | | | |
| Provision for outstanding claims (including IBNR) | 183,386,885 | 183,386,885 | 183,386,885 | - |
| Amounts due to other takaful/retakaful | 39,519,648 | 39,519,648 | 39,519,648 | - |
| Other creditors and accruals | 466,665,873 | 466,665,873 | 466,665,873 | - |
| | 689,572,406 | 689,572,406 | 689,572,406 | - |

| | 2018 | | | |
|---|--------------------|------------------------|--------------------|--------------------|
| | Carrying amount | Contractual cash flows | Up to one year | More than one year |
| -----Rupees----- | | | | |
| Financial liabilities | | | | |
| Provision for outstanding claims (including IBNR) | 215,396,440 | 215,396,440 | 215,396,440 | - |
| Amounts due to other takaful/retakaful | 36,552,018 | 36,552,018 | 36,552,018 | - |
| Other creditors and accruals | 492,400,195 | 492,400,195 | 492,400,195 | - |
| | 744,348,653 | 744,348,653 | 744,348,653 | - |

36.3.3 Credit risk and concentration of credit risk

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

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

| | 2019 | 2018 |
|---|----------------------|----------------------|
| | Rupees | Rupees |
| Investments | 184,285,900 | 189,277,105 |
| Loans and others receivables | 494,244,934 | 490,711,186 |
| Takaful / Re-takaful receivables | 383,814,502 | 443,028,408 |
| Retakaful recoveries against outstanding claims | 132,447,203 | 84,310,177 |
| Cash & bank | 33,706,528 | 32,976,662 |
| | 1,228,499,066 | 1,240,303,539 |

The operator did not hold any collateral against the above during the year. General provision is made, whenever necessary for receivables according to the operator's policy. The impairment provision is written off when the operator expects that it cannot recover the balance due.

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

| | Ratings | | Ratings Agency | 2019 | 2018 |
|--|------------|-----------|----------------|-------------------|-------------------|
| | Short term | Long term | | Rupees | Rupees |
| Meezan Bank Limited | A-1+ | AA+ | JCR-VIS | 4,620,085 | 9,509,331 |
| Summit Bank Limited | A-1 | A- | JCR-VIS | 409,956 | 64,356 |
| Askari Bank Limited | A1+ | AA+ | PACRA | 2,252,648 | 1,623,264 |
| Habib Bank Limited | A-1+ | AAA | JCR-VIS | 226,292 | 1,426,277 |
| Allied Bank Limited | A1+ | AAA | PACRA | 12,736 | 12,736 |
| United Bank Limited | A-1+ | AAA | JCR-VIS | 664,597 | 470,479 |
| Bank Al-Habib Limited | A1+ | AA+ | PACRA | 102,512 | 21,266 |
| Bank Islami Limited | A1 | A+ | PACRA | 2,055,339 | 755,947 |
| Bank of Khyber Limited | A1 | A | PACRA | 854,239 | 35,052 |
| Albaraka Bank Limited | A1 | A | PACRA | 273,785 | 50,323 |
| National Bank of Pakistan | A1+ | AAA | PACRA | 639,281 | 4,914,794 |
| Dubai Islamic Bank Pakistan Limited | A-1+ | AA | JCR-VIS | 2,719,434 | 60,500 |
| MCB Islamic Bank Limited | A1+ | AAA | PACRA | 18,670,971 | 13,827,837 |
| Faysal Bank Limited | A1+ | AA | PACRA | 150,392 | - |
| | | | | 33,652,268 | 32,772,162 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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The age analysis of contributions due but unpaid and amount due from other takaful/ retakaful is as follows:

| | 2019 | 2018 |
|--------------|--------------------|--------------------|
| | Rupees | Rupees |
| Up to 1 year | 360,785,631 | 426,947,088 |
| 1-2 years | 23,028,870 | 16,081,320 |
| | 383,814,502 | 443,028,408 |

Re-takaful risk

Retakaful ceded does not relieve the operator from its obligation towards policy holders and, as a result, the operator remains liable for the portion of outstanding claims reinsured to the extent that retakaful Operator fails to meet the obligation under the retakaful agreement.

To minimize its exposure to significant losses from retakaful companies' insolvencies, the operator obtains retakaful companies' ratings who are dispersed over several geographical regions.

The credit quality of amount due from other takaful companies and retakaful companies can be assessed with reference to external credit ratings as follows:

| | Amount due from other takaful / re-takaful | Re-takaful recoveries against outstanding claims | Other re-takaful assets | 2019 | 2018 |
|-----------------------------|--|--|-------------------------|--------------------|--------------------|
| -----Rupees----- | | | | | |
| A or above (including PRCL) | 158,349,722 | 132,447,203 | 263,204,768 | 554,001,692 | 505,609,790 |
| Total | 158,349,722 | 132,447,203 | 263,204,768 | 554,001,692 | 505,609,790 |

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36.4 Fund management

The operator's objectives when managing capital or to safeguard operator's ability to continue as going concern in order to provide returns for operator or participants and to offer benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the amount of return paid to operators or to participants may be adjusted.

36.5 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Company uses market observable data to the extent possible. If the fair value of an asset or liability is not directly observable, it is estimated by the company using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Inputs used are consistent with the characteristics of the asset/liability that market participants would take into account.

Fair values are categorized into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- 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 or indirectly.
- 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).
- Transfers between levels of the fair value hierarchy are recognized by the Company at the end of the reporting period during which the change occurred.

| | Carrying amount | | | | Total | Fair value | | | Total |
|---|-----------------|-----------------------|---------------------------|-----------------------------|---------------|-------------|---------|---------|-------------|
| | Investments | Loans and receivables | Cash and cash equivalents | Other financial liabilities | | Level 1 | Level 2 | Level 3 | |
| ----- Rupees ----- | | | | | | | | | |
| 31 December 2019 | | | | | | | | | |
| Financial assets - not measured at fair value | | | | | | | | | |
| Cash in hand* | - | - | 54,260 | - | 54,260 | - | - | - | - |
| Cash at bank* | - | - | 33,652,268 | - | 33,652,268 | - | - | - | - |
| Term deposits maturing within 12 months* | - | - | 64,000,000 | - | 64,000,000 | - | - | - | - |
| Term deposits maturing after 12 months* | - | - | 4,332,199 | - | 4,332,199 | - | - | - | - |
| Investments | | | | | | | | | |
| - Equity securities | 123,830,508 | - | - | - | 123,830,508 | 84,326,327 | - | - | 84,326,327 |
| - Mutual fund certificates | 15,431,373 | - | - | - | 15,431,373 | 14,821,600 | - | - | 14,821,600 |
| - Sukuk bonds | 21,137,973 | - | - | - | 21,137,973 | 21,137,973 | - | - | 21,137,973 |
| Loans to employees* | - | 1,285,852 | - | - | 1,285,852 | - | - | - | - |
| Due from takaful contract holders* | - | 228,496,452 | - | - | 228,496,452 | - | - | - | - |
| Due from other takaful / re-takaful* | - | 155,318,050 | - | - | 155,318,050 | - | - | - | - |
| Accrued investment income* | - | 594,683 | - | - | 594,683 | - | - | - | - |
| Reinsurance recoveries against outstanding claims* | - | 132,447,203 | - | - | 132,447,203 | - | - | - | - |
| Wakala fee receivables* | - | 457,885,229 | - | - | 457,885,229 | - | - | - | - |
| Sundry receivables* | - | 2,952,024 | - | - | 2,952,024 | - | - | - | - |
| | 160,399,854 | 978,979,492 | 102,038,727 | - | 1,241,418,072 | 120,285,900 | - | - | 120,285,900 |
| Financial liabilities - not measured at fair value | | | | | | | | | |
| Outstanding claims including IBNR* | - | - | 183,386,885 | 183,386,885 | - | - | - | - | - |
| Takaful/Re-takaful payables* | - | - | 39,519,648 | 39,519,648 | - | - | - | - | - |
| Accrued expenses* | - | - | 850,000 | 850,000 | - | - | - | - | - |
| Wakala fee payable* | - | - | 457,885,229 | 457,885,229 | - | - | - | - | - |
| Other creditors and accruals* | - | - | 7,930,644 | 7,930,644 | - | - | - | - | - |
| | - | - | 689,572,406 | 689,572,406 | - | - | - | - | - |

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

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| | Carrying amount | | | | Total | Fair value | | | Total |
|--|-----------------|-----------------------|---------------------------|-----------------------------|---------------|-------------|---------|---------|-------------|
| | Investments | Loans and receivables | Cash and cash equivalents | Other financial liabilities | | Level 1 | Level 2 | Level 3 | |
| ----- Rupees ----- | | | | | | | | | |
| 31 December 2018 | | | | | | | | | |
| Financial assets - not measured at fair value | | | | | | | | | |
| Cash in hand* | - | - | 204,500 | - | 204,500 | - | - | - | - |
| Cash at bank* | - | - | 32,772,162 | - | 32,772,162 | - | - | - | - |
| Term deposits maturing within 12 months* | - | - | 22,900,463 | - | 22,900,463 | - | - | - | - |
| Term deposits maturing after 12 months* | - | - | 1,209,000 | - | 1,209,000 | - | - | - | - |
| Investments | | | | | | | | | |
| - Equity securities | 121,774,268 | - | - | - | 121,774,268 | 96,614,953 | - | - | 96,614,953 |
| - Mutual fund certificates | 12,860,534 | - | - | - | 12,860,534 | 12,860,534 | - | - | 12,860,534 |
| - Sukuk bonds | 81,000,000 | - | - | - | 81,000,000 | 81,864,859 | - | - | 81,864,859 |
| Loans to employees* | - | 1,313,860 | - | - | 1,313,860 | - | - | - | - |
| Due from takaful contract holders* | - | 270,074,825 | - | - | 270,074,825 | - | - | - | - |
| Due from other takaful/ Re-takaful* | - | 172,953,583 | - | - | 172,953,583 | - | - | - | - |
| Accrued investment income* | - | 1,096,023 | - | - | 1,096,023 | - | - | - | - |
| Reinsurance recoveries against outstanding claims* | - | 84,310,177 | - | - | 84,310,177 | - | - | - | - |
| Wakala fee receivables* | - | 457,349,924 | - | - | 457,349,924 | - | - | - | - |
| Sundry receivables* | - | 6,841,917 | - | - | 6,841,917 | - | - | - | - |
| | 219,499,661 | 993,940,309 | 57,086,125 | - | 1,270,526,095 | 191,340,346 | - | - | 191,340,346 |
| Financial liabilities - not measured at fair value | | | | | | | | | |
| Outstanding claims including IBNR* | - | - | - | 215,396,440 | 215,396,440 | - | - | - | - |
| Takaful/Re-takaful payables* | - | - | - | 36,552,019 | 36,552,019 | - | - | - | - |
| Accrued expenses* | - | - | - | 1,212,334 | 1,212,334 | - | - | - | - |
| Wakala fee payable* | - | - | - | 457,349,924 | 457,349,924 | - | - | - | - |
| Other creditors and accruals* | - | - | - | 33,837,937 | 33,837,937 | - | - | - | - |
| | - | - | - | 744,348,654 | 744,348,654 | - | - | - | - |

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

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| | | 2019 Rupees |
|-----------|---|--------------------|
| 37 | STATEMENT OF SOLVENCY | |
| | Assets | |
| | Property and equipment | 24,499,629 |
| | Investments | |
| | Equity securities | 66,198,121 |
| | Debt securities | 21,137,973 |
| | Term deposits | - |
| | Loans and others receivables | 27,530,552 |
| | Takaful/Re-takaful receivables | 383,814,502 |
| | Retakaful recoveries against outstanding claims | 132,447,203 |
| | Prepayments | 263,204,768 |
| | Cash & bank | 18,955,176 |
| | Total assets (A) | 937,787,924 |
| | In-admissible assets as per following clauses of section 32(2) of the Insurance Ordinance, 2000 | |
| | (h) Takaful/Re-takaful receivables | 216,912,761 |
| | (q) Equity securities | - |
| | (u) Property and equipment | 24,499,629 |
| | (v) Security deposits | - |
| | Total of inadmissible assets (B) | 241,412,390 |
| | Total admissible assets (C=A-B) | 696,375,534 |
| | Total liabilities | |
| | Underwriting provisions | |
| | Provision for outstanding claims (including IBNR) | 183,386,885 |
| | Contribution deficiency reserve | 7,924,944 |
| | Reserve for unearned contribution | 249,852,862 |
| | Reserve for unearned retakaful rebate | 54,966,764 |
| | Takaful/Re-takaful payables | 39,519,648 |
| | Other creditors and accruals | 6,786,245 |
| | Total liabilities (D) | 542,437,349 |
| | Total net admissible assets (E=C-D) | 153,938,186 |

Minimum solvency requirement (higher of following)

As per requirement of section 10(k) of the Takaful Rules, 2012. An Operator shall ensure that in case of General takaful each participant takaful fund, at all times, has admissible assets in excess of its liabilities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

38 CORRESPONDING FIGURES

Comparative figures have been rearranged and reclassified, wherever necessary, to facilitate comparisons. No significant reclassifications were made during the current year.

39 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on March 21, 2020 by the Board of Directors of the Company.

40 GENERAL

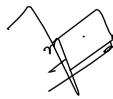
The figures in the financial statements have been rounded off to the nearest rupees.



Muhammed Rahat Sadiq
Chief Executive Officer



Huma Waheed
Director



Maqbool Ahmad
Chief Financial Officer



Khawas Khan Niazi
Director / President



Javid Sadiq
Chairman

ANNUAL GENERAL MEETING

NOTICE is hereby given that the 60th Annual General Meeting of THE UNITED INSURANCE COMPANY OF PAKISTAN LIMITED will be held on Monday the April 27, 2020 at 10:00 a.m. at the Registered Office of the Company situated at Room No. 204, Madina City Mall, Abdullah Haroon Road, Karachi, to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the 59th Annual General Meeting of the Company held on March 29, 2019.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended December 31, 2019 together with the Directors' and Auditors' reports thereon.
3. To appoint Auditors and fix their remuneration for the year ending December 31, 2020. The present Auditors M/s. Ilyas Saeed & Co., Chartered Accountants, retires and being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS:

4. (a) To ratify and approve transactions conducted with Related Parties for the year ended December 31, 2019 by passing the following special resolution with or without modification:

Resolved that the transactions conducted with Related Parties as disclosed in the note 33 & 36 of conventional and takaful operations during the year ended be and are hereby ratified, approved and confirmed.

(b) To authorize the Board of Directors of the Company to approve transactions with Related Parties for the financial year ending December 31, 2020 by passing the following special resolution with or without modification:

Resolved that the Board of

Directors of the Company be and is hereby authorized to approve the transactions to be conducted with Related Parties on case to case basis for the financial year ending December 31, 2020.

Further Resolved that these transactions by the Board shall be deemed to have been approved by the shareholders and shall be placed before the shareholders in the next Annual General Meeting for their formal ratification/approval.

5. 5] To consider and approve issue of Bonus Shares in the ratio of 13.4172 shares for every 100 shares held i.e. 13.4172% as recommended by the Board of Directors and, if considered appropriate, to pass with or without modification(s) the following resolutions:

Resolved that a sum of Rs. 348,983,180/- out of the profits available for appropriation as at December 31, 2019 be capitalized and adopted to the issue of ordinary shares of Rs.10 each allotted as fully paid Bonus Shares (B-25) @ 13.4172% in the proportion of 13.4172 share for every 100 shares held by Company's members whose names appear on the register of members as at close of business on 20-04-2020 and that the Bonus shares shall rank pari passu in all respects with the existing shares.

Further Resolved that in the event of any member becoming entitled to a fraction of bonus shares the Directors be and are

ANNUAL GENERAL MEETING

hereby authorized to consolidate all such fraction share(s) so constituted on the stock market and to pay the proceed of the sale when realized to a recognized charitable institution as may be selected by the Directors of the Company.

Further Resolved that the Company Secretary be and is hereby authorized and empowered to give effect to these resolutions and to do or cause to be done all acts, deeds and things that may be necessary or required for issue, allotment and distribution of Bonus Shares.

6. To consider and if deemed fit, to pass the following Special Resolution under section 199 of the Companies Act, 2017 with or without modification(s), additional(s) or deletion(s) as recommended by the Director:-

Resolved that in pursuant of the requirement of Section 199 of the Companies Act, 2017 (the "Act"). The United Insurance Company of Pakistan Limited be and is hereby authorized to enhance investment in Apna Microfinance Bank Limited upto Rs. 500,000,000/- (Rupees Five Hundred Million Only) by way of equity investment to deposit as shares money in the bank.

Further Resolved that subsequent to the above said investment, Management of the Company be and is hereby empowered and authorized to purchase Right/Renunciation Shares offered on the basis of Company's equity investment as deposit share money in Apna Microfinance Bank Limited upto Rs. 500,000,000/- (Rupees Five Hundred Million Only).

7. To consider and approve the remuneration of the Executive Directors (including Chief Executive Officer) and fee to the non-executive/independent Directors for attending the Board and its Committee(s) meetings.

Resolved that the approval be and is hereby granted to pay remuneration, perquisite and other fringe benefits to the Chief Executive Officer, Executive Director(s) and Fee to the Non-executive/Independent Directors, in addition to boarding, lodging and travelling expenses on actual basis as per Company Policy.

8. To transact any other business may be brought forward with the permission of the Chair.

A Statement of material facts under section 134(3) of the Companies Act, 2017, pertaining to the special business contained in Agenda Item 4, 5, 6 & 7 is annexed to this Notice of Meeting.

By order of the Board

Date : April 03, 2020
Karachi

(Athar A. Khan)
Company Secretary

NOTES:

Closure of Share Transfer Books

The Register of Members and the Share Transfer Books of the Company shall remain closed from 21-04-2020 to 27-04-2020 (both days inclusive). Transfers received at Company's Share Registrar M/s. F.D. Registrar Services (SMC-Pvt.) Limited, Office # 1705, 17th Floor, Saima Trade Tower – A, I. I. Chundrigar Road, Karachi by the close of business on 20-04-2020,

will be treated in time for the purpose of determine entitlement to the Bonus Shares and to attending the meeting.

Participation in General Meeting

An individual beneficial owner of shares must bring his/her original CNIC or Passport, Account and Participant's I.D. numbers to prove his/her identity. A representative of corporate members, must bring the Board of Directors' Resolution and/or Power of Attorney and the specimen signature of the nominee. CDC account holders will further have to follow the guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A member entitled to attend and vote may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received at the Company's Registered Office, Room # 204, Madina City Mall, Abdullah Haroon Road, Karachi not later than 48 hours before the time of holding the Meeting and no account shall be taken of any part of the day that is not a working day. A member shall not be entitled to appoint more than one proxy.

In light of the direction from the Securities & Exchange Commission of Pakistan (SECP) vide circular # 5 of 2020, dated March 17, 2020 regarding "Coronavirus contingency Planning for Annual General Meeting of the Shareholders" all Shareholders may send their comments/suggestions as per AGM agenda through email accordingly. In this respect all Shareholders are requested to register their particulars (i.e. Folio No. / Name / CNIC No. / Mobile No.

Notice of the 60th ANNUAL GENERAL MEETING

/ Email address) to the company secretary 3 days before the AGM on email address uicagmregistration@theunitedinsurance.com

Shareholders comments/suggestions for the proposed agenda of the AGM to be discussed in the meeting and made part of the minutes of the meeting.

Shareholders are requested to consolidate their attendance at AGM into few peoples as possible through proxies.

Deposit of Physical Shares in to CDC Account:

As per Section 72 of the Companies Act, 2017 every existing listed company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the Commission, within a period not exceeding four years from the commencement of this Act, i.e., May 31, 2017.

The Shareholders having physical shareholding are encouraged to open CDC sub - account with any of the brokers or Investor Account directly with CDC to place their physical shares into scrip less form, this will facilitate them in many ways, including safe custody and sale of shares, any time they want, as the trading of physical shares is not permitted as per existing regulations of the Pakistan Stock Exchange.

Transmission of Annual Financial Statements through Email

The Securities and Exchange Commission of Pakistan (SECP) through its Notification S.R.O. 787(1)/2014 dated 8th September 2014 has permitted companies to circulate Audited Financial Statements along

with Notice of Annual General Meeting to its members through e-mail. Accordingly, members are hereby requested to convey their consent and e-mail address for receiving Audited Financial Statements and Notice through e-mail. In order to avail this facility a Standard Request Form is available at the Company's website www.theunitedinsurance.com, to be sent along with copy of his/her/ its CNIC/Passport to the Company's Share Registrar.

Please note that giving email address for receiving of Annual Financial Statements instead of receiving the same by post is optional, in case you do not wish to avail this facility please ignore this notice.

Placement of Financial Accounts on Website

Pursuant to the notification of the SECP (SRO 1196(I)/2019) dated October 3, 2019, the financial statement of the Company have been placed on the Company's website at www.theunitedinsurance.com.

Unclaimed Dividend/Shares

As per the provision of Section 244 of the Companies Act 2017, any shares issued or dividend declared by the Company which have remained unclaimed/unpaid for a period of three years from the date on which it was due and payable are required to be deposited with the Commission for the credit of Federal Government after issuance of notice to the shareholders to file their claim. The details of the shares issued and dividend declared by the Company which has remained due for more than three years was sent to shareholders. Shareholders are requested to ensure that their claims for unclaimed dividend and

shares are lodged timely. In case, no claim is lodged with the Company in the given time, the Company shall after publication a notice in newspaper proceed to deposit the unclaimed/ unpaid amount and shares with the Federal Government pursuant to the provision of Section 244(2) of the Companies Act 2017.

Change of Address (if any)

Shareholders are requested to immediately notify change in address, if any to the Company's Share Registrar, at the following address:

M/s. F.D. Registrar Services (Pvt.) Limited,

Office # 1705, 17th Floor, Saima Trade Tower – A, I.I. Chundrigar Road, Karachi – 74000.

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

The statement sets out material facts concerning "Special Business" to be transacted at the Annual General Meeting of the Company to be held on April 27, 2020. The approval of the Members of the Company will be sought for:

Item No. 4 (a) Related Party Transactions

The transactions carried out in normal course of business with associated companies (Related parties) were being approved by the Board as recommended by the Audit Committee on quarterly basis pursuant to clause 15 of the Listed Companies (Code of Corporate Governance) Regulations, 2019.

The transactions conducted during the financial year ended December 31, 2019 with associated companies as shown in relevant notes of the

ANNUAL GENERAL MEETING

Audited Financial Statements are being placed before the shareholders for their consideration and approval/ratification. The Directors are interested in the resolution only to the extent of their common directorships in such related parties.

Item No. 4 (b) Authorization for the Board of Directors to approve the related party transactions during the year ending December 31, 2020

The Company shall be conducting transactions with its related parties during the year ending December 31, 2020 on an arm's length basis as per the approved policy with respect to 'transactions with related parties' in the normal course of business. The majority of Directors are interested in these transactions due to their common directorship in the holding/associated companies. In order to promote transparent business practices, the shareholders desire to authorize the Board of Directors to approve transactions with the related parties from time-to-time on case to case basis for the year ending December 31, 2020, which transactions shall be deemed to be approved by the Shareholders. The nature and scope of such related party transactions is explained above. These transactions shall be placed before the shareholders in the next AGM for their formal approval/ratification.

The Directors are interested in the resolution only to the extent of their common directorships in such related parties.

Item No. 5 – Issue of Bonus Shares

Bonus issue will be governed by rules and regulations. The Directors being satisfied with the reserves and profits

of the Company as at December 31, 2019 have recommended as issue of Bonus Shares. The Directors have no interest directly or indirectly, except that they are Directors of the Company.

Item No. 6 – Equity Investment in Apna Microfinance Bank Limited

The Company has disclosed following information in the statement annexed

to the notice, pursuant to subsection (3) of sections 134 of the Companies Act, 2017 of general meeting called for considering investment decision under section 199 of the Act:-

Regulation No 3(1) (a) Disclosure for all types of investment:

Disclosure regarding associated company

A. Regarding Association Company or Association Undertakings

| | | |
|-------|---|--|
| (i) | Name of Associated Company | Apna Microfinance Bank Limited |
| (ii) | Basis of Relationship | Associated Company |
| (iii) | Earnings/(Loss) per share for the last three years | Year ended December, 2017 0.35 Year ended December, 2018 0.30 Year ended December, 2019 0.17 |
| (iv) | Break-up value per share, based on latest financial statement | Break-up value per share on the basis of latest financial statement as at December 31, 2019 is Rs.10/- per share |
| (v) | Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statement | As per financial statements for the year ended December 31, 2019: Total Assets Rs.20,543/- Million Total Liabilities Rs.1.874/- Million Revenue Rs.2.899/-Million Profit after tax Rs. 53.525/-Million |
| (vi) | In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely | Not Applicable |
| | i. Description of the project and its history since conceptualization | Not Applicable |
| | ii. Starting date and expected date of completion of work | Not Applicable |
| | iii. Time by which such project shall become commercially operational | Not Applicable |
| | iv. Expected time which the project shall paying return on investment | Not Applicable |
| | v. Funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amount | Not Applicable |

B. General Disclosures:

| | | |
|------|---|---|
| (i) | Maximum amount of investment to be made | Rs. 500,000,000/- (Rupees Five Hundred Million) |
| (ii) | Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment | These are the long term strategic investment will dividend income as well as prospective capital gain in future |

ANNUAL GENERAL MEETING

| | | |
|-------|--|---|
| (iii) | Sources of funds to be utilize for investment and where the investment is intended to be made using borrowed funds: | |
| | <ul style="list-style-type: none"> i. Justification for investment through borrowings ii. Detail of collateral, guarantees provided and asset pledged for obtaining such funds iii. Cost benefit analysis | Not Applicable as investments will be made from company's own funds |
| (iv) | Salient features on the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment | Not Applicable as shares will be purchased time to time |
| (v) | Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration | No director, sponsor, chief executive has any interest in the investment proposed. |
| (vi) | In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/ justification for any impairment or write offs | The United Insurance Co of Pakistan Limited is associated undertaking of Apna Micro Finance Bank Limited (AMBL) and holding 44.50% shares in AMBL. Bank has recovered from its loss making operations and posted profit of Rs.23.8 million in 2019 and 23.7 million in 2018 |
| (vii) | Any other important details necessary for the members to understand the transaction | None |

Item No. 7 - Remuneration of Directors

Approval of the House is required for remuneration, perquisite and other fringe benefits to the Chief Executive Officer, Executive Director(s) and fee of the Non-Executive/Independent Directors, in addition to boarding, lodging and travelling expenses on actual basis as per Company Policy.

(b) Additional disclosure regarding Equity Investment

| | | |
|-------|---|--|
| (i) | Maximum price at which securities will be acquired | Fair value of Stocks |
| (ii) | In case the purchase price is higher than the market value in case of limited securities and fair value in case of unlisted securities, justification thereof | Shares will be purchased at face value |
| (iii) | Maximum number of securities to be acquired | Equivalent to the amount of investment |
| (iv) | Number of securities and percentage thereof held before and after the proposed investment | The United Insurance Co of Pakistan Limited is currently holding 44.50% in Apna Bank and will maintain its holding up to maximum 47.5% in future |
| (v) | Current and preceding twelve weeks' weighted average market price where investment is proposed to be made in listed securities | Current Market Price 21.78 and weighted average is 21.19 |
| (vi) | Fair value determined in terms of sub-regulation (1) regulation 5 for investment in unlisted securities | Not Applicable |

دی یونائیٹڈ انشورنس کمپنی آف پاکستان لمیٹڈ پیکرا (PACRA) کی جانب سے 'AA' قرار شدہ نوٹس برائے 60 واں سالانہ اجلاس عام

(b)۔ لیکویٹی سرمایہ کاری کی ضمن میں اضافی اعلانیہ

| | | |
|-------|--|--|
| (i) | زیادہ سے زیادہ نرخ جس پر سیکورٹیز حاصل کی جائیں | اسٹاک کی مناسب قیمت |
| (ii) | اگر خریداری کی قیمت محدود سیکورٹیز کی صورت میں مارکیٹ ویلیو سے زائد ہے اور نمبر فہرست سیکورٹیز کی صورت میں مناسب قیمت ہے تو اس کا جواز | فی حصص قیمت پر حصص خریدے جائیں گے |
| (iii) | زیادہ سے زیادہ سیکورٹیز کی حاصل کردہ تعداد زیادہ سے زیادہ سیکورٹیز کی حاصل کردہ تعداد | سرمایہ کاری کی رقم کے مساوی |
| (iv) | مجوزہ سرمایہ کاری سے پہلے اور بعد از سیکورٹیز کی تعداد اور شرح فیصد | اپنا مائیکرو فنانس بینک یونائیٹڈ انشورنس کمپنی کا موجودہ شیئر 44.50% ہے اور مستقبل میں بھی اسی تناسب کو 47.50% تک برقرار رکھا جائے گا۔ |
| (v) | موجودہ اور گزشتہ بارہ ہفتوں کے وزن میں اوسط مارکیٹ قیمت جہاں درج سیکورٹیز میں سرمایہ کاری کی پیشکش کی ہو | موجودہ مارکیٹ قیمت 21.78 اور اوسط قیمت 21.19 ہے |
| (vi) | نمبر فہرست سیکورٹیز میں سرمایہ کاری کیلئے طے شدہ ضابطہ (1) ریگولیشن 5 کی شرائط میں مقرر کردہ مناسب قیمت | ناقابل اطلاق |

آئٹم نمبر 7: ڈائریکٹرز کا معاوضہ

چیت ایگزیکٹو آفیسر، ایگزیکٹو ڈائریکٹرز کے معاوضے،
مراعات اور دیگر معاون فوائد کیلئے اور نان ایگزیکٹو/
آزاد ڈائریکٹرز کی فیس بشمول بورڈنگ، لاجنگ اور سفری
اخراجات کی حقیقی بنیاد پر کمپنی کی پالیسی کے تحت
ادائیگی کیلئے ایوان کی منظوری درکار ہوگی۔

دی یونائیٹڈ انشورنس کمپنی آف پاکستان لمیٹڈ پیکرا (PACRA) کی جانب سے 'AA' قرار شدہ نوٹس برائے 60 واں سالانہ اجلاس عام

ریگولیشن نمبر 13(1)(a): تمام اقسام کی سرمایہ کاری کا اعلانیہ منسلک کمپنی کی ضمن میں اعلانیہ
A- منسلک کمپنی یا منسلک اقرار نامہ کے بیان میں:

| | | |
|-------|--|--|
| (i) | منسلک کمپنی کا نام | اپنا مائیکرو فنانس بینک لمیٹڈ |
| (ii) | تعلقات کی بنیاد | منسلک کمپنی |
| (iii) | آمدنی (حصارہ) فی شیئر برائے گزشتہ تین سال | مختصر سال دسمبر 2017 (0.35) مختصر سال دسمبر 2018 (0.21) مختصر سال دسمبر 2019 = 0.17 |
| (iv) | بریک اپ قدر فی شیئر تازہ ترین مالیاتی گوشواروں پر مبنی | بریک اپ قدر فی شیئر تازہ ترین مالیاتی گوشواروں بھارتی 31 دسمبر 2019 کے تحت 10 روپے ہے |
| (v) | مالیاتی پوزیشن بشمول تازہ ترین مالی گوشواروں کی بنیاد پر مالی حیثیت اور منافع اور خسارہ کے اکاؤنٹ کا اہم آئٹم | مورخہ 31 دسمبر 2019 کو ختم ہونے والے سال کے مالیاتی گوشواروں کے مطابق کل اثاثے = 20,543 ملین کل واجبات = 1.874 ملین کل ریونیو = 2.899 ملین منافع بعد از ٹیکس = 53.525 ملین |
| (vi) | متعلقہ کمپنی کے منصوبے کے سلسلے میں سرمایہ کاری کی صورت میں یا متعلقہ اقرار نامہ جس کے تحت کارروائی کا آغاز نہیں ہوا کی مندرجہ ذیل مزید معلومات بنیاد۔ | نا قابل اطلاق |
| | i. منصوبے کی تفصیل اور اس کے آغاز کی تاریخ۔ | نا قابل اطلاق |
| | ii. تاریخ آغاز اور کام کی تاریخ تکمیل۔ | نا قابل اطلاق |
| | iii. وہ وقت جب ایسے منصوبے کا تجارتی طور پر عملدرآمد کیا جائیگا۔ | نا قابل اطلاق |
| | iv. متوقع وقت جب منصوبے پر سرمایہ کاری سے منافع حاصل ہوگا۔ | نا قابل اطلاق |
| | v. سرمایہ کار شدہ فنڈ یا پرموٹرز کی جانب سے لگایا جانے والا سرمایہ، اسپانسر، منسلک کمپنی یا اس سے منسلک انڈرٹیکنگ جس میں نقد اور غیر نقد رقم کے درمیان فرق کیا گیا ہو۔ | نا قابل اطلاق |

آئٹم نمبر 5: بونس شیئرز کا اجراء

بونس کا اجراء قواعد و ضوابط کے تحت طے کیا جائیگا۔ ڈائریکٹرز مورخہ 31 دسمبر 2019 کے مطابق کمپنی کے اثاثہ جات اور منافع جات کے بارے میں مطمئن ہیں اور اس امر کے تحت بونس شیئرز کے اجراء کی سفارش کی گئی ہے۔ ڈائریکٹرز کا بلاواسطہ یا بلاواسطہ کوئی مفاد نہیں ماسوائے اس کے کہ وہ کمپنی کے ڈائریکٹرز ہیں۔

آئٹم نمبر 6: اپنا مائیکرو فنانس بینک لمیٹڈ میں ایکویٹی سرمایہ کاری

B- عمومی اعلانیہ

| | | |
|-------|--|--|
| (i) | زیادہ سے زیادہ سرمایہ کاری کی جانے والی رقم | مبلغ 500,000,000 روپے (صرف پانچ سو ملین روپے) |
| (ii) | مقاصد، فوائد جو سرمایہ کار کمپنی اور اس کے ممبران کو اس طرح کی سرمایہ کاری اور سرمایہ کاری کی مدت سے حاصل ہوں | اس طویل مدتی حکمت عملی کے تحت سرمایہ کاری سے آمدنی اور مستقبل میں ممکنہ سرمایہ کو فائدہ ہوگا |
| (iii) | سرمایہ کاری کیلئے استعمال ہونے والے فنڈز کے ذرائع اور جہاں ادھار فنڈز کے ذریعے سرمایہ کاری کا ارادہ ہو | قابل اطلاق نہیں کیونکہ سرمایہ کاری کمپنی کے اپنے فنڈز سے کی جائے گی |
| | i. قرض کے ذریعے سرمایہ کاری کا جواز ii. ضمانت کی تفصیل، فراہم کردہ گارنٹی اور ایسے فنڈز کی حصول کیلئے کردی شدہ اثاثہ ii. لاگت کے فوائد کا تجزیہ | قابل اطلاق نہیں کیونکہ حصص وقتاً فوقتاً خریدے جائیں گے |
| (iv) | معاهدے کی نمایاں خصوصیات اگر ہوں تو منسلک کمپنی یا منسلک اقرار نامہ کی ضمن میں تجوزہ سرمایہ کاری | کوئی بھی ڈائریکٹر، کٹیل، چیف ایگزیکٹو سرمایہ کاری میں مفاد نہیں رکھتا |
| (v) | ڈائریکٹرز، اسپانسرز، آکزیڈنٹس، حصص یافتگان اور ان کے رشتہ داروں کی بلا واسطہ یا بلاواسطہ دلچسپی، اگر ہو تو منسلک کمپنی یا منسلک اقرار نامہ یا زیر غور لین دین کے تحت | دی یونائیٹڈ انشورنس کمپنی آف پاکستان لمیٹڈ اپنا مائیکرو فنانس بینک کی منسلک کمپنی ہے اور اپنی اپنا مائیکرو فنانس بینک میں بولڈنگ 44.50% شیئرز ہیں۔ اپنا بینک نے ماضی کے خسارے کو ریکور کر لیا ہے اس نے 2018 میں 23.70 ملین کا منافع کھلا گیا جب کہ 2019 میں اس کا منافع 23.80 ملین ہے۔ |
| (vi) | منسلک کمپنی یا منسلک اقرار نامہ کے تحت اگر پہلے ہی سرمایہ کاری کی جا چکی ہو تو، ایسی سرمایہ کاری کی کارکردگی کا جائزہ بشمول مکمل معلومات/جواز برائے کسی نقصان یا تسخیر | کچھ نہیں |
| (vii) | ممبران کیلئے لین دین کو سمجھنے کیلئے دیگر ضروری معلومات | کچھ نہیں |

دی یونائیٹڈ انشورنس کمپنی آف پاکستان لمیٹڈ پیکرا (PACRA) کی جانب سے 'AA' قرار شدہ نوٹس برائے 60 واں سالانہ اجلاس عام

ڈیویڈنڈ کے کلیم پر ہر وقت داخل کرنے کی یقین دہانی
کریں۔ بصورت دیگر مقررہ مدت میں کیلیبرز داخل
کرانے پر کمپنی اخبارات میں نوٹس کی اشاعت کے
بعد غیر ادا شدہ لا داعی رقم اور حصص کمپنیز / مجریہ
2017 کی دفعہ 244(2) کے تحت وفاقی حکومت کے
حوالے کر دے گی۔

پتہ میں تبدیلی (اگر ہو تو)

حصص یافتگان سے استدعا ہے کہ پتہ میں کسی بھی قسم
کی تبدیلی کی صورت میں فوری طور پر کمپنی کے شیئر
رجسٹرار کو مندرجہ پتہ پر مطلع کریں۔ میسرز ایف ڈی
رجسٹرار سروس (پرائیویٹ) لمیٹڈ آفس نمبر 1705،
17 ویں منزل، صائمہ ٹریڈ ٹاور - A، آئی آئی چندرگر روڈ
کراچی۔ 74000

کمپنیز ایکٹ مجریہ 2017 کی دفعہ (3) 134 کے تحت
اسٹیٹمنٹ

اس اسٹیٹمنٹ میں مورخہ 27 اپریل 2020 کو منعقد
ہونے والے کمپنی کے سالانہ اجلاس عام میں، خصوصی
امور سے متعلق لین دین کیلئے ٹھوس حقائق شامل کئے
گئے ہیں۔ کمپنی کے ممبران کی منظوری کیلئے یہ مطالبہ
کیا جائیگا کہ:

آئٹم نمبر (A) 4 متعلقہ فریقوں سے لین دین

متعلقہ کمپنیوں (متعلقہ فریقوں) کے ساتھ عمومی طور
پر کاروبار میں ہونے والے لین دین کو بورڈ کے
ذریعہ منظوری دی گئی تھی جو کہ لسٹڈ کمپنیز (کوڈ آف
کارپوریٹ گورننس) ریگولیشنز 2019 کی دفعہ 15 کے
تحت سہ ماہی کی بنیاد پر آڈٹ کمیٹی کے ذریعے تجویز
کی گئی تھی۔

متعلقہ کمپنیوں کے ساتھ مورخہ 31 دسمبر 2019ء کو
ختم ہونے والے مالی سال کے دوران ہونے والے لین
دین کو آڈٹ شدہ مالیاتی گوشواروں کے متعلقہ نوٹ
میں واضح ہے، حصص یافتگان کو ان کے غور و خوض
اور منظوری / توثیق کیلئے پیش کرنا ہوئے۔ ڈائریکٹرز ایسے
متعلقہ فریقوں کے ساتھ صرف اپنی عمومی ڈائریکٹر شپ
کی حد تک قرارداد میں دلچسپی رکھتے ہیں۔

آئٹم نمبر (B) 4(ب) مورخہ 31 دسمبر 2010ء کو ختم ہونے
والے سال کے دوران متعلقہ فریق سے لین دین کی
منظوری کیلئے بورڈ آف ڈائریکٹرز کی اجازت

کمپنی عمومی طور پر کاروبار میں، متعلقہ فریقوں کے
ساتھ لین دین لے سلسلے میں منظور شدہ پالیسی کے
مطابق 31 دسمبر 2020ء کو ختم ہونے والے سال کے

وہ چاہیں۔ پاکستان اسٹاک ایکس چینج کے موجودہ قواعد
و ضوابط کے مطابق فزیکل شیئرز کی تجارت کی اجازت
نہیں ہے۔

سالانہ مالیاتی گوشواروں کی بذریعہ ای میل ترسیل

سیکیورٹیز اینڈ ایکس چینج کمیشن آف پاکستان (SECP)
نے اپنے نوٹیفیکیشن بحوالہ ایس آر او نمبر (1) 787
سال 2014 تاریخ 8 ستمبر 2014 میں کمپنیوں کو ای
میل کے ذریعے اپنے ممبران کو سالانہ اجلاس عام کا
نوٹس بشمول آڈٹ شدہ مالیاتی گوشوارے ترسیل کرنے
کی اجازت دیدی ہے جس کے مطابق ممبران سے استدعا
ہے کہ وہ آڈٹ شدہ مالیاتی گوشواروں اور بذریعہ ای
میل نوٹس کی حصول کیلئے اپنی رضامندی اور ای میل
ایڈریس فراہم کر دیں۔ اس سہولت سے فائدہ اٹھانے کیلئے
کمپنی کی ویب سائٹ

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دستیاب اسٹیٹمنٹ درخواست فارم پُر کر کے اپنا/اپنی
شناختی کارڈ کی کاپی / پاسپورٹ کے ساتھ کمپنی کے شیئر
رجسٹرار کو ارسال کر دیں۔

براہ کرم نوٹ کریں کہ ڈاک کے ذریعے سالانہ مالیاتی
گوشوارے وصول کرنے کے بجائے ای میل ایڈریس دینا
اختیاری ہے۔ اگر آپ اس سہولت سے فائدہ نہیں اٹھانا
چاہتے تو براہ کرم اس نوٹس کو نظر انداز کر دیں۔

سالانہ اکاؤنٹس کی ویب سائٹ پر دستیابی

ایس ای سی پی کے نوٹیفیکیشن (ایس آر او) 1196
سال (2019) تاریخ 3 اکتوبر 2019 کی تعمیل میں
کمپنی کے مالیاتی حسابات کمپنی کی ویب سائٹ
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دستیاب ہیں۔

غیر دعویٰ شدہ ڈیویڈنڈ / شیئرز

کمپنیز ایکٹ 2015 کی دفعہ 244 کے مطابق کمپنی کے
جاری کر رہے جو حصص اور منافع منقسمہ حجرہ کی تاریخ
سے 3 سال تک لادائیغی / غیر ادا شدہ ہیں حصص یافتگان
کو نوٹس کے بعد کمیشن کے پاس جمع کر دیئے جائینگے تا
کہ فیڈرل گورنمنٹ کے حوالے کر دیئے جائیں کمپنی
کے جاری کردہ شیئرز اور اعلان کردہ ڈیویڈنڈ جو تین
سال سے زائد عرصے تک لا داعی کی تفصیلات حصص
یافتگان کو ارسال کر دی گئی ہیں۔ حصص یافتگان سے
گذارش ہے کہ لا داعی / عدم ادا شدہ حصص اور

اور / یا پاور آف اٹارنی اور نامزد کنندہ کے دستخط کے
نمونہ ساتھ لانا ہوگا۔ سی ڈی سی اکاؤنٹ ہولڈرز کو مزید
براں سیکیورٹیز اینڈ ایکس چینج کمیشن آف پاکستان کے
جاری کردہ سرکلر نمبر 1 بتاریخ 26 جنوری 2000 میں
درج کردہ ہدایات کی تعمیل کرنا ہوگی۔

نامزد ممبر جو اجلاس میں شرکت اور رائے دہی کا اہل
ہو وہ کسی دوسرے ممبر کو بطور اجلاس میں شرکت اور
رائے دہی کیلئے اپنا پروکسی مقرر کر سکتا ہے۔ پروکسی کے
موثر ہونے کیلئے ضروری ہے کہ وہ کمپنی کے رجسٹرار
دفتر نمبر 204، مدینہ ماہ، عبداللہ ہارون روڈ
کراچی کو اجلاس کے انعقاد سے 48 گھنٹے قبل موصول
ہو جائیں اور کاروباری دن کے کسی بھی حصہ کا حساب
نہیں لیا جائیگا۔ ایک ممبر ایک سے زائد پروکسی مقرر
نہیں کر سکتا۔

سیکیورٹیز اینڈ ایکس چینج کمیشن آف پاکستان (ایس ای سی
پی) کی طرف سے ہدایت کی روشنی میں سرکلر نمبر 5
سال 2020، مورخہ 17 مارچ 2020 میں، حصص
یافتگان کی سالانہ جنرل میٹنگ کے لئے کوہنا وائرس
کی ہنگامی منصوبہ بندی کے سلسلے میں سالانہ اجلاس
عام میں تمام حصص یافتگان اسے جی ایم کے مجوزہ
لجینڈ کے لئے تبصرے / تجاویز ای میل کے ذریعے
دے سکتے ہیں۔ اس مقصد کے لئے، شیئردار سے
درخواست ہے کہ وہ اپنی تفصیلات (جیسے فوٹو نمبر / نام
/ سی این آئی سی نمبر / موبائل نمبر / ای میل ایڈریس)
کمپنی سگریٹری کو سالانہ اجلاس عام کے وقت سے کم از
کم 3 دن پہلے @theunitedinsurance.com
uicagmregistration پر ای میل بھیج کر اندراج
کرائیں۔ شیئر ہولڈرز سے درخواست کی جاتی ہے کہ وہ
سالانہ اجلاس عام میں اپنی حاضری کو کم سے کم لوگوں
میں پراکسی کے ذریعے یقینی بنائیں۔

ای میلز کے ذریعے دیں گئیں شیئر ہولڈرز کی تجاویز
مینٹنگ میں زیر بحث لائی جائیں گی اور انھیں مینٹنس
میں بھی درج کیا جائے گا۔

فزیکل شیئرز سی ڈی سی اکاؤنٹ میں منتقلی

کمپنیز ایکٹ مجریہ 2017 کی دفعہ 72 کے تحت ہر
موجودہ لسٹڈ کمپنی اس بات کی پابند ہے کہ کمیشن کی
جانب سے مخصوص کردہ مطلع کردہ تاریخ اور ایسی مدت
جو کہ ایکٹ کے آغاز سے چار سال سے زائد نہ ہو یعنی
31 مئی 2017ء اپنے تمام فزیکل شیئرز کو یک انٹری
کے ساتھ تبدیل کرے۔ فزیکل حصص یا فٹسٹی رکھنے
والے حصص یافتگان سی ڈی سی کا فزیکل اکاؤنٹ کسی بھی
بروکر کیساتھ کھولیں یا سی ڈی سی کیساتھ براہ راست
انویسٹر اکاؤنٹ کھولنے کا مشورہ دیا جاتا ہے تاکہ وہ
اپنے فزیکل شیئرز کو اسکرپٹ لیس شکل میں رکھیں۔
اس سے انہیں کئی طرح کی سہولیات ملیں گی جس میں
محفوظ تحویل اور حصص کی فروخت شامل ہیں۔ جب بھی

دی یونائیٹڈ انشورنس کمپنی آف پاکستان لمیٹڈ پیکرا (PACRA) کی جانب سے 'AA' قرار شدہ نوٹس برائے 60 واں سالانہ اجلاس عام

کی بنیاد پر پیش کردہ رائٹ / ری نمبی ایشن کی مبلغ =
500,000,000 روپے (صرف پانچ سو ملین روپے)
تک کی خریداری کر سکے۔

(7) ایگزیکٹو ڈائریکٹرز (بشمول چیف ایگزیکٹو آفیسر
کے معاوضے اور کمپنی کے بورڈ کے نان
ایگزیکٹو/ آزاد ڈائریکٹرز اور اس کی کمیٹی کے
اجلاس میں شرکت کی فیس پر غور و خوض اور
اس کی منظوری۔

قرار پایا کہ چیف ایگزیکٹو آفیسر، ایگزیکٹو ڈائریکٹرز کو
مناسب معاوضہ اور دیگر مراعات کی ادائیگی کی منظوری
دی جاتی ہے اور نان ایگزیکٹو/ آزاد ڈائریکٹرز کو بشمول
بورڈنگ، لاجنگ اور سفر کے اخراجات، فیس کی ادائیگی
کمپنی پالیسی کے مطابق کی جائیگی۔

(8) چیئرمین کی اجازت سے پیش کردہ کسی دیگر
کارروائی کی انجام دہی۔

کمپنیز ایکٹ مجریہ 2017 کی دفعہ (3) 134 کے تحت
ٹھوس شاہد کی اسٹیٹمنٹ بحوالہ خصوصی قرارداد شامل
کردہ لیجنڈہ آئٹم نمبر 4, 5, 6 اور 7 اجلاس کے نوٹس
بذات کے ساتھ منسلک ہے۔

حسب احکم بورڈ

اطہر اے خان
کمپنی سیکریٹری
مورخہ 03 اپریل 2020

نوٹس:

شیر ٹرانسفر بکس کی بندش

کمپنی کے ممبران کا رجسٹر اور شیر ٹرانسفر بکس مورخہ
2020-04-21 تا 2020-04-27 (بشمول دونوں
ایام) بند رہیں گے۔ کمپنی کے رجسٹرار میسرز ایف
ڈی رجسٹرار سروس (ایس ایم سی۔ پرائیویٹ) لمیٹڈ۔
دفتر نمبر 1705، 17 ویں منزل صائمہ ٹریڈ ٹاور-A،
آئی آئی چندریگر کراچی کو مورخہ 2020-04-20 کو
کاروباری اوقات کار کے اختتام سے قبل موصول ہونے
والی منتقلیاں اجلاس میں شرکت اور نوٹس شیئرز کی
اہلیت کے تعین کیلئے بروقت تصور کی جائیں گی۔

اجلاس عام میں شرکت

حصص کے سینفیٹل انفرادی اور اپنا کمپیوٹرائزڈ شناختی
کارڈ یا پاسپورٹ، اکاؤنٹ اور شرکاء آئی ڈی نمبرز اپنی
شناخت ثابت کرنے کیلئے لازمی ساتھ لائیں۔ کاروباری
ممبران کے نمائندے کو بورڈ آف ڈائریکٹرز کی قرارداد

(5) بورڈ آف ڈائریکٹرز کی جانب سے تجویز کردہ ہر
شیرز کیلئے 13.4172 فیصد بونس کی تناسب 100
سے یعنی 13.4172 فیصد بونس شیئرز کے
اجزاء کیلئے غور و خوض اور منظوری دینا اور اگر
موزوں سمجھا جائے تو

مندرجہ ذیل خصوصی قراردادوں کی ترمیم یا بلا ترمیم
اجازت دینا۔

قرار پایا کہ 31 دسمبر 2019ء کو تصرف کیلئے موجودہ
منافع میں سے مبلغ / 348,983,180 روپے کی
رقم یعنی 10 روپے مالیت کے عمومی شیئرز کے مکمل
کے تحت 13.4172 (B-25) ادا شدہ بونس شیئر
فیصد یعنی 13.4172 کے تناسب سے ہر 100 شیئرز
کیلئے کمپنی کے ان ممبران جن کے نام مورخہ 20
اپریل 2020ء کو اختتام کار تک ممبران کے رجسٹر
میں موجود ہونگے کو جاری کرنے کیلئے شخص کر دیئے
جائیں گے اور یہ کہ بونس شیئرز ہر لحاظ سے موجودہ
شیئرز کے مساوی ہونگے۔

مزید قرار پایا کہ حصص کا حامل کوئی بھی ممبر جو صحیح
معنوں میں بونس شیئرز کی تقسیم پر پورا اترنے کی
صورت میں ڈائریکٹرز ایسے تمام جزویاتی کرنے اور
انہیں اسٹاک مارکیٹ میں فروخت کرنے اور فروخت کی
کارروائی کو مکمل کر کے تسلیم شدہ کسی قابل فلاحی ادارہ
کو عطیہ کرنے جیسا کہ کمپنی کے ڈائریکٹرز تجھے اختیار
دیا جاتا ہے۔

مزید قرار پایا کہ کمپنی سیکریٹری کو بونس شیئرز کی تقسیم
تخصیص اور اجزاء کیلئے کئے جانوالے ضروری اقدامات
اور ذیلی قراردادوں کی موثر انجام دہی کیلئے کئے جانوالے
امور کی انجام دہی کا اختیار دیا جاتا ہے۔

(6) ڈائریکٹرز کی جانب سے تجویز کردہ مندرجہ ذیل
قرارداد کی کمپنیز ایکٹ مجریہ 7102 کی دفعہ
991 کے تحت ترمیم (ترمیمات) توسیع ترمیم
یا بلا ترمیم اگر موزوں ہو تو اس کی غور و خوض
اور منظوری۔

قرار پایا کہ کمپنیز ایکٹ مجریہ 7102 (دی، ایکٹ) کی
دفعہ 991 کی مندرجات کی تعمیل میں یونائیٹڈ
انشورنس کمپنی آف پاکستان کو اختیار دیا جاتا ہے کہ وہ
مبلغ = 500,000,000 روپے (صرف پانچ سو ملین
روپے) کی حد تک بینک میں موجود حصص کی رقم کے
ذریعے اپنا مائیکرو فنانس بینک لمیٹڈ میں ایکویٹی سرمایہ
کاری کو توسیع دینے کا اختیار دیا جاتا ہے۔

مزید قرار پایا کہ مذکورہ بالا سرمایہ کاری کے بعد کمپنی کی
انتظامیہ کو اختیار حاصل ہے کہ اپنا مائیکرو فنانس بینک
لمیٹڈ میں موجود رقم پر کمپنی کی ایکویٹی سرمایہ کاری

ذریعہ ہذا مطلع کیا جاتا ہے کہ دی یونائیٹڈ انشورنس کمپنی
آف پاکستان لمیٹڈ کا 60 واں سالانہ اجلاس عام بروز
پیر مورخہ 27 اپریل 2020 کو صبح 10:00 بجے بمقام
کمپنی کے رجسٹریڈ دفتر واقع روم نمبر 204، مدینہ سٹی
مال، عبداللہ ہارون روڈ کراچی میں درج ذیل امور کی
انجام دہی کیلئے منعقد کیا جائیگا۔

عمومی امور

(1) کمپنی کے 59 ویں سالانہ اجلاس عام منعقدہ 29
مارچ 2019ء کی کارروائیوں کی توثیق۔

(2) 31 دسمبر 2019ء کو ختم ہونے والے سال
کیلئے کمپنی کے سالانہ آڈٹ شدہ حسابات
مع ان پر ڈائریکٹرز اور آڈیٹرز کی رپورٹس کی
وصولی، غور و خوض اور منظوری۔

(3) مورخہ 31 دسمبر 2020ء کو ختم ہونے والے سال
کیلئے آڈیٹرز کی تقرری اور مشاہرے کا تعین۔
موجودہ آڈیٹر میسرز الپاس سعید لینڈ کمپنی چارٹرڈ
اکاؤنٹنٹس نے سبکدوش ہونے کے بعد اہل ہونے
کی بنا پر خود کو دوبارہ تقرری کیلئے پیش کیا ہے۔

خصوصی امور

(a) مورخہ 31 دسمبر 2019ء کو ختم ہونے
والے سال کیلئے متعلقہ فریقوں کے ساتھ
کئے جانے والے لین دین کے معاملات کی
توثیق اور منظوری کیلئے مندرجہ ذیل خصوصی
قرارداد کی ترمیم یا بلا ترمیم اجازت دینا۔

قرار پایا کہ ختم ہونے والے سال کے
دوران متعلقہ فریقوں کے ساتھ کئے جانے
والے لین دین کی نوٹ 33 اور 36 کے
مطابق توثیق، تصدیق اور منظوری دینا۔

(b) کمپنی کے بورڈ آف ڈائریکٹرز کو یہ اختیار
دیا جاتا ہے کہ مورخہ 31 دسمبر 2020ء
کو ختم ہونے والے مالی سال کیلئے متعلقہ
فریقوں کے ساتھ لین دین کی انجام دہی کی
منظوری کیلئے مندرجہ ذیل خصوصی قرارداد
کی ترمیم یا بلا ترمیم اجازت دینا۔

قرار پایا کہ کمپنی کے بورڈ آف ڈائریکٹرز کو اختیار دیا
جاتا ہے کہ مورخہ 31 دسمبر 2020ء کو ختم ہونے والے
مالیاتی سال کیلئے متعلقہ فریقوں کے ساتھ ہر معاملے کی
تحت لین دین کی انجام دہی کی منظوری دینا۔

مزید قرار پایا کہ بورڈ کی جانب سے کئے گئے لین دین
کے اقدامات کو حصص یافتگان کی طرف سے منظور سمجھا
جائیگا اور آئندہ سالانہ اجلاس عام میں باضابطہ توثیق /
منظوری کیلئے حصص یافتگان کے روبرو پیش کیا جائیگا۔

PROXY FORM

The United Insurance Company of Pakistan Limited

204, 2nd Floor, Madina City Mall, Abdullah Haroon Road, Saddar Karachi.

I / We _____ of _____
being a member of The United Insurance Company Of Pakistan Limited and a holder of _____
ordinary shares, as per Share Register Folio No. _____ and / or CDC Participant I.D. No. _____
and sub Account No. _____ hereby appoint (Name) _____

_____ of _____
or failing him/her (Name) _____ of _____

who are also members of The United Insurance Company of Pakistan Limited as my/our proxy to vote for me/us and
on my/our behalf at the Annual General Meeting of the Company to be held on April 27, 2020, 10:00 am at Registered
Office of the Company situated at Room No. 204, Madina City Mall, Abdullah Haroon Road, Karachi and at any
adjournment thereof.

Signed this _____ day of _____ 2020.

WITNESS:

1. Signature: _____

Name: _____

Address: _____

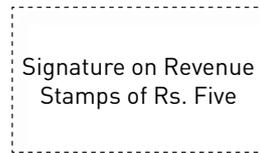
CNIC or Passport No: _____

2. Signature: _____

Name: _____

Address: _____

CNIC or Passport No: _____



Signature should agree with specimen
signature with the company

Note:

1. Signature should agree with the specimen signature registered with the company.
2. The Proxy Form must be deposited at the Registered Office of the Company not later than 48 hours before the time of holding the Meeting.
3. No person shall act as proxy unless he/she is a member of the company.
4. CDC account holders will further have to follow the under mentioned guidelines as laid down in circular No. 1 dated 26 January 2000 of the Securities & Exchange Commission of Pakistan for appointing proxies.
 - i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
 - ii. The Proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iv. The proxy shall produce his original CNIC or original passport at the time of meeting.
 - v. In case of a corporate entity, the Board of Directors' resolution/power of attorney with specimen signatures of the proxy holder shall be submitted (unless it has been provided earlier,) alongwith proxy form to the Company.

مختار نامہ

دی یونائیٹڈ انشورنس کمپنی آف پاکستان لمیٹڈ
۲۰۲۳، دوسری منزل، مدینہ سٹی مال، عبداللہ ہارون روڈ، صدر کراچی۔

میں / ہم _____ ساکن _____
بحیثیت رکن دی یونائیٹڈ انشورنس کمپنی آف پاکستان لمیٹڈ اور حامل عام حصص، بمطابق شیئرز رجسٹر فولیو نمبر _____ اور / یا سی ڈی سی پارٹسپینٹ (شرکت)
آئی۔ ڈی نمبر _____ اور سب اکاؤنٹ (ذیلی کھاتا) نمبر _____
محترم / محترمہ _____ کو اپنے / ہمارے ایماہ پر بروز پیر مورخہ 27 اپریل 2020 کو صبح 10:00 بجے بمقام کمپنی کے رجسٹرڈ
دفتر واقع روم نمبر 204، مدینہ سٹی مال، عبداللہ ہارون روڈ کراچی میں منعقد ہونے والے کمپنی کے سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے یا کسی بھی التواء کی صورت اپنا / ہمارا نائب مقرر
کرتا ہوں / کرتے ہیں۔

آج بروز _____ بتاریخ _____ 2020 کو دستخط کئے گئے۔

گواہان:

دستخط اور پانچ روپے مالیت کا رسیدی ٹکٹ
دستخط کمپنی کے نمونہ دستخط سے مماثل ہونے چاہئیں

1- دستخط: _____

نام: _____

پتہ: _____

کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ نمبر:

2- دستخط: _____

نام: _____

پتہ: _____

کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ نمبر:

نوٹ:

- 1- ممبر کی دستخط وہی ہونی چاہیے جو پہلے سے کہنی کے رجسٹر میں موجود ہے۔
- 2- ایک ممبر (رکن) جو اجلاس میں شرکت اور ووٹ دینے کا ہماز ہو، اپنی جگہ کسی اور شخص کو بطور نائب شرکت کرنے اور ووٹ دینے کا حق تفویض کر سکتا ہے۔
- 3- ایک ممبر (رکن) جو اجلاس میں شرکت نہیں کر سکتا، وہ اس فارم کو مکمل کرے اور دستخط کرنے کے بعد اجلاس شروع ہونے سے کم از کم 48 گھنٹے قبل کہنی سیکریٹری، وی یو ٹیکنڈ انشورنس کہنی آف پاکستان لمیٹڈ کے رجسٹرار آفس نمبر 204، ریڈ ٹی مال عبداللہ بارون روڈ، صدر کراچی پر ارسال کر دے۔
- 4- سی ڈی سی شیئر ہولڈر ہونے کی صورت میں درج بالا کے علاوہ ذیل میں درج ہدایات پر بھی عمل کرنا ہوگا:
 - (الف) فرد ہونے کی صورت میں، اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اور/یا وہ فرد جس کی سکاہ ریشیز گروپ اکاؤنٹ میں ہوں اور ان کی رجسٹریشن کی تفصیلات قواعد و ضوابط کے مطابق اپ لوڈ ہوں، انہیں کہنی کی جانب سے دی گئی ہدایات کی روشنی میں پر کسی فارم جمع کرانا ہوگا۔
 - (ب) مختار نامے پر بطور گواہان وہ افراد کے دستخط ہونے چاہئیں اور ان کے نام، پتے اور کمیونٹرائزڈ قومی شناختی کارڈ نمبر فارم پر درج ہوں۔
 - (ج) تنظیمیٹل اوزرز (مستفید ہونے والے فرد) کے کمیونٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی تصدیق بقول بھی منسلک کرنی ہوگی جسے نائب مختار نامے کے ہمراہ پیش کرے گا۔
 - (د) اجلاس کے وقت نائب کو اپنا اصل کمیونٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ پیش کرنا ہوگا۔
 - (ه) کارپوریٹ ادارہ ہونے کی صورت میں بحیثیت ممبر (رکن)، بورڈ آف ڈائریکٹرز کی قرارداد/مجمع نامزد کردہ شخص/انارنی کے نمونہ دستخط یا و آف انارنی (اگر پہلے فراہم نہ کئے گئے ہوں) پر کسی فارم (مختار نامے) کے ہمراہ کہنی میں جمع کرانا ہوگا۔



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