

58th

Year of Continuous Services



**THE UNIVERSAL
INSURANCE CO. LTD.**

Annual Report 2017

BIBOJEE GROUP





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VISION STATEMENT

We, at Universal Insurance Company Limited recognize the importance of satisfying our customers by consistently providing quality insurance services in accordance with their needs and expectations. We strive to be competent partner of our customers against insured perils.



MISSION STATEMENT QUALITY POLICY

We strive to provide our customers cost effective insurance cover by continually increasing the productivity of our employees. To increase productivity, we conduct regular training programs during which employees are assessed and allocated a career path in accordance with their performance.

We diligently follow the applicable laws and ensure strict compliance by conducting regular internal audits and educating our employees about the law.

We try to improve our services by continually assessing our systems and procedures based on customers and team feedback. We strive to maintain a customer focused approach by ensuring that our service is delivered to the customer on time, according to the customer required specifications and within our stipulated cost.



CORPORATE INFORMATION

Board of Directors	Mr. Raza Kuli Khan Khattak (Chairman)
	Mr. Gohar Ayub Khan (Chief Executive)
	Mr. Mushtaq Ahmed Khan F.C.A.
	Mrs. Shahnaz Sajjad Ahmed
	Dr. Shaheen Kuli Khan Khattak
	Mr. Muhammad Imran Malik
	Mr. Khalid Kuli Khan Khattak
	Mr. Muhammad Kuli Khan Khattak
	Mr. Sikandar Kuli Khan Khattak
Principal Officer	Mr. Amir Raza
Chief Financial Officer	Mr. Ashfaq Ahmed
Company Secretary	Mr. Liaqat Ali Shaukat
Internal Auditor	Mr. Abdul Waheed Chaudhry
Auditors	M/S. Shinewing Hameed Chaudhri & Co. Chartered Accountants
Legal Advisor	Rana Muhammad Aamir Zulfiqar (Advocate)
Share Registrar	M/S Hameed Majeed Associates (Pvt) Ltd. H.M House, 7-Bank Square, Lahore Phone # 042-37235081-82 Fax: # 042-37358817
Registered Office:	Universal Insurance House 63-Shahrah-e-Quaid-e-Azam Lahore, 54000 Pakistan. Ph: 042-37353453-37353458 Fax: 042-37230326 Web: www.uic.com.pk Email: info@uic.com.pk



BOARD AND MANAGEMENT COMMITTEES

Board Committees:

i) Ethics, Human Resource & Remuneration Committee

Mr. Muhammad Imran Malik	Chairman	Independent
Mr. Raza Kuli Khan Khattak	Member	Non-Executive
Mr. Gohar Ayub Khan	Member	Executive
Mr. Mushtaq Ahmed Khan F.C.A	Member	Non-Executive
Mrs. Shahnaz Sajjad Ahmad	Member	Non-Executive
Dr. Shaheen Kuli Khan Khattak	Member	Non-Executive
Mr. Liaqat Ali Shaukat	Secretary	

ii) Investment Committee

Mr. Mushtaq Ahmed Khan F.C.A	Chairman	Non-Executive
Mr. Gohar Ayub Khan	Member	Executive
Dr. Shaheen Kuli Khan Khattak	Member	Non-Executive
Mr. Khalid Kuli Khan Khattak	Member	Non-Executive
Mr. Ashfaq Ahmed	Member	Chief Financial Officer
Mr. Liaqat Ali Shaukat	Secretary	

iii) Audit Committee

Mr. Muhammad Imran Malik	Chairman	Independent
Mr. Mushtaq Ahmed Khan F.C.A	Member	Non-Executive
Mrs. Shahnaz Sajjad Ahmad	Member	Non-Executive
Dr. Shaheen Kuli Khan Khattak	Member	Non-Executive
Mr. Muhammad Kuli Khan Khattak	Member	Non-Executive
Mr. Abdul Waheed Ch.	Secretary	

Management Committees:

iv) Underwriting, Reinsurance & Co-Insurance Committee;

Mr. Muhammad Kuli Khan Khattak	Chairman	Non-Executive
Mr. Sikandar Kuli Khan Khattak	Member	Non-Executive
Miss. Bushra Hina Mushtaq	Member	
Mr. Muhammad Alyas	Secretary	

v) Claims Settlement Committee;

Mr. Gohar Ayub Khan	Chairman	Executive
Mr. Mushtaq Ahmed Khan F.C.A	Member	Non-Executive
Dr. Shaheen Kuli Khan Khattak	Member	Non-Executive
Mr. Amir Raza	Member	
Mr. Abdul Waheed Ch.	Member	
Mr. Ashfaq Ahmed	Secretary	

vi) Risk Management & Compliance Committee

Mr. Sikandar Kuli Khan Khattak	Chairman	Non-Executive
Mr. Amir Raza	Member	
Mr. Ashfaq Ahmed	Member	
Miss. Bushra Hina Mushtaq	Secretary	



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 58th Annual General Meeting of the Shareholders of The Universal Insurance Company Limited will be held on Friday April 27, 2018 at 10:30 A.M. at the registered office of the Company at Universal Insurance House, 63-Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:-

A. ORDINARY BUSINESS

1. To confirm the minutes of the Annual General Meeting held on April 28, 2017 at Lahore.
2. To receive, consider and adopt the audited accounts of the Company for the year ended December 31, 2017 and reports of the directors and auditors thereon.
3. To appoint auditors for the year 2018 and to fix their remuneration. The Board on recommendation of Audit Committee of the company has recommended the appointment of M/s. ShineWing Hameed Chaudhri & Co. Chartered Accountants as external auditor for the year 2018 being eligible, have offered themselves for re-appointment.

B. ANY OTHER BUSINESS

To transact any other business with the permission of the Chair.

By Order of the Board

(Liaqat Ali Shaukat)
Company Secretary

Dated: April 06, 2018

NOTES:

- 1- The Share Transfer Books of the Company will remain closed from April 20, 2018 to April 27, 2018 (both days inclusive).
- 2- A member entitled to attend and vote at the meeting 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 Registered Office of the Company duly stamped, signed and witnessed not later than 48 hours before the meeting. A member shall not be entitled to appoint more than one proxy.
- 3- CDC shareholders are requested to bring their original CNIC card, Account, Sub account numbers and participant's Number in Central Depository Company (CDC) for identification purpose for attending the meeting. In case of Corporate entity, the Board of Director's resolution/ Power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.



- 4- Shareholders are requested to immediately notify shares registrar of the company promptly of any change in their addresses, if any.
- 5- Members who have not yet submitted photocopies of their valid computerized national identity cards to the Company are requested to send the same at earliest directly to our share registrar M/s. Hameed Majeed Associates (Pvt) Ltd, 7- Bank Square, Lahore.
- 6- Form of proxy is appended to the annual report in both English and Urdu languages.
- 7- The audited financial statements of the company for the year ended December 31, 2017 have been placed on the company website www.uic.com.pk.
- 8- Members who desire to receive annual financial statements and notice of annual general meeting of the company through email in future are hereby requested to convey their consent to company secretary at email address info@uic.com.pk via email on a standard request form which is available on company website. It is the responsibility of the member to timely update of any change in their registered email address. Members can request a hard copy of Audited Financial Statements which shall be provided free of cost within seven days from the date of requisition.
- 9- Pursuant to SECP S.R.O. No. 43(1)/2016 dated January 22, 2016, the members can also exercise their right to vote through e-voting by giving their consent in writing at least 10 days before the date of meeting to the company on the appointment of Execution Officer by the intermediary as a Proxy.
- 10- Shareholders who could not collect their dividend / physical shares are advised to contact Shares department of the Company to collect / enquire about their unclaimed dividend or shares, if any. In compliance with Section 244 of the companies Act 2017, after having completed the stipulated procedure, all such dividend and shares outstanding for a period of three (3) years or more from the date due and payable shall be deposited to the credit of the Federal Government in case of unclaimed dividend and in case of shares, shall be delivered to the SECP.

11- Consent for Video Conference Facility

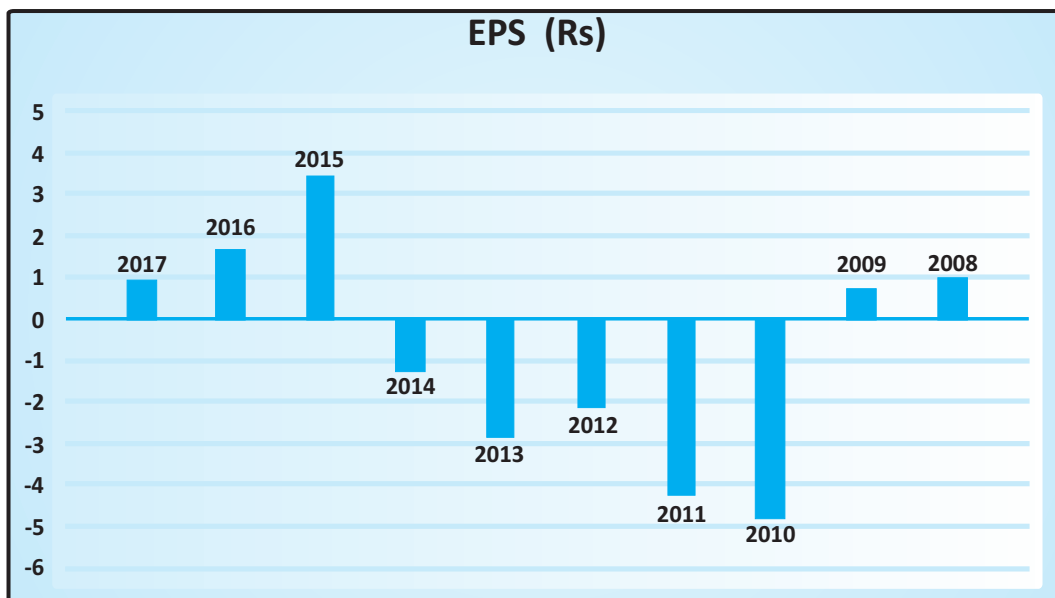
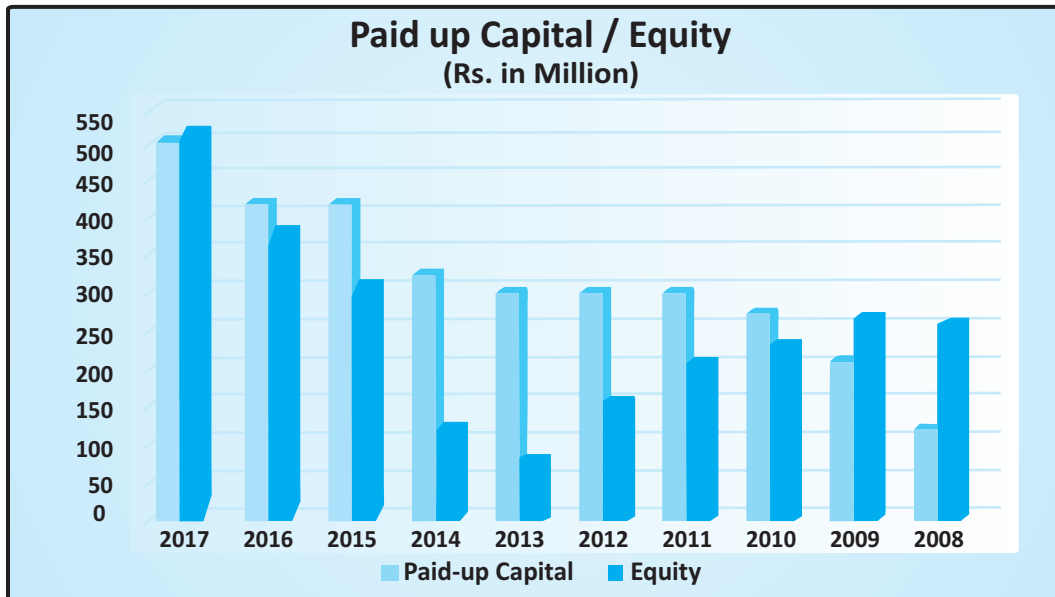
Pursuant to the provision to the Companies Act, 2017 the members can also avail video conference facility. In this regard please fill the following and submit at the registered address of the Company 07 days before holding the general meeting. If the company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting, the company will arrange video conference facility in that city subject to availability of such facility in that city. The Company will intimate members regarding venue of video conference facility at least 5 days before the date of general meeting.

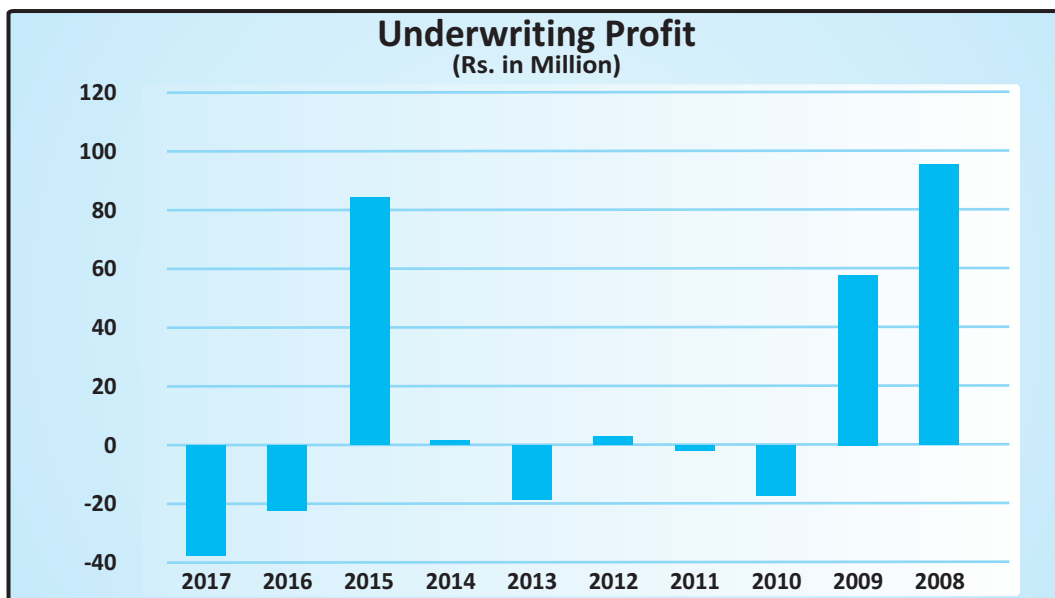
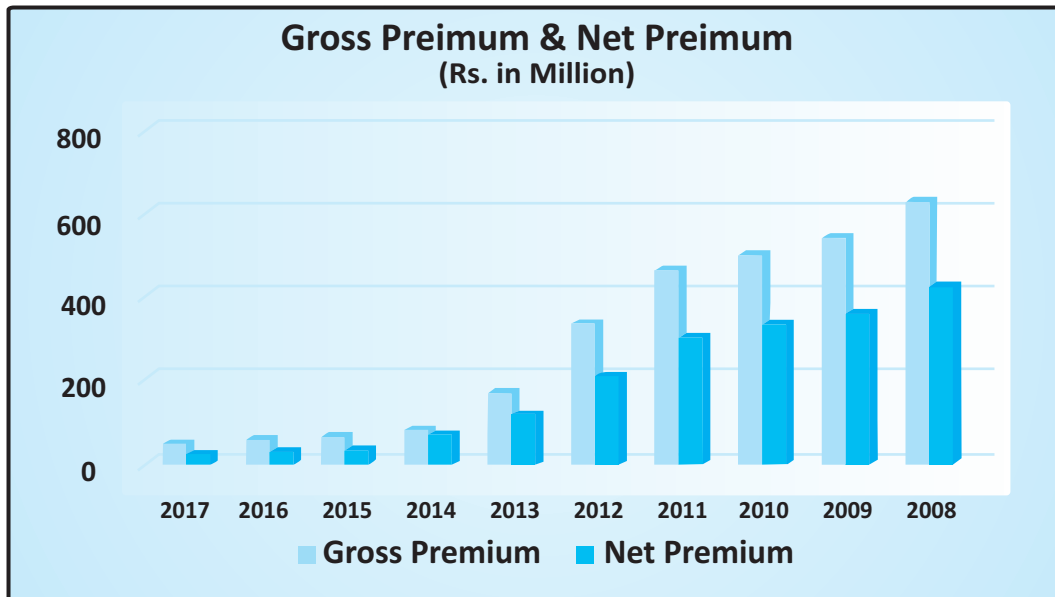
I/We _____ of _____ being a member of The Universal Insurance Co. Ltd., holder of _____ Ordinary Share(s) as per Folio No. _____ hereby opt for video conference facility at _____.

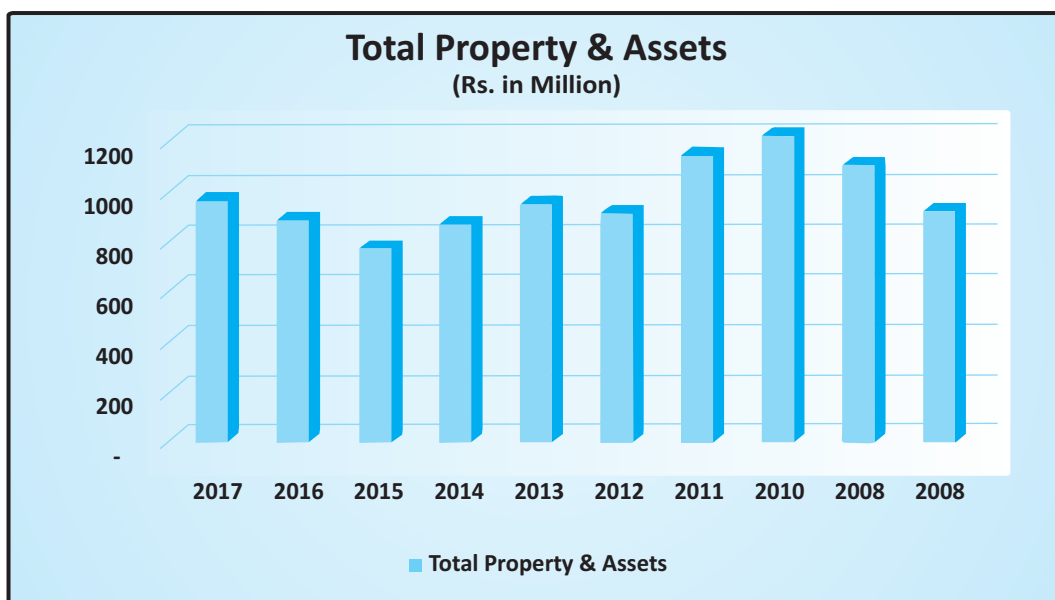
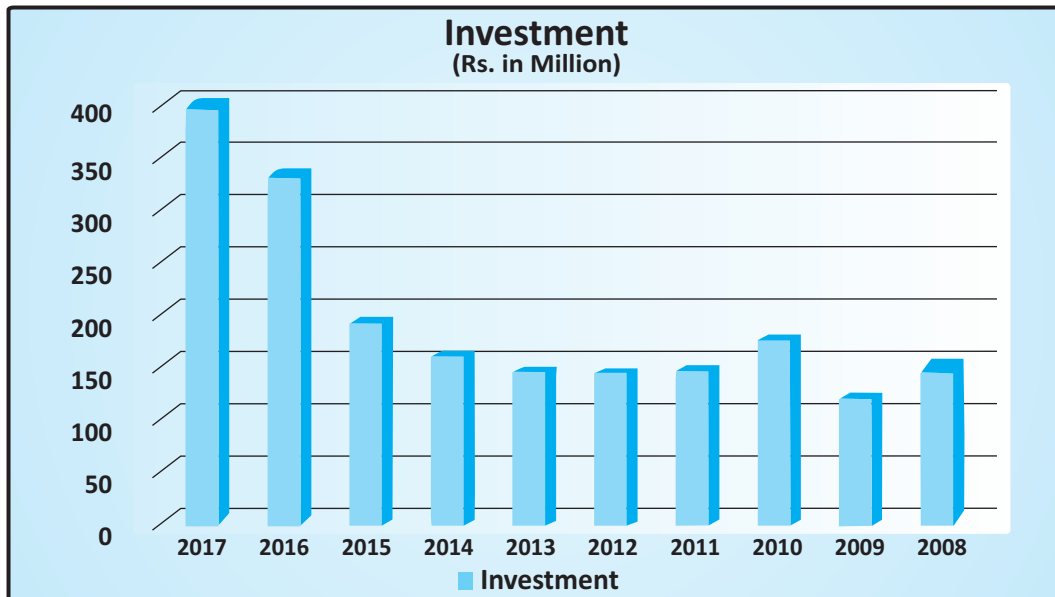


TEN YEARS KEY FINANCIAL DATA

	(Rupees in million)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Gross Premium	28	36	45	68	115	295	464	503	539	611
Net Premium	12	26	28	35	99	211	292	329	361	407
Net Claim	(9)	(9)	(56)	2	54	102	143	177	182	197
Investment	371	320	187	157	138	135	135	160	115	145
Underwriting (Loss)/ Profit	(39)	(23)	83	0.33	(18)	1.4	(2)	(17)	58	96
Profit / (Loss) Before Tax	45	71	131	(41)	(87)	(66)	(110)	(103)	11	34
Profit / (Loss) After Tax	41	69	130	(46)	89	(66)	(65)	(86)	8	21
Paid-up Capital	500	416	416	370	300	300	300	262.50	210	210
Cash and Banks	90	6	108	122	160	62	130	88	159	152
Total Property & Assets	920	804	784	847	935	913	1069	1164	1066	922
Equity	510	383	311	118	78	143	208	233	265	257
EPS (Rs)	0.98	1.67	3.5	(1.34)	(2.97)	(2.21)	(4.20)	(4.58)	0.48	1.00









CHAIRMAN'S REVIEW

It is my pleasure to present the 58th Annual Report and Performance Review of the Company on behalf of the Board for the year ended December 31, 2017.

Company's Performance

The Company has been underwriting very selected business and primarily has focused on its captive business. As the result of this underwriting strategy the bottom line financial results are appreciable. The after tax profit for the year was Rs. 41.452 million as compared to Rs. 69.407 million in the corresponding last year. Due to this the accumulated losses of the Company has further reduced from Rs. 62.310 million to Rs. 18.639 million. Hence your company has reported earnings per share of Rs. 0.98 for the year as compared to Rs. 1.67 in 2016.


Future Outlook

The Board has been considering the proposal of the management of the Company to restart the Market Business by setting up branch network during the new financial year in view of improvement in its financial results for the last three years. In this connection initially the new branches will be established in high potential areas.

Acknowledgement

I wish to express my sincere appreciation to our valued shareholders, clients, Reinsurers, SECP and Financial Institutions whose corporation and support over the year has further strengthened our market image.

April 02, 2018
Lahore


Raza Kuli Khan Khattak
Chairman

چیرمین کی جائزہ رپورٹ

بورڈ کی جانب سے مجھے کمپنی کی 58 ویں سالانہ رپورٹ اور کارکردگی جائزہ اختتام سال 31 دسمبر 2017 پیش کرتے ہوئے خوشی ہو رہی ہے۔

کمپنی کی کارکردگی

کمپنی بہت مخصوص انڈر رائٹنگ بزنس کر رہی ہے اور بنیادی طور پر کمپنی کی توجہ مخصوص بزنس پر مرکوز ہے۔ انڈر رائٹنگ کی اس حکمت عملی کے نتیجے میں مالی نتائج قابل قدر ہیں۔ اس سال کے لیے بعد از ٹیکس منافع 41.452 ملین روپے رہا جبکہ گزشتہ سال 69.407 ملین روپے تھا اس وجہ سے کمپنی کے جمع شدہ نقصانات 62.310 ملین روپے سے مزید کم ہو کر 18.639 ملین روپے رہ گئے ہیں۔ لہذا آپ کی کمپنی نے 0.98 روپے فی شیئر آمدن حاصل کی جو کہ سال 2016 میں 1.67 روپے تھی۔

مستقبل کا جائزہ

بورڈ نے گزشتہ تین سال کے مالیاتی نتائج میں بہتری کے نتیجے میں نئے مالی سال کے دوران کمپنی انتظامیہ کی تجویز پر برانچ نیٹ ورک کو قائم کر کے دوبارہ مارکیٹ بزنس شروع کرنے پر غور کر رہی ہے۔ اس سلسلے میں ابتدائی طور پر نئی برانچیں ہائی پوٹنشل جگہوں پر قائم کی جائیں گی۔

اعتراف

میں اپنے قابل قدر حصص داران، کلائنٹس، ری انشوررز، SECP اور دیگر مالیاتی اداروں کا شکر گزار ہوں جن کے تعاون اور سپورٹ کی وجہ سے کمپنی کا ایجنڈا مزید مضبوط ہوا۔



(رضا کولی خان خٹک)

چیرمین

02 اپریل، 2018

لاہور۔



DIRECTORS' REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors, I feel immense pleasure in presenting the **58th Annual Report** of the company with audited financial statements for the financial year ended December 31, 2017.

OPERATING RESULTS:

The operating financial results of the company for the year ended 31 December, 2017 are stated below.

	<u>2017</u>	<u>2016</u>
	-----Rupees in '000-----	
Gross premium	28,324	35,979
Net premium	12,183	25,546
Loss from underwriting business	(39,329)	(23,151)
Net claims	(9,017)	(8,604)
Management / administrative expenses	68,625	63,653
Capital and reserves	509,978	382,608
Profit before taxation	45,423	71,246

PROFIT AND LOSS APPROPRIATION ACCOUNT

Balance of accumulated loss at the commencement of the year	(62,310)	(133,578)
Profit after taxation for the year	41,452	69,407
Other comprehensive income/ (loss) for the year	625	(393)
Items directly recognized in statement of changes in equity	1,594	2,254
Balance of accumulated loss at the end of the year	<u>(18,639)</u>	<u>(62,310)</u>
Earnings per share	0.98	1.67

REVIEW OF OPERATING RESULTS:

The financial results of the company are demonstrating positive trend for the last three years and this consistency has condensed the quantum of accumulated losses of the Company From Rs. 266.854 million to Rs. 18.639 million by the end of current financial year. Although Company has been underwriting very selected business and primarily focused on its captive business the bottom line financial results are appreciable. Following previous years claim estimation policy the management again reviewed its claim liabilities minutely exercising its best judgment and determined the actual liabilities of company. The other assets and liabilities similarly were thoroughly scrutinized for determining the rationalized figures. The review of the financials for the last three years are indicating significant improvement in practically all the segments of importance which infact has increased the capacity of shareholder's equity up to a satisfactory level.

DIVIDEND

Due to accumulated losses, the directors have recommended no dividend for the year 2017.

IFS Rating

In recognition of improvement in the financial performance of the Company the IFS credit rating has been reviewed upwardly by M/s. PACRA from BBB (stable) to A- (stable) in June 09, 2017.

INFORMATION TECHNOLOGY (IT)

The I.T modules have been upgraded during the year to cater to changed environment. The new development took place for integrating all operational segments and this will of course enhance the prompt report generating capacity of the Company.



ISO Certification

The Company received ISO 9001:2008 certification from M/s. Lloyd's Register-EMEA, Karachi since May 17, 2003. M/s. Lloyd's Register-EMEA, Karachi has renewed Company's certification ISO 9001:2008 on October 19, 2015 for next 3 years which exhibits that Company meets the requirement of standard and maintains satisfactory level of implementation of ISO-Quality Management System.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The corporate laws, rules and regulations framed there under spell out the overall functions of the Board of Directors of the company. The Board is fully aware of its corporate responsibilities as envisaged under the Code of Corporate Governance, prescribed by the Securities and Exchange Commission of Pakistan and is pleased to certify that:

- (a) The financial statements, prepared by the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- (b) Proper books of accounts have been maintained by the Company.
- (c) The company has applied consistently appropriate accounting policies in preparation of the financial statements and accounting estimates are on the basis of prudent and reasonable judgment.
- (d) Financial statements have been prepared by the company in accordance with the International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) or any other regulation or law as applicable in Pakistan. The departure there from, if any, is disclosed adequately.
- (e) The system of internal control is sound in design and has been effectively implemented and monitored.
- (f) There are no significant doubts upon Company's ability to continue as a going concern.
- (g) The company has followed the best practices of the Corporate Governance as laid down in the Rule book of the stock exchange and there has been no material departure there from except for the matters described in the Auditors' Review Report to the members on Statement of Compliance with the code of corporate governance for Insurers, 2016 and code of corporate governance, 2012.
- (h) Key operating and financial data for the last ten years in summarized form is annexed to this annual report.
- (i) Information about taxes and duties is given in the corresponding notes in the financial statements.
- (j) Four directors of the Company have acquired certification under the Director's Training Program (DTP) and five directors meets the criteria of eligibility for exemption from certificate.

Related Party Transitions

The related party transactions are approved or ratified by the Board Audit Committee and the Board of Directors.



BOARD OF DIRECTOR'S MEETINGS.

The Directors of the company were elected at the Annual General Meeting held on April 28, 2017 w.e.f April 30, 2017 for a term of three years expiring on April 29, 2020. During the year, Six (6) Board meetings were held. The number of meetings attended by each Director is given hereunder :

<u>Name of Directors</u>	<u>No. of Meetings Attended</u>	
Mr. Raza Kuli Khan Khattak	6	
Mr. Gohar Ayub Khan	6	
Mr. Mushtaq Ahmad Khan - FCA	3	
Mrs. Shahnaz Sajjad Ahmad	5	
Dr. Shaheen Kuli Khan Khattak	4	
Mr. Muhammad Imran Malik	3	
Mr. Khalid Kuli Khan Khattak	3	
Mr. Muhammad Kuli Khan Khattak	6	
Mr. Sikandar Kuli Khan Khattak	1	
Lt. Gen. (R) Ali Kuli Khan Khattak	2	(Retired from Board on April 29, 2017)
Mr. Pervez Iftikhar Ahmed Khan	0	(Retired from Board on April 29, 2017)
Mr. Amir Raza	3	(Retired from Board on April 29, 2017)

Leave of absence was granted to the Directors who could not attend some of the Board meetings due to their other engagements.

One casual vacancy occurred during the year 2017 due to resignation of Director Mr. Muhammad Zia which was duly filled by Mr. Sikandar Kuli Khan Khattak.

BOARD AND MANAGEMENT COMMITTEES

The Board of Directors, in compliance with the Code, has constituted following Board and Management committees which performs according to the terms of reference determined by the Board of the company and which conforms to the requirements of the code

AUDIT COMMITTEE

Audit Committee comprising of four members, three of whom are non-executive directors including chairman of the committee and one independent director. Four meetings of audit committee were held during the year as per detail given below;

		No. of Meetings Attended	
- Mr. Mushtaq Ahmad Khan - F.C.A	Chairman	3	
- Lt. Gen @ Ali Kuli Khan Khattak	Member	1	(Retired on April 29, 2017)
- Mrs. Shahnaz Sajjad Ahmed	Member	3	
- Mr. Muhammad Imran Malik	Member	3	
- Mr. Muhammad Kuli Khan Khattak	Member	2	

ETHICS, HUMAN RESOURCE & REMUNERATION COMMITTEE

The Board's Ethics, Human Resource & Remuneration Committee comprises of following members. Two meetings were held during the year as per detail given below;

		No. of Meetings Attended	
- Mr. Raza Kuli Khan Khattak	Chairman	1	
- Lt. Gen @ Ali Kuli Khan Khattak	Member	1	(Retired on April 29, 2017)
- Mr. Gohar Ayub Khan	Member	2	
- Mr. Mushtaq Ahmad Khan - F.C.A	Member	1	
- Mrs. Shahnaz Sajjad Ahmed	Member	1	
- Mr. Muhammad Imran Malik	Member	2	

INVESTMENT COMMITTEE

Investment Committee meets on quarterly basis to review the investment portfolio. The Board's Investment Committee comprises of the following members. Four meetings were held during the year as per detail given below;

		No. of Meetings Attended	
- Mr. Mushtaq Ahmad Khan - F.C.A	Chairman	3	
- Dr. Shaheen Kuli Khan Khattak	Member	3	
- Mr. Muhammad Imran Malik	Member	2	
- Mr. Khalid Kuli Khan Khattak	Member	2	
- Mr. Amir Raza	Member	2	



UNDERWRITING, RE-INSURANCE & CO-INSURANCE COMMITTEE

This Committee formulates the underwriting policy and regularly reviews the underwriting and premium policies of the company and ensure adequate reinsurance arrangements for the insurance company's business. The committee is consisting of following members. Four meetings were held during the year as per detail given below;

		No. of Meetings Attended
- Mr. Muhammad Imran Malik	Chairman	2
- Mr. Amir Raza	Member	4
- Miss. Bushra Hina Mushtaq	Member	4

CLAIMS SETTLEMENT COMMITTEE

Claim Settlement Committee devise the claim settling policy of the Company. It oversees the claim position of the Company and ensure that adequate claims reserves are maintained. The committee is consisting of following members. Four meetings were held during the year as per detail given below;

		No. of Meetings Attended
- Mr. Gohar Ayub Khan	Chairman	4
- Mr. Mushtaq Ahmad Khan - F.C.A	Member	1
- Mr. Amir Raza	Member	4
- Mr. Abdul Waheed Ch.	Member	4

RISK MANAGEMENT & COMPLIANCE COMMITTEE

This committee oversees the activities of the risk management function of the Company and makes appropriate recommendations to the Board to mitigate probable risks falling within the purview of the risk management function. This Committee is consisting of following members. Four meetings were held during the year as per detail given below;

		No. of Meetings Attended
- Mr. Muhammad Imran Malik	Chairman	2
- Mr. Amir Raza	Member	4
- Mr. Ashfaq Ahmed	Member	4

Pattern of Shareholding

The pattern of shareholding is separately annexed in the report.

Trading in Company's Shares

For meeting the minimum paid-up capital requirement as laid down by the SECP for non-life insurers the Company had issued right shares @ 20.1404% i.e. 8,382,023 ordinary shares of Rs. 10/- each at Rs. 10/- per share. The sponsors, directors and executives have subscribed their portion of right shares. Mr. Khalid Kuli Khan Khattak and Sikandar Kuli Khan Khattak have purchased 2,500 shares during the financial year ended December 31, 2017.

Appointment of Auditors

The Auditors M/s. Shinewing Hameed Chaudhri & Co, Chartered Accountants retire at the conclusion of Annual General Meeting, given their consent for re-appointment for the year ending December 31, 2018.

Future Outlook

The Board has been vigorously considering the proposal of the management to expand the branch network of the Company during the new financial year in view of improvement in its financial results for the last three years. In this connection initially the new branches will be established in high potential areas.

Acknowledgement


We would like to thank the Securities and Exchange Commission of Pakistan, Pakistan Reinsurance Company Ltd., State Bank of Pakistan, Other Reinsurers and Co-insurers for their continued cooperation and guidance through-out the year and our valued clients for their continued patronage extended to us.

For & on behalf of the Board of Directors

Date: April 02, 2018

Place: Lahore


Sikandar Kuli Khan Khattak
Director


Gohar Ayub Khan
Chief Executive Officer



دی یونیورسل انشورنس کمپنی لمیٹڈ

ممبران کے لئے ڈائریکٹرز کی رپورٹ
(یہ انگریزی رپورٹ کا ترجمہ ہے)

بورڈ آف ڈائریکٹرز کی طرف سے کمپنی کی 58 ویں سالانہ رپورٹ مع 31 دسمبر 2017 کو ختم ہونے والے سال کے لیے نظر ثانی شدہ مالیاتی گوشوارے پیش کرتے ہوئے انتہائی خوشی محسوس ہو رہی ہے۔

آپریٹنگ نتائج (Operating Results)

31 دسمبر 2017 کو اختتام پذیر سال کے آپریٹنگ نتائج مندرجہ ذیل ہیں:-

2017	2016	
(روپے '000)		
28,324	35,979	- مجموعی پریمیم
12,183	25,546	- نیٹ پریمیم
(39,329)	(23,151)	- انڈر رائٹنگ کاروبار سے نقصان
(9,017)	(8604)	- نیٹ کلیمز
68,625	63,653	- انتظامی اخراجات
509,978	382,608	- سرمایہ اور ذخائر
45,423	71,246	- قبل از ٹیکس منافع
		- فائدہ اور نقصان حصول اکاؤنٹ
(62,310)	(133,578)	- اس سال کے ابتدا میں مجموعی (نقصان) کا بیلنس
41,452	69,407	- اس سال کے لیے بعد از ٹیکس منافع
625	(393)	- اس سال کے لیے دیگر جامع منافع / (نقصان)
1,594	2,254	- ایکویٹی میں تبدیلی کی تحریر میں تسلیم کردہ براہ راست اشیاء
(18,639)	(62,310)	- سال کے اختتام پر مجموعی (نقصان) کا بیلنس
0.98	1.67	- آمدنی فی شیئر

آپریٹنگ نتائج کا جائزہ (Review of Operating Results)

کمپنی کے پچھلے تین سالوں کے مالی نتائج مثبت رجحان کا مظاہرہ کر رہے ہیں اور اس استحکام کی وجہ سے مالی سال کے اختتام پر کمپنی کے مجموعی نقصانات 266.854 ملین روپے سے کم ہو کر 18.639 ملین روپے رہ گئے ہیں۔ اگرچہ کمپنی بہت ہی مخصوص انڈر رائٹنگ کا کاروبار کر رہی ہے اور کمپنی کے بنیادی کاروبار کا انحصار ایسوی ایٹس کمپنیز کے بزنس پر ہے جس کے حتمی مالی نتائج قابل قدر ہیں۔ پچھلے مالی سالوں کے نقصانات کی تخمینہ پالیسی کے پیش نظر کمپنی کی انتظامیہ کے بہتر فیصلے کو مد نظر رکھتے ہوئے کمپنی کے ذمہ کلیمز کے واجبات کا دوبارہ جائزہ لیا تاکہ کمپنی کے ذمہ اصل واجبات کا تعین کیا جائے۔ دیگر اثاثوں اور واجبات کی بھی اسی طرح چھان بین کی گئی تاکہ منطقی اعداد و شمار کا تعین کیا جاسکے۔ گزشتہ تین سالوں کے مالیاتی اعداد و شمار عملی طور پر تمام شعبوں میں نمایاں بہتری ظاہر کر رہے ہیں جس سے یقیناً شرکت داروں کی کمپنی آف ایکویٹی تلی بخش سطح تک بڑھی گئی ہے۔



ڈیویڈنڈ (Dividend)

مجموعی نقصان کی وجہ سے ڈائریکٹرز نے سال 2017 کے لیے ڈیویڈنڈ دینے کی سفارش کی ہے۔

کریڈٹ ریٹنگ (Credit Rating)

کمپنی کے مالی نتائج میں بہتری کو محسوس کرتے ہوئے IFS Credit Rating ایجنسی M/s. Pacra نے کمپنی کی ریٹنگ 9 جون 2017 کو BBB (Stable) سے A- (Stable) کر دی تھی۔

انفارمیشن ٹیکنالوجی (Information Technology)

اس سال کے دوران آئی ٹی ماڈیولز کو بدلتے ہوئے حالات کی ضروریات کے حساب سے اپ گریڈ کیا ہے۔ تمام آپریشنل شعبوں کو انٹیگریٹ کرنے کے لیے سسٹم میں نئی ڈویلپمنٹ ہوئی اور اس سے یقیناً کمپنی کی بہتر پورٹنگ جزیٹ کرنے کی صلاحیت بڑھے گی۔

آئی ایس او سرٹیفیکیشن (ISO Certification)

17 مئی 2003 سے کمپنی نے میسرز لائڈرجسٹر۔ ای ایم ای اے۔ کراچی سے ISO 9001:2008 کی سرٹیفیکیشن حاصل کی۔ میسرز لائڈرجسٹر۔ ای ایم ای اے۔ کراچی نے 19 اکتوبر 2015 کو اگلے تین سال کے لیے ISO 9001:2008 کو دوبارہ جاری کیا۔ اس سے صاف ظاہر ہے کہ کمپنی ISO کوالٹی مینجمنٹ سسٹم کے معیار پر پورا اُترتی ہے اور کمپنی نے ISO کوالٹی مینجمنٹ سسٹم کے عمل درآمد کے معیار کو یقینی بنایا ہے۔

کارپوریٹ اور فنانشل رپورٹنگ فریم ورک (Corporate and Financial Reporting Framework)

کمپنی کے بورڈ آف ڈائریکٹرز کے کارہائے نمایاں کو سرانجام دینے کے لیے کاروباری قوانین، اصول و ضوابط موجود ہیں۔ بورڈ اپنے کاروباری فرائض سے بخوبی آگاہ ہے۔ جو کہ کارپوریٹ گورننس کے ضابطہ کے مطابق ہے اور سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کا مقرر کردہ ہے۔ اور اس کی گواہی دیتا ہے کہ: (اے) کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی اسٹیٹمنٹ اس کی تمام معلومات کو صاف و شفاف انداز میں واضح کرنے کے ساتھ اس کے آپریشنز کے نتائج، نقد کی آمد و رفت اور ایکٹیوٹی میں تبدیلیاں شامل ہیں۔

(بی) کمپنی کے مناسب مالی کھاتاتجارت تیار کی گئے ہیں۔

(سی) موزوں اکاؤنٹنگ پالیسیز پر مالیاتی اسٹیٹمنٹ اور اکاؤنٹنگ تخمینہ جات کی تیاری کے لیے مستقل اپنائی جاتی ہیں جو موزوں اور محتاط اندازوں پر منحصر ہوتی ہیں۔ (ڈی) انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز (IFRS) پر، جیسا کہ پاکستان میں نافذ العمل ہے، مالیاتی اسٹیٹمنٹ کی تیاری کی جاتی ہے اور کہیں اس سے انحراف کیا گیا ہو تو اس کو واضح طور پر ظاہر کر دیا جاتا ہے۔

(ای) داخلی کنٹرول کا نظام مستحکم طور پر ترتیب دیا گیا ہے اور موثر طور پر عمل درآمد کے ساتھ اس کی نگرانی کی جاتی ہے۔

(ایف) کمپنی کی اس صلاحیت پر کسی قسم کے شکوک و شبہات نہیں کہ یہ چلتے رہنے والا ادارہ ہے۔

(جی) کمپنی نے شک ایکنج کی اصول کتاب میں مقرر کردہ کارپوریٹ گورننس کے بہترین طریقوں کی پیروی کی ہے اور کوئی قابل اثر اندازی انحراف نہیں کیا گیا سوائے ان معاملات کے جو آڈیٹر کی مہران کے لیے کوڈ آف کارپوریٹ گورننس فار انشورر، 2016 اور کوڈ آف کارپوریٹ گورننس، 2012 کی رپورٹ میں ہے۔

(ایچ) گزشتہ دس سال کے لیے نمایاں آپریٹنگ اور فنانشل اعداد و شمار کا خلاصہ سالانہ رپورٹ کے ساتھ منسلک ہے۔

(آئی) ٹیکس اور ڈیوٹی کے متعلق معلومات مالیاتی گوشواروں میں متعلقہ نوٹوں میں دی گئی ہے۔

(جے) کمپنی کے چارڈائریکٹرز نے ڈائریکٹرز بینک پروگرام (DTP) کے تحت سرٹیفیکیشن حاصل کر لیا ہے اور پانچ ڈائریکٹرز سرٹیفیکیشن پر چھوٹ کی اہلیت پر پورا اترتے ہیں



متعلقہ پارٹی ٹرانزیکشنز (Related Party Transactions)

بورڈ آف ڈائریکٹرز اور بورڈ آف ڈائریکٹرز نے متعلقہ پارٹی ٹرانزیکشنز کی منظوری اور توثیق کی ہے۔

ڈائریکٹرز کا اجلاس (Director's Meeting)

کمپنی کے ڈائریکٹرز 28 اپریل 2017 کو منعقد ہونے والے سالانہ جنرل اجلاس میں اگلے تین سال کی مدت کے لیے منتخب ہوئے ہیں جن کی مدت 30 اپریل 2017 سے شروع ہو کر 29 اپریل 2020 کو ختم ہو جاتی ہے۔ اس سال کے دوران 16 اجلاس منعقد ہوئے تھے۔ ہر ایک ڈائریکٹر کی جانب سے اجلاسوں میں شرکت کی تعداد مندرجہ ذیل میں دی گئی ہے:

نمبر شمار	ڈائریکٹرز کے نام	شرکت کردہ اجلاس کی تعداد
1	جناب رضا فقی خان خٹک	6
2	جناب گوہر ایوب خان	6
3	جناب مشتاق احمد خان - ایف سی اے	3
4	محترمہ شہناز سجادا احمد	5
5	ڈاکٹر شاہین فقی خان خٹک	4
6	جناب محمد عمران ملک	3
7	جناب خالد فقی خان خٹک	3
8	جناب محمد فقی خان خٹک	6
9	جناب سکندر فقی خان خٹک	1
10	لفٹیننٹ جنرل (ریٹائرڈ) علی فقی خان خٹک	2 (29 اپریل، 2017 کو بورڈ سے ریٹائرڈ ہونے والے)
11	جناب پرویز افتخار احمد خان	0 (29 اپریل، 2017 کو بورڈ سے ریٹائرڈ ہونے والے)
12	جناب عامر رضا	3 (29 اپریل، 2017 کو بورڈ سے ریٹائرڈ ہونے والے)

جو ڈائریکٹرز بورڈ کے سالانہ اجلاسوں میں اپنی دیگر مصروفیات کے باعث شریک نہیں ہو سکے ان ڈائریکٹرز کے لیے غیر حاضری کی چھٹی منظور کر لی گئی تھی۔ سال 2017 کے دوران ڈائریکٹر جناب محمد ضیا کے استعفیٰ کی وجہ سے ایک عارضی سیٹ خالی ہوئی جس کو جناب سکندر فقی خان خٹک سے پُر کر لیا تھا۔

بورڈ اور مینجمنٹ کمیٹی (Board and Management Committees)

کمپنی کے بورڈ آف ڈائریکٹرز نے قوانین کے مطابق مندرجہ ذیل بورڈ اور مینجمنٹ کمیٹیاں تشکیل دی ہیں جو کمپنی کے بورڈ کی طرف سے مقرر کردہ ریفرنس کی شرائط کے مطابق انجام دیتا ہے اور کوڈ کی ضروریات کو پورا کرتا ہے۔

آڈٹ کمیٹی (Audit Committee)

آڈٹ کمیٹی چار ممبران پر مشتمل ہے جس میں تین نان ایگزیکٹو ڈائریکٹرز بشمول کمیٹی کے چیئرمین اور ایک آزاد ڈائریکٹر شامل ہے۔ سال کے دوران آڈٹ کمیٹی کے 14 اجلاس منعقد کیے گئے جس کی تفصیل درج ذیل ہے:-

نمبر شمار	ڈائریکٹرز کے نام	عہدہ	شرکت کردہ اجلاس کی تعداد
1	جناب مشتاق احمد خان - ایف سی اے	چیئرمین	3
2	لفٹیننٹ جنرل (ریٹائرڈ) علی فقی خان خٹک	رکن	1 (29 اپریل، 2017 کو بورڈ سے ریٹائرڈ ہونے والے)
3	محترمہ شہناز سجادا احمد	رکن	3
4	جناب محمد عمران ملک	رکن	3
5	جناب محمد فقی خان خٹک	رکن	2



ضابطہ اخلاق، ہیومن ریسورس اور ریویو نیشن کمیٹی (Ethics, HR and Remuneration Committee)

بورڈ کا ضابطہ اخلاق، ہیومن ریسورس اینڈ ریویو نیشن کمیٹی مندرجہ ذیل اراکین پر مشتمل ہے۔ سال کے دوران کمیٹی کے 2 اجلاس منعقد کیے گئے جس کی تفصیل درج ذیل ہے:-

نمبر شمار	ڈائریکٹرز کے نام	عہدہ	شرکت کردہ اجلاس کی تعداد
1	رضا فقی خان خٹک	چیئرمین	1
2	لفیٹ جرنل (ریٹائرڈ) علی فقی خان خٹک	رکن	1
3	جناب گوہر ایوب خان	رکن	2
4	جناب مشتاق احمد خان - ایف سی اے	رکن	1
5	محترمہ شہناز سجاد احمد	رکن	1
6	محمد عمران ملک	رکن	2

انویسٹمنٹ کمیٹی (Investment Committee)

انویسٹمنٹ پورٹ فولیو کا جائزہ لینے کے لیے انویسٹمنٹ کمیٹی کا سہ ماہی اجلاس منعقد ہوتا ہے۔ بورڈ کی سرمایہ کاری کمیٹی مندرجہ ذیل اراکین پر مشتمل ہے۔ سال کے دوران کمیٹی کے 14 اجلاس منعقد کیے گئے جس کی تفصیل درج ذیل ہے:

نمبر شمار	ڈائریکٹرز کے نام	عہدہ	شرکت کردہ اجلاس کی تعداد
1	جناب مشتاق احمد خان - ایف سی اے	چیئرمین	3
2	ڈاکٹر شاہین فقی خان خٹک	رکن	3
3	جناب محمد عمران ملک	رکن	2
4	جناب خالد فقی خان خٹک	رکن	2
5	جناب عامر رضا	رکن	2

انڈر رائٹنگ، ری انشورنس اور کو انشورنس کمیٹی (Underwriting, Re-Ins and Co-Ins Committee)

یہ کمیٹی انڈر رائٹنگ پالیسی تشکیل دیتی ہے تاکہ باقاعدگی سے کمپنی کی انڈر رائٹنگ اور پریئم پالیسیز کا جائزہ لیا جاسکے اور انشورنس کمپنی کے کاروبار کے ری انشورنس کے مناسب انتظامات کو یقینی بنایا جاسکے۔ یہ کمیٹی مندرجہ ذیل اراکین پر مشتمل ہے۔ سال کے دوران کمیٹی کے 4 اجلاس منعقد کیے گئے جس کی تفصیل درج ذیل ہے:

نمبر شمار	ڈائریکٹرز کے نام	عہدہ	شرکت کردہ اجلاس کی تعداد
1	جناب محمد عمران ملک	چیئرمین	2
2	جناب عامر رضا	رکن	4
3	مس بشر احنا مشتاق	رکن	4

کلیم سٹیلیمینٹ کمیٹی (Claims Settlement Committee)

کلیم سٹیلیمینٹ کمیٹی نے کمپنی کی کلیم سٹیلیمینٹ پالیسی وضع کی ہے۔ یہ کمپنی کی کلیم پوزیشن کی نگرانی کرتی ہے تاکہ کمپنی کے کلیمرز کے ذخائر کو یقینی حد تک برقرار رکھا جائے۔ یہ کمیٹی مندرجہ ذیل اراکین پر مشتمل ہے۔ سال کے دوران کمیٹی کے 4 اجلاس منعقد کیے گئے جس کی تفصیل درج ذیل ہے:

نمبر شمار	ڈائریکٹرز کے نام	عہدہ	شرکت کردہ اجلاس کی تعداد
1	جناب گوہر ایوب خان	چیئرمین	4
2	جناب مشتاق احمد خان - ایف سی اے	رکن	1
3	جناب عامر رضا	رکن	4
4	جناب عبدالوحید چودھری	رکن	4



رِسک مینجمنٹ اور کمپلائنس کمیٹی (Risk Management and Compliance Committee)

یہ کمیٹی کمپنی کے رِسک مینجمنٹ فنکشن کی سرگرمیوں کے امور کی نگرانی کرتی ہے۔ اور بورڈ کو خطرات کے بندوبست کے امور کے دائرے کے اندر آنے والے ممکنہ خطرات سے نمٹنے کے موزوں سفارشات پیش کرتی ہے۔ یہ کمیٹی مندرجہ ذیل اراکین پر مشتمل ہے۔ سال کے دوران کمیٹی کے 14 اجلاس منعقد کیے گئے جس کی تفصیل درج ذیل ہے:

نمبر شمار	ڈائریکٹرز کے نام	عہدہ	شرکت کردہ اجلاس کی تعداد
1	جناب محمد عمران ملک	چیئر مین	2
2	جناب عامر رضا	رکن	4
3	جناب آشفاق احمد	رکن	4

شیئر ہولڈنگ پیٹرن (Pattern of Shareholding)

شیئر ہولڈنگ کا پیٹرن علیحدہ سے رپورٹ کے ساتھ لف ہذا ہے۔

کمپنی کے شیئرز میں لین دین (Trading in Company's Shares)

SECP کی طرف سے نان لائف انشورنس کمپنیوں کیلئے مقرر کردہ ادا شدہ سرمایہ کی کم از کم حد کو پورا کرنے کے لیے کمپنی نے %20.1404 یعنی ہر 10 روپے مالیت کے 8,382,023 عام حصص -10 روپے فی شیئر کے حساب سے جاری کیے۔ کمپنی کے پاسنرز، ڈائریکٹرز اور ایگزیکٹوز نے اپنے حصے کے رائٹ شیئرز سبسکرائب کیے۔ دسمبر 2017 کو اختتام پذیر ہونے والے مالی سال کے دوران خالد مفتی خان خٹک اور سکندر مفتی خان خٹک نے 2500 شیئرز خریدے۔

آڈیٹرز کی تعیناتی (Appointment of Auditors)

سالانہ اجلاس عام کے اختتام پر میسرز شائن ونگ حمید چوہدری اینڈ کمپنی سبکدوش ہو رہے ہیں اور 31 دسمبر 2018 کو ختم ہونے والے سال کے لیے رضا مندی کے ساتھ دوبارہ تقرری کے خواہشمند ہیں۔

مستقبل کا جائزہ (Future Outlook)

بورڈ پچھلے تین سالوں کے مالیاتی نتائج میں بہتری کے نتیجے میں نئے مالی سال کے دوران کمپنی انتظامیہ کی برانچ نیٹ ورک کو بڑھانے کی تجویز پر غور کر رہا ہے۔ اس سلسلے میں کمپنی ابتدائی طور پر اپنی برانچز ہائی پوٹنشل شہروں میں قائم کرے گی۔

اعتراف (Acknowledgement)

ہم انشورنس ڈیویژن SECP، پاکستان ری انشورنس کمپنی لمیٹیڈ، سٹیٹ بینک آف پاکستان اور دوسری ری انشوررز اور کو انشوررز کی پورے سال کے دوران مسلسل مدد اور رہنمائی کے شکرگزار ہیں اور ہم اپنے معزز کلائنٹس کے مسلسل اعتماد پر ان کے بھی شکرگزار ہیں۔

منجانب بورڈ

گوہر ایوب خان
(چیف ایگزیکٹو آفیسر)

سکندر مفتی خان خٹک
(ڈائریکٹر)

بتاریخ: اپریل 02، 2018

مقام: لاہور



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2016 AND CODE OF CORPORATE GOVERNANCE, 2012

Name of Insurer: The Universal Insurance Company Limited

Year Ended: December 31, 2017

This statement is being presented in compliance with the Code of Corporate Governance for Insurers, 2016 (the Code) for the purpose of establishing a framework of good governance, whereby an insurer is managed in compliance with the best practices of corporate governance and the Code of Corporate Governance, 2012 (CCG 2012) as contained in Regulation No. 5.19.24 of the rule book of Pakistan Stock Exchange.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present the Board includes:

Category	Names
Independent Director	Mr. Muhammad Imran Malik
Executive Director	Mr. Gohar Ayub Khan
Non-Executive Directors	Mr. Raza Kuli Khan Khattak
	Mr. Mushtaq Ahmad Khan F.C.A
	Mrs. Shahnaz Sajjad Ahmed
	Dr. Shaheen Kuli Khan Khattak
	Mr. Khalid Kuli Khan Khattak
	Mr. Muhammad Kuli Khan Khattak
	Mr. Sikandar Kuli Khan Khattak

The independent director meets the criteria of independence as laid down under the Code and CCG 2012.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange.
4. One casual vacancy occurring on the board on May 02, 2017 was filled up by the directors within 90 days.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. 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.



7. All the 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 (CEO), other executive directors and the key officers, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of meetings were appropriately recorded and circulated.
9. The Board has established a system of sound internal control, which is effectively implemented at all levels within the Company. The Company has adopted and complied with all necessary aspects of internal controls given in the Code.
10. Four of the directors have attended the "Directors' Training Program" (DTP) conducted by the local institutions that meet the criteria specified by the SECP. Other five directors possess the minimum qualification and experience criteria for the exemption of DTP as stipulated in the Code.
11. No new appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit was made during the year.
12. The directors' report for this year has been prepared in compliance with the requirements of the Code and CCG, 2012 and fully describes the salient matters required to be disclosed.
13. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
14. The directors, CEO and other executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding.
15. The Company has complied with all the corporate and financial reporting requirements of the Code and CCG, 2012.
16. The Board has formed the following Management Committees:

Underwriting, Re-insurance & Co-Insurance Committee:

Name of the Member	Category
Mr. Muhammad Kuli Khan Khattak	Chairman
Mr. Sikandar Kuli Khan Khattak	Member
Miss. Bushra Hina Mushtaq	Member
Mr. Muhammad Alyas	Secretary

Claims Settlement Committee:

Name of the Member	Category
Mr. Gohar Ayub Khan	Chairman
Mr. Mushtaq Ahmed Khan F.C.A	Member
Mr. Amir Raza	Member
Mr. Abdul Waheed Ch.	Member
Mr. Ashfaq Ahmed	Secretary



Risk Management & Compliance Committee:

Name of the Member	Category
Mr. Sikandar Kuli Khan Khattak	Chairman
Mr. Amir Raza	Member
Mr. Ashfaq Ahmed	Member
Miss. Bushra Hina Mushtaq	Secretary

The functions of Nominations Committee are being performed by the Board

17. The Board has formed the following Board Committees

Ethics, Human Resource & Remuneration Committee:

Name of the Member	Category
Mr. Muhammad Imran Malik	Chairman
Mr. Raza Kuli Khan Khattak	Member
Mr. Gohar Ayub Khan	Member
Mr. Mushtaq Ahmed Khan F.C.A	Member
Mrs. Shahnaz Sajjad Ahmed	Member
Mr. Liaqat Ali Shaukat	Secretary

Investment Committee:

Name of the Member	Category
Mr. Mushtaq Ahmed Khan F.C.A	Chairman
Mr. Gohar Ayub Khan	Member
Mr. Khalid Kuli Khan Khattak	Member
Mr. Ashfaq Ahmed	Member
Mr. Liaqat Ali Shaukat	Secretary

18. The Board has formed an Audit Committee. It comprises of four members, of whom one is independent director and three are non-executive directors. The chairman of the Committee is an independent director. The composition of the Audit Committee is as follows:

Audit Committee:

Name of the Member	Category
Mr. Muhammad Imran Malik	Chairman
Mr. Mushtaq Ahmed Khan F.C.A	Member
Mrs. Shahnaz Sajjad Ahmed	Member
Mr. Muhammad Kuli Khan Khattak	Member
Mr. Abdul Waheed Ch.	Secretary

19. The meetings of the Committees, except Ethics, Human Resource and Remuneration Committee, were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code and CCG, 2012. The terms of reference of the Committees have been formed and advised to the Committees for compliance.
20. The Board has set up an effective internal audit function equipped with suitably qualified and experienced staff who are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a regular basis.



21. The CEO, CFO, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under the Code. The appointed Actuary of the Company also meets the conditions as laid down in the Code. Moreover, the persons heading the underwriting, claims, reinsurance, risk management and grievance functions/ departments possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000):

Name of the Member	Designation
Mr. Gohar Ayub Khan	Chief Executive Officer
Mr. Amir Raza	Principal Officer
Mr. Ashfaq Ahmed	Chief Financial Officer
Mr. Muhammad Alyas	Compliance Officer and Head of Reinsurance
Mr. Liaqat Ali Shaukat	Company Secretary
Akhtar & Hasan (Pvt.) Ltd.	Actuary
Mr. Abdul Waheed Ch.	Head of Internal Audit
Miss. Bushra Hina Mushtaq	Head of Underwriting and Risk Management
Mr. Muhammad Rashid Ashraf	Head of Claims
Mr. Aftab Rashid	Head of Grievance Dept.

22. The statutory auditors of the Company have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). The statutory auditors have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
23. The appointed Actuary of the Company has confirmed that he or his spouse and minor children do not hold shares of the Company.
24. The Board ensures that the appointed Actuary complies with the requirements set out for him in the Code.
25. The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
26. The Board ensures that the investment policy of the Company has been drawn up in accordance with the provisions of the Code.
27. The Board ensures that the risk management system of the Company is in place as per the requirements of the Code.
28. The Company has set up a risk management function/ department, which carries out its tasks as covered under the Code.
29. The Board ensures that as part of the risk management system, the Company gets itself rated from The Pakistan Credit Rating Agency Limited (PACRA), which is being used by its risk management function/ department and the respective Committee as a risk monitoring tool. The rating assigned by PACRA on June 09, 2017 is A- with Stable outlook.



30. The Board has set up a grievance department/ function, which fully complies with the requirements of the Code.
31. The “closed period” prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, employees and the Stock Exchange.
32. Material / price sensitive information has been disseminated among all market participants at once through the Stock Exchange.
33. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by the designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
34. The Company has not obtained any exemption(s) from the Securities and Exchange Commission of Pakistan in respect of the requirements of the Code.
35. We confirm that all other material principles contained in the Code and the CCG 2012 have been complied with.

**For and on behalf of the
Board of Directors**


Chairman


Chief Executive Officer


Director

**Date: April 02, 2018
Place: Lahore**



Auditors' Review Report to the Members on Statement of Compliance with the Best Practices of the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance for Insurers, 2016 and Code of Corporate Governance, 2012 as mentioned in the Regulation No. 5.19.24 of the Rule Book of Pakistan Stock Exchange ("PSX") (combined called "the Code") as prepared by the Board of Directors of **The Universal Insurance Company Limited** ("the Company") for the year ended December 31, 2017 to comply with the requirements of Listing Regulations of PSX, where the Company is listed.

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

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 Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried-out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried-out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended December 31, 2017.

DATE: April 02, 2018
LAHORE;

Shine Wing Hameed Chaudhri & Co.
SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner: Nafees ud din



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising of:

- (i) statement of financial position;
- (ii) profit and loss account;
- (iii) statement of comprehensive income;
- (iv) statement of changes in equity, and
- (v) cash flow statement

of **The Universal Insurance Company Limited** ("the Company") as at December 31, 2017 together with the notes forming part thereof, for the year then ended.

It is the responsibility of the Company's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the repealed Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as, evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the repealed Companies Ordinance, 1984;
- (b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the repealed Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;
- (c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2017 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the repealed Companies Ordinance, 1984; and
- (d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

DATE: April 02, 2018

LAHORE;

Shine Wing Hameed Chaudhri & Co.

SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

Engagement Partner: Nafees ud din



STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017

	Note	2017 Rupees in thousand	2016
Assets			
Property and equipment	5	180,459	173,831
Investment property	6	20,201	19,232
Investments in Associates	7	239,245	186,072
Investments			
- equity securities	8	78,001	87,612
- debt securities	9	53,593	47,377
Loans and other receivables	10	32,880	31,845
Insurance / reinsurance receivables	11	125,014	148,833
Reinsurance recoveries against outstanding claims	26	54,317	54,162
Deferred commission expense	27	845	1,231
Deferred taxation	12	33,191	33,191
Taxation - payments less provisions	13	9,246	10,756
Prepayments	14	2,779	4,131
Cash and bank balances	15	90,165	5,916
Total Assets		919,936	804,189
Equity and Liabilities			
Capital and reserves attributable to Company's equity holders			
Authorized share capital			
75,000,000 (2016: 50,000,000) ordinary shares of Rs.10 each		750,000	500,000
Issued, subscribed and paid-up share capital	16	500,000	416,180
Share premium reserve	17	13,824	13,824
Reserves	18	14,485	14,485
Fair value reserve on available-for-sale investments		308	429
Accumulated loss		(18,639)	(62,310)
Total Equity		509,978	382,608
Surplus on revaluation of fixed assets	19	268,895	260,519
Liabilities			
Underwriting Provisions			
Outstanding claims including IBNR	26	64,811	78,055
Unearned premium reserves	25	6,232	7,857
Premium deficiency reserves		0	282
Unearned reinsurance commission	27	796	1,448
Long term deposits	20	125	0
Retirement benefit obligations	21	10,940	9,400
Insurance / reinsurance payables	22	39,501	36,910
Other creditors and accruals	23	18,658	27,110
Total Liabilities		141,063	161,062
Total Equity and Liabilities		919,936	804,189
Contingencies and commitments	24		

The annexed notes 1 to 47 form an integral part of these financial statements.


Raza Kuli Khan Khattak
CHAIRMAN


Gohar Ayub Khan
CHIEF EXECUTIVE


M. Imran Malik
DIRECTOR


Sikandar Kuli Khan Khattak
DIRECTOR


Amir Raza
PRINCIPAL OFFICER


Ashfaq Ahmed
CHIEF FINANCIAL OFFICER



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017 Rupees in thousand	2016
Net insurance premium	25	12,183	25,546
Net insurance claims	26	9,017	8,604
Premium deficiency		282	2,750
Net commission	27	1,658	415
Insurance claims		10,957	11,769
Management expenses	28	(62,469)	(60,466)
Underwriting results		(39,329)	(23,151)
Investment (loss) / income	29	(4,914)	31,382
Rental income		796	699
Other income	30	23,982	18,929
Other expenses	31	(6,108)	(3,061)
Results of operating activities		(25,573)	24,798
Finance cost		(48)	(126)
Share of profit of Associates - net	7	71,044	46,574
Profit before taxation		45,423	71,246
Income tax expense	32	(3,971)	(1,839)
Profit after taxation		41,452	69,407
		--- Rupees ---	
Earnings (after taxation) per share	33	0.98	1.67

The annexed notes 1 to 47 form an integral part of these financial statements.


Raza Kuli Khan Khattak
CHAIRMAN


Gohar Ayub Khan
CHIEF EXECUTIVE


M. Imran Malik
DIRECTOR


Sikandar Kuli Khan Khattak
DIRECTOR


Amir Raza
PRINCIPAL OFFICER


Ashfaq Ahmed
CHIEF FINANCIAL OFFICER



STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
	Rupees in thousand	
Profit after taxation	41,452	69,407
Other comprehensive income / (loss):		
Items that will not be reclassified to profit or loss:		
Unrealized (loss) / gain on available-for-sale investments	(173)	250
Deferred tax asset / (liability) on remeasurement of available-for-sale investments	52	(75)
	(121)	175
Remeasurement (gain) / loss on retirement benefit obligations - gratuity	996	(529)
Deferred tax (asset) / liability on remeasurement of retirement benefit obligations - gratuity	(299)	164
Net share of other comprehensive loss of Associates - net of taxation	(72)	(28)
	625	(393)
Other comprehensive income / (loss) for the year	504	(218)
Total comprehensive income for the year	41,956	69,189

The annexed notes 1 to 47 form an integral part of these financial statements.


Raza Kuli Khan Khattak
CHAIRMAN


Gohar Ayub Khan
CHIEF EXECUTIVE


M. Imran Malik
DIRECTOR


Sikandar Kuli Khan Khattak
DIRECTOR


Amir Raza
PRINCIPAL OFFICER


Ashfaq Ahmed
CHIEF FINANCIAL OFFICER



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2017

	Attributable to equity holders of the Company						Total
	Share capital	Capital Reserves		Revenue reserve	Fair value reserve on available-for-sale investments	Accumul-ated loss	
		Share premium reserve	Other capital reserve				
	----- Rupees in thousand -----						
Balance as at December 31, 2015	416,180	13,824	18	14,467	254	(133,578)	311,165
Transfer of incremental depreciation from surplus on revaluation of buildings	0	0	0	0	0	1,802	1,802
Miscellaneous items of Associates accounted for under equity method	0	0	0	0	0	452	452
Profit for the year ended December 31, 2016	0	0	0	0	0	69,407	69,407
Other comprehensive loss for the year ended December 31, 2016	0	0	0	0	175	(393)	(218)
Total comprehensive income for the year ended December 31, 2016	0	0	0	0	175	69,014	69,189
Balance as at December 31, 2016	416,180	13,824	18	14,467	429	(62,310)	382,608
Transfer of incremental depreciation from surplus on revaluation of buildings	0	0	0	0	0	1,141	1,141
Miscellaneous items of Associates accounted for under equity method	0	0	0	0	0	453	453
Transaction with owners:							
Shares issued during the year	83,820	0	0	0	0	0	83,820
Profit for the year ended December 31, 2017	0	0	0	0	0	41,452	41,452
Other comprehensive income for the year ended December 31, 2017	0	0	0	0	(121)	625	504
Total comprehensive income for the year ended December 31, 2017	0	0	0	0	(121)	42,077	41,956
Balance as at December 31, 2017	500,000	13,824	18	14,467	308	(18,639)	509,978

The annexed notes 1 to 47 form an integral part of these financial statements.


Raza Kuli Khan Khattak
CHAIRMAN


Gohar Ayub Khan
CHIEF EXECUTIVE


M. Imran Malik
DIRECTOR


Sikandar Kuli Khan Khattak
DIRECTOR


Amir Raza
PRINCIPAL OFFICER


Ashfaq Ahmed
CHIEF FINANCIAL OFFICER



CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
	Rupees in thousand	
Operating Cash Flows		
a) Underwriting activities		
Insurance premium received	28,813	36,543
Reinsurance premium paid	(16,623)	(16,997)
Claims paid	(11,508)	(22,448)
Reinsurance and other recoveries received	7,126	12,914
Commission paid	(2,298)	(21,391)
Commission received	6,164	5,754
Management expenses paid	(50,897)	(39,077)
Net cash outflow from underwriting activities	(39,223)	(44,702)
b) Other operating activities		
Income tax paid	(3,573)	(2,432)
Other operating payments	(5,625)	(3,370)
Other operating receipts	13,316	1,545
Loans and other receivables	(34)	9
Other payments - net	17,992	(9,120)
Net cash inflow / (outflow) from other operating activities	22,076	(13,368)
Total cash outflow from all operating activities	(17,147)	(58,070)
Investment activities		
Profit / return received	4,590	6,115
Dividends received	17,828	11,888
Rental received	796	699
Payment for investments	(21,248)	(75,578)
Proceeds from redemption of investments	15,000	15,000
Fixed capital expenditure	(760)	(2,368)
Proceeds from sale of fixed assets	1,418	163
Total cash inflow / (outflow) from investing activities	17,624	(44,081)
Financing activities		
Issue of share capital	83,820	0
Financial charges paid	(48)	(126)
Total cash inflow / (outflow) from financing activities	83,772	(126)
Net cash inflow / (outflow) from all activities	84,249	(102,277)
Cash and cash equivalents at beginning of the year	5,916	108,193
Cash and cash equivalents at end of the year	90,165	5,916



CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2017

Reconciliation to profit and loss account	2017	2016
	Rupees in thousand	
Operating cash flows	(17,147)	(58,070)
Depreciation expense	(3,897)	(4,838)
Provision for doubtful insurance / reinsurance receivables	(5,279)	(14,563)
Provision for retirement benefit obligations - gratuity	(2,709)	(2,157)
Financial charges	(48)	(126)
Reversal of impairment loss on fixed assets	0	727
Gain on disposal on fixed assets	837	94
Decrease in assets other than cash	(20,785)	(2,973)
Decrease in liabilities	22,730	67,170
	<u>(26,298)</u>	<u>(14,736)</u>
Other adjustments		
(Loss) / income on investments	(5,119)	31,382
Share of profit of Associates - net of taxation	71,044	46,574
Fair value gain on investment property	969	1,950
Change in premium deficiency reserve	282	2,750
Dividend income	205	0
Assets written-off	(483)	0
Rental income	796	699
Profit on savings accounts	56	788
	<u>67,750</u>	<u>84,143</u>
Profit after taxation	<u>41,452</u>	<u>69,407</u>

Definition of cash:

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

Cash for the purposes of cash flow statement consists of:

Cash and cash equivalents

Stamps in hand	1	73
Bank accounts		
Current accounts	24,126	4,200
Savings accounts	66,038	1,643
	<u>90,164</u>	<u>5,843</u>
Total cash and cash equivalents	<u>90,165</u>	<u>5,916</u>

The annexed notes 1 to 47 form an integral part of these financial statements.


Raza Kuli Khan Khattak
CHAIRMAN


Gohar Ayub Khan
CHIEF EXECUTIVE


M. Imran Malik
DIRECTOR


Sikandar Kuli Khan Khattak
DIRECTOR


Amir Raza
PRINCIPAL OFFICER


Ashfaq Ahmed
CHIEF FINANCIAL OFFICER



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

1. Legal status and nature of business

The Universal Insurance Company Limited (the Company) is a public limited company incorporated in Pakistan on May 09, 1958 under the Companies Act, 1913 (now the Companies Act, 2017). The Company is listed on Pakistan Stock Exchange Limited and is engaged in non-life insurance business. The registered office of the Company is situated at Universal Insurance House, 63 - Shahrah-e-Quaid-e-Azam, Lahore. Presently, the Company is operating through one (2016: one) branch in Pakistan.

2. Basis of preparation

These financial statements have been prepared in accordance with the format prescribed under the Insurance Rules, 2017 issued by Securities and Exchange Commission (SECP) vide S.R.O. 89(I)/2017 dated February 09, 2017.

2.1 Statement of compliance

The Companies Act, 2017, during the year, has been promulgated; however, SECP vide its circular no. 23 of 2017 dated October 04, 2017 communicated its decision that the companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984 (the repealed Ordinance). Accordingly, these financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the repealed Ordinance, provisions of and directives issued under the repealed Ordinance, the Insurance Ordinance, 2000 and the Insurance Rules, 2017. In case requirements differ, the provisions of or directives issued thereunder of the repealed Ordinance, the Insurance Ordinance, 2000 and the Insurance Rules, 2017 shall prevail.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for investments at fair value through profit or loss and available-for-sale investments, which are stated at fair value, held to maturity investments, which are stated at amortized cost, land & buildings, which are stated at revalued amounts and the retirement benefit obligations, which are measured at present value.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

- (a) The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.



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

- Outstanding claims including IBNR
- Provision for doubtful receivables
- Property and equipment
- Investment property
- Unearned premium reserves
- Premium deficiency reserves
- Impairment in value of investments
- Taxation
- Retirement benefit obligations
- Classification of investments

3. CHANGES IN ACCOUNTING STANDARDS AND INTERPRETATIONS

3.1 Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

Following amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on January 01, 2017 and are considered to be relevant to the Company's operations:

- (a) Amendments to IAS 7 'Statement of cash flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after January 01, 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.
- (b) Amendments to IAS 12 'Income taxes' are effective for annual periods beginning on or after January 01, 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on the Company's financial statements.
- (c) Amendments to IFRS 12 'Disclosure of interests in other entities' are effective for annual periods beginning on or after January 01, 2017. The amendments clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 'Non-current assets held for sale and discontinued operations'. The amendments are not likely to have an impact on the Company's financial statements.

3.2 Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on January 01, 2017 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.



3.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on January 01, 2017 and have not been early adopted by the Company:

- (a) Amendments to IAS 28 'Investments in associates and joint ventures' are effective for annual periods beginning on or after January 01, 2018. The amendments clarify that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on the Company's financial statements.
- (b) Transfers of investment property; amendments to IAS 40 'Investment property' are effective for annual periods beginning on or after January 01, 2018. The amendments clarify that an entity shall transfer a property to, or from, investment property when, and only when, there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on the Company's financial statements.
- (c) Amendments to IFRS 4 'Insurance contract' - Applying IFRS 9 'Financial instruments' with IFRS 4 are effective for annual period beginning on or after July 01, 2018. The amendments address issue arising from the different effective dates of IFRS 9 and the forthcoming new insurance contract standard IFRS 17 'Insurance contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from July 01, 2018 onward to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied.
- (d) IFRS 9, 'Financial instruments' is applicable to accounting periods beginning on or after January 01, 2018. IASB has published the complete version of IFRS 9, 'Financial instruments', which replaces the guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today. The Company has yet to assess the impact of these changes on its financial statements.
- (e) IFRS 15, 'Revenue from contracts with customers' is applicable to accounting periods beginning on or after January 01, 2018. The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18, which covers contracts for goods and services and IAS 11, which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach, the Company will recognize transitional adjustments in retained earnings on the date of initial application, i.e. without restating the comparative period. It will only need to apply the new rules to contracts that are not completed as of the date of initial application. The Company has yet to assess the impact of this standard on its financial statements.



There are number of other standards, amendments and interpretations to the approved accounting standards that are not yet effective and are also not relevant to the Company's financial reporting and operations and therefore, have not been presented here.

Further, the Companies Act, 2017 applicable for financial year beginning on January 01, 2018 requires certain additional disclosures. Management is in the process of assessing the impact of such changes on the Company's financial statements.

4. Summary of significant accounting policies

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

4.1 Insurance contracts

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

Insurance contracts issued by the Company are generally classified in four basic categories, i.e. Fire and Property, Marine and Transport, Motor and Miscellaneous and are issued to multiple types of clients with business in engineering, automobiles, cement, power, textile, paper, agriculture, services and trading sectors, etc. and individuals as well. The tenure of these insurance contracts depends upon terms of the policies written and vary accordingly.

- Fire & Property insurance contracts generally cover the assets of the policy holders against damages by fire, earthquake, riots & strike, explosion, atmospheric disturbance, flood, electric fluctuations impact, burglary and loss of profit followed by incident of fire.
- Marine & Transport insurance contracts generally provide cover for loss or damage to cargo while in transit to and from foreign land and inland transit due to various insured perils including loss of or damage to carrying vessel.
- Motor insurance contracts provide indemnity for accidental damage to or loss of insured vehicles including loss of or damage to third party and other comprehensive car coverage.
- Other insurance contracts provide variety of coverage including cover against burglary, loss of cash in safe, cash in transit and cash on counter, fidelity guarantee, personal accident, workmen compensation, contractor's all risk, erection all risk, machinery breakdown, boiler damage, crop and health.

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

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



4.2 Premium

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 incidence of risk. The portion of premium written relating to the unexpired period of coverage is recognized as unearned premium by the Company.

4.3 Reinsurance ceded

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

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

Reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance 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 the balance sheet date. If there is an objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the profit and loss account.

4.4 Claims

Claims are charged to income as incurred based on estimated liability for compensation owed under the insurance contracts. It includes claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years.

(a) Outstanding claims (including IBNR)

A liability for outstanding claims is recognized in respect of all claims incurred up to the balance sheet date, which is measured at the undiscounted value of expected future payments. Provision for outstanding claims include amounts in relation to claims reported but not settled, claims incurred but not reported (IBNR) and expected claims settlement costs.

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

(b) Claims reported but not settled

Provision for liability in respect of claims reported but not settled at the balance sheet 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.



(c) Claims incurred but not reported

The provision for claims incurred but not reported (IBNR) is made at the balance sheet date. In accordance with SECP Circular no. 9 of 2016, the Company takes actuarial advice for the determination of IBNR claims. The Expected Loss Ratio method has been used to obtain an adequate estimate of the IBNR claims. Expected Loss Ratio method has been used in place of the Basic Chain Ladder method because of consistently declining claims experience of the Company.

The change in method for estimating IBNR claims has immaterial effect on provision for claims, reinsurance recoveries against outstanding claims and profit for the year ended December 31, 2017.

4.5 Premium deficiency reserve (liability adequacy test)

At each balance sheet date, liability adequacy tests are performed separately for each class of business to ensure the adequacy of the unearned premium liability for that class. It is performed by comparing the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after the balance sheet date in respect of policies in force at the balance sheet date with the carrying amount of unearned premium liability. Any deficiency is recognized by establishing a provision (premium deficiency reserve) to meet the deficit.

The expected future liability is estimated with reference to the experience during the expired period of the contracts, adjusted for significant individual losses, which are not expected to recur during the remaining period of the policies and expectations of future events that are believed to be reasonable.

The movement in the premium deficiency reserve is recognized as an expense or income in the profit and loss account for the year.

4.6 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash-in-hand, cash at banks on current and saving accounts.

4.7 Loans to employees

These are recognized at cost, which is the fair value of consideration given.

4.8 Investments

Classification of an investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition except for 'investment at fair value through profit or loss', which is measured initially at fair value.

All 'regular way' purchases and sales of investments are recognized on the trade date, which is the date that the Company commits to purchase or sell the investment.

The Company assesses at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such indication exists, the Company applies the requirements of IAS 39 'Financial instruments: recognition and measurement' to all investments except for investments in Associates accounted for under equity method, which are tested for impairment in accordance with the requirements of IAS 36 'Impairment of assets'.



(a) Investments in Associates

Associates are the entities over which the Company has significant influence but not control. Investments in Associates are accounted for using the equity method of accounting and are initially recognized at cost. The Company's share of its Associates' post acquisition profits or losses, movement in other comprehensive income and its share of post-acquisition movement in reserves is recognized in profit and loss account, statement of comprehensive income and reserves respectively. The cumulative post-acquisition movements are adjusted against the carrying amount of investments. Distributions received from an Associate reduce the carrying amount of investment.

(b) Held-to-maturity

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity are subsequently measured at amortized cost using the effective yield method. Any premium paid or discount availed on the acquisition of held to maturity investment is deferred and included in income for the period on a straight line basis over the term of investment. For investments carried at amortized cost, gains and losses are recognized in profit and loss account when the investments are de-recognized or impaired.

(c) Available-for-sale

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

Subsequent to initial recognition at cost, these are stated at market value in accordance with the requirements of IAS 39 (Financial instruments: recognition and measurement). The Company uses stock exchange quotations at the balance sheet date to determine the market value of its quoted investments whereas fair value of investments in delisted / unlisted companies is determined by reference to the net assets and financial position of the investee on the basis of latest available audited financial statements.

(d) Investments at fair value through profit or loss

Investments classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if these are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognized in profit and loss account.

4.9 Due from insurance contract holders

These are recognized when due, at fair value of the consideration receivable less provision for doubtful receivables, if any. Provision for impairment on premium receivables is established when there is objective evidence that the Company will not be able to collect all the amounts due according to original terms of receivable. Receivables are also analyzed as per their ageing and accordingly provision is maintained on a systematic basis.

4.10 Insurance / reinsurance payables and receivables

Insurance / reinsurance payables and receivables are carried at cost, which is the fair value of the consideration to be paid / received in the future for services. However, an assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of assets may be impaired. If such indication exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognized for the difference between the recoverable amount and the carrying amount.



4.11 Claim recoveries

Claim recoveries receivable from reinsurers 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.

4.12 Taxation

(a) Current

Provision for current year's taxation is determined in accordance with the prevailing law of taxation on income enacted or substantively enacted by the end of the reporting period and is based on current rates of taxation being applied on the taxable income for the year, after taking into account tax credits and rebates available, if any, and taxes paid under the Final Tax Regime. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalized during the year.

(b) Deferred

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

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in profit and loss account except to the extent that it relates to items recognized in other comprehensive income or directly in equity; in this case the tax is also recognized in other comprehensive income or directly in equity respectively.

4.13 Deferred commission expense

Commission costs incurred in obtaining and recording policies of insurance and reinsurance are being deferred and recognized as an asset in correlation with unearned premium that will be recognized in the subsequent reporting periods.

4.14 Prepaid reinsurance expense

Premium for reinsurance contracts operative on a proportional and non-proportional basis is recorded as a liability on attachment of the underlying risks reinsured or on inception of the reinsurance contract respectively. For proportional reinsurance contracts, the reinsurance expense is recognized in accordance with the pattern of recognition of premium income to which they relate. For non-proportional reinsurance contracts, the reinsurance expense is recognized evenly in the period of indemnity. The portion of reinsurance premium not recognized as an expense is shown as a prepayment.

4.15 Property and equipment

Fixed assets, except freehold land and buildings on freehold land, are stated at cost less accumulated depreciation and accumulated impairment loss, if any. Freehold land is stated at revalued amount whereas buildings on freehold land are stated at revalued amounts less accumulated depreciation and accumulated impairment loss, if any.



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 item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which these are incurred.

(a) Depreciation

Depreciation on fixed assets is charged to profit and loss account applying the reducing balance method so as to write-off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in note 5. The Company charges depreciation on additions from the date when the asset is available for use and on deletions upto the date when the asset is de-recognized. The residual values and useful lives are reviewed by management at each financial year-end and adjusted if impact on depreciation is significant.

(b) De-recognition

An item of fixed assets is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in profit and loss account in the year the asset is de-recognized.

4.16 Investment property

Investment property is accounted for under the fair value model in accordance with the requirements of IAS 40. Subsequent capital expenditure on existing property and gain / loss on disposals are accounted for in the same manner as for fixed assets.

4.17 Unearned premium reserves

Unearned premium reserves represent the portion of premium written relating to the unexpired period of coverage. Unearned premium reserves are being calculated as a proportion of the gross premium of each policy, determined as the ratio of the unexpired period of the policy and the total period, both measured to the nearest day as specified in the Insurance Rules for non-life insurance.

4.18 Unearned reinsurance commission

Commission income receivable from reinsurers is taken to profit and loss account in accordance with the pattern of recognition of the reinsurance premium to which these relate.

4.19 Retirement benefit obligations

(a) Gratuity

The Company operates an unfunded gratuity scheme for all permanent employees who are entitled to gratuity equivalent to last drawn gross salary multiplied by the number of years of service upto the date of leaving the Company. The latest actuarial valuation was carried-out as at December 31, 2017, using the 'Projected Unit Credit Method' to determine the liability on the reporting date. The amount arising as a result of remeasurements are recognized in the balance sheet immediately, with a charge or credit to other comprehensive income in the period in which these occur. Amounts recognized in profit and loss account are limited to current and past service costs, gains or losses on settlements and net interest income / expense.

(b) Compensated absences

The Company accounts for liability in respect of employees' compensated absences in the period in which these are earned.



4.20 Other creditors and accruals

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

4.21 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.22 Revenue recognition

(a) Premium income earned

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 as follows:

- for direct business evenly over period of the policy.
- for proportional re-insurance business evenly over the period of underlying insurance policies.

Where the pattern of incidence of risk varies over the period of policy, the premium is recognized as revenue in accordance with the pattern of incidence of risk.

(b) Administrative surcharge

This 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 restricted to a maximum of Rs.2,000 per policy. Administrative surcharge is recognized as revenue at the time the policies are written.

(c) 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 brought to the account as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit / commission, if any, which the Company may be entitled to under the terms of reinsurance, is recognized on accrual basis.

(d) Dividend income and bonus shares

Dividend income is recognized when the right of receipt is established. Bonus shares are accounted for by increase in number of shares without any change in the value of investments.

(e) Investment income

Income from held-to-maturity investments

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

Income from available-for-sale investments

- Return on fixed income investments

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

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

Gain / loss on sale of available-for-sale investments is included in income currently.



- Income from investments at fair value through profit or loss

Gain / loss on sale of investments at fair value through profit or loss is included in income currently.

(f) Rental and other income

Rental and other income is recognized on accrual basis.

4.23 Management expenses

Management expenses, which are directly attributable to the underwriting business, are charged to profit and loss account at the time the policies are accepted.

4.24 Impairment

(a) Financial assets

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

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

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

(b) Non-financial assets

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

4.25 Financial instruments

Financial instruments carried on the balance sheet include current & other accounts, investments, insurance / reinsurance receivables, reinsurance recoveries against outstanding claims, loans and other receivables, outstanding claims, insurance / reinsurance payables and other creditors & accruals. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition except for 'financial instruments at fair value through profit or loss', which are measured initially at fair value.



Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefit specified in the contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

4.26 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

4.27 Earnings per share

The Company presents basic earnings per share for its shareholders. Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

4.28 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

4.29 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized as liability in the Company's financial statements in the year in which these are approved.

4.30 Foreign currencies

All monetary assets and liabilities denominated in foreign currencies are translated in Pak Rupees at the rates of exchange prevailing at the balance sheet date whereas transactions in foreign currencies during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated in Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are included in income currently.

4.31 Segment reporting

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

As the operations of the Company are carried-out in Pakistan, information relating to geographical segment is not considered relevant.

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



5. Property and equipment (operating assets)	Cost / Revaluation				Depreciation				Written Down Value as at December 31, 2017	Depreciation rate %					
	As at January 01, 2017	Additions / Revaluations	Disposals / Transfers	Adjustments	Write-offs	Impairment Reversed	As at December 31, 2017	For the Year	On Disposals / Transfers		On Adjustments	On Write-offs	As at December 31, 2017		
----- Rupees in thousand -----															
Freehold land	128,960	6,240	0	0	0	0	135,200	0	0	0	0	0	135,200	-	
Buildings on freehold land	40,571	4,589	0	0	0	0	45,160	8,046	1,627	0	0	0	9,673	35,487	5
Furniture and fixtures	4,305	0	(260)	0	0	0	4,045	3,209	107	(235)	0	0	3,081	964	10
Office equipment	11,695	72	(330)	0	(2,870)	0	8,567	8,669	333	(222)	0	(2,450)	6,330	2,237	10-30
Computer equipment	9,131	199	0	0	(1,376)	0	7,954	8,075	322	0	0	(1,319)	7,078	876	30
Vehicles	28,300	489	(2,379)	460	(314)	0	26,556	21,132	1,508	(1,931)	460	(308)	20,861	5,695	20
	222,962	11,589	(2,969)	460	(4,560)	0	227,482	49,131	3,897	(2,388)	460	(4,077)	47,023	180,459	
----- Rupees in thousand -----															
Freehold land	124,800	4,160	0	0	0	0	128,960	0	0	0	0	0	0	128,960	-
	Buildings on freehold land	64,276	0	(24,432)	0	0	40,571	17,275	2,350	(11,579)	0	0	8,046	32,525	5
Furniture and fixtures	4,321	0	(16)	0	0	0	4,305	3,102	121	(14)	0	0	3,209	1,096	10
Office equipment	11,841	3	(149)	0	0	0	11,695	8,403	389	(123)	0	0	8,669	3,026	10-30
Computer equipment	9,032	99	0	0	0	0	9,131	7,643	432	0	0	0	8,075	1,056	30
Vehicles	26,301	2,266	(267)	0	0	0	28,300	19,812	1,546	(226)	0	0	21,132	7,168	20
	240,571	6,528	(24,864)	0	0	727	222,962	56,235	4,838	(11,942)	0	0	49,131	173,831	

5.1 Surplus on revaluation

Latest revaluation of buildings on freehold land has been carried-out by Masud Associates (Pvt.) Ltd. (Valuation & Engineering Consultants Risk Evaluators, 5 - Temple Road, Lahore) as at December 31, 2017 on the basis of current depreciated market value. Had there been no revaluation, carrying value of buildings on freehold land as at December 31, 2017 would have been lower by Rs.26.271 million (2016: Rs.22.158 million).



5.2 Disposal of fixed assets

Description	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain / (Loss)	Sold through negotiation to:
----- Rupees in thousand -----						
Furniture and Fixtures						
Office tables	122	113	9	10	1	Muhammad Anwer, Shahdhra, Lahore.
Visitor chairs	70	64	6	7	1	----- do -----
Aggregate value of assets having individual book value less than Rs.50,000	68	58	10	10	0	
	260	235	25	27	2	
Office Equipment						
Photo copier machine	57	35	22	3	(19)	Muhammad Anwer, Shahdhra, Lahore.
Digital plain photo copier	121	73	48	5	(43)	----- do -----
Aggregate value of assets having individual book value less than Rs.50,000	152	114	38	23	(15)	
	330	222	108	31	(77)	
Vehicles						
Suzuki Mehran	683	624	59	370	311	Mr. Hidayat Ullah, Shadmaan, Pattoki.
Suzuki Cultus	357	283	74	230	156	Mr. Waseem Aftab, Padana, Pattoki.
Nissan Sunny	1,339	1,024	315	760	445	Mr. Arshad Altaf, Chiniot.
	2,379	1,931	448	1,360	912	
2017	2,969	2,388	581	1,418	837	
2016	432	363	69	163	94	

5.3 Assets written-off during the year

Particulars	Cost	Accumulated depreciation	Book value
- - - Rupees in thousand - - -			
Office equipment			
Air-conditioning equipment	624	573	51
Electrical appliances	44	33	11
Library books	236	228	8
Typewriters and calculators	558	503	55
Telephone installations	858	670	188
Electrical installations	39	29	10
Office equipment	245	162	83
Mobiles	266	252	14
	2,870	2,450	420
Computer equipment	1,376	1,319	57
Motor cycles			
Yamaha	32	32	0
-- do --	34	33	1
Scooter	36	36	0
Honda	62	61	1
-- do --	47	46	1
Cycles	103	100	3
	314	308	6
	4,560	4,077	483



6. Investment property

	Note	2017 Rupees in thousand	2016
Opening balance		17,282	0
Transfer made during the preceding year from fixed assets		0	17,282
Unrealized fair value gain upon revaluation:			
Opening balance		1,950	0
Gain arisen upon revaluation carried-out during the year	30	969	1,950
Closing balance		2,919	1,950
Closing book value		20,201	19,232

- 6.1 The management, during the preceding year, had transferred its properties located at Mumtaz Centre and Eden Centre, Lahore having aggregate book value of Rs.17.282 million to Investment Property as it intends to earn rentals against these properties.

7. Investments in Associates - Quoted

Bannu Woollen Mills Ltd. (BWM)

Carrying value at beginning of the year 8,940 (2016: 8,940) ordinary shares of Rs.10 each	1,694	1,418
Share of profit after taxation	33	73
Less: dividend received	(45)	(45)
Changes in comprehensive income / (loss)	3	(8)
Share of items directly recognized in equity	8	7
Share of surplus on revaluation of property, plant and equipment	0	249
	1,693	1,694

Ghandhara Industries Ltd. (GIL)

Carrying value at beginning of the year 1,184,148 (2016: 1,184,148) ordinary shares of Rs. 10 each	184,378	138,088
Share of profit after taxation	71,011	46,501
Less: dividend received	(17,762)	(11,841)
Changes in comprehensive loss	(75)	(20)
Share of surplus on revaluation of fixed assets	0	11,650
	237,552	184,378
	239,245	186,072

- 7.1 Market values of the Company's investments in BWM and GIL as at December 31, 2017 were Rs.492 thousand (2016: Rs.644 thousand) and Rs.653.744 million (2016: Rs.858.934 million) respectively.



7.2 The Company's interests in its Associates were as follows:

Company Name	Country of Incorporation	Assets as at December 31,	Liabilities as at December 31,	Revenues for the period of twelve months ended December 31,	Profit after taxation for the period of twelve months ended December 31,	% Interest held
----- Rupees in thousand -----						
Bannu Woollen Mills Ltd.						
2017	Pakistan	2,498,266	604,542	792,707	36,193	0.09
2016		2,340,294	447,492	768,914	80,572	0.09
Ghandhara Industries Ltd.						
2017	Pakistan	9,274,795	4,995,993	14,752,104	1,277,177	5.56
2016		7,622,394	4,299,849	7,246,798	836,353	5.56

8. Investments in equity securities

	Note	2017 Rupees in thousand	2016 Rupees in thousand
Available-for-sale investments	8.1	609	782
Investments at fair value through profit or loss	8.2	77,392	86,830
		78,001	87,612

8.1 Available-for-sale investments

	No. of shares as at December 31, 2017	December 31, 2017			No. of shares as at December 31, 2016	December 31, 2016		
		Cost	Unrealized gain / (impairment)	Carrying value		Cost	Unrealized gain / (impairment)	Carrying value
		---- Rupees in thousand ---				---- Rupees in thousand ---		
Listed shares								
Hamid Textile Mills Ltd.	49,000	490	(490)	0	49,000	490	(490)	0
Pakistan National Shipping Corporation	888	24	68	92	888	24	119	143
Unlisted shares								
Nowshera Engineering Works Ltd. *	1,106	11	(11)	0	1,106	11	(11)	0
Fawad Textile Mills Ltd. *	26,740	268	(268)	0	26,740	268	(268)	0
Mutual fund								
JS Growth Fund	2,867	135	382	517	2,867	135	504	639
		928	(319)	609		928	(146)	782

* Equity held by the Company in investee companies is less than 10% of their equity.



8.2 Investments at fair value through profit or loss

	No. of units	December 31, 2017			No. of units	December 31, 2016		
		Cost	Unrealized (loss) / gain	Carrying and fair value		Cost	Unrealized (loss) / gain	Carrying and fair value
Mutual funds	---- Rupees in thousand ----				---- Rupees in thousand ----			
PICIC Growth Fund	13,500	509	(126)	383	13,500	509	(98)	411
NAFA Islamic Stock Fund	6,898,329	64,691	12,318	77,009	5,793,917	60,000	26,419	86,419
			12,192	77,392			26,321	86,830

9. Investments in debt securities (Held to maturity)

	No. of certificates		Face value	Value of certificates	
	December 31, 2017	December 31, 2016		December 31, 2017	December 31, 2016
			----- Rupees in thousand -----		
Pakistan Investment Bonds - PIBs (including accrued interest)	7	6	51,500	53,593	47,377
	Maturity	Coupon rate %	2017 Rupees in thousand	2016 Rupees in thousand	
Pakistan Investment Bond	July 18, 2018	11.50	5,251	5,232	
-do-	July 18, 2018	11.50	15,754	15,691	
-do-	July 22, 2020	12.00	5,113	5,053	
-do-	March 26, 2020	9.25	5,768	5,823	
-do-	April 21, 2021	7.75	5,224	5,268	
-do-	April 21, 2019	7.00	10,235	10,310	
-do-	April 21, 2021	7.75	6,248	0	
			53,593	47,377	

9.1 Market value of these PIBs as at December 31, 2017 was Rs.50.755 million (2016: Rs. 44.763 million). Profit on PIBs is received bi-annually.

9.2 Investments in PIBs have been made to meet the statutory requirements of section 29(2)(a) of the Insurance Ordinance, 2000.

10. Loans and other receivables

	Note	2017 Rupees in thousand	2016 Rupees in thousand
Advance to employees against expenses		688	50
Security deposits		1,295	1,625
Sales tax - refundable		190	135
Tax paid under protest - refundable	24.1	5,500	5,500
Forced tax recovery	24.2	138	138
Federal excise duty - refundable	24.4	23,831	23,831
Loans to employees - unsecured, considered good			
- executives		0	20
- others	10.1	168	114
		168	134
Others		1,070	432
		32,880	31,845



10.1 These represent interest free loans given to employees in accordance with the policy of the Company. These are recoverable in equal monthly instalments.

11. Insurance / reinsurance receivables	Note	2017 Rupees in thousand	2016
Unsecured and considered good			
Due from insurance contract holders		87,511	88,000
Less: provision for impairment of receivables from insurance contract holders	11.3	(87,501)	(84,599)
		10	3,401
Due from other insurers		112,634	117,824
Due from reinsurers		34,941	47,802
Less: provision for impairment of due from other insurers / reinsurers	11.4	(22,571)	(20,194)
		125,004	145,432
		125,014	148,833

11.1 The balances as at December 31, 2017 relating to insurance / reinsurance receivables are although unconfirmed but are considered to be accurately stated by the management.

11.2 No balance was due from Associated Companies as at December 31, 2017 and December 31, 2016.

11.3 Provision for doubtful receivables from insurance contract holders

Balance as at January 01,	84,599	72,655
Provision made during the year	2,902	11,944
Balance as at December 31,	87,501	84,599

11.4 Provision for doubtful receivables from other insurers / reinsurers

Balance as at January 01,	20,194	17,895
Provision made during the year	2,377	2,486
Balance written-off during the year	0	(187)
Balance as at December 31 ,	22,571	20,194

12. Deferred taxation - net

This is composed of the following:

Taxable temporary differences arising in respect of:

- accelerated tax depreciation allowances	1,752	2,525
- surplus on revaluation of buildings	11,938	11,345
- surplus on revaluation of investment property	876	604
	14,566	14,474

Deductible temporary differences arising in respect of:

- unused tax losses	67,160	52,981
- provision for doubtful insurance / reinsurance receivables and others	33,629	33,114
- retirement benefit obligations - gratuity	4,044	3,603
- minimum tax recoverable against normal tax charge in future years	823	449
	105,656	90,147

Deferred tax asset

	91,090	75,673
Less: deferred tax asset not recognized	57,899	42,482
Net deferred tax asset recognized	33,191	33,191



12.1 Net deferred tax asset recognized in these financial statements has been restricted to Rs.33.191 million (2016: Rs.33.191 million) on the ground of prudence. The management intends to re-assess the recognition of deferred tax asset as at December 31, 2018.

		2017	2016
		Rupees in thousand	
		Note	
Advance income tax			14,329
Provision for taxation			(5,083)
			<u>9,246</u>
			<u>10,756</u>
14. Prepayments			
Prepaid reinsurance premium ceded			2,415
Others			364
			<u>2,779</u>
			<u>4,131</u>
15. Cash and bank balances			
Cash and cash equivalents			
Cash-in-hand			0
Policy stamps			72
			<u>1</u>
			<u>73</u>
Cash at banks			
- current accounts			24,126
- savings accounts		15.1	66,038
			<u>90,164</u>
			<u>5,843</u>
Deposits maturing within 12 months			
Term deposit receipts		15.2	1,257
Provision for impairment			(1,257)
			<u>0</u>
			<u>0</u>
			<u>90,165</u>
			<u>5,916</u>

15.1 These include balance of Rs. Nil (2016: Rs.747 thousand) kept with a bank as security against letters of credit. Rates of profit on these accounts ranged from 3.25% to 3.78% (2016: 3.75% to 3.80%) per annum.

15.2 These represented term deposit receipts issued by financial institutions as the chances of realization of these deposits are bleak, these have been fully provided for.

16. Share capital

16.1 Authorized share capital

2017	2016		
Number of shares			
<u>75,000,000</u>	<u>50,000,000</u>	Ordinary shares of Rs.10 each	<u>750,000</u>
			<u>500,000</u>

16.2 Issued, subscribed and paid-up share capital

<u>34,720,000</u>	<u>26,337,977</u>	Ordinary shares of Rs.10 each fully paid in cash	<u>347,200</u>	<u>263,380</u>
<u>15,280,000</u>	<u>15,280,000</u>	Ordinary shares of Rs.10 each issued as fully paid bonus shares	<u>152,800</u>	<u>152,800</u>
<u>50,000,000</u>	<u>41,617,977</u>		<u>500,000</u>	<u>416,180</u>

16.3 Movement during the year

<u>41,617,977</u>	<u>41,617,977</u>	As at January 01,	<u>416,180</u>	<u>416,180</u>
<u>8,382,023</u>	<u>0</u>	Issue of fully paid ordinary shares of Rs.10 each	<u>83,820</u>	<u>0</u>
<u>50,000,000</u>	<u>41,617,977</u>		<u>500,000</u>	<u>416,180</u>



16.4 The Company, during the year, has issued 8,382,023 ordinary shares of Rs.10 each at par value of Rs.10 per share. This right issue, under section 86(3) of the repealed Companies Ordinance, 1984 (now section 83 of the Companies Act, 2017), has been offered to meet the minimum paid-up capital requirement as laid down by the SECP for non-life insurers vide S.R.O No. 828(I)/2015 dated August 18, 2015.

16.5 Bibojee Services (Pvt.) Limited (the Holding Company) holds 42,981,788 (2016: 35,776,303) ordinary shares of the Company at the year-end.

17. Share premium reserve

The Company, during the financial year ended December 31, 2015, had issued 4,617,977 shares by way of otherwise than right under section 86(1) of the repealed Companies Ordinance, 1984 to its Holding Company at a price of Rs.12.99 per share. Share premium amounting Rs.13.820 million was received on this issue.

18. Reserves

	2017	2016
	Rupees in thousand	
Capital reserve	18	18
Revenue reserve	14,467	14,467
	14,485	14,485

19. Surplus on revaluation of fixed assets - net

This represents surplus over book value resulted from revaluations of freehold land and buildings on freehold land carried-out during current and prior years adjusted only by surplus realized on disposal of revalued assets, incremental depreciation arising out of revaluation and deferred taxation. The year-end balance has been arrived at as follows:

Balance as at January 01,	168,176	161,389
Add: surplus arisen during the year on:		
- freehold land	6,240	4,160
- buildings on freehold land	4,589	4,429
	10,829	8,589
Less: transferred to accumulated loss on account of incremental depreciation for the year	(1,141)	(1,802)
	177,864	168,176
Less: deferred tax on:		
- opening balance of surplus	11,950	11,727
- surplus on revaluation carried-out during the year	1,377	1,185
- incremental depreciation for the year	(342)	(577)
	12,985	12,335
Add: resultant adjustment due to reduction in tax rate	167	385
	165,046	156,226
Share of surplus on revaluation of fixed assets of Associates accounted for under equity method - net of deferred taxation	103,849	104,293
Balance as at December 31,	268,895	260,519



20. Long term deposits

These interest-free deposits have been received in accordance with the Company's Hire Purchase Policy (Motorbike) and against these deposits motorbikes have been provided to the respective employees. These deposits are adjustable after specified periods by transfer of title of motorbikes to the respective employees.

21. Retirement benefit obligations - gratuity	Note	2017 Rupees in thousand	2016
Balance sheet reconciliation			
Present value of defined benefit obligations		10,940	9,400
21.1 Net movement in liability			
Liability as at January 01,		9,400	6,714
Expense recognized in profit and loss account	21.3	2,709	2,157
Benefits paid during the year		(173)	0
Remeasurement recognized in other comprehensive income	21.4	(996)	529
Liability as at December 31,		10,940	9,400
21.2 Movement in defined benefit obligations			
Obligation as at January 01,		9,400	6,714
Current service cost		1,896	1,498
Interest cost		813	659
Actuarial (gain) / loss	21.4	(996)	529
Benefits paid		(173)	0
Obligation as at December 31,		10,940	9,400
21.3 Expense recognized in profit and loss account			
Current service cost		1,896	1,498
Interest cost		813	659
		2,709	2,157
21.4 Remeasurement recognized in other comprehensive income			
Loss / (gain) due to change in financial assumptions		14	(50)
(Gain) / loss due to change in experience adjustments		(1,010)	579
		(996)	529
21.5 Principal actuarial assumptions are as follows :			
The future contribution rates of this scheme include allowance for deficit and surplus. Projected unit credit method, based on the following significant assumptions, is used for valuation:			
		2017	2016
Discount rate - per annum		8.25%	8.00%
Expected rate of increase in salary - per annum		7.25%	7.00%
21.6 Mortality was assumed to be based on SLIC 2001-05 ultimate mortality rates, with moderate rate of employee turnover.			



21.7 Historical information

	2017	2016	2015	2014	2013
	----- Rupees in thousand -----				
Liability for defined benefit obligation	<u>10,940</u>	<u>9,400</u>	<u>6,714</u>	<u>4,596</u>	<u>6,052</u>
Remeasurement loss / (gain) on obligation	<u>(996)</u>	<u>529</u>	<u>205</u>	<u>(334)</u>	<u>52</u>

21.8 Future undiscounted payments

	2017	2016
	Rupees in thousand	
Upto 1 year	768	340
1-2 years	691	752
3-4 years	8,021	7,525
5-10 years	5,235	5,541

21.9 The expected charge to profit and loss account for the year ending December 31, 2018 will be Rs.2.769 million.

21.10 Sensitivity analysis for actuarial assumptions:

The sensitivity of the defined benefit obligation to changes in the weighted principal assumption at the reporting date:

	Defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	Percentage	Rupees in thousand	
Discount rate as at December 31,	1	10,275	11,694
Expected rate of increase in salary	1	11,749	10,215

21.11 The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of the reporting year) has been applied. The methods and types of assumptions used in preparing the sensitivity analysis did not change in comparison to the previous year.

21.12 The weighted average duration of the defined benefit obligation is 6.46 years.

22. Insurance / reinsurance payables

Due to Insurance contract holders	9,673	12,023
Due to other insurers / reinsurers	29,828	24,887
	<u>39,501</u>	<u>36,910</u>

22.1 The balances as at December 31, 2017 relating to insurance / reinsurance payables are although unconfirmed but are considered to be accurately stated by the management.



23. Other creditors and accruals

	Note	2017 Rupees in thousand	2016
Commission payable		4,834	2,360
Federal excise duty		792	300
Federal insurance fee		26	20
Accrued expenses		3,988	6,164
Income tax deducted at source		177	227
Unclaimed dividends		557	609
Sundry creditors		4,451	8,605
Leave encashment payable		2,540	2,224
Security deposit against rent		280	280
Deposits against performance bonds	23.1	993	993
Others		20	5,328
		18,658	27,110

23.1 The Company, during the preceding year based on its legal Advisors' advice, had written-back cash margin amounting Rs.2 million received as collateral at the time of issuance of guarantee against premium receivable. The case was dismissed twice for non-prosecution. Presently, the case is pending before the Civil Judge, Lahore and is pending for restoration since April, 2015.

24. Contingencies and commitments

24.1 The Income Tax Department (the Department), during June, 2015, had passed an order under section 161(1)(a)(b) of the Income Tax Ordinance, 2001 (the Ordinance) for the tax year 2009 creating a demand of Rs.8.586 million with default surcharge amounting Rs.8.447 million under section 205 of the Ordinance. The Company, during the financial year ended December 31, 2015, had filed an appeal before the Commissioner Inland Revenue (Appeals) CIR(A) against the said order. The Company, however, had paid Rs.5.500 million under protest and grouped this amount under loans and other receivables (note 10). The CIR(A), during the preceding year, has decided the appeal in the Company's favour. The Company has applied for the refund of forced recovery of Rs.5.500 million made by the Department, which has filed an appeal before the Appellate Tribunal against the order of CIR(A), which is pending adjudication.

24.2 The Department, vide order dated June 27, 2014 for the tax year 2008, had created tax demand of Rs.50.990 million under section 121 (Best judgement assessment) of the Ordinance. Subsequently as per directions of the Federal Tax Ombudsman (FTO), the Commissioner on February 16, 2016 had vacated the order passed by the Department on June 27, 2014 and remanded it back to the Department for making fresh assessment in accordance with law. The Department, during January 2015, had filed a representation before the President of Pakistan, who, on May 30, 2016, had accepted the representation of the Department and set-aside the impugned recommendations of the FTO as having being passed without jurisdiction. As per directions contained in the decision of the President of Pakistan, the Commissioner's order dated February 16, 2016 has become infructuous and void ab initio and the original order dated June 27, 2014 stands restored. The Company has filed an appeal before the CIR(A) during July, 2016 against the order dated June 27, 2014. The Department has made a forced recovery of Rs.138 thousand on June 30, 2016, which has been grouped under loans and other receivables (note 10). The CIR(A), vide order dated October 10, 2016, has decided the appeal in the Company's favour.



- 24.3** The Company has filed a civil suit against Premier Alliance Industries Ltd. for recovery of Rs.7.300 million in lieu of issuance of insurance guarantee. The Company's suit has been decreed against the defendant and now execution proceeding is pending before the Civil Court, Lahore.
- 24.4** The Deputy Commissioner Inland Revenue, during the preceding year, had passed three orders under the Federal Excise Act, 2005 relating to tax years 2013, 2014 and 2015 creating federal excise duty liability of Rs.15.529 million, Rs.9.497 million and Rs.7.102 million respectively (total Rs.32.128 million). The Company, during these years, had paid sales tax to respective Provincial Governments as after the 18th Constitutional amendment, it had become a provincial matter. The Company, during the preceding year, had filed appeals before the Commissioner Appeals, who rejected these appeals. The Company, thereafter, had filed appeals before the Appellate Tribunal Inland Revenue (ATIR), Lahore Bench. The Sales Tax Department of Federal Board of Revenue on December 30, 2016 had effected forced recoveries aggregating Rs.23.831 million by attaching the Company's bank accounts. The ATIR, during the year, has accepted the Company's appeals and vacated the orders of the Authorities below being illegal, void ab initio and not sustainable in the eye of law. The aforementioned forced recoveries have been accounted for as Federal Excise Duty Refundable and grouped under loans and other receivables (note 10).
- 24.5** Bibojee Services (Pvt.) Ltd. (the Holding Company) , during the year, has refunded Rs.12.600 million to the Company. The Company had paid this amount to the Holding Company during the year ended December 31, 2012 on account of gratuity benefits of Mr. Sardar Khan (Ex-Managing Director of the Company). The Holding Company was of the view that Ex-Managing Director was required to adjust certain claims against him. Since, no settlement could be succeeded between the Holding Company and Ex-Managing Director, the Holding Company has refunded the aforementioned amount. No provision against the Ex-Managing Director's claim amounting Rs.20.090 million on account of gratuity along with profit, mark-up, costs, etc. has been made in these financial statements as the management is confident of a favorable outcome of the litigation.
- 24.6** Nazir Rice Mills (Pvt.) Ltd., Sialkot, against the Company, has filed an application before the Insurance Tribunal, Sialkot for recovery of Rs.347 million. The Company has rejected the claim on the basis of survey report. The case is pending adjudication. The management, based on the meritorious grounds, is confident that the case will be decided in the Company's favour.
- 24.7** Sheikh Maqbool Elahi has filed a case before the Insurance Tribunal, Lahore against six insurance Companies for recovery of Rs.150 million. UBL Insurers Ltd. is the leading Company whereas the liability of the Company, if any, is to the extent of 15%. The case has been transferred to Insurance Tribunal, Multan and is pending for appearance of parties. The management, based on the meritorious grounds, is confident that the case will be decided in the Company's favour.
- 24.8** Ghulam Ali Zahid (the Appellant) had filed an appeal against the Company under section 122 of the Insurance Ordinance, 2000 for payment of Rs.7.300 million, which was dismissed by the Insurance Tribunal during December 2008. The Appellant, thereafter, had filed an appeal before the Lahore High Court, which decided and remanded the appeal to the Tribunal for recording evidence on an additional issue.
- 24.9** Cases filed by Fashion Guide International, Baig Trading Corporation and Rana Basit Rice Mills (Pvt.) Ltd. before the Insurance Tribunal asking for the decrees of Rs.33.884 million, Rs.56.010 million and Rs.38.114 million respectively are pending adjudication. The management is confident about merits of the Company's cases as the survey reports are in the Company's favour.



24.10 No commitments for letters of credit were outstanding as at December 31, 2017; (as at December 31, 2016, commitments for revolving letters of credit, other than for capital expenditure, were outstanding for Rs.747 thousand).

25. Net insurance premium	2017	2016
	Rupees in thousand	
Written gross premium	28,324	35,979
Add: unearned premium reserve opening	7,857	16,805
Less: unearned premium reserve closing	6,232	7,857
Premium earned	29,949	44,927
Less: reinsurance premium ceded	16,623	16,997
Add: prepaid reinsurance premium opening	3,558	5,942
Less: prepaid reinsurance premium closing	2,415	3,558
Reinsurance expense	17,766	19,381
	12,183	25,546
26. Net insurance claims expense		
Claims paid	11,508	22,448
Add: outstanding claims including IBNR closing	64,811	78,055
Less: outstanding claims including IBNR opening	78,055	106,234
Claims expense	(1,736)	(5,731)
Less: reinsurance and other recoveries received	7,126	12,914
Add: reinsurance and other recoveries in respect of outstanding claims closing	54,317	54,162
Less: reinsurance and other recoveries in respect of outstanding claims opening	54,162	64,203
Reinsurance and other recoveries revenue	7,281	2,873
	(9,017)	(8,604)

26.1 Claims development

Accident Year	Prior to 2014	2014	2015	2016	2017	Total
----- Rupees in thousand -----						
Estimate of ultimate claims cost:						
At the end of accident year	394,168	23,356	9,478	7,427	5,752	440,181
One year later	352,766	23,356	3,346	660	0	380,128
Two years later	248,275	12,738	677	0	0	261,690
Three years later	90,150	7,930	0	0	0	98,080
Four or more years later	68,788	0	0	0	0	68,788
Current estimate of cumulative claims	68,788	7,930	677	660	5,752	83,807
Cumulative payments / adjustments to date	(11,460)	(1,296)	(366)	(660)	(5,214)	(18,996)
Liability recognized in the statement of financial position	57,328	6,634	311	0	538	64,811



27. Net commission expense	Note	2017 Rupees in thousand	2016
Commission paid or payable		4,772	5,831
Add: deferred commission expense opening		1,231	2,341
Less: deferred commission expense closing		845	1,231
Net commission		5,158	6,941
Less: commission received or recoverable		6,164	5,754
Add: unearned reinsurance commission opening		1,448	3,050
Less: unearned reinsurance commission closing		796	1,448
Commission from reinsurers		6,816	7,356
		(1,658)	(415)
28. Management expenses			
Employees' benefit cost	28.1	41,124	31,280
Travelling		1,314	1,070
Advertisements and business promotion		244	73
Printing and stationery		412	350
Depreciation	5	3,897	4,838
Rent, rates and taxes		1,362	611
Legal and professional charges - business related		3,821	3,120
Electricity, gas and water		1,014	1,113
Entertainment		557	469
Vehicles' running		1,212	1,257
Office repairs and maintenance		181	338
Bank charges		357	59
Postage, telegrams and telephone		929	855
Annual supervision fee SECP		100	95
Provision for doubtful insurance / reinsurance receivables	11	5,279	14,430
Miscellaneous		666	508
		62,469	60,466
28.1 Employees' benefit cost			
Salaries, allowances and other benefits		38,415	29,123
Charges for post employment benefit	21.3	2,709	2,157
		41,124	31,280
28.2 The above expenses of management allocated to the underwriting business represent directly attributable expenses and indirect expenses allocated to the various classes of business on the basis of gross premium revenue.			



29. Investment income		2017	2016
		Rupees in thousand	
Income from equity securities (available-for-sale)			
- Dividend income		205	0
- Realized gain on investments at fair value through profit or loss		4,530	0
Income from debt securities			
- Dividend income on available-for-sale investments		0	2
- Return on fixed income securities and deposits (held to maturity)		4,480	4,854
Net unrealized (loss) / gain on investments at fair value through profit or loss	8.2	(14,129)	26,526
		(4,914)	31,382
30. Other income			
Income from financial assets			
Profit on savings accounts		56	788
Cash margin deposit written-back		0	2,000
Payable balances written-back	30.1	8,803	11,825
		8,859	14,613
Income from non-financial assets			
Fronting fee		679	776
Gain on disposal of fixed assets	5.2	837	94
Fair value gain on investment property	6	969	1,950
Reversal of impairment loss		0	727
Sale of scrap		38	44
Recoveries of health insurance claims		0	725
Receipt from the Holding Company	30.2	12,600	0
		15,123	4,316
		23,982	18,929
30.1 The balance written-back during the year includes provident fund balances of ex-employees aggregating Rs.4.790 million, who have resigned or have been terminated at least seven years ago. The Company's legal Advisor has advised that as these cases are time-barred, the Company may write-back these payable balances.			
30.2 This represents amount refunded by the Holding Company during the year; the Company has advanced this amount to the Holding Company in prior year for settlement of gratuity benefits of Ex-Managing Director of the Company. Also refer contents of note 24.5.			
31. Other expenses			
Legal & professional fees other than business related		1,496	205
Auditors' remuneration	31.1	919	840
Donations - without directors' interest		10	11
Subscription		1,845	508
Insurance		810	749
Office expenses		239	296
Assets written-off	5.3	483	0
Repair and maintenance of computer equipment		114	116
Others		192	336
		6,108	3,061



31.1 Auditors' remuneration

	2017	2016
	Rupees in thousand	
Statutory audit fee	400	400
Half yearly review	150	150
Regulatory returns	105	100
Certification charges	130	25
Out-of-pocket expenses	134	165
	919	840

32. Taxation

Current year	(3,638)	(2,108)
Prior year adjustment	(1,445)	16
	(5,083)	(2,092)
Deferred	1,112	253
	(3,971)	(1,839)

32.1 No numeric tax rate reconciliation is presented in these financial statements as the Company is mainly liable to pay tax due under sections 5 (Tax on dividends) and 113 (Minimum tax on the income of certain persons) of the Income Tax Ordinance, 2001. Unused tax losses as at December 31, 2017 aggregated Rs.223.868 million (2016: Rs.170.907 million).

33. Earnings per share

	2017	2016
	Rupees in thousand	
Profit after taxation attributable to ordinary shareholders	41,452	69,407
	--Number of shares--	
Weighted average number of shares outstanding during the year	42,192,088	41,617,977
	----- Rupees -----	
Earnings per share - basic	0.98	1.67

33.1 Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at December 31, 2017 and December 31, 2016, which would have any effect on the earnings per share of the Company if the option to convert is exercised.

34. Compensation of directors and executives

The aggregate amounts charged in these financial statements for remuneration including all benefits to the chief executive, principal officer and executives of the Company are as follows:

	Chief executive		Principal officer		Executives	
	2017	2016	2017	2016	2017	2016
	----- Rupees in thousand -----					
Managerial remuneration	3,313	932	4,951	4,306	4,673	5,009
Leave encashment	0	0	623	0	542	0
Bonus	0	0	952	0	773	0
House rent	1,013	288	1,524	1,325	1,956	1,959
Utilities and others	1,892	1,902	870	753	363	430
Medical allowance	106	122	89	120	0	0
	6,324	3,244	9,009	6,504	8,307	7,398
No. of persons	1	1	1	1	5	5



- 34.1** Chief executive, principal officer and executives are also provided with other facilities, including free use of the Company maintained cars.
- 34.2** No meeting fee was paid to directors during the current and preceding year.
- 34.3** No remuneration was paid to non-executive directors of the Company.
- 34.4** Gratuity amounting Rs.500 thousand (2016: Rs.500 thousand) is payable to ex-chief executive.

35. Transactions with related parties

Related parties comprise of the Holding Company, Associated Companies and key management personnel. The Company in the normal course of business carries-out transactions with various related parties. Details of significant transactions with related parties, other than those which have been specifically disclosed else where in these financial statements, are as follows:

The Holding Company

		2017	2016
Transaction during the year	Nature of transaction	Rupees in thousand	
Bibojee Services (Pvt.) Ltd.	Amount received against issue of share capital	72,055	0

Associated Companies

Janana De Malucho Textile Mills Ltd.	Salaries & benefits paid	2,006	0
	Expenses paid	107	0
Bannu Woollen Mills Ltd.	Dividend received	45	45
Ghandhara Industries Ltd.	--- do ---	17,762	11,841

36. Segment information

The Company has following four primary segments:

- Fire & property damage insurance provides coverage against damages caused by fire, riot & strike, explosion, earthquake, atmospheric damage, flood, electric fluctuations and other related perils.
- Marine & transport insurance provides coverage against cargo risk, war risk, damages occurring in inland transit and other related perils.
- Motor insurance provides comprehensive car coverage, indemnity against third party loss and other related coverages.
- Others insurance provides coverage against burglary, loss of cash-in-safe and cash-in-transit, engineering losses and other coverages.



December 31, 2017

	Fire and property damage	Marine and Transport	Motor	Others	Total
----- Rupees in thousand -----					
Premium receivable (inclusive of federal excise duty, federal insurance fee, and administrative surcharge)	7,087	11,285	9,586	2,107	30,065
Less: Federal excise duty	110	368	1,091	54	1,623
Federal insurance fee	6	28	80	4	118
Gross written premium (inclusive of administrative surcharge)	6,971	10,889	8,415	2,049	28,324
Gross direct premium	685	2,806	8,023	403	11,917
Facultative inward premium	6,285	8,062	321	1,635	16,303
Administrative surcharge	1	21	71	11	104
	6,971	10,889	8,415	2,049	28,324
Insurance premium earned	9,384	11,000	7,109	2,456	29,949
Insurance premium ceded to reinsurers	7,427	8,125	609	1,605	17,766
Net insurance premium	1,957	2,875	6,500	851	12,183
Commission income	3,030	3,335	0	451	6,816
Net underwriting income	4,987	6,210	6,500	1,302	18,999
Insurance claims	589	1,623	(3,948)	0	(1,736)
Insurance claims recovered from reinsurers	610	1,479	2,584	2,608	7,281
Net claims	21	(144)	6,532	2,608	9,017
Commission expense	(1,938)	(2,215)	(700)	(305)	(5,158)
Management expenses	(15,617)	(24,364)	(18,117)	(4,371)	(62,469)
Premium deficiency expense	0	0	0	282	282
Net insurance claims and expenses	(17,534)	(26,723)	(12,285)	(1,786)	(58,328)
Underwriting result	(12,547)	(20,513)	(5,785)	(484)	(39,329)
Net investment income					(4,914)
Rental income					796
Other income					23,982
Other expenses					(6,108)
Finance cost					(48)
Share of profit of Associates - net					71,044
Profit before taxation					45,423
Segment assets	68,382	74,975	27,355	11,879	182,591
Unallocated assets					737,345
					919,936
Segment liabilities	45,331	46,234	14,135	5,639	111,339
Unallocated liabilities					29,724
					141,063



December 31, 2016

	Fire and property damage	Marine and transport	Motor	Others	Total
	----- Rupees in thousand -----				
Premium receivable (inclusive of federal excise duty, federal insurance fee, and administrative surcharge)	9,237	14,627	7,945	5,631	37,440
Less: Federal excise duty	146	190	758	246	1,340
Federal insurance fee	10	14	53	44	121
Gross written premium (inclusive of administrative surcharge)	9,081	14,423	7,134	5,341	35,979
Gross direct premium	913	1,366	5,267	4,391	11,937
Facultative inward premium	8,165	13,047	1,800	916	23,928
Administrative surcharge	3	10	67	34	114
	9,081	14,423	7,134	5,341	35,979
Insurance premium earned	14,079	14,065	6,963	9,820	44,927
Insurance premium ceded to reinsurers	9,030	6,251	1,085	3,015	19,381
Net insurance premium	5,049	7,814	5,878	6,805	25,546
Commission income	4,259	2,234	1	862	7,356
Net underwriting income	9,308	10,048	5,879	7,667	32,902
Insurance claims	(1,649)	3,592	(3,106)	(4,568)	(5,731)
Insurance claims recovered from reinsurers	(197)	3,528	1,116	(1,574)	2,873
Net claims	(1,452)	64	(4,222)	(2,994)	(8,604)
Commission expense	2,944	2,797	670	530	6,941
Management expenses	15,260	24,240	11,990	8,976	60,466
Premium deficiency expense	0	0	0	(2,750)	(2,750)
Net insurance claims and expenses	16,752	27,101	8,438	3,762	56,053
Underwriting results	(7,444)	(17,053)	(2,559)	3,905	(23,151)
Net investment income					31,382
Rental income					699
Other income	1				18,929
Other expenses					(3,061)
Finance cost					(126)
Share of profit of Associates - net					46,574
Profit before taxation					71,246
Segment assets	82,238	75,738	20,372	29,436	207,784
Unallocated assets					596,405
					804,189
Segment liabilities	49,885	43,308	19,096	13,256	125,545
Unallocated liabilities					35,517
					161,062



37. Movement in investments

	Held to maturity	Available-for-sale	At fair value through profit or loss	Total
----- Rupees in thousand -----				
As at January 01, 2016	47,317	928	509	48,754
Additions during the year	15,398	0	60,000	75,398
Disposals (redemptions)	(15,599)	0	0	(15,599)
Fair value net gain / (loss) (excluding net realized gains)	261	623	(98)	786
Designated at fair value through profit or loss upon initial recognition	0	0	26,419	26,419
Impairment loss	0	(769)	0	(769)
As at December 31, 2016	47,377	782	86,830	134,989
Additions during the year	6,227	0	15,161	21,388
Disposals (sale)	0	0	(10,470)	(10,470)
Fair value net gain / (loss) (excluding net realized gains)	(32)	(173)	(14,129)	(14,334)
Designated at fair value through profit or loss upon initial recognition	21	0	0	21
As at December 31, 2017	53,593	609	77,392	131,594

38. Financial and insurance risk management objectives and policies

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

The individual risk wise analysis is given below:

38.1 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 causes the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counterparties in various sectors and by continually assessing the credit worthiness of counterparties.



Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result any change in economic, political or other conditions would affect their ability to meet contractual obligations in similar manner. The Company's credit risk exposure is not significantly different from that reflected in these financial statements. The management monitors and limits the Company's exposure and makes 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:

	2017	2016
	Rupees in thousand	
Bank balances	90,164	5,843
Investments in equity securities	78,001	87,612
Investments in debt securities	53,593	47,377
Insurance / reinsurance receivables	125,014	148,833
Reinsurance recoveries against outstanding claims	54,317	54,162
Loans and other receivables	2,533	2,191
	403,622	346,018

Provision is made for doubtful insurance / reinsurance 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, provision for doubtful insurance / reinsurance receivables aggregating Rs.5.279 million (2016: Rs.14.430 million) have been made. The provision for doubtful insurance / reinsurance receivables is shown in note 11 to these financial statements.

The age analysis of amount due from insurance contract holders is as follows:

Past due one year but less than three years	10	3,401
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	Short term	Long term	Rating agency	2017	2016
				Rupees in thousand	
Bank Al Habib Ltd.	A1+	AA+	PACRA	68	57
National Bank of Pakistan	A1+	AAA	-do-	47	799
Habib Bank Ltd.	A1+	AAA	JCR-VIS	89,997	4,961
United Bank Ltd.	A1+	AAA	-do-	52	26
				90,164	5,843



The credit quality of insurance / reinsurance receivables can be assessed with reference to external credit ratings as follows:

Insurance / reinsurance receivables	Reinsurance recoveries against outstanding claims	Total		
		2017	2016	
----- Rupees in thousand -----				
116,577	50,655	167,232	187,604	
8,427	3,662	12,089	11,990	
125,004	54,317	179,321	199,594	

38.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Liquidity requirements are monitored regularly and the management ensures that sufficient liquid funds are available.

The following are the contractual maturities of financial liabilities on an undiscounted cash flow basis:

	Carrying amount	Contractual cash flow	Upto one year
----- Rupees in thousand -----			
2017			
Financial liabilities			
Outstanding claims (including IBNR)	64,811	64,811	64,811
Insurance / reinsurance payables	39,501	39,501	39,501
Other creditors and accruals	14,843	14,843	14,843
Total	119,155	119,155	119,155
2016			
Outstanding claims (including IBNR)	78,055	78,055	78,055
Insurance / reinsurance payables	36,910	36,910	36,910
Other creditors and accruals	24,059	24,059	24,059
Total	139,024	139,024	139,024

38.3 Market risk

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The objective is to manage and control market risk exposures within acceptable parameters while optimizing the return. The market risks associated with the Company's business activities are interest / mark-up rate risk, price risk and currency risk.

a) Interest / mark-up rate risk

Interest / mark-up rate risk is the risk that the value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark-up rate risk arises from mismatching of financial assets and liabilities that mature or repaid in a given period. The Company manages this mismatch through risk management strategies where significant changes in gap position can be adjusted. At the reporting date, the interest / mark-up rate profile of the Company's significant interest / mark-up bearing financial instruments was as follows:



2017	2016	2017	2016
Effective interest rate		Rupees in thousand	
Percentage			

Fixed rate financial instruments

Financial assets

Investments - Pakistan Investment Bonds	7.00 to 12.00	7.00 to 12.00	53,593	47,377
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Floating rate financial instruments

Financial assets

Bank deposits	3.25 to 3.78	3.75 to 3.80	66,038	1,643
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b) 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 effect 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 profit for the year by Rs.660 thousand (2016: Rs.16 thousand). 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 above. The analysis assumes that all variables remain constant.

c) 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 instrument traded in the market. The Company is not exposed to commodity price risk. The Company is exposed to equity price risk that arises as a result of changes in the levels of Pakistan Stock Exchange-Index and the value of individual shares.

Available-for-sale investments are stated as per the policy detailed in note 4.8('c). The carrying and market values of these investments have been disclosed in note 8.1 to these financial statements.

As the Company is only exposed to price risk for investments classified in the available-for-sale and at fair value through profit or loss categories, a 10% increase / decrease in share / unit prices at the year-end would have increased / decreased profit for the year and equity as at December 31, 2017 by Rs.7,800 thousand (2016: Rs.8,699 thousand).

d) Currency risk

Currency risk is the risk that the value of a financial asset or liability will fluctuate due to changes in foreign currency rates. Foreign exchange risk arises mainly where receivables and payables exist due to transactions in foreign currencies. At the reporting date, the Company does not have assets or liabilities, which are exposed to foreign currency risk.



2017	Held to maturity	Available-for-sale	At fair value through profit or loss	Bank accounts, deposits, loans and other receivables	Total
Financial assets as per balance sheet	----- Rupees in thousand -----				
Bank balances	0	0	0	90,164	90,164
Investments in equity securities	0	609	77,392	0	78,001
Investments in debt securities	53,593	0	0	0	53,593
Insurance / reinsurance receivables	0	0	0	125,014	125,014
Reinsurance and other recoveries against outstanding claims	0	0	0	54,317	54,317
Loans and other receivables	0	0	0	2,533	2,533
	53,593	609	77,392	272,028	403,622

2016					
Bank balances	0	0	0	5,843	5,843
Investments in equity securities	0	782	86,830	0	87,612
Investments in debt securities	47,377	0	0	0	47,377
Insurance / reinsurance receivables	0	0	0	148,833	148,833
Reinsurance and other recoveries against outstanding claims	0	0	0	54,162	54,162
Loans and other receivables	0	0	0	2,191	2,191
	47,377	782	86,830	211,029	346,018

Financial liabilities as per balance sheet

	2017	2016
	Rupees in thousand	
Outstanding claims including IBNR	64,811	78,055
Insurance/ reinsurance payables	39,501	36,910
Other creditors and accruals	14,843	24,059
	119,155	139,024

39. Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities. The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas.



The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims and similar procedures are put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. Reinsurance policies are written with approved reinsurers on either a proportionate basis or non-proportionate basis. The reinsurers, carefully selected and approved, are dispersed over several geographical regions.

Experience shows that larger is the portfolio of similar insurance contracts, smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Company principally issues the general insurance contracts e.g. marine & transport, fire & property damage, motor and others. Risks under non-life insurance policies usually cover twelve months duration. For general insurance contracts, the most significant risks arise from accidental fire, atmospheric disaster and terrorist activities. Insurance contracts at times also cover risk for single incident that exposes the Company to multiple insurance risks.

a) Concentration of insurance risk

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

Risk surveys are carried-out on a regular basis for the evaluation of physical hazards associated primarily with the commercial / industrial occupation of the insured. Details regarding the fire separation / segregation with respect to the manufacturing processes, storage, utilities, etc. are extracted from the layout plan of the insured facility. Such details are formed part of the reports which are made available to the underwriters / reinsurers for their evaluation. Reference is made to the standard construction specifications laid down by IAP (Insurance Association of Pakistan). For fire & property risk a particular building and neighbouring buildings, which could be affected by a single claim incident, are considered as a single location. For earthquake risk, a complete city is classified as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk. The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.



A risk management solution is implemented to help assess and plan for risk in catastrophic scenarios. It provides a way to better visualize the risk exposure to the Company, which determines the appropriate amount of reinsurance coverage to protect the business portfolio.

b) Reinsurance risk

As per general practice of the insurance industry, in order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other companies for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from sizeable risk and provide additional underwriting capacity, which also constitutes towards the growth of premium. A significant portion of the reinsurance is effected under treaty, facultative and also under excess of loss reinsurance contracts to protect the Company's exposure towards catastrophic losses.

To minimize its exposure to any possible losses from reinsurers' insolvencies, the Company evaluates the financial condition of the reinsurers, their rating and monitors concentrations of credit risk arising from the respective geographic regions, activities or economic characteristics of the reinsurers.

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

The concentration of risk by type of contracts is summarized below by reference to liabilities:

	Gross sum insured		Reinsurance		Net	
	2017	2016	2017	2016	2017	2016
	----- Rupees in thousand -----					
Fire	5,442,985	6,579,732	4,789,827	5,395,380	653,158	1,184,352
Marine	14,526,746	16,822,648	10,895,060	7,401,965	3,631,686	9,420,683
Motor	2,325,153	1,845,861	162,761	239,962	2,162,392	1,605,899
Others	426,355	323,793	370,929	132,755	55,426	191,038
	22,721,239	25,572,034	16,218,577	13,170,062	6,502,662	12,401,972

c) Neutral assumptions for claims estimation

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

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

The estimation process takes into account the past claims reporting pattern and details of reinsurance programs. The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserves and premium deficiency reserves) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of the balance sheet date. The expected future liabilities are determined on the Actuary's advice.



d) 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 considers that the liability for insurance claims recognized in the balance sheet is adequate. However, actual experience may differ from the expected outcome.

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

Net impact of increase / decrease in average claim by 10 % on				
Underwriting result		Shareholders' equity		
2017	2016	2017	2016	
----- Rupees in thousand -----				
Fire	24	49	24	49
Marine	14	6	14	6
Motor	0	84	0	84
Others	41	308	41	308
	79	447	79	447

40. Maturity analysis of financial assets and liabilities

	2017						Total
	Interest / mark-up bearing			Non interest / mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	
----- Rupees in thousand -----							
Financial assets on balance sheet							
Investments in equity securities	0	0	0	78,001	0	78,001	78,001
Investments in debt securities	21,005	32,588	53,593	0	0	0	53,593
Loans and other receivables	0	0	0	2,533	0	2,533	2,533
Insurance/ reinsurance receivables	0	0	0	125,014	0	125,014	125,014
Reinsurance and other recoveries against outstanding claims	0	0	0	54,317	0	54,317	54,317
Bank balances	66,038	0	66,038	24,126	0	24,126	90,164
	87,043	32,588	119,631	283,991	0	283,991	403,622
Off balance sheet	0	0	0	0	0	0	0
Total	87,043	32,588	119,631	283,991	0	283,991	403,622
Financial liabilities on balance sheet							
Outstanding claims (including IBNR)	0	0	0	64,811	0	64,811	64,811
Insurance/ reinsurance payables	0	0	0	39,501	0	39,501	39,501
Other creditors and accruals	0	0	0	14,843	0	14,843	14,843
	0	0	0	119,155	0	119,155	119,155
Off balance sheet	0	0	0	0	0	0	0
Total	0	0	0	119,155	0	119,155	119,155
On balance sheet gap	87,043	32,588	119,631	164,836	0	164,836	284,467
Off balance sheet gap	0	0	0	0	0	0	0



2016						
Interest / mark-up bearing			Non interest / mark-up bearing			Total
Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	

----- Rupees in thousand -----

Financial assets on balance sheet

Investments in equity securities	0	0	0	87,612	0	87,612	87,612
Investments in debt securities		47,377	47,377	0	0	0	47,377
Loans and other receivables	0	0	0	2,191	0	2,191	2,191
Insurance/ reinsurance receivables	0	0	0	148,833	0	148,833	148,833
Reinsurance and other recoveries against outstanding claims	0	0	0	54,162	0	54,162	54,162
Bank balances	1,643	0	1,643	4,200	0	4,200	5,843
	1,643	47,377	49,020	296,998	0	296,998	346,018
Off balance sheet	0	0	0	0	0	0	0
Total	1,643	47,377	49,020	296,998	0	296,998	346,018

Financial liabilities on balance sheet

Outstanding claims (including IBNR)	0	0	0	78,055	0	78,055	78,055
Insurance/ reinsurance payables	0	0	0	36,910	0	36,910	36,910
Other creditors and accruals	0	0	0	24,059	0	24,059	24,059
	0	0	0	139,024	0	139,024	139,024
Off balance sheet	0	0	0	0	0	0	0
Total	0	0	0	139,024	0	139,024	139,024
On balance sheet gap	1,643	47,377	49,020	157,974	0	157,974	206,994
Off balance sheet gap	0	0	0	0	0	0	0

41. Fair value

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

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



Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

	Fair value measurement using level 1	
	2017	2016
	Rupees in thousand	
Investments in Associates	654,236	859,578

42. Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern and meet the regulatory, solvency and paid-up capital requirements so that it can continue to provide returns for shareholders and benefits for other stakeholders.

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

43. Claims review

- 43.1** The management, during the year, has carried-out a comprehensive exercise to bring fairness in the Company's outstanding claim liabilities; accordingly claim liabilities aggregating Rs.6.709 million (2016: Rs.12.701 million), which are no longer payable / settlements with the clients finalized, have been reversed / adjusted in the books of account of the Company.
- 43.2** The management, during the year, has also reversed / adjusted / written-back health insurance claims aggregating Rs.0.779 million (2016: Rs.3.752 million) against which neither the claim related documents were available nor the Claimants had raised any demand. These claims pertained to financial years ended upto December 31, 2012. The management has also obtained an opinion from its legal Advisor, who has confirmed that these claims are time-barred and hence may be reversed / adjusted / written-back.



44. Statement of solvency	Rupees in thousand
Assets as disclosed in the statement of financial position as at December 31, 2017	
Property and equipment	180,459
Investment property	20,201
Investments in equity securities	78,001
Investments in debt securities	53,593
Loans and other receivables	32,880
Insurance / reinsurance receivables	125,014
Reinsurance recoveries against outstanding claims	54,317
Deferred commission expense	845
Deferred taxation	33,191
Taxation - payments less provisions	9,246
Prepayments	2,779
Cash and bank balances	90,165
	680,691
Investments in Associates - at market value	654,236
Total Assets	(A) 1,334,927
In-admissible assets as per the following applicable clauses of section 32(2) of the Insurance Ordinance, 2000 (the Ordinance)	
(d)	532
(g)	654,924
(h)	10
(j)	33,191
(u)(i)	5,695
(u)(ii)	3,113
(u)(iii)	964
Total in-admissible assets	(B) 698,429
Total admissible assets	(C = A - B) 636,498
Liabilities as disclosed in the statement of financial position as at December 31, 2017	
Underwriting provisions	
Outstanding claims including IBNR	64,811
Unearned premium reserves	6,232
Premium deficiency reserves	0
Unearned reinsurance commission	796
Long term deposits	125
Retirement benefit obligations	10,940
Insurance / reinsurance payables	39,501
Other creditors and accruals	18,658
Total Liabilities	(D) 141,063
Total net admissible assets	(E = C - D) 495,435
Minimum solvency requirement (higher of the following)	
Method A - under section 36(3)(a) of the Ordinance	150,000
Method B - under section 36(3)(b) of the Ordinance	2,995
Method C - under section 36(3)(c) of the Ordinance	7,104
Excess in net admissible assets over minimum requirements	345,435



45. Number of employees

Number of employees as at December 31,
Average number of employees during the year

2017	2016
26	25
25	24

46. Corresponding figures

Corresponding figures, to comply with the requirements of Insurance Accounting Regulations, 2017 and the Insurance Rules, 2017 promulgated by SECP vide S.R.O. Notifications 88 (I) /2017 and 89 (I) / 2017 dated February 09, 2017 respectively, have been re-arranged / re-classified / re-named, wherever necessary, for the purposes of comparison. Major reclassification / re-arrangements are as follows:

Re-classification from:	Before re-classification	Re-classified under:
Rupees in thousand		
Statement of financial position		
Deposits against performance bonds	993	Other creditors and accruals
Unclaimed dividends	609	--- do ---
Accrued expenses	8,524	--- do ---
Fixed assets		
Land and buildings	161,485	Property and equipment
Furniture, fixtures and office equipment	4,122	--- do ---
Computer equipment	1,056	--- do ---
Motor vehicles	7,168	--- do ---
Investments	320,438	Investments in:
		- Associates
		- equity securities
		- debt securities
Loans to employees	134	Loans and other receivables
Sundry receivables	31,711	--- do ---
Amounts due from other		
insurers / reinsurers	145,432	Insurance / reinsurance receivables
Premiums due but unpaid	3,401	--- do ---
Cash and other equivalents	73	Cash and bank balances
Current and other accounts	5,843	--- do ---
As previously reported		Renamed in the current financial statements as:
Provision for outstanding claims (including IBNR)		Outstanding claims including IBNR
Provision for unearned premium		Unearned premium reserves
Commission income unearned		Unearned reinsurance commission
Staff retirement benefits - gratuity		Retirement benefit obligations
Amount due to other insurers / reinsurers		Insurance / reinsurance payables
Profit and loss account		
Net premium revenue		Net insurance premium
Net claims		Net insurance claims
Change in premium deficiency reserve		Premium deficiency
Expenses		Other expenses
General and administration expenses		Management expenses

47. Date of authorization for issue

These financial statements were authorized for issue on April 02, 2018 by the board of directors of the Company.


Raza Kuli Khan Khattak
CHAIRMAN


Gohar Ayub Khan
CHIEF EXECUTIVE


M. Imran Malik
DIRECTOR


Sikandar Kuli Khan Khattak
DIRECTOR


Amir Raza
PRINCIPAL OFFICER


Ashfaq Ahmed
CHIEF FINANCIAL OFFICER



PATTERN OF SHAREHOLDING AS ON DECEMBER 31ST 2017

Number of ShareHolders	Shareholdings		Total Number of Share Held	Percentage of Total Capital
	From	To		
300	1 -	100	6,544	0.01
159	101 -	500	44,703	0.09
86	501 -	1000	63,676	0.13
240	1001 -	5000	594,223	1.19
51	5001 -	10000	349,781	0.70
23	10001 -	15000	278,387	0.56
14	15001 -	20000	245,998	0.49
5	20001 -	25000	117,675	0.24
3	25001 -	30000	80,767	0.16
7	30001 -	35000	227,287	0.45
4	35001 -	40000	146,662	0.29
2	40001 -	45000	84,102	0.17
2	45001 -	50000	99,500	0.20
2	50001 -	55000	103,500	0.21
1	55001 -	60000	57,122	0.11
1	75001 -	80000	75,543	0.15
3	80001 -	85000	248,576	0.50
1	85001 -	90000	85,630	0.17
1	90001 -	95000	93,075	0.19
1	95001 -	100000	96,181	0.19
3	105001 -	110000	323,361	0.65
1	135001 -	140000	136,000	0.27
1	155001 -	160000	158,136	0.32
1	175001 -	180000	177,028	0.35
1	200001 -	205000	204,000	0.41
1	275001 -	280000	276,226	0.55
1	280001 -	285000	281,543	0.56
1	295001 -	300000	297,861	0.60
1	370001 -	375000	375,000	0.75
1	415001 -	420000	415,237	0.83
1	610001 -	615000	613,203	1.23
1	660001 -	665000	661,685	1.32
1	42980001 -	42985000	42,981,788	85.96
921			50,000,000	100.00

CATEGORIES OF SHAREHOLDERS AS AT 31 DECEMBER 2017

Sr. #	Categories	No. of Shareholders	No. of Shares Held	Percentage of Capital
1	Executives	3	3,627	0.0073
2	Directors, Chief Executive Officer, and their spouse and minor children	9	859,129	1.7183
3	Associated Companies, Undertakings and Related Parties	1	42,981,788	85.9636
4	NIT and ICP	1	1,363	0.0027
5	Banks, Development Financial Institutions, Non Banking Financial Institutions	1	1,359	0.0027
6	Insurance Companies	1	22,243	0.0445
7	General Public (Local)	893	4,641,691	9.2834
8	Others	12	1,488,80	2.9776
TOTAL:		921	50,000,000	100.0000



**DETAILED CATEGORIES OF SHAREHOLDERS
AS ON DECEMBER 31ST, 2017**

Sr. #	Name	Shares Held	Percentage of Capital
-------	------	-------------	-----------------------

Executives

1	Mr. Amir Raza	3,003	0.0060
2	Mr. Abdul Waheed Chaudhry	600	0.0012
3	Mr. Muhammad Ilyas	24	0.0000
Running Total:		3,627	0.0073

Directors, Chief Executive Officer, and their spouse and minor children

1	Mr. Raza Kuli Khan Khattak	613,203	1.2264
2	Mr. Gohar Ayub Khan	40,234	0.0805
3	Mr. Mushtaq Ahmed Khan F.C.A.	3,153	0.0063
4	Mrs. Shahnaz Sajjad Ahmed	93,075	0.1862
5	Dr. Shaheen Kuli Khan Khattak	93,075	0.1862
6	Mr. Muhammad Imran Malik	3,003	0.0060
7	Mr. Khalid Kuli Khan Khattak	3,003	0.0060
8	Mr. Mohammad Kuli Khan Khattak	7,883	0.0158
9	Mr. Sikandar Kuli Khan Khattak	2,500	0.0050
Running Total:		859,129	1.7183

Associated Companies, Undertakings and Related Parties

1	Bibojee Services (Pvt.) Limited	42,981,788	85.9636
Running Total:		42,981,788	85.9636

NIT and ICP

1	Investment Corporation of Pakistan	1,363	0.0027
Running Total:		1,363	0.0027

Banks, Development Financial Institutions, Non Banking Financial Institutions

1	Shirazi Investment (Pvt.) Limited	1,359	0.0027
Running Total:		1,359	0.0027

Insurance Companies

1	Gulf Insurance Co. Ltd.	22,243	0.0445
Running Total:		22,243	0.0445

General Public (Local)

4,641,691 9.2834



Sr. #	Name	Shares Held	Percentage of Capital
-------	------	-------------	-----------------------

Others

1	Deputy Administrator Abandoned Properties Organization	37,431	0.0749
2	AKD Securities Limited	661,685	1.3234
3	Pearl Securities Limited	75,543	0.1511
4	Pearl Brokerage (Private) Limited	375,000	0.7500
5	Millwala Sons (Private) Limited	99	0.0002
6	Maple Leaf Capital Limited	1	0.0000
7	Ismail Abdul Shakoor Securities (Private) Limited	3,500	0.0070
8	Fikrees (Private) Limited	2,500	0.0050
9	Salim Sozer Securities (Pvt.) Ltd.	281,543	0.5631
10	Topline Commodities (Pvt.) Limited	51,000	0.1020
11	Darson Securities (Pvt.) Limited	458	0.0009
12	Cliktrade Limited	40	0.0001

Running Total: **1,488,800** **2.9776**

Grand Total: **50,000,000** **100.0000**

Shareholders holding more than 5% shares:

1	Bibojee Services (Pvt.) Limited	42,981,788	85.9636
---	--	-------------------	----------------

Information Under Clause 5.19.11 (xii) of Rule Book of Pakistan Stock Exchange Ltd.

All trades in the Company's shares carried out by its Directors, executives and their spouses and minor children during the year January 01, 2017 to December 31, 2017 as follow:

Sr. #	Name	No. of Shares	
		Sale	Purchase/ Transfer
1	Mr. Raza Kuli Khan Khattak	-	102,797
2	Mr. Gohar Ayub Khan	-	37,734
3	Mr. Mushtaq Ahmed Khan F.C.A.	-	528
4	Mrs. Shahnaz Sajjad Ahmed	-	15,603
5	Dr. Shaheen Kuli Khan Khattak	-	15,603
6	Mr. Muhammad Imran Malik	-	503
7	Mr. Khalid Kuli Khan Khattak	-	3,003
8	Mr. Mohammad Kuli Khan Khattak	-	1,321
9	Mr. Sikandar Kuli Khan Khattak	-	2,500
10	Mr. Amir Raza	-	503
11	Mr. Abdul Waheed Chaudhry	-	100
12	Mr. Muhammad Ilyas	-	4



HEAD OFFICE EXECUTIVE / DEPARTMENTAL HEAD

Name	Designation	Telephone Office	Fax No.
Mr. Gohar Ayub Khan	Chief Executive	042-37311666	042-37230326
Mr. Amir Raza	Principal Officer	042-37355579	042-37230326
Mr. Abdul Waheed Chaudhry	D.G.M - Internal Auditor	042-37355426	042-37230326
Mr. Aftab Rashid	Assistant General Manager-IT	042-37355426	042-37230326
Mr. Ashfaq Ahmed	Chief Financial Officer	042-37243168	042-37230326
Mr. Muhammad Ilyas	Manager Re-insuracs	042-37238616	042-37230326
Mr. Liaqat Ali Shaukat	Company Secretary	042-37322813	042-37230326
Miss. Bushra Hina Mushtaq	Manager Underwriting	042-37311608	042-37230326

BRANCHES

Sr. No.	Br_Code	Branch	Address	Ph No.	Fax No.
1	117	Principal Office, Karachi	3rd Floor Nelson Chamber I.I Chundrigar Road, Karachi	021-32621250	021-32621250



Investor's Awareness

As per direction of SECP vide their S.R.O. 924 (1)/2015 dated September 09, 2015 we are pleased to incorporate the following informational message on 'JumaPunji' for investor's awareness in Annual Report of the Company for the year ended December 31, 2017.

www.jamapunji.pk





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Key features:

- Licensed Entities Verification
- Scam meter*
- Jamapunji games*
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- 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



FORM OF PROXY

I / We _____ of
_____ being a member(s) of The
Universal Insurance Company Limited and holder of _____ Ordinary Shares
as per Registered Folio No./CDC Participation ID and Account
No. _____ hereby appoint _____ of
_____ or failing him / her
_____ of
_____ who is

also member of The Universal Insurance Company Limited vide Registered Folio
No./CDC Participant's ID and Account No. _____ as may / our proxy
to vote for me / us and on my / our behalf at the 58th Annual General Meeting of the
Company to be held on Friday 27th April, 2018 at 10:30 a.m and any adjournment
thereof.

Signed this _____ day of _____ 2018.

Signature _____

**AFFIX
REVENUE
STAMP
RS. 5/-**

Witness:

Signature _____

Signature _____

Name _____

Name _____

CNIC No.: _____

CNIC No.: _____

Address _____

Address _____

IMPORTANT:

1. This form of Proxy duly completed must be deposited at the Company's Registered office The Universal Insurance Company Limited, 63-Shahrah-e-Quaid-e-Azam, Lahore not later than 48 hours before the time of holding the meeting.
2. A Proxy should also be a member of the Company.
3. CDC Shareholders and their proxies must attach an attested photocopy of their Computerized National identity Card or Passport with this Proxy Form.



دی یونیورسل انشورنس کمپنی لمیٹڈ پراکسی فارم

میں / ہم _____ ساکن _____ بحیثیت ممبر
دی یونیورسل انشورنس کمپنی لمیٹڈ اور حامل عام حصص تعدادی _____ بمطابق رجسٹرڈ فوئیو نمبر / سی ڈی سی شرکت کنندگان شناخت و اکاؤنٹ نمبر
_____ بذریعہ ہذا اپنی جانب سے مسمی _____ سکنہ _____
یا ان کی عدم دستیابی کی صورت میں مسمی _____ سکنہ _____ کو مقرر کرتا
/ کرتی ہوں جو کہ دی یونیورسل انشورنس کمپنی لمیٹڈ کے رجسٹرڈ فوئیو نمبر / سی ڈی سی کے اکاؤنٹ نمبر _____ کے مطابق رکن ہے
جو ہماری غیر حاضری کی صورت میں ہمیں ماہماری جانب سے 58 ویں سالانہ اجلاس عام جو کہ بروز جمعہ 27 اپریل 2018 کو بوقت صبح 10:30 بجے ہونا
قرار پایا ہے یا اس کے کسی بھی التوا میں میری / ہماری جگہ شرکت کرے اور ووٹ ڈالے۔

دستخط بروز _____ بتاریخ _____ 2018

دستخط: _____

ریونیوٹکٹ
5/- روپے
چسپاں کریں

گواہان:

دستخط: _____
نام: _____
شناختی کارڈ نمبر: _____
پتہ: _____

دستخط: _____
نام: _____
شناختی کارڈ نمبر: _____
پتہ: _____

اہم نوٹ:

- 1- ہر لحاظ سے مکمل شدہ یہ پراکسی فارم کمپنی کے رجسٹرڈ آفس دی یونیورسل انشورنس کمپنی لمیٹڈ 63- شاہراہ قائد اعظم لاہور پہنچ جائیں جو میننگ کے منعقد ہونے کے 48 گھنٹے سے لیٹ نہ ہو۔
- 2- پراکسی لگانے والے کیلئے ضروری ہے کہ وہ کمپنی کا ممبر ہو۔
- 3- سی ڈی سی شیرز ہولڈرز اور ان کی پراکسی لگانے والوں کیلئے ضروری ہے کہ وہ اس پراکسی فارم کے ساتھ اپنی تصدیق شدہ قومی شناختی کارڈ یا پاسپورٹ کی کاپی لگائیں۔



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