



2019 ANNUAL REPORT

60th

YEAR OF CONTINUOUS SERVICES

BIBOJEE GROUP



The Universal Insurance Co. Ltd.

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VISION STATEMENT

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



Email: info@uic.com.pk



Web: www.uic.com.pk



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 bases 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 with in our stipulated cost.



Email: info@uic.com.pk



Web: www.uic.com.pk



CORPORATE INFORMATION

Board of Directors	Mr. Raza Kuli Khan Khattak	Chairman
	Mr. Gohar Ayub Khan	Chief Executive
	Mr. Mushtaq Ahmed Khan F.C.A	
	Dr. Shaheen Kuli Khan Khattak	
	Mr. Muhammad Imran Malik	
	Mr. Pervez Iftikhar Ahmed Khan	
	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 & Company Chartered Accountants	
Legal Adviosor	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
Mr. Pervez I. Khan	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
Mr. Pervez I. Khan	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 60th Annual General Meeting (AGM) of the Shareholders of The Universal Insurance Company Limited will be held on Thursday May 21, 2020 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 30, 2019 at Lahore.
2. To elect Seven (07) Directors in accordance with Section 159 of the Companies Act 2017, as fixed by the Board in its meeting held on February 25, 2020 for a period of three (03) years commencing from May 22, 2020 in place of following retiring directors;

1. Mr. Raza Kuli Khan Khattak	6. Mr. Pervez Iftikhar Ahmed Khan
2. Mr. Gohar Ayub Khan	7. Mr. Khalid Kuli Khan Khattak
3. Mr. Mushtaq Ahmed Khan F.C.A	8. Mr. Muhammad Kuli Khan Khattak
4. Dr. Shaheen Kuli Khan Khattak	9. Mr. Sikandar Kuli Khan Khattak
5. Mr. Muhammad Imran Malik	
3. To receive, consider, approve and adopt the audited accounts of the Company for the year ended December 31, 2019 and reports of the directors and auditors thereon.
4. To appoint auditors for the year 2020 and to fix their remuneration. The Board on recommendation of Audit Committee of the company has recommended the appointment of M/s. Junaidy Shoaib Asad Chartered Accountants as external auditor for the year 2020 being eligible, given their consent for 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 30, 2020

NOTES:

- 1- In light of the threat posed by evolving COVID-19 situation, (Corona Virus) pandemic and to protect the wellbeing of shareholders, the SECP has directed the Companies vide circular No. 5 of 2020 dated March 17, 2020 to modify their usual planning for annual general meetings.

Accordingly, the shareholders are requested to consolidate their attendance and voting at AGM into as few people as possible through proxies. Further, the shareholders can login through video-link, i.e, <https://zoom.us/download> to participate in the AGM proceeding. For this, the shareholders are requested to register their particulars with the company secretary of the Company at info@uic.com.pk before close of business hours on May 19, 2020. The shareholders can also provide their comments/ suggestions for the proposed agenda items of the AGM on WhatsApp Number +923334934225 and email info@uic.com.pk.



- 2- The Share Transfer Books of the Company will remain closed from May 15, 2020 to May 21, 2020 (both days inclusive). Transfer received in order at the office of the Company Share Registrar M/s. Hameed Majeed Associates, H.M House, 7-Bank Square Lahore upto the close of business on May 14, 2020 will be considered in time to attend and vote at the meeting.
 - 3- Any member who seeks to contest the election of directors shall whether he/she is a retiring director or otherwise, file with the company at its registered office not later than fourteen (14) days before the date of the Annual General Meeting the following documents:-
 - a. Notice of his/her intention to offer himself/ herself for election of directors in term of provisions of section 159(3) of the Companies Act, 2017 (the Act) together with his/ her consent to act as director.
 - b. A detailed profile along with mailing address for placement on the Company's website;
 - c. Attested copy of his/ her valid CNIC/Passport;
 - d. His/her folio No./ CDC Investor Account No./ CDC Sub Account No. ;
 - e. A declaration confirming that;
 - i) He/she is aware of his/her duties and powers under the relevant laws, Memorandum and Articles of Association of the Company and rule book of Pakistan Stock Exchange Ltd.,
 - ii) He/she is not ineligible to become a director of a listed company under the Act, Code of Corporate Governance, Listed Companies (Sound and Prudent Management) Regulations, 2012* and any other applicable law, rules and regulations.
- * Annexure A, B & C can be downloaded from the Company's website under the tab "Election of Directors".
- 4- 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.
 - 5- 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.
 - 6- Pursuant to Companies (Postal Ballot) Regulations, 2018, for the purpose of election of Directors, where in case number of contestants are more than the number of directors to be elected, members will be allowed to exercise their right of vote through postal ballot, that is voting by post in accordance with requirements and procedure contained in the aforesaid regulations.
Shareholders who wish to participate through e-voting, kindly provide immediately through a letter duly signed by them i.e Name, Folio/CDC Account No. Email address, Contact number to the company secretary of the Company.
 - 7- Shareholders are requested to immediately notify shares registrar of the company promptly of any change in their addresses, if any and submit copy of valid CNIC if not submitted yet.
 - 8- Form of proxy is appended to the annual report in both English and Urdu languages and can be downloaded from the Company's website.



- 9- The audited financial statements of the company for the year ended December 31, 2019 have been placed on the company website www.uic.com.pk
- 10- 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.

11- Consent for Video Conference Facility

Pursuant to section 132(2) of the Companies Act, 2017, if the Company receives consent from members holding in aggregate 10% or more shareholding, residing at geographical location, to participate in the meeting through video conference at least seven (7) days prior to the date of 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. In order to avail this facility please provide following information to the registered office of the Company:

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

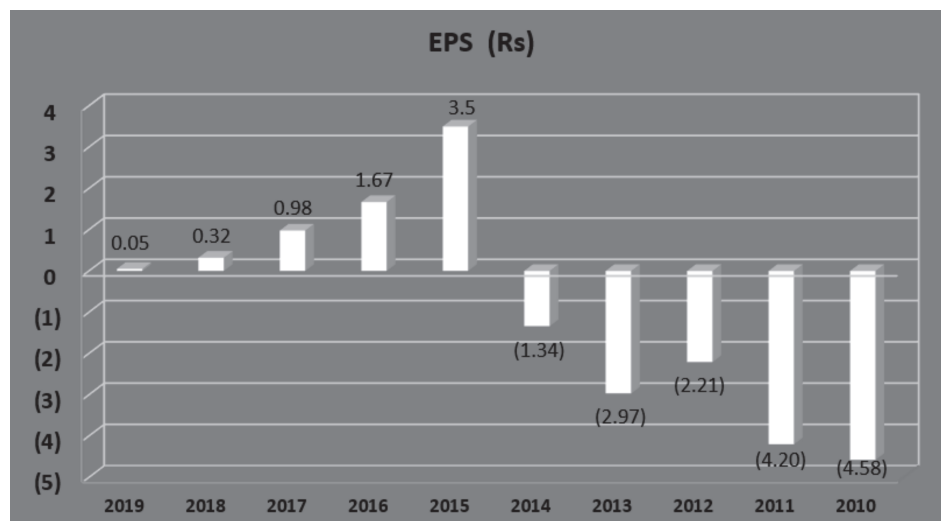
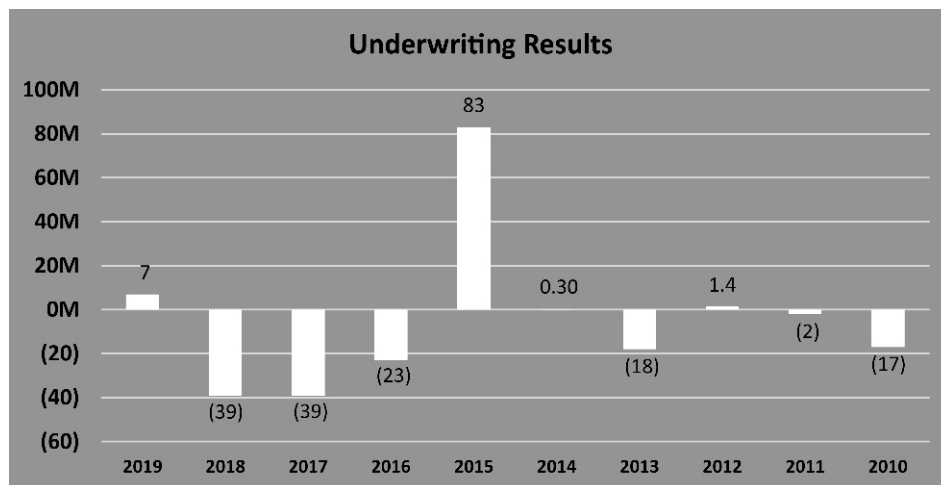
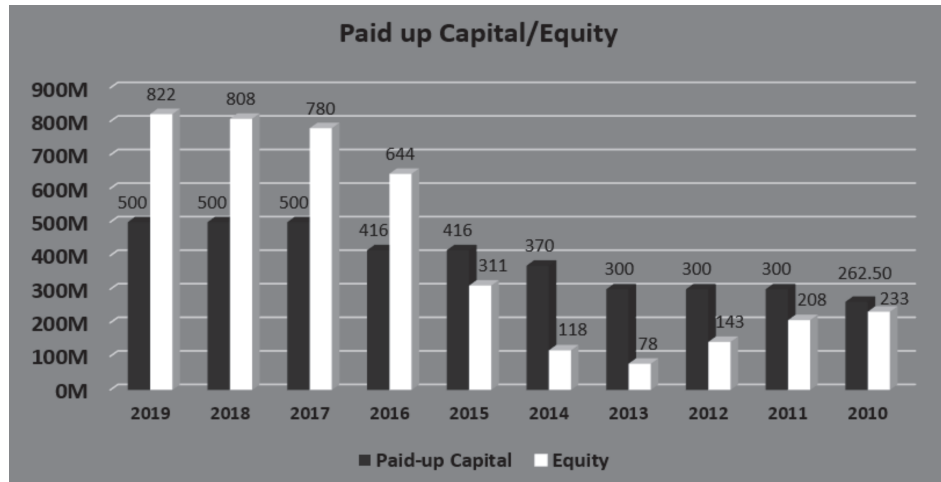
Statement of material facts under section 166(3) of the Companies Act, 2017

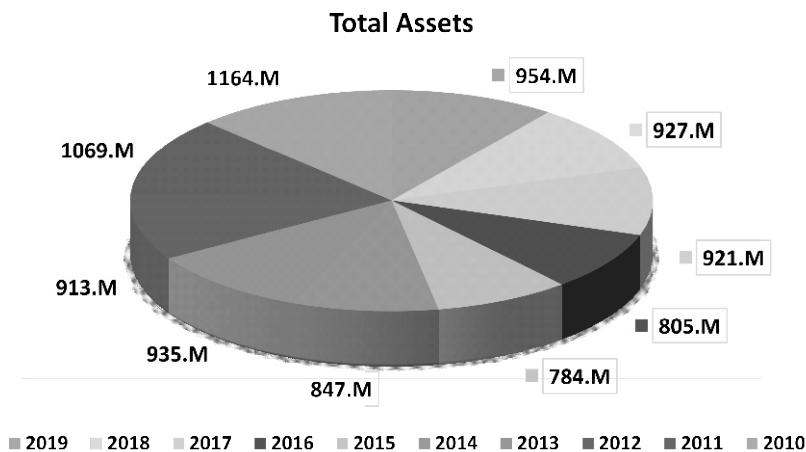
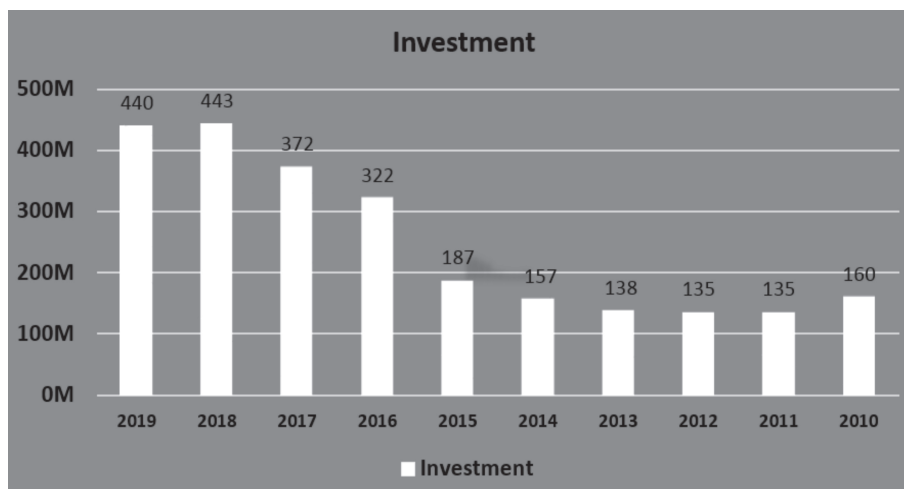
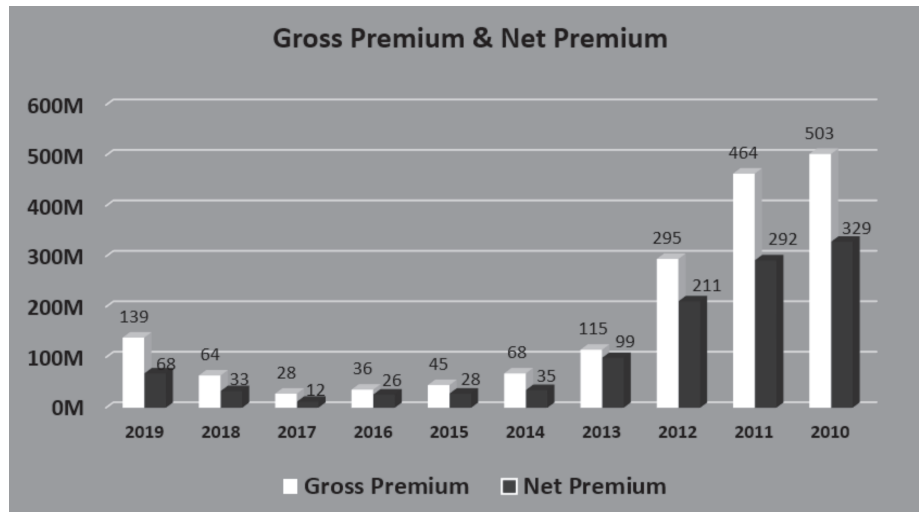
Independent directors will be elected through process of election of directors in terms of section 159 of the Act, which will meet the criteria as specified under the Act and the Companies (Manner and Selection of Independent Directors) Regulations, 2018 and also listed on the data bank of independent directors as required under section 166(1) of the Act. Further, their selection shall be made based of their respective competencies, requisite skills, knowledge and experience.



TEN YEARS KEY FINANCIAL DATA

	(Rupees in million)									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Gross Premium	139	64	28	36	45	68	115	295	464	503
Net Premium	68	33	12	26	28	35	99	211	292	329
Net Claim	(20)	2	(9)	(9)	(56)	2	54	102	143	177
Investment	440	443	372	322	187	157	138	135	135	160
Underwriting Profit / (Loss)	7	(39)	(39)	(23)	83	0.30	(18)	1.4	(2)	(17)
Profit / (Loss) before Tax	4	19	45	71	131	(41)	(87)	(66)	(110)	(103)
Profit / (Loss) after Tax	2	16	41	69	130	(46)	89	(66)	(65)	(86)
Paid-up Capital	500	500	500	416	416	370	300	300	300	262.50
Cash and Banks	46	26	90	6	108	122	160	62	130	88
Total Property & Assets	954	927	921	805	784	847	935	913	1069	1164
Equity	822	808	780	644	311	118	78	143	208	233
EPS (Rs)	0.05	0.32	0.98	1.67	3.5	(1.34)	(2.97)	(2.21)	(4.20)	(4.58)







Chairman's Review

On behalf of the Board of Directors, I have pleasure in presenting the 60th Annual Report and performance review of The Universal Insurance Company Limited for the year ended 31 December, 2019.

Company Performance:

During the year under review the company's performance remained satisfactory with particular reference to gross written premium of the Company which has enhanced substantially over the corresponding year in spite of high uncertainty in the country. Although the profit after tax is very minimal but at the same time it has enhanced accumulated profit of the Company from Rs. 11.981 Million in the year 2018 to Rs. 16.356 Million in the year 2019.

Future Outlook:

For the last five years the Company has been generating profits and in view of its consistent performance the board is contemplating for the further enhancement of gross written premium in the year 2020. Moreover our IT department has upgraded its IT module to cater the new regulatory requirements with the objective to produce mandatory statements for submission to the regulator on timely basis. In the light of improved financial performance of the Company the management is also advised to approach the banks and rating agency for the enlistment and revision of its IFS rating.

Acknowledgement:

I wish to express my sincere appreciation to our valued shareholders, clients, reinsurers, SECP & financial institutions whose cooperation and support over the year has further strengthened our market image.

Raza Kuli Khan

April 29, 2020
Lahore

Raza Kuli Khan Khattak
Chairman

چیرمین کا جائزہ

مجھے بورڈ آف ڈائریکٹرز کی طرف سے 31 دسمبر 2019 کو ختم ہونے والے مالی سال کے لیے دی یونیورسل انشورنس کمپنی کی 60 ویں سالانہ رپورٹ اور کارکردگی کا جائزہ پیش کرتے ہوئے خوشی ہوئی ہے۔

کمپنی کی کارکردگی (Company Performance)

زیر جائزہ سال کے دوران کمپنی کی کارکردگی ملک میں بہت زیادہ غیر یقینی صورتحال کے باوجود کمپنی کے مجموعی تحریری پریمیم کے حوالہ سے تسلی بخش رہی جس میں اس عرصے کے دوران کافی حد تک اضافہ ہوا ہے۔ اگرچہ بعد از ٹیکس منافع کم ہے لیکن عین اس وقت کمپنی کا مجموعی منافع 2018 میں 11.981 ملین روپے سے بڑھ کر 2019 میں 16.356 ملین روپے ہو گیا ہے۔

مستقبل کا جائزہ (Future Outlook)

کمپنی پچھلے پانچ سالوں سے منافع میں جارہی ہے اور اس کی مستقل کارکردگی کے پیش نظر بورڈ سال 2020 میں مجموعی تحریری پریمیم کو مزید بڑھانے پر غور کر رہا ہے۔ مزید یہ کہ ہمارے آئی ٹی ڈیپارٹمنٹ نے بروقت بنیاد پر اپنے آئی ٹی ماڈیول کو ریگولیٹری کی ضروریات کے مطابق اپ گریڈ کر لیا ہے تاکہ ریگولیٹری کو لازمی اسٹیٹمنٹس بروقت جمع کروائی جاسکیں۔ کمپنی کے بہتر فنانس کی روشنی میں انتظامیہ کو درجہ بندی کے اندراج اور نظر ثانی کے لیے بینکوں اور ریٹنگ ایجنسی سے رجوع کرنے کا مشورہ دیا گیا ہے۔

اعتراف (Acknowledgement)

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 مارکیٹ امیج مزید مضبوط ہوا۔

Raza Kuli Khan

(رضا قلی خان خٹک)
چیرمین

29 اپریل، 2020
لاہور۔



DIRECTORS' REPORT TO THE SHAREHOLDERS

We on behalf of the Board of Directors feel honoured in presenting the 60th Annual Report of the company along with audited financial statements for the financial year ended December 31, 2019.

Principal Activities of the Company

The Universal Insurance Company Limited was incorporated as a Public Limited Company in Pakistan in 1958. Our Company is listed on the Pakistan Stock Exchange (PSX). The principal activity of the Company is to underwrite general insurance business in Pakistan.

Principal Risks and Uncertainties

The principal risks and uncertainties have been properly disclosed in the note 41 forming part of annual accounts.

Operating Results:

The operating financial results of the company for the year ended 31 December, 2019 are stated below.

	<u>2019</u>	<u>2018</u>
	-----Rupees in '000-----	
Gross premium	139,149	63,549
Net premium	68,115	33,184
Net claims	(19,576)	2,366
Underwriting results	7,287	(38,912)
Investment & Other Income	25,106	15,891
Profit before taxation	4,421	19,497
Profit after taxation for the year	2,335	15,989
Earnings per share	0.05	0.32

Review of Operating Results:

The operating results of the company are very impressive with particular reference to Gross Written Premium which has increased significantly from Rs.63.549 Million to Rs.139.149 Million in the year 2019 reflecting an increase of 118.96% over the corresponding period. Similarly Net written Premium has also enhanced remarkably during the financial year. As the result of these enhancement underwriting results of the Company during the year 2019 exhibit positive figures as compared to underwriting result of the year 2018.

Moreover, the investment & other income of the company also shows substantial increase over the previous year. However, as the result of increase in loss of associated companies, profit of the company has squeezed during the current financial year over the last year.

Dividend

The directors have not recommended dividend for the year 2019.

IFS Rating

M/s. PACRA has maintained IFS rating to A- (stable) in view of improvement in the financial indicators of the company.



Information Technology (IT)

In order to cater the increased regulatory requirements including AML/CFT regulations, we have upgraded our IT system to ensure timely and accurate compliance with all these requirements. Further, we keep our IT system upgraded in the light of changing business environment.

ISO Certification

The Company received ISO 9001:2015 certification from M/s. Lloyd's Register-LRQA, Karachi since May 17, 2003. M/s. Lloyd's Register-LRQA, Karachi renewed Company's certification ISO 9001:2015 on June 04, 2019 till October 18, 2021 which exhibits that Company meets the requirement of standard and maintains satisfactory level of implementation of ISO-Quality Management System.

Statement of Corporate and Financial Reporting Framework

The corporate laws, rules and regulations framed there under spell out the overall functions of the Board of Directors of the company. The Board is fully aware of its corporate responsibilities as envisaged under the 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 throughout the year. Internal controls and their implementation are reviewed continuously by the Internal Audit department and any weakness in controls is timely addressed.
- (f) There are no significant doubts upon Company's ability to continue as a going concern.
- (g) There has been no material departure from the best practices of Code of Corporate Governance.
- (h) Key operating and financial data for the last ten years in summarized form is annexed to this annual report.
- (i) There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at 31st December, 2019 except as disclosed in the corresponding notes in the financial statements.
- (j) Five directors of the Company have acquired certification under the Director's Training Program (DTP) and four directors meets the criteria of eligibility for exemption from certificate.
- (k) The value of investment of provident fund based on their unaudited accounts is Rs. 3.100 million as on 31 December, 2019

Related Party Transactions

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



Holding Company

Bibojee Services (Pvt.) Limited, incorporated in Pakistan, is a holding Company by way of direct ownership of 85.96% shares and other indirect shareholding.

Composition of the Board

The composition of the Board is in line with the requirements of the CCG Regulations. The composition of the Board is as follows:

Total number of directors	9
Male	8
Female	1
Independent Director	1
Non-executive Directors	6
Executive Director	1
Female Director	1

Board Performance Evaluation

The evaluation of Board's role of oversight and its effectiveness is appraised by the Board itself. The main areas of focus are, but are not limited to, the following :

- Achieving corporate goals and objectives as defined in the Company's vision and mission statements.
- Strategy formulation and dissemination of directors to the management for sustainable planning and operation; and
- Trainings and upgradation of knowledge and skills of directors
- Evaluation of Board's Committees performance in relation to discharging their responsibilities as per defined terms of reference.

Board of Directors' Meetings:

During the year, Four (4) 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	4	
Mr. Gohar Ayub Khan	4	
Mr. Mushtaq Ahmad Khan - FCA	0	
Dr. Shaheen Kuli Khan Khattak	3	
Mr. Muhammad Imran Malik	3	
Mr. Pervez I. Khan	2	(appointed on April 08, 2019)
Mr. Khalid Kuli Khan Khattak	2	
Mr. Muhammad Kuli Khan Khattak	2	
Mr. Sikandar Kuli Khan Khattak	2	

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 2019 due to resignation of Mrs. Shahnaz Sajjad Ahmed (Director) which was duly filled by Mr. Pervez I. Khan.



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 five members, four of whom are non-executive directors and one independent director who is the chairman of the committee. Four meetings of audit committee were held during the year.

- Mr. Muhammad Imran Malik	Chairman
- Mr. Mushtaq Ahmad Khan - F.C.A	Member
- Mr. Pervez I. Khan	Member
- Dr. Shaheen Kuli Khan Khattak	Member
- Mr. Muhammad Kuli Khan Khattak	Member

Ethics, Human Resource & Remuneration Committee

The Board's Ethics, Human Resource & Remuneration Committee comprises of following members and the Chairman of the committee is an Independent director. One meeting was held during the year.

- Mr. Muhammad Imran Malik	Chairman
- Mr. Raza Kuli Khan Khattak	Member
- Mr. Gohar Ayub Khan	Member
- Mr. Mushtaq Ahmad Khan - F.C.A	Member
- Dr. Shaheen Kuli Khan Khattak	Member
- Mr. Pervez I. Khan	Member

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.

- Mr. Mushtaq Ahmad Khan - F.C.A	Chairman
- Mr. Gohar Ayub Khan	Member
- Dr. Shaheen Kuli Khan Khattak	Member
- Mr. Khalid Kuli Khan Khattak	Member
- Mr. Ashfaq Ahmed	Member

Underwriting, Re-Insurance & Co-Insurance Committee

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

- Mr. Muhammad Kuli Khan Khattak	Chairman
- Mr. Sikandar Kuli Khan Khattak	Member
- Miss. Bushra Hina Mushtaq	Member

Claims Settlement Committee

Claim Settlement Committee devises the claim settling policy of the Company. It oversees the claims position of the Company and ensures that adequate claims reserves are maintained. The committee is consisting of following members. Four meetings were held during the year.



- Mr. Gohar Ayub Khan	Chairman
- Mr. Mushtaq Ahmad Khan - F.C.A	Member
- Dr. Shaheen Kuli Khan Khattak	Member
- Mr. Amir Raza	Member
- Mr. Abdul Waheed Ch.	Member

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.

- Mr. Sikandar Kuli Khan Khattak	Chairman
- Mr. Amir Raza	Member
- Mr. Ashfaq Ahmed	Member

Remuneration of Directors

The Company has a formal policy in this regard in accordance with the Companies Act, 2017 and the CCG Regulations. The remuneration of the Board members is approved by the Board itself. However, in accordance with the Code of Corporate Governance, it is ensured that no Director takes part in deciding his own remuneration. The Company does not pay remuneration to non-executive directors except fee for attending the meetings in line with the Board approval. For information on remuneration of Directors and CEO in FY 2019, please refer note 33 to the Financial Statements.

Health, Safety and Environment

We strongly believe in maintaining the highest standards in health, safety and environment (HSE) to ensure the well-being of the people who work with us as well as of the communities where we operate.

Corporate Social Responsibility

The Company considers social, environmental and ethical matters in the context of the overall business environment. The Company is committed to make conscious effort to consider and balance the interest of all stakeholders, in particular the community in which we live and who form our customer base.

Internal Audit Function

The Universal Insurance Company Limited has an independent internal audit function who has suitably designed internal controls to safeguard financial and operational reporting of the Company. The Board Audit Committee quarterly reviews the appropriateness of resources and authority of this function. The head of Internal Audit functionally reports to the audit committee. The Board audit committee approves the audit plans, based on an annual and quarterly assessment of the operating areas.

The Internal Audit function carry's out reviews on the financial, operational and compliance controls, and reports its findings functionally to the Board Audit Committee and administratively to the Chief Executive. The Board understands its responsibility towards smooth functioning of internal financial controls and continuously strives to achieve the best practices through its regular governance.

Statement of Compliance

Statement of Compliance with the Code of Corporate Governance is separately annexed in the report at page No.25.



Pattern of Shareholding

The pattern of shareholding is separately annexed in the report at page No.91.

Communication with Stakeholders

The Company focuses on the importance of the communication with the stakeholders. The annual, half yearly and quarterly reports are placed on company's website (www.uic.com.pk) and distributed as specified in the Companies Act, 2017. The activities of the company are updated on its website on timely basis.

Trading in Company's Shares

No trading in the shares of the Company was carried out by the Directors, Chief Executive, Principal Officer, Chief Financial Officer, Company Secretary, executives, their spouses and minor children during the financial year ended December 31, 2019.

Appointment of Auditors

The present auditors M/s. Shinewing Hameed Chaudhri & Co, Chartered Accountants retire and in pursuance of the Code of Corporate Governance become ineligible for re-appointment having completed a term of five years. The Board of Directors, on the recommendation of the Audit Committee has recommended M/s. Junaidy Shoaib Asad, Chartered Accountants as Statutory Auditors for the financial year ending on 31 December 2020 being eligible, given their consent for appointment in place of retiring auditors M/s. Shinewing Hameed Chaudhri & Co, Chartered Accountants.

Future Outlook

Considering improved financials of the current year we have planned to further enhance the business volume by setting up branch network during the next financial year in the light of bank limits assigned to our company by different banks. As the volume of business will hopefully improve by a reasonable margin during forthcoming financial year and M/s. PACRA will be approached to further review our IFS rating upwardly which is designated a key indicator of the company's financial health.

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.

Date: April 29, 2020

Place: Lahore

For & on behalf of the Board of Directors

Gohar Ayub Khan
Chief Executive Officer

Raza Kuli Khan Khattak
Chairman



دی یونیورسل انشورنس کمپنی لمیٹڈ ممبران کے لئے ڈائریکٹرز کی رپورٹ

(یہ انگریزی رپورٹ کا ترجمہ ہے)

ہم بورڈ آف ڈائریکٹرز کی طرف سے 31 دسمبر 2019 کو ختم ہونے والے مالی سال کے نظر ثانی شدہ مالیاتی گوشواروں کے ساتھ کمپنی کی 60 ویں سالانہ رپورٹ پیش کرنے میں فخر محسوس کرتے ہیں۔

کمپنی کی پرنسپل سرگرمیاں (Principal Activities of the Company)

دی یونیورسل انشورنس کمپنی لمیٹڈ پاکستان میں 1958 کو ایک پبلک لمیٹڈ کمپنی کے طور پر وجود میں آئی۔ ہماری کمپنی پاکستان سٹاک ایکسچینج میں درج ہے۔ کمپنی کی بنیادی سرگرمی پاکستان میں جزل انشورنس کاروبار کو انڈر رائٹ کرنا ہے۔

پرنسپل خطرات اور غیر یقینی صورتحال (Principal Risks and Uncertainties)

سالانہ اکاؤنٹس کے نوٹ 41 میں پرنسپل خطرات اور غیر یقینی صورتحال کا واضح طور پر بیان کیا گیا ہے۔

آپریٹنگ نتائج (Operating Results)

31 دسمبر 2019 کو اختتام پذیر سال کے آپریٹنگ نتائج مندرجہ ذیل ہیں:-

2019	2018
----- (روپے 000) -----	-----
139,149	63,549
68,115	33,184
(19,576)	2,366
7,287	(38,912)
25,106	15,891
4,421	19,497
2,335	15,989
0.05	0.32

- مجموعی پرمیئم

- نیٹ پرمیئم

- نیٹ کلیمز

- انڈر رائٹنگ نتائج

- سرمایہ کاری اور دیگر آمدنی

- قبل از ٹیکس منافع

- سال کیلئے بعد از ٹیکس منافع

- آمدنی فی شیئر

آپریٹنگ نتائج کا جائزہ (Review of Operating Results)

مجموعی تحریری پرمیئم کے حوالے سے کمپنی کے آپریٹنگ نتائج متاثر کن ہیں جو سال 2019 میں 63.549 ملین روپے سے نمایاں طور پر بڑھ کر 139.149 ملین روپے تک بڑھ گئے ہیں جو اس عرصے کے دوران %118.96 اضافے کی عکاسی کرتے ہیں۔ اس طرح مالی سال کے دوران نیٹ پرمیئم میں بھی نمایاں اضافہ ہوا ہے۔ اس اضافے کے نتیجے میں سال 2019 کے دوران کمپنی کے انڈر رائٹنگ نتائج سال 2018 کے انڈر رائٹنگ نتائج کے مقابلے میں مثبت اعداد و شمار کی عکاسی کرتے ہیں۔ مزید برآں کمپنی کی سرمایہ کاری اور دیگر آمدنی میں بھی پچھلے سال کے مقابلے میں خاطر خواہ اضافہ دیکھا گیا ہے۔ تاہم گزشتہ سال کے مقابلے میں رواں مالی سال کے دوران وابستہ کمپنیوں کے نقصان میں اضافے کے نتیجے میں کمپنی کے منافع میں کمی آئی ہے۔

ڈیویڈنڈ (Dividend)

ڈائریکٹرز نے سال 2019 کے لیے ڈیویڈنڈ دینے کی سفارش کی ہے۔

آئی ایف ایس ریٹنگ (IFS Rating)

کمپنی کے مالیاتی اعشاروں کے پیش نظر M/s. PACRA نے IFS ریٹنگ کو (Stable) A- برقرار رکھا ہے۔

انفارمیشن ٹیکنالوجی (Information Technology)

AML/CFT کے ضوابط سمیت بڑھتی ہوئی ریگولیٹری ضروریات سے نمٹنے کے لیے ہم اپنے I.T سسٹم کو اپ گریڈ کر چکے ہیں تاکہ ان تمام ضروریات کی بروقت اور درست تعمیل کو یقینی بنایا جائے۔ مزید یہ کہ ہم بدلتے ہوئے کاروباری ماحول کی روشنی میں اپنے I.T سسٹم کو اپ گریڈ کرتے رہتے ہیں۔

آئی ایس او سرٹیفیکیشن (ISO Certification)

17 مئی 2003 سے کمپنی نے میسرز لائڈز رجسٹر ایل آر کیو اے، کراچی سے ISO 9001:2015 کی سرٹیفیکیشن حاصل کی۔ میسرز لائڈز رجسٹر ایل آر کیو اے، کراچی نے 04 جون 2019 سے 18 اکتوبر 2021 تک ISO 9001:2015 کی تجدید کر چکا ہے۔ اس سے صاف ظاہر ہے کہ کمپنی ISO کوالٹی مینجمنٹ سسٹم کے معیار پر پورا اترتی ہے اور کمپنی نے ISO کوالٹی مینجمنٹ سسٹم کے عمل درآمد کے معیار کو یقینی بنایا ہے۔

کارپوریٹ اور فنانشل رپورٹنگ فریم ورک کا بیان (Statement of Corporate & 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 سیکیورٹیز 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 اسٹیٹمنٹس اس کی تمام معلومات کو صاف و شفاف انداز میں واضح کرنے کے ساتھ اس کے آپریشنز کے نتائج، کیش کی آمدورفت اور ایکویٹی میں تبدیلیاں شامل ہیں۔

(بی) کمپنی کے مناسب مالی کھاتہ جات تیار کیے گئے ہیں۔

(سی) مالیاتی اسٹیٹمنٹ اور اکاؤنٹنگ تخمینہ جات کی تیاری کے لیے موزوں اکاؤنٹنگ پالیسیز مستقل طور پر اپنائی گئی ہیں جو کہ موزوں اور محتاط اندازوں پر مبنی ہیں۔

(ڈی) کمپنی کی مالیاتی اسٹیٹمنٹ جو کہ انٹرنیشنل اکاؤنٹنگ اسٹینڈرز (IAS)، انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرز (IFRS) اور دیگر قوانین جو کہ پاکستان میں نافذ العمل ہیں کہ مطابق تیار کی جاتی ہیں 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 سال بھر اس کی نگرانی کی جاتی ہے۔ داخلی نظام اور اس کے نفاذ کا انٹرل آڈٹ ڈیپارٹمنٹ کی جانب سے مسلسل جائزہ لیا جاتا ہے اور نظام میں کسی بھی خامی کو بروقت حل کیا جاتا ہے۔

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

(جی) کوڈ آف کارپوریٹ گورننس کی بہترین طریقوں کی پیروی سے کوئی قابل اثر اندازی انحراف نہیں کیا گیا۔

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

(آئی) ٹیکس، ڈیوٹیاں، لیوی اور چارجز کے اکاؤنٹس پر کوئی بھی قانونی ادائیگیاں نہیں ہیں جو کہ 31 دسمبر 2019 تک واجب الادا ہوتی ہیں۔ اس کے علاوہ اس کو مالی بیانات کے متعلقہ نوٹس میں بیان کیا گیا ہے۔

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

(کے) 31 دسمبر 2019 کے مطابق غیر آڈٹ شدہ حسابات میں پراویڈنٹ فنڈ کی سرمایہ کاری کی مالیت 3.1 ملین روپے ہے۔



متعلقہ پارٹی ٹرانزیکشنز (Related Party Transactions)

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

ہولڈنگ کمپنی (Holding Company)

بی.بوجی سروسز پرائیویٹ لمیٹڈ پاکستان میں وجود میں آئی جو کہ 85.96% حصص کے حساب سے براہ راست ہولڈنگ کمپنی کی ملکیت ہے۔

بورڈ کی تشکیل (Composition of the Board)

بورڈ کی تشکیل سی سی جی قوانین کی ضروریات کے مطابق ہے۔ بورڈ کی موجودہ تشکیل حسب ذیل ہے:-

9	ڈائریکٹرز کی کل تعداد
8	مرد
1	خواتین
1	آزاد ڈائریکٹر
6	نان۔ ایگزیکٹو ڈائریکٹرز
1	ایگزیکٹو ڈائریکٹر
1	فی میل ڈائریکٹر

بورڈ کی کارکردگی کی جانچ (Board Performance Evaluation)

بورڈ کے کردار کی نگرانی اور اس کی کامیابی کا اظہار بورڈ نے خود بھی کیا ہے۔ تمام تر تجا، ہم شعبوں پر مرکوز ہیں لیکن صرف مندرجہ ذیل تک محدود نہیں ہیں۔

- کارپوریٹ اہداف اور ان مقاصد کا حصول جو کہ کمپنی کے نقطہ نظر اور مشن اسٹینڈنس میں واضح ہیں۔

- پائیدار منصوبہ بندی اور آپریشن کے انتظام کے لیے ڈائریکٹرز کی حکمت عملی اور تقسیم؛ اور

- ڈائریکٹرز کی ٹریننگ، مہارت اور علم میں اضافہ

- بورڈ کمیٹی کی کارکردگی کو اپنی ذمہ داریوں کے حوالہ جات کی شرائط کے مطابق پورا کرنا

بورڈ کے ڈائریکٹرز کا اجلاس (Board of Director's Meeting)

اس سال کے دوران بورڈ میٹنگ کے 14 اجلاس منعقد ہوئے۔ ہر ایک ڈائریکٹر کی جانب سے اجلاسوں میں شرکت کی تعداد مندرجہ ذیل میں

دی گئی ہے:

4	- جناب رضا فہمی خان خٹک
4	- جناب گوہر ایوب خان
0	- جناب مشتاق احمد خان۔ ایف سی اے
3	- ڈاکٹر شاہین فہمی خان خٹک
3	- جناب محمد عمران ملک
2	- جناب پرویز آئی خان (08 اپریل 2019 کو تقریری)
2	- جناب خالد فہمی خان خٹک
2	- جناب محمد فہمی خان خٹک
2	- جناب سکندر فہمی خان خٹک



جو ڈائریکٹرز بورڈ کے کچھ سالانہ اجلاسوں میں اپنی دیگر مصروفیات کے باعث شرکت نہیں کر سکے ان ڈائریکٹرز کے لیے غیر حاضری کی چھٹی منظور کر لی گئی۔ مسز شہناز سجاد احمد (ڈائریکٹر) کے استعفیٰ کی وجہ سے سال 2019 کے دوران ایک سیٹ خالی ہوئی تھی جو مسٹر پرویز آئی خان سے پُر ہو گئی تھی۔

بورڈ اور مینجمنٹ کمیٹیز (Board and Management Committees)

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 سرانجام دیتی ہیں اور کوڈ کی ضروریات کو پورا کرتی ہیں۔

آڈٹ کمیٹی (Audit Committee)

آڈٹ کمیٹی پانچ ممبران پر مشتمل ہے جس میں چار نان ایگزیکٹو ڈائریکٹرز اور ایک آزاد ڈائریکٹر جو کمیٹی کا چیئر مین ہے۔ سال کے دوران آڈٹ کمیٹی کے 14 اجلاس منعقد ہوئے:-

چیرمین	- جناب محمد عمران ملک
رکن	- جناب مشتاق احمد خان - ایف سی اے
رکن	- جناب پرویز آئی خان
رکن	- ڈاکٹر شاہین فقی خان خٹک
رکن	- جناب محمد فقی خان خٹک

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

بورڈ کا ضابطہ اخلاق، ہیومن ریسورس اینڈ مراعات کمیٹی مندرجہ ذیل اراکین پر مشتمل ہے اور کمیٹی کا چیئر مین ایک آزاد ڈائریکٹر ہے۔ سال کے دوران 11 اجلاس منعقد ہوا:-

چیرمین	- جناب محمد عمران ملک
رکن	- جناب رضا فقی خان خٹک
رکن	- جناب گوہر ایوب خان
رکن	- جناب مشتاق احمد خان - ایف سی اے
رکن	- جناب پرویز آئی خان
رکن	- ڈاکٹر شاہین فقی خان خٹک

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 4 اجلاس منعقد ہوئے:-

چیرمین	- جناب مشتاق احمد خان - ایف سی اے
رکن	- جناب گوہر ایوب خان
رکن	- ڈاکٹر شاہین فقی خان خٹک
رکن	- جناب خالد فقی خان خٹک
رکن	- جناب اشفاق احمد



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

یہ کمیٹی انڈر رائٹنگ پالیسی تشکیل دیتی ہے تاکہ باقاعدگی سے کمپنی کی انڈر رائٹنگ اور پریمنیم 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 14 اجلاس منعقد ہوئے:-

- جناب محمد فلی خان خٹک
- جناب سکندر فلی خان خٹک
- مس بشری حنا مشتاق
- چیئر مین
- رکن
- رکن

کلیمز سیٹلمینٹ کمیٹی (Claims Settlement Committee)

کلیم سیٹلمینٹ کمیٹی کمپنی کی کلیم سیٹلمینٹ پالیسی وضع کرتی ہے۔ یہ کمپنی کی کلیم پوزیشن کی نگرانی کرتی ہے تاکہ کمپنی کے معقول کلیمز کے ذخائر کو یقینی حد تک برقرار رکھا جائے۔ یہ کمیٹی مندرجہ ذیل اراکین پر مشتمل ہے۔ سال کے دوران کمیٹی کے 14 اجلاس منعقد ہوئے:-

- جناب گوہر ایوب خان
- جناب مشتاق احمد خان - ایف سی اے
- ڈاکٹر شاہین فلی خان خٹک
- جناب عامر رضا
- جناب عبدالوحید چودھری
- چیئر مین
- رکن
- رکن
- رکن
- رکن

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

یہ کمیٹی کمپنی کے ریسک مینجمنٹ کی سرگرمیوں کے امور کی نگرانی کرتی ہے۔ اور ریسک مینجمنٹ امور کے دائرے میں آنے والے ممکنہ خطرات سے نمٹنے کے لیے بورڈ کو موزوں سفارشات پیش کرتی ہے۔ یہ کمیٹی مندرجہ ذیل اراکین پر مشتمل ہے۔ سال کے دوران کمیٹی کے 14 اجلاس منعقد ہوئے:-

- جناب سکندر فلی خان خٹک
- جناب عامر رضا
- جناب اشفاق احمد
- چیئر مین
- رکن
- رکن

ڈائریکٹرز کی مراعات (Remuneration of Directors)

کمپنی کی اس سلسلے میں رسی پالیسی ہے جو کہ کمپنیز ایکٹ 2017 اور سی سی جی قوانین کے مطابق ہے۔ بورڈ اراکین کی مراعات بورڈ خود منظور کرتا ہے۔ البتہ کوڈ آف کارپوریٹ گورننس کے تحت یہ یقینی بنایا جاتا ہے کہ کوئی بھی ڈائریکٹر اپنی مراعات کے فیصلہ کا تعین خود نہیں کرتا۔ کمپنی نان ایگزیکٹو ڈائریکٹرز کو کوئی بھی مراعات ادا نہیں کرتی ماسوائے میٹنگ کی حاضری کے جو کہ بورڈ کی مرضی کے مطابق ہوتی ہے۔ FY 2019 میں ڈائریکٹرز اور سی ای او کی مراعات کی انفارمیشن کا حوالہ فنانشل اسٹیٹمنٹ کے بیان نمبر 33 میں ملاحظہ کریں۔

صحت، حفاظتی ماحول (Health, Safety and Environment)

ہم صحت اور حفاظتی ماحول کے اعلیٰ معیار کو برقرار رکھنے پر پختہ یقین رکھتے ہیں جو لوگ ہمارے ساتھ کام کرتے ہیں اور وہ کیونٹی جہاں ہم کام کرتے ہیں۔

کارپوریٹ سماجی ذمہ داری (Corporate Social Responsibility)

کمپنی مجموعی طور پر سماجی، ماحولیاتی اور اخلاقی امور کو اس کے مجموعی کاروباری ماحول کے تناظر میں لیتی ہے۔ کمپنی تمام متعلقہ فریقوں کے مفاد کو متوازن کرنے کی کوششوں کیلئے پرعزم ہے خاص طور پر اپنی کیونٹی جس میں ہم رہتے ہیں اور جو ہمارے کسٹمر بنانے کی بنیاد ہیں۔



اندرونی آڈٹ فنکشن (Internal Audit Function)

یونیورسل انشورنس کمپنی لمیٹڈ ایک خود مختار انٹرل آڈٹ کا نظام رکھتی ہے جو کے خصوصی طور پر انٹرل کنٹرول اور کمپنی کی مالیاتی اور آپریشنل رپورٹنگ کے لیے ڈیزائن کیا گیا ہے۔ بورڈ آف آڈٹ کمیٹی سہ ماہی کے اختتام پر مناسب وسائل اور اس کے کام کی اتھارٹی کا جائزہ لیتی ہے۔ انٹرل آڈٹ کمیٹی کا سربراہ آڈٹ کمیٹی کو فعال طور پر رپورٹ کرتا ہے۔ بورڈ آڈٹ کمیٹی نے آڈٹ منصوبوں کی منظوری دی ہے جو کہ آپریٹنگ ایریا کے سالانہ اور سہ ماہی جائزہ پر مبنی ہے۔ اندرونی آڈٹ کا کام فنانس، آپریشنل اور کمپلائنس کنٹرول کی جانچ پڑتال کرنا ہے اور انتظامی طور پر چیف ایگزیکٹو اور بورڈ آف آڈٹ کمیٹی کو اس کی رپورٹ مہیا کرنا ہے۔ بورڈ اپنے اندرونی مالیاتی کنٹرول کے نظام کی ذمہ داریوں سے بخوبی واقف ہیں اور تسلسل کے ساتھ اپنے باضابطہ نظم و ضبط کے ذریعے بہترین طور طریقوں کو رائج کرنے کے لیے پرعزم ہے۔

تعمیل کا بیان (Statement of Compliance)

اسٹیٹمنٹ آف کمپلائنس کوڈ آف کارپوریٹ گورننس کے ساتھ علیحدہ سے رپورٹ میں صفحہ نمبر 25 پر درج ہے۔

شیئر ہولڈنگ پیٹرن (Pattern of Shareholding)

شیئر ہولڈنگ کا بیٹرن علیحدہ سے رپورٹ میں صفحہ نمبر 91 درج ہے۔

متعلقہ فریقین کے ساتھ مواصلات (Communication with Stakeholders)

کمپنی متعلقہ فریقین کے ساتھ مواصلات کی اہمیت پر توجہ مرکوز رکھتی ہے۔ سالانہ، نصف سالانہ اور سہ ماہی رپورٹس کمپنی کی ویب سائٹ (www.uic.com.pk) پر اپ لوڈ کر دی جاتی ہیں اور کمپنیز ایکٹ 2017 کے تحت تقسیم بھی کر دی جاتی ہے۔ کمپنی کی سرگرمیوں کو بروقت اپنی ویب سائٹ پر اپ ڈیٹ کر دیا جاتا ہے۔

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

31 دسمبر 2019 کے اختتام پذیر مالی سال کے دوران ڈائریکٹرز، چیف ایگزیکٹو، پرنسپل آفیسر، چیف فنانس آفیسر، کمپنی سیکرٹری، ان کی بیویوں اور ان کے چھوٹے بچوں کی جانب سے کمپنی کے شیئرز میں کوئی لین دین نہیں کیا گیا۔

آڈیٹرز کی تعیناتی (Appointment of Auditors)

موجودہ آڈیٹرز میسرز شائنگ ونگ حمید چوہدری اینڈ کو، چارٹرڈ اکاؤنٹنٹ ریٹائرڈ ہو گئے ہیں اور کوڈ آف کارپوریٹ گورننس کے تحت پانچ سال کی مدت پوری کرنے کے بعد دوبارہ تقرری کے لیے نااہل ہیں۔

31 دسمبر 2020 کو ختم ہونے والے مالی سال کے لیے بورڈ آف ڈائریکٹرز نے آڈٹ کمیٹی کی سفارش پر ریٹائرڈ ہونے والے آڈیٹرز شائنگ ونگ حمید چوہدری اینڈ کو چارٹرڈ اکاؤنٹنٹس، کی جگہ پر قانونی آڈیٹرز کے طور پر میسرز جنیدی شعیب اسد چارٹرڈ اکاؤنٹنٹس کے اہل ہونے کے ناطے ان کی تقرری کی سفارش کی ہے مستقبل کا جائزہ (Future Outlook)

رواں سال کے بہتر مالی معاملات پر غور کرتے ہوئے اور مختلف بینکوں کی طرف سے ہماری کمپنی کو مختص کردہ بینک لیمٹس کی روشنی میں ہم نے اگلے مالی سال کے دوران براؤنچ نیٹ ورک قائم کر کے اپنے کاروباری حجم کو مزید بڑھانے کا منصوبہ بنایا ہے۔ امید ہے کہ آئندہ مالی سال کے دوران کاروباری حجم میں مناسب مارجن سے بہتری آئے گی اور ہماری IFS Rating کو مزید بڑھانے پر غور کرنے کے لیے M/s. PACRA سے رجوع کیا جائے گا جو کمپنی کی مالی بہتری کی طرف ایک اہم اشارہ ہوگا۔

اعتراف (Acknowledgement)

ہم سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، پاکستان ری انشورنس کمپنی لمیٹڈ، سٹیٹ بینک آف پاکستان اور دوسری ری انشوررز اور کو انشوررز کی پورے سال کے دوران مسلسل مدد اور رہنمائی کے شکر گزار ہیں اور ہم اپنے معزز کلائنٹس کے مسلسل اعتماد پر ان کے بھی شکر گزار ہیں۔

مخانب بورڈ

رضا فاضل خان خٹک

(چیئرمین)

گوہرا یوب خان

(چیف ایگزیکٹو آفیسر)

بتاریخ : 29 اپریل 2020

مقام : لاہور



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

Name of Insurer: The Universal Insurance Company Limited (the Company)

Year Ended: December 31, 2019

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 Listed Companies (Code of Corporate Governance) Regulations, 2019 (CCG 2019).

The Company has applied the principles contained in the Code and CCG 2019 in the following manner:

1. The total number of directors are nine as per the following:
 - a) Male: Eight
 - b) Female: One
2. The Company encourages representation of independent, non-executive directors and directors representing minority interest on its Board of Directors (the Board). 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 Mr. Pervez Iftikhar Ahmed Khan Mr. Khalid Kuli Khan Khattak Mr. Muhammad Kuli Khan Khattak Mr. Sikandar Kuli Khan Khattak
Female Director	Dr. Shaheen Kuli Khan Khattak

The independent director meets the criteria of independence as laid down under the Code and CCG 2019.

3. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
4. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a development financial institution or a non-banking financial institution or, being a member of stock exchange, has been declared as a defaulter by the stock exchange.



5. One casual vacancy occurring on the board on January 29, 2019 was filled up by the directors within 90 days.
6. The Company has prepared a “Code of conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
7. The board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
8. All powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO), other executive directors and the key officers, have been taken by the Board / Shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the Act) and CCG 2019.
9. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. The board has complied with the requirements of the Act and CCG 2019 with respect to frequency, recording and circulating minutes of meeting of board. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meeting.
10. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and CCG 2019.
11. The Board has established a system of sound internal control, which is effectively implemented at all levels within the Company. The Company has adopted and complied with all necessary aspects of internal controls given in the Code.
12. Five of the directors have acquired certification regarding the “Directors' Training Program” (DTP) conducted by the local institutions that meet the criteria specified by the Securities and Exchange Commission of Pakistan (SECP). Other four directors possess the minimum qualification and experience criteria for the exemption of DTP as stipulated in the Code.
13. No new appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit was made during the year. The Board had approved the remuneration of CFO, Company Secretary and the Head of Internal Audit Department.
14. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and CCG 2019 and fully describes the salient matters required to be disclosed.
15. The financial statements of the Company were duly endorsed by Chief Executive Officer (CEO) and CFO before approval of the Board.
16. The directors, CEO and other executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding.



17. The Company has complied with all the corporate and financial reporting requirements of the Code and CCG 2019.
18. 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
Dr. Shaheen Kuli Khan Khattak	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.

19. 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
Mr. Pervez I. Khan	Member
Dr. Shaheen Kuli Khan Khattak	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
Dr. Shaheen Kuli Khan Khattak	Member
Mr. Khalid Kuli Khan Khattak	Member
Mr. Ashfaq Ahmed	Member
Mr. Liaqat Ali Shaukat	Secretary



20. The Board has formed an Audit Committee. It comprises of five members, of whom one is independent director and four 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
Mr. Pervez I. Khan	Member
Dr. Shaheen Kuli Khan Khattak	Member
Mr. Muhammad Kuli Khan Khattak	Member
Mr. Abdul Waheed Ch.	Secretary

21. The meetings of the Committees, except Ethics, Human Resource and Remuneration Committee, were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the aforesaid Committees have been formed, documented and advised to the Committees for compliance.
22. 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.
23. The CEO, CFO, Company Secretary, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under 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 Person	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
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.

24. The statutory auditors of the Company have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). The statutory auditors have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP) and are registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the Company.



25. The statutory auditors or the persons associated with them have not been appointed to provide other services 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, 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 and the respective Committee as a risk monitoring tool. The rating assigned by PACRA on August 27, 2019 is A- with Stable outlook.
30. The Board has set up a grievance department, which fully complies with the requirements of the Code.
31. The Company has not obtained any exemption from SECP in respect of the requirements of the Code.
32. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the CCG 2019 and all material requirements of the Code have been complied with.

For and on behalf of the
Board of Directors


Chairman


Chief Executive Officer


Director

Date: April 29, 2020
Place: Lahore



AUDITOR'S REVIEW REPORT TO THE MEMBERS OF THE UNIVERSAL INSURANCE COMPANY LIMITED

Review of the Statement of Compliance with the Code of Corporate Governance for Insurers, 2016 and Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Code of Corporate Governance for Insurers, 2016 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 (combined called 'the Code') prepared by the Board of Directors of **The Universal Insurance Company Limited** (the Company) for the year ended December 31, 2019 in accordance with the requirements of the Code.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

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

Date: APRIL 29, 2020
LAHORE;

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



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE UNIVERSAL INSURANCE COMPANY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **THE UNIVERSAL INSURANCE COMPANY LIMITED** (the Company), which comprise the statement of financial position as at December 31, 2019, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2019 and of the profit, total other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the key audit matters:

S.No.	Key audit matters	How the matter was addressed in our audit
1.	<p>Valuation of investments</p> <p>The Company's investment portfolio represents 46 per cent of the Company's total assets. The valuation of the portfolio involves judgment in selecting the valuation basis for each investment.</p> <p>The areas that involved significant audit effort and judgment included investments in Associates, investments in equity securities and investments in debt securities.</p>	<p>We performed following audit procedures:</p> <ul style="list-style-type: none"> - Assessed the quoted prices with PSX quotations. - Assessed whether the valuation process is appropriately designed and captures relevant valuation inputs. - Tested whether associated controls in respect of the valuation process are operating Properly - Evaluated the valuation assessment performed by the Company to identify any potential impairment in relation to its investments <p>We also assessed whether the Company's disclosures in relation to the valuation of investments are compliant with the relevant accounting requirements and the Companies Act, 2017.</p>



S.No.	Key audit matters	How the matter was addressed in our audit
2.	<p>Valuation of outstanding claims including Incurred But Not Reported (IBNR)</p> <p>Refer contents of notes 4.4 and 25 of the financial statements for disclosures of related accounting policy and claims disclosures.</p> <p>The Company's outstanding claims constitute 27% of its total liabilities. Valuation of these outstanding claims involves significant management judgment regarding uncertainty in the estimation of claims payments and assessment of frequency and severity of claims. Outstanding claims are recognised on intimation of the insured event based on management judgment and estimation. The Company maintains provision for IBNR claims based on the advice of an independent Actuary. The actuarial valuation process involves significant judgment and the use of actuarial assumptions.</p>	<ul style="list-style-type: none"> - We evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior years. No inconsistencies were noted. - As historical claims data is a key input for actuarial valuation process, we tested the completeness, accuracy and reliability of the underlying data utilised by management to support the actuarial valuation. - Obtained an understanding, evaluated the design and tested the controls over the process of capturing, processing and recording of information related to the claims. - Obtained an understanding, evaluated the design and tested the controls related to recoveries from reinsurance arrangements. - Tested claims transactions on sample basis with underlying documentations to evaluate that whether the claims reported during the year are recorded in accordance with the requirements of the Company's policy and insurance regulations - Used the report of an external Actuary to assist us in evaluation of general principles, actuarial assumptions and methods adopted for actuarial valuations by the Actuary of the Company for determination of IBNR. - Considered the adequacy of Company's disclosures about the estimates used and the sensitivity to key assumptions.
3.	<p>Contingencies</p> <p>The Company is subject to litigations involving different courts, which require management to make assessment and judgments with respect to likelihood and impact of such litigations.</p> <p>Management has engaged independent legal counsel on these matters.</p> <p>The accounting for and disclosure of contingencies is complex and is a matter of significance in our audit because of the judgments required to determine the level of certainty on these matters.</p> <p>The details of contingencies along with management's assessment are disclosed in note 23 to the financial statements.</p>	<ul style="list-style-type: none"> - In response to this matter, we performed the following audit procedures: - Discussed legal cases with the legal department to understand the management's view point and obtained and reviewed the litigation documents in order to assess the facts and circumstances. - Obtained independent opinion of legal advisors dealing with such cases in the form of confirmations. - Evaluated the legal cases in line with the requirements of IAS 37: Provisions, contingent liabilities and contingent assets. - The disclosures of legal exposures and provisions were assessed for completeness and accuracy.



S.No.	Key audit matters	How the matter was addressed in our audit
4.	Revenue recognition risk Refer contents of notes 4.2, 4.23, 24 and 28 to the financial statements relating to revenue recognition risk. The Company receives its revenue primarily from two main sources that is premiums and investments income. We identified revenue recognition as a key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not be recognised in the appropriate period.	Our audit procedures in respect of this matter included the following: <ul style="list-style-type: none"> - Obtained an understanding, evaluated the design and tested the controls over the process of capturing, processing and recording of information related to premiums and investments income. - Assessed the appropriateness of the Company's accounting policy for recording of premiums and investments income in line with the requirements of applicable accounting and reporting standards. - Tested the policies on sample basis where premium was recorded close to the year end and subsequent to the year end, and evaluated that these were recorded in the appropriate accounting period. - Tested the investments income transaction on sample basis where investments income was recorded close to the year end and subsequent to the year end, and evaluated that these were recorded in the appropriate period.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information, which Comprises the information included in the Company's Annual Report, but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material



misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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



Report on Other Legal and Regulatory Requirements

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

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

The engagement partner on the audit resulting in this independent auditors' report is Nafees ud din.

DATE: APRIL 29, 2020
LAHORE;


Shinewing Hameed Chaudhri & Co.
SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS



STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2019

		2019	2018
	Note	Rupees in thousand	
Assets			
Property and equipment	5	191,912	191,519
Investment property	6	26,177	21,694
Investments in Associates	7	254,919	267,554
Investments			
- equity securities	8	130,736	121,780
- debt securities	9	54,680	53,713
Loans and other receivables	10	32,844	32,140
Insurance / reinsurance receivables	11	122,692	123,349
Reinsurance recoveries against outstanding claims	25	26,203	34,747
Deferred commission expense	26	6,796	2,436
Deferred taxation	12	33,191	33,191
Taxation - payments less provisions	13	8,766	9,411
Prepayments	14	18,550	8,929
Cash and bank balances	15	46,376	26,464
Total Assets		953,842	926,927
Equity and Liabilities			
Capital and reserves attributable to Company's equity holders			
Authorised share capital	16	750,000	750,000
Issued, subscribed and paid-up share capital	16	500,000	500,000
Capital reserves:			
- share premium	17	13,824	13,824
- others	18	18	18
- surplus on revaluation of fixed assets	18	291,636	282,051
Fair value reserve on available-for-sale investments		280	235
Unappropriated profit		16,356	11,981
Total Equity		822,114	808,109
Liabilities			
Underwriting Provisions			
Outstanding claims including IBNR	25	35,375	41,365
Unearned premium reserves	24	41,338	14,331
Unearned reinsurance commission	26	2,594	1,849
Long term deposits	19	388	278
Insurance / reinsurance payables	21	39,627	32,843
Unclaimed dividends		555	555
Other creditors and accruals	22	11,851	27,597
Total Liabilities		131,728	118,818
Contingencies and commitments	23		
Total Equity and Liabilities		953,842	926,927

The annexed notes 1 to 48 form an integral part of these financial statements.


Raza Kuli Khan Khattak
CHAIRMAN


Gohar Ayub Khan
CHIEF EXECUTIVE


Khalid Kuli Khan Khattak
DIRECTOR


Muhammad Kuli Khan Khattak
DIRECTOR


Amir Raza
PRINCIPAL OFFICER



Ashfaq Ahmed
CHIEF FINANCIAL OFFICER



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

	Note	2019 Rupees in thousand	2018
Net insurance premium	24	68,115	33,184
Net insurance claims	25	19,576	(2,366)
Net commission	26	(11,981)	(3,667)
Insurance claims and acquisition costs		7,595	(6,033)
Management expenses	27	(68,423)	(66,063)
Underwriting results		7,287	(38,912)
Investment income / (loss)	28	13,634	(11,973)
Rental income		963	876
Other income	29	10,509	26,988
Other expenses	30	(4,144)	(4,039)
Results of operating activities		28,249	(27,060)
Share of (loss) / profit of Associates - net	7	(23,828)	46,557
Profit before taxation		4,421	19,497
Income tax expense	31	(2,086)	(3,508)
Profit after taxation		2,335	15,989
- - - Rupee - - -			
Earnings (after taxation) per share	32	0.05	0.32

The annexed notes 1 to 48 form an integral part of these financial statements.


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DIRECTOR


Muhammad Kuli Khan Khattak
DIRECTOR


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Ashfaq Ahmed
CHIEF FINANCIAL OFFICER



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

	2019	2018
	Rupees in thousand	
Profit after taxation	2,335	15,989
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Unrealised gain / (loss) on available-for-sale investments	63	(103)
Impact of deferred taxation on remeasurement of available-for-sale investments	(18)	30
	45	(73)
Remeasurement loss on retirement benefit obligations - gratuity	0	(1,436)
Impact of deferred taxation on remeasurement of retirement benefit obligations - gratuity	0	416
	0	(1,020)
Surplus arisen upon revaluation of freehold land and buildings on freehold land	0	14,459
Impact of deferred taxation on recognition of surplus arisen upon revaluation of buildings on freehold land	0	(1,177)
	0	13,282
Net share of other comprehensive loss of Associates - net of taxation	(50)	(669)
Other comprehensive (loss) / income for the year	(5)	11,520
Total comprehensive income for the year	2,330	27,509

The annexed notes 1 to 48 form an integral part of these financial statements.


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

Attributable to equity holders of the Company							
Share capital	Capital Reserves			Revenue reserve	Fair value reserve on available-for-sale investments	(Accumul-ated loss) / unappro-riated profit	Total
	Share premium	Other	Surplus on revaluation of fixed assets				
----- (Rupees in thousand) -----							
500,000	13,824	18	269,644	14,467	308	(18,640)	779,621
0	0	0	0	(14,467)	0	14,467	0
0	0	0	(1,319)	0	0	1,319	0
0	0	0	809	0	0	0	809
0	0	0	(365)	0	0	535	170
0	0	0	0	0	0	15,989	15,989
0	0	0	13,282	0	(73)	(1,689)	11,520
0	0	0	13,282	0	(73)	14,300	27,509
500,000	13,824	18	282,051	0	235	11,981	808,109
0	0	0	(1,456)	0	0	1,456	0
0	0	0	422	0	0	0	422
0	0	0	10,619	0	0	634	11,253
0	0	0	0	0	0	2,335	2,335
0	0	0	0	0	45	(50)	(5)
0	0	0	0	0	45	2,285	2,330
500,000	13,824	18	291,636	0	280	16,356	822,114

The annexed notes 1 to 48 form an integral part of these financial statements.


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

	2019	2018
	Rupees in thousand	
Operating Cash Flows		
a) Underwriting activities		
Insurance premium received	139,149	63,549
Reinsurance premium paid	(53,377)	(28,180)
Claims paid	(4,827)	(17,560)
Reinsurance and other recoveries received	26,957	11,318
Commission paid	(23,022)	(10,457)
Commission received	7,418	5,963
Management expenses paid	(61,373)	(57,723)
Net cash inflows / (outflows) from underwriting activities	30,925	(33,090)
b) Other operating activities		
Income tax paid	(1,037)	(3,673)
Other operating payments	(4,144)	(3,934)
Other operating receipts	1,403	1,444
Loans and other receivables	(985)	15
Other payments - net	(10,302)	11,789
Net cash (outflows) / inflows from other operating activities	(15,065)	5,641
Total cash inflows / (outflows) from all operating activities	15,860	(27,449)
Investment activities		
Profit / return received	6,582	5,656
Dividends received	0	18,495
Rental received	963	876
Payment for investments	(15,913)	(91,111)
Proceeds from redemption of investments	15,000	30,000
Fixed capital expenditure	(4,008)	(324)
Proceeds from sale of fixed assets	1,428	156
Total cash inflows / (outflows) from investing activities	4,052	(36,252)
Cash flows from financing activities	0	0
Net cash inflows / (outflows) from all activities	19,912	(63,701)
Cash and cash equivalents at beginning of the year	26,464	90,165
Cash and cash equivalents at end of the year	46,376	26,464



Reconciliation to statement of profit or loss

	2019	2018
	Rupees in thousand	
Operating cash inflows / (outflows)	15,860	(27,449)
Depreciation expense	(3,404)	(3,548)
Provision for doubtful insurance / reinsurance receivables	(3,785)	(2,355)
Provision for retirement benefit obligations - gratuity	0	(3,218)
Gain / (loss) on disposal of fixed assets	1,217	(14)
Increase / (decrease) in assets other than cash	8,221	(11,726)
(Increase) / decrease in liabilities	(12,910)	26,899
	5,199	(21,411)

Other adjustments

Gain / (loss) on investments - net	13,634	(11,973)
Share of (loss) / profit of Associates - net of taxation	(23,828)	46,557
Fair value gain on investment property	4,483	1,493
Assets written-off	0	(5)
Rental income	963	876
Profit on savings accounts	1,884	452
	(2,864)	37,400
	2,335	15,989

Profit after taxation

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 statement of cash flows consists of:

Cash and cash equivalents

Cash-in-hand and policy stamps	33	36
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Bank accounts

Current accounts	4,901	3,348
Savings accounts	41,442	22,678
	46,343	26,026

Deposits maturing within 12 months

	0	402
Total cash and cash equivalents	46,376	26,464

The annexed notes 1 to 48 form an integral part of these financial statements.


Raza Kuli Khan Khattak
CHAIRMAN


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DIRECTOR


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Ashfaq Ahmed
CHIEF FINANCIAL OFFICER



NOTES TO THE FINANCIAL STATEMENTS

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 (2018: one) branch in Pakistan.

The Company is a Subsidiary of Bibojee Services (Pvt.) Limited (the Holding Company), which holds 42,981,788 (2018: 42,981,788) ordinary shares of the Company at the year-end.

2. Basis of preparation

2.1 Statement of compliance

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

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

In case requirements differ, the provisions or directives of the Companies Act, 2017, the Insurance Ordinance, 2000 and 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 amortised cost and land & buildings, which are stated at revalued amounts.

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 recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.



- (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 notes 4.4 & 25.
- Premium deficiency reserves note 4.5.
- Classification of investments notes 4.8, 7, 8 & 9.
- Taxation notes 4.12, 13 & 31.
- Property and equipment notes 4.15 & 5.
- Investment property notes 4.16 & 6.
- Unearned premium reserves notes 4.17 & 24.
- Provision for doubtful receivables notes 4.21 & 11.
- Impairment in value of investments notes 4.25 & 8.

3. INITIAL APPLICATION OF STANDARDS, AMENDMENTS OR INTERPRETATIONS TO EXISTING STANDARDS

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

3.1 Standards, amendments and interpretations to approved accounting standards that are effective in current year

Certain standards, amendments and interpretations to IFRSs are effective for accounting periods beginning on January 01, 2019 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements, except for the following:

- (a) Amendments to IAS 28 'Investments in associates and joint ventures' are effective for annual periods beginning on or after January 01, 2019. 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 do not have any significant impact on the Company's financial statements.
- (b) 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.



- (c) IFRS 15, 'Revenue from contracts with customers' is applicable to accounting periods beginning on or after January 01, 2018. This standard has been notified by the SECP to be effective for annual periods beginning on or after July 01, 2018. This standard deals with revenue recognition and establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS - 18 'Revenue', and IAS 11, 'Construction contracts', and related interpretations. The amendments do not have any significant impact on the Company's financial statements.
- (d) IFRIC 23, 'Uncertainty over income tax treatments' is applicable to accounting periods beginning on or after January 01, 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The IFRIC applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The amendments do not have any significant impact on the Company's financial statements.

3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

There are certain standards, amendments to the IFRSs and interpretations that are mandatory for companies having accounting periods beginning on or after January 01, 2020 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

- (a) IFRS 9, 'Financial instruments' is applicable to accounting periods beginning on or after January 01, 2018. This standard has been notified by the Securities and Exchange Commission of Pakistan (SECP) to be effective for annual periods beginning on or after June 30, 2020. This standard replaces the guidance in IAS 39, 'Financial instruments: Recognition and measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The Company is yet to assess the full impact of this standard on its financial statements.
- (b) Amendments to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' are effective for annual periods beginning on or after January 01, 2020. The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRSs.



4. Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the financial statements of the Company for the year ended December 31, 2018 except for the change in the policies for financial assets' recognition and measurement and revenue recognition due to adoption of IFRS 9 and IFRS 15 respectively. The implications of these standards have insignificant impact on these financial statements of the Company.

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 recognised 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 recognised as revenue in accordance with the pattern of incidence of risk. The portion of premium written relating to the unexpired period of coverage is recognised 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 derecognised when the contractual rights are extinguished or expired.

The Company assesses its reinsurance assets for impairment on the reporting date. If there is an objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of profit or loss.

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 recognised in respect of all claims incurred up to the reporting 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 recognised 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 reporting 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 recognised 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 reporting date. The Company takes actuarial advice for the determination of IBNR claims. The 'Ultimate Loss Ratio Technique' has been used to obtain an adequate estimate of the IBNR claims.

4.5 Premium deficiency reserve (liability adequacy test)

At each reporting 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 reporting date in respect of policies in force at the reporting date with the carrying amount of unearned premium liability. Any deficiency is recognised 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 recognised as an expense or income in the statement of profit or loss 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 recognised 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 recognised 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 recognised 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 recognised in statement of profit or loss, 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 amortised 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 amortised cost, gains and losses are recognised in statement of profit or loss when the investments are de-recognised 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 reporting 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 recognised in statement of profit or loss.



4.9 Due from insurance contract holders

These are recognised 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 analysed 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 reporting 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 recognised for the difference between the recoverable amount and the carrying amount.

4.11 Claim recoveries

Claim recoveries receivable from reinsurers are recognised as an asset at the same time as the claims which give rise to the right of recovery are recognised as a liability and are measured at the amount expected to be received.

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 finalised during the year.

(b) Deferred

Deferred tax is accounted for using the statement of financial position liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised 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 utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in statement of profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity; in this case the tax is also recognised 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 recognised as an asset in correlation with unearned premium that will be recognised 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 recognised in accordance with the pattern of recognition of premium income to which they relate. For non-proportional reinsurance contracts, the reinsurance expense is recognised evenly in the period of indemnity. The portion of reinsurance premium not recognised 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.

Increases in the carrying amounts arising on revaluation of freehold land and buildings on freehold land are recognised, net of tax, in statement of other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in statement of profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in statement of other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the revaluation surplus on fixed assets to retained earnings.

Subsequent costs are included in the asset's carrying amount or recognised 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 statement of profit or loss during the period in which these are incurred.

(a) Depreciation

Depreciation on fixed assets is charged to statement of profit or loss 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 up to the date when the asset is de-recognised. 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-recognised 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 statement of profit or loss in the year the asset is de-recognised.

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 statement of profit or loss in accordance with the pattern of recognition of the reinsurance premium to which these relate.

4.19 Retirement benefit obligations

(a) Defined contribution plan

The Company is operating a provident fund scheme for all its permanent employees; equal monthly contribution to the fund is made at the rate of 10% of the basic salaries both by the employees and the Company.

(b) Gratuity

The Company had operated an unfunded gratuity scheme for all permanent employees upto December 31, 2018, who were 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 last actuarial valuation was carried-out as at December 31, 2018, using the 'Projected Unit Credit Method' to determine the liability on the reporting date. The amount arising as a result of remeasurements were recognised in the statement of financial position, with a charge or credit to other comprehensive income in the period in which these occurred. Amounts recognised in statement of profit or loss were limited to current and past service costs, gains or losses on settlements and net interest income / expense.

(c) 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 recognised when the Company has a present obligation, legal or constructive, as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of receivable can be measured reliably.

As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, prices and conditions, and can take place many years in future, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognised provision is recognised in the statement of profit or loss unless the provision was originally recognised as part of cost of an asset.

4.22 Contingent liabilities

A contingent liability is disclosed when the Company

- has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or
- has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of obligation cannot be measured with sufficient reliability.

4.23 Revenue recognition

(a) Premium income earned

Premium written under a policy is recognised 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 recognised 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 recognised as revenue at the time the policies are written.



(c) Commission income

Commission income from reinsurers is recognised 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 recognised on accrual basis.

(d) Dividend income and bonus shares

Dividend income is recognised 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 recognised on a time proportion basis taking into account the effective yield on the investments.

- 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 recognised on accrual basis.

4.24 Management expenses

Management expenses, which are directly attributable to the underwriting business, are allocated in accordance with the volume of each class of business. Portion of management expenses, which are not allocable to the underwriting business, are categorised as other expenses. These expenses are charged to statement of profit or loss at the time the policies are accepted.

4.25 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 amortised 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 year-end 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 recognised whenever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised in statement of profit or loss. A previously recognised 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 recognised. 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 recognised for the asset in prior years. Such reversal is recognised in statement of profit or loss.

4.26 Financial instruments

Financial instruments carried on the statement of financial position 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 recognised 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-recognised when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realises the rights to benefit specified in the contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognised 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.

4.27 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

4.28 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.

4.29 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.



4.30 Dividend and appropriation to reserves

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

4.31 Foreign currencies

All monetary assets and liabilities denominated in foreign currencies are translated in Pak Rupees at the rates of exchange prevailing at the reporting 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.

4.32 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, 2019	Depreciation rate %
	As at January 01, 2019	Additions	Disposals	As at December 31, 2019	As at January 01, 2019	For the year	On disposals	As at December 31, 2019		
	----- Rupees in thousand -----									
Freehold land	145,600	0	0	145,600	0	0	0	0	145,600	0
Buildings on freehold land	49,219	0	0	49,219	11,447	1,889	0	13,336	35,883	5
Furniture and fixtures	4,012	0	0	4,012	3,147	87	0	3,234	778	10
Office equipment	8,392	87	0	8,479	6,359	232	0	6,591	1,888	10-15
Computer equipment	8,074	49	0	8,123	7,356	222	0	7,578	545	30
Vehicles	26,172	3,872	(1,771)	28,273	21,641	974	(1,560)	21,055	7,218	20
	241,469	4,008	(1,771)	243,706	49,950	3,404	(1,560)	51,794	191,912	

	Cost / Revaluation					Depreciation					Written down value as at December 31, 2018	Depre- ciation rate %
	As at January 01, 2018	Addi- tions / Revalu- ations	Dispo- sals / Trans- fers	Write- offs	As at Decem- ber 31, 2018	As at January 01, 2018	For the year	On dispo- sals / Trans- fers	On write- offs	As at Decem- ber 31, 2018		
	----- Rupees in thousand -----											
Freehold land	135,200	10,400	0	0	145,600	0	0	0	0	0	145,600	-
Buildings on freehold land	45,160	4,059	0	0	49,219	9,673	1,774	0	0	11,447	37,772	5
Furniture and fixtures	4,045	0	0	(33)	4,012	3,081	96	0	(30)	3,147	865	10
Office equipment	8,567	150	(325)	0	8,392	6,330	257	(228)	0	6,359	2,033	10-15
Computer equipment	7,954	120	0	0	8,074	7,078	278	0	0	7,356	718	30
Vehicles	26,556	54	(377)	(61)	26,172	20,861	1,143	(304)	(59)	21,641	4,531	20
	227,482	14,783	(702)	(94)	241,469	47,023	3,548	(532)	(89)	49,950	191,519	



5.1 Surplus on revaluation

Latest revaluation of freehold land and buildings on freehold land has been carried-out by Sadruddin Associates (Pvt.) Ltd. (PBA Approved Valuers & Real Estate Appraisers, Business & Finance Centre, Suite # 1004, 10th Floor, I.I. Chundrigar Road, Karachi) as at December 31, 2018 on the basis of present market value of freehold land and current depreciated market value of buildings. Had there been no revaluation, carrying value of buildings on freehold land as at December 31, 2019 would have been lower by Rs.27.565 million (2018: Rs.29.016 million).

5.2 Based on the aforementioned revaluation reports dated December 31, 2018, the forced sale values of freehold land and buildings on freehold land have been assessed at Rs.146.697 million.

5.3 Freehold land of the Company is located at 63-Sharah-e-Quaid-e- Azam, Lahore; total covered area is 2,080 square feet.

5.4 Disposal of vehicles

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Sold to:
..... Rupees in thousand-.....							
Honda City	1,070	942	128	915	787	Negotiation	Syed Waseem ul Hassan, Lahore.
Suzuki Cultus	647	601	46	450	404	---- do ----	Mr. Imran Hameed, Lahore.
Honda motor cycle	54	17	37	63	26	Company policy	Mr. Waseem Anwar, (ex-employee).
2019	1,771	1,560	211	1,428	1,217		
2018	702	532	170	156	(14)		



6. Investment property

Note	2019 Rupees in thousand	2018
	17,282	17,282
Opening balance		
Unrealised fair value gain upon revaluation:		
Opening balance	4,412	2,919
Gain arisen upon revaluation carried-out during the year	4,483	1,493
Closing balance	8,895	4,412
Closing book value	26,177	21,694

6.1 The management, during the financial year ended December 31, 2016, has 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.

6.2 Based on the revaluation reports of Sadruddin Associates (Pvt.) Ltd. dated March 04, 2020, forced sale values of the Company's investment properties have been assessed at Rs.20.942 million (2018: Rs.17.355 million).

7. Investments in Associates- Quoted

Bannu Woollen Mills Ltd.(BWM)	2019 Rupees in thousand	2018
Carrying value at beginning of the year 8,940 (2018: 8,940) ordinary shares of Rs.10 each	2,428	2,441
Share of (loss) / profit after taxation	(35)	16
Less: dividend received	0	(22)
Changes in comprehensive loss	(1)	(6)
Share of items directly recognised in equity	24	6
Share of surplus on revaluation of property, plant and equipment	194	0
Share of incremental depreciation and surplus on revaluation of property, plant and equipment of BWM	0	(7)
	2,610	2,428



Ghandhara Industries Ltd.(GIL)

Carrying value at beginning of the year

2,368,296 (2018: 2,368,296) ordinary shares of Rs. 10 each
(including nil (2018:1,184,148) bonus shares
received during the year)

Share of (loss) / profit after taxation

Less: dividend received

Changes in comprehensive loss

Share of items directly recognised in equity

Share of surplus on revaluation of property,
plant and equipment of GIL

265,126	237,552
(23,793)	46,541
0	(18,473)
(49)	(658)
45	164
10,980	0
252,309	265,126
254,919	267,554

- 7.1** Marketvalues of the Company's investments in BWM and GIL as at December 31, 2019 were Rs.311 thousand (2018: Rs.431 thousand) and Rs.315.646 million (2018: Rs.650.689 million) respectively.
- 7.2** The fall in the market value of investment in BWM as at December 31, 2019 is considered a temporary phenomenon. Further, the management as at December 31, 2019 has carried-out internal impairment testing of its investment in BWM as required under IAS 36, 'Impairment of assets'. The recoverable amount of investment has been determined using the 'value-in-use' computation. In assessing the value in use, estimated future cash flows have been discounted to their present value using pre-tax discount rate that reflect current market assessment of the time value of money. As a result of the aforementioned impairment testing, the management has concluded that the carrying value of investment in BWM does not exceed its recoverable amount.
- 7.3** Marketvalue of the Company's investment in GIL as at April 15, 2020 was Rs.178.167 million. Subsequent fall in market value of investment in GIL is considered a temporary phenomenon because of pandemic viral disease of corona virus.



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

Company Name	Country of Incorporation	Assets at December 31,	Liabilities at December 31,	Revenues for the period of twelve months ended December 31,	(Loss) / profit after taxation for the period of twelve months ended December 31,	% Interest held
----- Rupees in thousand -----						
Bannu Woollen Mills Ltd.						
2019	Pakistan	3,575,623	717,486	640,088	(37,617)	0.09
2018		3,362,244	687,897	529,979	16,917	0.09
Ghandhara Industries Ltd.						
2019	Pakistan	14,977,695	10,433,402	12,222,988	(428,075)	5.56
2018		17,078,796	12,303,900	18,726,462	837,336	5.56

8. Investments in equity securities

	Note	2019 Rupees in thousand	2018
Available-for-sale investments	8.1	569	506
Investments at fair value through profit or loss	8.2	130,167	121,274
		130,736	121,780

8.1 Available-for-sale investments

	No. of shares as at December 31, 2019	December 31, 2019			No. of shares as at December 31, 2018	December 31, 2018		
		Cost	Unrealised gain / (impairment)	Carrying value		Cost	Unrealised gain / (impairment)	Carrying value
Listed shares		---- Rupees in thousand ----				---- Rupees in thousand ----		
Hamid Textile Mills Ltd.	49,000	490	(490)	0	49,000	490	(490)	0
Pakistan National Shipping Corporation	888	24	59	83	888	24	27	51
Mutual fund								
JS Growth Fund	2,867	135	351	486	2,867	135	320	455
		649	(80)	569		649	(143)	506



8.2 Investments at fair value through profit or loss

	December 31, 2019					December 31, 2018			
	No. of units	Cost	Unrealised (loss) / gain	Carrying and fair value		No. of units	Cost	Unrealised loss	Carrying and fair value
		---- Rupees in thousand ---					---- Rupees in thousand ---		
Mutual funds									
HBL Growth and Cash Fund	13,609	520	(251)	269	13,600	520	(280)	240	
NBP Islamic Stock Fund									
(formerly NAFA Islamic Stock Fund)	11,817,196	125,036	4,862	129,898	11,817,196	125,036	(4,002)	121,034	
			4,611	130,167			(4,282)	121,274	

9. Investments in debt securities (Held to maturity)

	No. of certificates	Face value	Value of certificates		
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	
			----- Rupees in thousand -----		
Pakistan Investment Bonds - PIBs (including accrued interest)	8	8	54,500	54,680	53,713

	Maturity date	Coupon rate %	2019 Rupees in thousand	2018
Pakistan Investment Bond	July 22, 2020	12.00	5,234	5,174
-do-	Mar. 26, 2020	9.25	5,649	5,709
-do-	April 21, 2021	7.75	5,134	5,179
-do-	April 21, 2019	7.00	0	10,159
-do-	April 21, 2021	7.75	6,154	6,201
-do-	April 21, 2019	7.00	0	5,059
-do-	July 19, 2022	12.00	5,381	5,425
-do-	July 19, 2022	12.00	10,732	10,807
-do-	July 12, 2023	8.00	8,871	0
-do-	Sep. 19, 2022	9.00	7,525	0
			54,680	53,713



9.1 Market value of these PIBs as at December 31, 2019 was Rs.51.627 million (2018: Rs. 50.930 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	2019	2018
		Rupees in thousand	
Advance to employees against expenses		22	4
Security deposits		1,217	1,292
Sales tax - refundable		128	82
Tax paid under protest - refundable	23.1	5,500	5,500
Forced tax recovery	23.2	138	138
Federal excise duty - refundable	23.4	23,831	23,831
Loans to employees - unsecured, considered good	10.1	1,138	153
Others		870	1,140
		32,844	32,140

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 - Unsecured and considered good			
Due from insurance contract holders		87,511	87,511
Less: provision for impairment of receivables from insurance contract holders	11.3	(87,511)	(87,511)
		0	0
Due from other insurers		116,538	111,147
Due from reinsurers		34,855	37,118
Less: provision for impairment of due from other insurers / reinsurers	11.4	(28,701)	(24,916)
		122,692	123,349
		122,692	123,349

11.1 The balances as at December 31, 2019 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, 2019 and December 31, 2018.

11.3 Provision for doubtful receivables from insurance contract holders	Note	2019	2018
		Rupees in thousand	
Balance as at January 01,		87,511	87,501
Provision made during the year		0	10
Balance as at December 31,		87,511	87,511



11.4 Provision for doubtful receivables from other insurers / reinsurers

Balance as at January 01,	24,916	22,571
Provision made during the year	3,785	2,345
Balance as at December 31 ,	28,701	24,916

12. Deferred taxation - net

This is composed of the following:

Taxable temporary differences arising in respect of:

- accelerated tax depreciation allowances	1,837	1,666
- surplus on revaluation of buildings	12,764	11,906
- surplus on revaluation of investment property	2,579	1,279
	17,180	14,851

Deductible temporary differences arising in respect of:

- unused tax losses	35,237	46,930
- provision for doubtful insurance / reinsurance receivables and others	34,092	32,994
- employee's retirement benefits	819	5,102
- minimum tax recoverable against normal tax charge in future years	2,966	1,516
	73,114	86,542

Deferred tax asset

Less: deferred tax asset not recognised	22,743	38,500
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Net deferred tax asset recognised	33,191	33,191
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12.1 Net deferred tax asset recognised in these financial statements has been restricted to Rs.33.191 million (2018: Rs.33.191 million); the management intends to re-assess the recognition of deferred tax asset as at December 31, 2020.

13. Taxation - payments less provisions

Advance income tax	10,448	12,844
Provision for taxation	(1,682)	(3,433)
	8,766	9,411



14. Prepayments

Prepaid reinsurance premium ceded	17,678	8,329
Others	872	600
	18,550	8,929

15. Cash and bank balances

	Note	2019 Rupees in thousand	2018
Cash and cash equivalents			
Cash-in-hand		33	35
Policy stamps		0	1
		33	36
Cash at banks			
- current accounts		4,901	3,348
- savings accounts	15.1	41,442	22,678
		46,343	26,026
Deposits maturing within 12 months			
Term deposit receipts	15.2	855	1,257
Provision for impairment		(855)	(855)
	15.3	0	402
		46,376	26,464

15.1 Rates of profit on these accounts, during the year, ranged from 8.42% to 11.57% (2018: 3.75% to 8.00%) per annum.

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

15.3 The Company has received Rs.402 thousand from the Joint Official Liquidator of Innovative Investment Bank Ltd. against the claims lodged. Accordingly, provision balance has been reduced as at December 31, 2018.

16. Share capital

16.1 Authorised share capital

2019	2018		
Number of shares			
75,000,000	75,000,000	Ordinary shares of Rs.10 each	750,000 750,000



16.2 Issued, subscribed and paid-up share capital

34,720,000	34,720,000 Ordinary shares of Rs.10 each fully paid in cash	347,200	347,200
15,280,000	15,280,000 Ordinary shares of Rs.10 each issued as fully paid bonus shares	152,800	152,800
50,000,000	50,000,000	500,000	500,000

16.3 Voting rights, board selection, right of first refusal and block voting are in proportion to the shareholding of the shareholders.

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. 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 prior years adjusted only by surplus realised on disposal of revalued assets, incremental depreciation arising out of revaluation and deferred taxation. The year-end balance has been arrived at as follows:

	2019	2018
	Rupees in thousand	
Balance as at January 01,	191,004	177,864
Add: surplus arisen during the preceding year on:		
- freehold land	0	10,400
- buildings on freehold land	0	4,059
	0	14,459



Less: transferred to accumulated loss / unappropriated profit on account of incremental depreciation for the year	(1,456)	(1,319)
	<u>189,548</u>	<u>191,004</u>
Less: deferred tax on:		
- opening balance of surplus	13,186	12,818
- surplus on revaluation carried-out during the preceding year	0	1,177
- incremental depreciation for the year	(422)	(395)
	<u>12,764</u>	<u>13,600</u>
Add: resultant adjustment due to reduction in tax rate	0	414
	<u>176,784</u>	<u>177,818</u>
Share of surplus on revaluation of fixed assets of Associates accounted for under equity method - net of deferred taxation	114,852	104,233
Balance as at December 31,	<u>291,636</u>	<u>282,051</u>

19. 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.

20. Retirement benefit obligations - gratuity

	Note	2018 Rupees in thousand
Statement of financial position reconciliation		
Present value of defined benefit obligations		15,104
Less: balance classified under other creditors and accruals	20.1	(15,104)
		<u>0</u>

20.1 The Company had decided to cease its Gratuity Scheme obligations with effect from December 31, 2018 and settled the liability accordingly.



20.2 Net movement in liability during the preceding year	Note	2018 Rupees in thousand
Liability as at January 01,		10,940
Expense recognised in statement of profit or loss	20.4	3,218
Benefits paid		(490)
Remeasurement recognised in other comprehensive income	20.5	1,436
Liability as at December 31,		15,104
20.3 Movement in defined benefit obligations during the preceding year		
Obligation as at January 01,		10,940
Current service cost		2,273
Interest cost		945
Actuarial loss	20.5	1,436
Benefits paid		(490)
Obligation as at December 31,		15,104
20.4 Expense recognised in statement of profit or loss during the preceding year		
Current service cost		2,273
Interest cost		945
		3,218
20.5 Remeasurement recognised in other comprehensive income during the preceding year		
Loss due to change in financial assumptions		369
Loss due to change in experience adjustments		1,067
		1,436
20.6 Principal actuarial assumptions were as follows :		
The future contribution rates of this scheme included allowance for deficit and surplus. Projected unit credit method, based on the following significant assumptions, was used for valuation:		
		2018
Discount rate - per annum		13.25%
Expected rate of increase in salary - per annum		12.25%
20.7 Mortality was assumed to be based on SLIC 2001-05 ultimate mortality rates, with moderate rate of employee turnover.		



20.8 Historical information

2018 2017 2016 2015 2014

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

Liability for defined benefit obligation	<u>15,104</u>	<u>10,940</u>	<u>9,400</u>	<u>6,714</u>	<u>4,596</u>
Remeasurement loss on obligation	<u>1,436</u>	<u>(996)</u>	<u>529</u>	<u>205</u>	<u>(334)</u>

21. Insurance / reinsurance payables

Note	2019 Rupees in thousand	2018
Due to Insurance contract holders	9,137	7,644
Due to other insurers / reinsurers	30,490	25,199
	<u>39,627</u>	<u>32,843</u>

21.1 The balances as at December 31, 2019 relating to insurance / reinsurance payables are although unconfirmed but are considered to be accurately stated by the management.

22. Other creditors and accruals

Commission payable		4,537	4,545
Federal excise duty		1,576	1,747
Federal insurance fee		100	110
Accrued expenses		1,205	1,344
Income tax deducted at source		539	408
Gratuity payable to:			
- key management personnel		0	10,425
- other employees		0	4,679
	22.1	0	15,104
Sundry creditors		402	1,348
Leave encashment payable		3,192	2,490
Security deposit against rent		280	280
Deposits against performance bonds	22.2	0	201
Others		20	20
		<u>11,851</u>	<u>27,597</u>

22.1 Employees' Provident Fund has been established with effect from January 01, 2019; accordingly, gratuity benefits payable were classified and grouped under other creditors and accruals.

22.2 The Company, during the year based on its legal Advisors' advice, has written-back these deposits aggregating Rs.201 thousand (2018: Rs.792 thousand) received as collateral at the time of issuance of guarantees against premium receivable.



23. Contingencies and commitments

- 23.1** 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 financial year ended December 31, 2016, had decided the appeal in the Company's favour. The Company had 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.
- 23.2** 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 had 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.
- 23.3** 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.
- 23.4** The Deputy Commissioner Inland Revenue, during the financial year ended December 31, 2016, 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 financial year ended December 31, 2016, had filed appeals before the Commissioner Appeals, who rejected these appeals. The Sales Tax Department of Federal Board of Revenue (FBR) on December 30, 2016 had effected forced recoveries aggregating Rs.23.831 million by attaching the Company's bank accounts. The Company, thereafter, had filed appeals before the Appellate Tribunal Inland Revenue (ATIR), Lahore Bench. The aforementioned forced recoveries have been accounted for as Federal Excise Duty Refundable and grouped under



loans and other receivables (note 10). The ATIR, during the financial year ended December 31, 2017, had 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 Company, thereafter, had applied for refund before the FBR and also had to seek Federal Tax Ombudsman's (FTO) intervention as the FBR paid no attention to the Company's request for refund. However, the Honourable FTO passed the order against the Company against which the Company filed a review petition before the FTO, which was also decided against the Company. Lastly, the Company, against order of the FTO, filed a representation before the Honourable President of Pakistan, who also decided against the Company. Being aggrieved from the said order of the President, the Company has filed a writ petition before the Lahore High Court, Lahore, which is pending adjudication.

- 23.5** Bibojee Services (Pvt.) Ltd. (the Holding Company) , during the financial year ended December 31, 2017, had 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 had 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 favourable outcome of the litigation. The appeal filed by the Company against Ex-Managing Director has been allowed by the Additional District Judge, Lahore vide order dated November 10, 2018 and judgment of the Civil Judge dated January 09, 2017, which was passed against the Company has been set aside. The case has been remanded back to the Civil Judge to decide the case afresh.

The Company and Mr. Sardar Khan, thereafter, have filed appeals before the Lahore High Court, Lahore, which vide its order dated January 30, 2020 has set-aside the impugned judgment dated November 10, 2018. Resultantly, the appeal pending before the lower Appellate Court will deem to be pending before it and it will decide it afresh within next three months positively.

- 23.6** Ghulam Ali Zahid (the Appellant) had filed an appeal against the Company for payment of Rs.7.300 million before the Lahore High Court, Lahore under section 124 of the Insurance Ordinance, 2000 against order of the Insurance Tribunal, Lahore, which dismissed the application of the Appellant during December, 2008. The appeal was decided by the Lahore High Court and the case was remanded back to the Insurance Tribunal, Lahore for recording evidence on additional issues. The Insurance Tribunal, Lahore, during the preceding year, had again dismissed the case for non-prosecution. At present, an application for restoration is pending before the Insurance Tribunal.
- 23.7** Case filed by Rana Basit Rice Mills (Pvt.) Ltd. before the Insurance Tribunal asking for the decree of Rs.38.114 million is pending adjudication. The management is confident about merits of the Company's case as the survey report is in the Company's favour.



23.8 Cases filed by Fashion Guide International and Baig Trading Corporation before the Insurance Tribunal have been decided by the Tribunal on September 24, 2019. The Tribunal has decided that the Petitioners (Fashion Guide International and Baig Trading Corporation) are entitled to recover Rs.8.376 million and Rs.8.130 million respectively along with liquidated damages. The Company has filed appeals before the Lahore High Court (LHC) against the aforesaid judgments of the Tribunal. The LHC, vide its orders dated November 13, 2019, has suspended operation of the impugned decrees subject to deposit of the decretal amounts of Rs.8.376 million and Rs.8.130 million with the Deputy Registrar of LHC. The Company has deposited the decretal amounts with the Registrar on December 02, 2019.

23.9 No commitments were outstanding as at December 31, 2019 and December 31, 2018.

24. Net insurance premium

	Note	2019 Rupees in thousand	2018
Written gross premium		139,149	63,549
Add: unearned premium reserve opening		14,331	6,232
Less: unearned premium reserve closing		41,338	14,331
Premium earned		112,142	55,450
Less: reinsurance premium ceded		53,377	28,180
Add: prepaid reinsurance premium opening		8,329	2,415
Less: prepaid reinsurance premium closing		17,679	8,329
Reinsurance expense		44,027	22,266
		68,115	33,184

25. Net insurance claims expense

Claims paid	25.1	4,827	17,560
Add: outstanding claims including IBNR closing		35,375	41,365
Less: outstanding claims including IBNR opening		41,365	64,811
Claims expense		(1,163)	(5,886)
Less: reinsurance and other recoveries received		26,957	11,318
Add: reinsurance and other recoveries in respect of outstanding claims closing		26,203	34,747
Less: reinsurance and other recoveries in respect of outstanding claims opening		34,747	54,317
Reinsurance and other recoveries revenue		18,413	(8,252)
		(19,576)	2,366

25.1 Claims paid for the year have been netted-off with salvage recovery proceeds amounting Rs.43.472 million received from W K Webster & Co. Ltd., United Kingdom (the Company's agent).



25.2 Claims development

Accident Year	Prior to 2016	2016	2017	2018	2019	Total
----- Rupees in thousand -----						
Estimate of ultimate claims cost:						
At the end of accident year	281,109	7,427	5,752	10,143	31,849	336,280
One year later	106,234	660	538	1,285	0	108,717
Two years later	77,395	0	88	0	0	77,483
Three years later	64,273	0	0	0	0	64,273
Four or more years later	39,992	0	0	0	0	39,992
Current estimate of cumulative claims	39,992	0	88	1,285	31,849	73,214
Cumulative payments / adjustments to date	(11,289)	0	(71)	(1,202)	(25,277)	(37,839)
Liability recognised in the statement of financial position	28,703	0	17	83	6,572	35,375

26. Net commission expense

	Note	2019 Rupees in thousand	2018
Commission paid or payable		23,014	10,168
Add: deferred commission expense opening		2,436	845
Less: deferred commission expense closing		6,796	2,436
Net commission		18,654	8,577
Less: commission received or recoverable		7,418	5,963
Add: unearned reinsurance commission opening		1,849	796
Less: unearned reinsurance commission closing		2,594	1,849
Commission from reinsurers		6,673	4,910
		11,981	3,667

27. Management expenses

Employees' benefit cost	27.1	52,328	50,538
Travelling		1,008	712
Advertisements and business promotion		96	67
Printing and stationery		292	343
Depreciation	5	3,404	3,548
Rent, rates and taxes		324	271
Legal and professional charges - business related		1,804	3,752
Electricity, gas and water		1,592	1,196
Entertainment		809	514
Vehicles' running		993	776
Office repairs and maintenance		338	368
Bank charges		74	57
Postage, telegrams and telephone		899	919
Annual supervision fee SECP		100	100
Provision for doubtful insurance / reinsurance receivables	11	3,785	2,355
Miscellaneous		577	547
		68,423	66,063



27.1 Employees' benefit cost

Note	2019 Rupees in thousand	2018
	50,584	47,320
	1,744	3,218
	52,328	50,538

27.2 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.

28. Investment income / (loss) -net

Income from equity securities

- Realised gain on investments at fair value through profit or loss	0	346
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Income from debt securities

- Return on fixed income securities and deposits (held to maturity)	4,741	4,155
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Net unrealised gain / (loss) on investments at fair value through profit or loss

8.2	8,893	(16,474)
	13,634	(11,973)

29. Other income

Income from financial assets

Profit on savings accounts	1,884	452
Payable balances written-back	29.1	1,522
	3,406	24,077

Income from non-financial assets

Fronting fee	1,393	948
Gain on disposal of vehicles	5.4	1,217
Fair value gain on investment property	6	4,483
Provision for impairment against term deposit receipts reversed	15.3	0
Sale of scrap	10	68
	7,103	2,911
	10,509	26,988



29.1 The management, during the current year, has written-back balances aggregating Rs.1.522 million (2018: Rs.23.625 million) payable to claimants, other insurers, reinsurers and various other miscellaneous parties, who have not raised any demand since the last many years. The written-back balances pertained to periods prior to the financial year ended December 31, 2016. The management has also obtained legal opinion from its legal advisor, who has confirmed that under the provisions of the Limitation Act, 1908 the period of limitation is three years; accordingly, the management may write-back these payable balances.

30. Other expenses

	Note	2019 Rupees in thousand	2018
Legal & professional fees other than business related		415	577
Auditors' remuneration	30.1	1,016	1,056
Donations - without directors' interest		0	10
Loss on disposal of fixed assets	5.4	0	14
Subscription		809	749
Insurance		1,287	844
Office expenses		308	260
Assets written-off		0	5
Repair and maintenance of computer equipment		69	180
Others		240	344
		4,144	4,039

30.1 Auditors' remuneration

Statutory audit fee	400	400
Half yearly review	150	150
Regulatory returns	116	110
Certification charges	180	193
Out-of-pocket expenses	170	203
	1,016	1,056

31. Taxation

Current year	(1,682)	(3,511)
Prior years - net	0	78
	(1,682)	(3,433)
Deferred	(404)	(75)
	(2,086)	(3,508)



31.1 No numeric tax rate reconciliation is presented in these financial statements as the Company is mainly liable to pay tax due under section 113 (Minimum tax on the income of certain persons) of the Income Tax Ordinance, 2001. Unused tax losses as at December 31, 2019 aggregated Rs.121.507 million (2018:Rs.161.829 million).

32. Earnings per share

	2019 Rupees in thousand	2018
Profit after taxation attributable to ordinary shareholders	<u>2,335</u>	<u>15,989</u>
	--Number of shares--	
Weighted average number of shares outstanding during the year	<u>50,000,000</u>	<u>50,000,000</u>
	----- Rupee -----	
Earnings per share - basic	<u>0.05</u>	<u>0.32</u>

32.1 Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at December 31, 2019 and December 31, 2018, which would have any effect on the earnings per share of the Company if the option to convert is exercised.

33. Compensation of directors, principal officer 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	
	2019	2018	2019	2018	2019	2018
	----- Rupees in thousand -----					
Managerial remuneration	5,653	5,653	6,548	5,694	2,892	1,413
Leave encashment	0	0	931	716	487	238
Bonus	0	0	986	1,332	494	359
Provident fund	0	0	655	0	289	0
Gratuity	0	0	0	716	0	211
House rent	1,727	1,727	2,015	1,752	1,302	636
Utilities and others	2,395	2,601	1,196	915	290	141
Medical allowance	249	134	68	86	0	0
	<u>10,024</u>	<u>10,115</u>	<u>12,399</u>	<u>11,211</u>	<u>5,754</u>	<u>2,998</u>
No. of persons	1	1	1	1	2	1

33.1 Chief executive, principal officer and executives are also provided with other facilities, including free use of the Company maintained cars.

33.2 No meeting fee was paid to directors during the current and preceding year.

33.3 No remuneration was paid to non-executive directors of the Company.



34. 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:

34.1 Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the Company. The Company considers its chief executive, directors and all members of the management team to be its key management personnel.

34.2 Significant transactions with related parties during the year

		2019	2018
Nature of transaction		Rupees in thousand	
i) Associated Companies due to common directorship			
Janana De Malucho Textile Mills Ltd.	Salaries & benefits paid	1,949	1,517
	Expenses paid	100	89
Bannu Woollen Mills Ltd.	Dividend received	0	22
Gandhara Industries Ltd.	- - - do - - -	0	18,473
ii) Key management personnel			
	Salary and other employment benefits	3,322	5,361

35. 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, 2019

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)	47,905	15,453	65,528	11,989	140,875
Less: Federal excise duty	115	455	944	92	1,606
Federal insurance fee	7	35	70	8	120
Gross written premium (inclusive of administrative surcharge)	47,783	14,963	64,514	11,889	139,149
Gross direct premium	713	3,439	6,953	693	11,798
Facultative inward premium	47,068	11,467	57,500	11,181	127,216
Administrative surcharge	2	57	60	16	135
	47,783	14,963	64,513	11,890	139,149
Insurance premium earned	39,206	14,573	50,811	7,552	112,142
Insurance premium ceded to reinsurers	31,364	8,073	788	3,802	44,027
Net insurance premium	7,842	6,500	50,023	3,750	68,115
Commission income	4,847	1,349	0	477	6,673
Net underwriting income	12,689	7,849	50,023	4,227	74,788
Insurance claims	16,501	(39,674)	20,694	1,317	(1,162)
Insurance claims recovered from reinsurers	13,933	3,116	115	1,250	18,414
Net claims	(2,568)	42,790	(20,579)	(67)	19,576
Commission expense	(7,876)	(2,891)	(6,680)	(1,207)	(18,654)
Management expenses	(23,264)	(7,527)	(31,817)	(5,815)	(68,423)
Net insurance claims and expenses	(33,708)	32,372	(59,076)	(7,089)	(67,501)
Underwriting result	(21,019)	40,221	(9,053)	(2,862)	7,287
Net investment income					13,634
Rental income					963
Other income					10,509
Other expenses					(4,144)
Share of loss of Associates					(23,828)
Profit before taxation					4,421
Segment assets	89,926	23,796	45,551	14,096	173,369
Unallocated assets					780,473
					953,842
Segment liabilities	63,330	14,467	30,434	10,703	118,934
Unallocated liabilities					12,794
					131,728



December 31, 2018

Fire and property damage	Marine and transport	Motor	Others	Total
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----- Rupees in thousand -----

Premium receivable (inclusive of federal excise duty, federal insurance fee, and administrative surcharge)	21,692	15,290	25,595	2,877	65,454
Less: Federal excise duty	105	489	1,115	63	1,772
Federal insurance fee	7	38	83	5	133
Gross written premium (inclusive of administrative surcharge)	21,580	14,763	24,397	2,809	63,549
Gross direct premium	650	3,733	8,260	472	13,115
Facultative inward premium	20,928	10,991	16,074	2,325	50,318
Administrative surcharge	2	39	63	12	116
	21,580	14,763	24,397	2,809	63,549
Insurance premium earned	14,228	14,866	24,106	2,250	55,450
Insurance premium ceded to reinsurers	11,001	8,931	721	1,613	22,266
Net insurance premium	3,227	5,935	23,385	637	33,184
Commission income	2,566	2,037	0	306	4,909
Net underwriting income	5,793	7,972	23,385	943	38,093
Insurance claims	704	(10,452)	3,801	61	(5,886)
Insurance claims recovered from reinsurers	591	(10,056)	880	333	(8,252)
Net claims	(113)	396	(2,921)	272	(2,366)
Commission expense	(2,877)	(2,960)	(2,401)	(338)	(8,576)
Management expenses	(22,462)	(15,195)	(25,104)	(3,302)	(66,063)
Net insurance claims and expenses	(25,452)	(17,759)	(30,426)	(3,368)	(77,005)
Underwriting results	(19,659)	(9,787)	(7,041)	(2,425)	(38,912)
Net investment loss					(11,973)
Rental income					876
Other income					26,988
Other expenses					(4,039)
Share of profit of Associates - net					46,557
Profit before taxation					<u>19,497</u>
Segment assets	76,373	43,369	41,684	7,434	168,860
Unallocated assets					758,067
					<u>926,927</u>
Segment liabilities	54,081	19,620	12,731	3,956	90,388
Unallocated liabilities					28,430
					<u>118,818</u>



36. Movement in investments

	Held to maturity	Available-for-sale	At fair value through profit or loss	Total
----- Rupees in thousand -----				
As at December 31, 2017	53,593	609	77,392	131,594
Additions during the year	21,101	0	70,010	91,111
Disposals (redemptions)	(20,000)	0	(9,654)	(29,654)
Fair value net loss (excluding net realised gains)	(1,171)	(103)	(16,474)	(17,748)
Designated at fair value through profit or loss upon initial recognition	190	0	0	190
As at December 31, 2018	53,713	506	121,274	175,493
Additions during the year	15,914	0	0	15,914
Disposals (sale)	(15,000)	0	0	(15,000)
Fair value net gain	(429)	63	8,893	8,527
Designated at fair value through profit or loss upon initial recognition	482	0	0	482
As at December 31, 2019	54,680	569	130,167	185,416

37. 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 minimise 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:

37.1 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:

	2019	2018
	Rupees in thousand	
Bank balances	46,343	26,428
Investments in equity securities	130,736	121,780
Investments in debt securities	54,680	53,713
Insurance / reinsurance receivables	122,692	123,349
Reinsurance recoveries against outstanding claims	26,203	34,747
Loans and other receivables	3,225	2,585
	383,879	362,602

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.3.785 million (2018: Rs.2.355 million) have been made. The provision for doubtful insurance / reinsurance receivables is shown in note 11 to these financial statements.

Credit rating

	Short term	Long term	Rating agency	2019	2018
				Rupees in thousand	
Bank Al Habib Ltd.	A1+	AA+	PACRA	21,549	8,481
National Bank of Pakistan	A1+	AAA	-do-	20	48
Habib Bank Ltd.	A1+	AAA	VIS	24,738	17,453
United Bank Ltd.	A1+	AAA	-do-	36	44
				46,343	26,026

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	
			2019	2018
	----- Rupees in thousand -----			
A or above (including PRCL)	114,630	24,481	139,111	147,489
BBB	8,062	1,722	9,784	10,607
Total	122,692	26,203	148,895	158,096



37.2 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 flows	Upto one year
----- Rupees in thousand -----			
2019			
Financial liabilities			
Outstanding claims (including IBNR)	35,375	35,375	35,375
Insurance / reinsurance payables	39,627	39,627	39,627
Other creditors and accruals	6,164	6,164	6,164
Unclaimed dividends	555	555	555
Total	81,721	81,721	81,721
2018			
Outstanding claims (including IBNR)	41,365	41,365	41,365
Insurance / reinsurance payables	32,843	32,843	32,843
Other creditors and accruals	22,562	22,562	22,562
Unclaimed dividends	555	555	555
Total	97,325	97,325	97,325

37.3 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 optimising 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:

	2019	2018	2019	2018
	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	54,680	53,713
Floating rate financial instruments				
Financial assets				
Bank deposits	8.42 to 11.57	3.75 to 8.00	41,442	22,678



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.414 thousand (2018: Rs.227 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, 2019 by Rs.13,074 thousand (2018: Rs.12,178 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.

2019	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 statement of financial position	----- Rupees in thousand -----				
Bank balances	0	0	0	46,343	46,343
Investments in equity securities	0	569	130,167	0	130,736
Investments in debt securities	54,680	0	0	0	54,680
Insurance / reinsurance receivables	0	0	0	122,692	122,692
Reinsurance and other recoveries against outstanding claims	0	0	0	26,203	26,203
Loans and other receivables	0	0	0	3,225	3,225
	54,680	569	130,167	198,463	383,879



2018

Bank balances	0	0	0	26,428	26,428
Investments in equity securities	0	506	121,274	0	121,780
Investments in debt securities	53,713	0	0	0	53,713
Insurance / reinsurance receivables	0	0	0	123,349	123,349
Reinsurance and other recoveries against outstanding claims	0	0	0	34,747	34,747
Loans and other receivables	0	0	0	2,585	2,585
	<u>53,713</u>	<u>506</u>	<u>121,274</u>	<u>187,109</u>	<u>362,602</u>

	2019	2018
Financial liabilities as per statement of financial position	Rupees in thousand	
Outstanding claims including IBNR	35,375	41,365
Insurance/ reinsurance payables	39,627	32,843
Other creditors and accruals	6,164	22,562
Unclaimed dividends	555	555
	<u>81,721</u>	<u>97,325</u>

38. 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 optimise benefits from the principle of average and law of large numbers, geographical spread of risk is of extreme importance. There are a number of parameters which are significant in assessing the accumulation of 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 minimise 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 minimise 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 summarised below by reference to liabilities:

	Gross sum insured		Reinsurance		Net	
	2019	2018	2019	2018	2019	2018
	----- Rupees in thousand -----					
Fire	41,337,050	23,520,401	33,227,085	18,345,913	8,109,965	5,174,488
Marine	24,209,005	17,766,095	13,396,487	10,659,657	10,812,558	7,106,438
Motor	4,517,930	3,014,524	71,816	60,290	4,446,114	2,954,234
Others	2,964,441	413,492	1,412,074	305,984	1,552,367	107,508
	73,028,426	44,714,512	48,107,462	29,371,844	24,921,004	15,342,668

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 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 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 reporting 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 recognised in the statement of financial position 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	
2019	2018	2019	2018
----- Rupees in thousand -----			
257	11	257	11
68	1,469	68	1,469
2,058	292	2,058	292
7	24	7	24
2,390	1,796	2,390	1,796



39. Maturity analysis of financial assets and liabilities

2019	Interest / mark-up bearing			Non interest / mark-up bearing	Total
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	
----- Rupees in thousand -----					
Financial assets on statement of financial position					
Investments in equity securities	0	0	0	130,736	130,736
Investments in debt securities	10,883	43,797	54,680	0	54,680
Loans and other receivables	0	0	0	3,225	3,225
Insurance/ reinsurance receivables	0	0	0	122,692	122,692
Reinsurance and other recoveries against outstanding claims	0	0	0	26,203	26,203
Bank balances	41,442	0	41,442	4,901	46,343
	52,325	43,797	96,122	287,757	383,879
Off statement of financial position	0	0	0	0	0
Total	52,325	43,797	96,122	287,757	383,879
Financial liabilities on statement of financial position					
Outstanding claims (including IBNR)	0	0	0	35,375	35,375
Insurance/ reinsurance payables	0	0	0	39,627	39,627
Other creditors and accruals	0	0	0	6,164	6,164
Unclaimed dividends	0	0	0	555	555
	0	0	0	81,721	81,721
Off statement of financial position	0	0	0	0	0
Total	0	0	0	81,721	81,721
On statement of financial position gap	52,325	43,797	96,122	206,036	302,158
Off statement of financial position gap	0	0	0	0	0



2018

Financial assets on statement of financial position

Investments in equity securities	0	0	0	121,780	121,780
Investments in debt securities	15,218	38,495	53,713	0	53,713
Loans and other receivables	0	0	0	2,585	2,585
Insurance/ reinsurance receivables	0	0	0	123,349	123,349
Reinsurance and other recoveries against outstanding claims	0	0	0	34,747	34,747
Bank balances	22,678	0	22,678	3,750	26,428
	37,896	38,495	76,391	286,211	362,602
Off statement of financial position	0	0	0	0	0
Total	37,896	38,495	76,391	286,211	362,602

Financial liabilities on statement of financial position

Outstanding claims (including IBNR)	0	0	0	41,365	41,365
Insurance/ reinsurance payables	0	0	0	32,843	32,843
Other creditors and accruals	0	0	0	22,562	22,562
Unclaimed dividends	0	0	0	555	555
	0	0	0	97,325	97,325
Off statement of financial position	0	0	0	0	0
Total	0	0	0	97,325	97,325
On statement of financial position gap	37,896	38,495	76,391	188,886	265,277
Off statement of financial position gap	0	0	0	0	0

40. 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 categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly 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**

**2019 2018
Rupees in thousand**

Investments in Associates

315,957 651,120

41. 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.

42. Claims review

The management, during the preceding year, had carried-out a comprehensive exercise to bring fairness in the Company's outstanding claim liabilities; accordingly claim liabilities aggregating Rs.15.660 million, which were no longer payable / settlements with the clients finalised, were reversed / adjusted in the books of account of the Company.



43. Statement of solvency	Rupees in thousand
Assets as disclosed in the statement of financial position as at December 31, 2019	
Property and equipment	191,912
Investment property	26,177
Investments in equity securities	130,736
Investments in debt securities	54,680
Loans and other receivables	32,844
Insurance / reinsurance receivables	122,692
Reinsurance recoveries against outstanding claims	26,203
Deferred commission expense	6,796
Deferred taxation	33,191
Taxation - payments less provisions	8,766
Prepayments	18,550
Cash and bank balances	46,376
	<u>698,923</u>
Investments in Associates - at market value	315,957
Total Assets	(A) 1,014,880
In-admissible assets as per the following applicable clauses of section 32(2) of the Insurance Ordinance, 2000 (the Ordinance)	
(d)	2,009
(g)	315,979
(j)	33,191
(n)	28,833
(u)(i)	7,218
(u)(ii)	2,433
(u)(iii)	778
(v)	58,996
Total in-admissible assets	(B) 449,437
Total admissible assets	(C = A - B) 565,443
Liabilities as disclosed in the statement of financial position as at December 31, 2019	
Underwriting provisions	
Outstanding claims including IBNR	35,375
Unearned premium reserves	41,338
Unearned reinsurance commission	2,594
Long term deposits	388
Insurance / reinsurance payables	39,627
Unclaimed dividends	555
Other creditors and accruals	11,851
Total Liabilities	(D) 131,728
Total net admissible assets	(E = C - D) 433,715
Minimum solvency requirement (higher of the following)	
Method A - under section 36(3)(a) of the Ordinance	<u>150,000</u>
Method B - under section 36(3)(b) of the Ordinance	<u>13,623</u>
Method C - under section 36(3)(c) of the Ordinance	<u>7,671</u>
Excess in net admissible assets over minimum requirements	283,715



44. The management, during the preceding year, had transferred the balance lying in revenue reserve to accumulated loss for fair presentation of the Company's financial statements.

45. Number of employees	2019	2018
Number of employees as at December 31,	<u>25</u>	<u>25</u>
Average number of employees during the year	<u>26</u>	<u>25</u>

46. PROVIDENT FUND RELATING DISCLOSURES

The Company, during the year, has established employees' provident fund and also get it recognised from the Income Tax Department. The following information is based on the un-audited financial statements of the provident fund for the year ended December 31, 2019:

	2019 Rupees in thousand
Size of the fund	<u>3,518</u>
Cost of investments made	<u>3,100</u>
Fair value of investments	<u>3,139</u>
	% of investment
Percentage of investments made	<u>89</u>
The break-up of cost of investments is as follows:	
Mutual funds	19 600
Bank deposit - TDR	81 2,500
	<u>100 3,100</u>

Investments out of the provident fund have been made in accordance with the requirements of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

47.1 Corresponding figures

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison; however, no material re-arrangements and reclassifications have been made in these financial statements.

47.2 Event subsequent to the reporting period

There is no material accounting impact of the COVID- 19 on the financial statements of the Company for the year ended December 31, 2019.

48. Date of authorisation for issue

These financial statements were authorised for issue on April 29, 2020 by the board of directors of the Company.

Raza Kuli Khan Khattak CHAIRMAN	Gohar Ayub Khan CHIEF EXECUTIVE	Khalid Kuli Khan Khattak DIRECTOR	Muhammad Kuli Khan Khattak DIRECTOR	Amir Raza PRINCIPAL OFFICER	Ashfaq Ahmed CHIEF FINANCIAL OFFICER



THE UNIVERSAL INSURANCE COMPANY LIMITED
PATTERN OF SHAREHOLDING
AS ON DECEMBER 31ST, 2019

Number of ShareHolders	Shareholdings		Total Number of Share Held	Percentage of Total Capital
	From	To		
284	1 -	100	6,257	0.01
160	101 -	500	45,948	0.09
83	501 -	1000	62,270	0.12
243	1001 -	5000	583,173	1.17
51	5001 -	10000	355,014	0.71
27	10001 -	15000	328,733	0.66
10	15001 -	20000	179,521	0.36
3	20001 -	25000	68,175	0.14
5	25001 -	30000	136,071	0.27
6	30001 -	35000	195,375	0.39
2	35001 -	40000	73,431	0.15
4	40001 -	45000	164,836	0.33
3	45001 -	50000	150,000	0.30
1	70001 -	75000	74,543	0.15
1	75001 -	80000	75,728	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
2	105001 -	110000	216,086	0.43
1	155001 -	160000	158,136	0.32
1	175001 -	180000	177,028	0.35
1	250001 -	255000	254,000	0.51
1	275001 -	280000	276,226	0.55
2	295001 -	300000	597,861	1.20
1	325001 -	330000	326,898	0.65
1	400001 -	405000	403,500	0.81
1	415001 -	420000	415,237	0.83
1	555001 -	560000	557,500	1.12
1	610001 -	615000	613,203	1.23
1	35085001 -	35090000	42,981,788	85.96
903			50,000,000	100.00

THE UNIVERSAL INSURANCE COMPANY LIMITED
CATEGORIES OF SHAREHOLDERS
AS ON DECEMBER 31ST, 2019

Sr. #	Categories	No. of Shareholders	Shares Held	Percentage
1	Executives	2	3,603	0.0072
2	Directors, Chief Executive Officer, and their spouse and minor children	9	768,554	1.5371
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)	879	5,346,078	10.6922
8	Others	9	875,012	1.7500
TOTAL:		903	50,000,000	100.0000



THE UNIVERSAL INSURANCE COMPANY LIMITED
DETAILED CATEGORIES OF SHAREHOLDERS
AS ON DECEMBER 31ST, 2019

Sr. #	Name	Shares Held	Percentage of Capital
Executives			
1	Mr. Amir Raza	3,003	0.0060
2	Mr. Abdul Waheed Chaudhry	600	0.0012
Running Total:		3,603	0.0072
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	Dr. Shaheen Kuli Khan Khattak	93,075	0.1862
5	Mr. Muhammad Imran Malik	3,003	0.0060
6	Mr. Pervez I. Khan	2,500	0.0050
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:		768,554	1.5371
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)		5,346,078	10.6922
Others			
1	Salim Sozer Securities (Pvt.) Ltd.	326,898	0.6538
2	AKD Securities Limited	403,500	0.8070
3	Fikrees (Private) Limited	2,500	0.0050
4	Deputy Administrator Abandoned Properties Organization	37,431	0.0749
5	Pearl Securities Limited	74,543	0.1491
6	Cliktrade Limited	40	0.0001
7	Topline Commodities (Pvt.) Limited	30,000	0.0600
8	Millwala Sons (Private) Limited	99	0.0002
9	Maple Leaf Capital Limited	1	0.0000
Running Total:		875,012	1.7500
		50,000,000	100.0000
Shareholders holding more than 5% shares:			
1	Bibojee Services (Pvt.) Limited	42,981,788	85.9636



HEAD OFFICE EXECUTIVE / DEPARTMENT 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	G.M - Internal Auditor	042-37355426	042-37230326
Mr. Aftab Rashid	Deputy General Manager IT	042-37355426	042-37230326
Mr. Ashfaq Ahmed	Chief Financial Officer	042-37243168	042-37230326
Mr. Liaqat AliShaukat	Company Secretary	042-37322813	042-37230326
Mr. Muhammad Alyas	Senior Manager Reinsurance	042-37238616	042-37230326
Mr. Abdul Rashid	Senior Manager Co-insurance	042-37355426	042-37230326
Mr. Muhammad Rashid Ashraf	Head of Claims	042-37355426	042-37230326
Miss. Bushra Hina Mushtaq	Manager Underwriting/ Risk Management	042-37311608	042-37230326

BRANCHES

Sr. No.	Br-Code	Branches	Address	Ph No.	Fax No.
1	117	Principal Office, Karachi	3rd Floor Nelson Chamber I.I Chundrigar Road, Karachi	0334-3360326	0334-3360326

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, 2019.

www.jamapunji.pk



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*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 60th Annual General Meeting of the Company to be held on Thursday 21st May, 2020 at 10:30 a.m and any adjournment thereof.

Signed this _____ day of _____ 2020.

Signature _____

Witness:

Signature _____

Name _____

CNIC No.: _____

Address _____

Signature _____

Name _____

CNIC No.: _____

Address _____

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

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 رفاہ

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 مسمیٰ _____ سکے
یا ان کی عدم دستیابی کی صورت میں مسمیٰ _____ سکے 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 یا ہماری جانب سے 60 ویں سالانہ اجلاس عام جو کہ بروز جمعرات 21 مئی 2020 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 _____ 2020

دستخط: _____

ریونیوٹکٹ
5/- روپے
چسپاں کریں

گواہان:

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



Universal Insurance House
63-Shahrah-e-Quaid-e-Azam
Lahore-54000 Pakistan



+92-42-3735 5426, 3732 4244,
3732 4194, 3731 3878



Fax: 042-3723 0326



Email: info@uic.com.pk



Web: www.uic.com.pk

