IGI GENERAL INSURANCE LIMITED
AND
WINDOW TAKAFUL OPERATIONS

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

General

DIRECTORS REPORT TO THE SHAREHOLDERS

The Directors of IGI General Insurance Limited ("the Company") take pleasure in presenting the annual report of your Company, together with the audited financial statements for the year ended December 31, 2018.

PRINCIPAL ACTIVITES OF THE COMPANY

The Company was incorporated as a public limited company on November 18, 2016 under the Companies Ordinance 1984. The objects of the Company include general insurance services in spheres of Fire, Marine, Motor, Health and Miscellaneous including engineering and travel as well as general takaful services, which the Company commenced in July 2017.

PERFORMANCE OF THE COMPANY

Conventional Insurance Business

On conventional business side, the Company has written gross premium of Rs 4,418 million with net premium revenue of Rs 2,236 million compared to Rs 2,901 million and Rs 1,645 million respectively in the corresponding period.

The Company incurred net claims of Rs. 1,143 million during the year compared to Rs 933 million in the corresponding period. The Company also created Rs 21 million premium deficiency reserve on its health business.

Net commission expense stood at Rs 66 million compared to net commission income of Rs 122 million during last year. Investment and other income increased by Rs 155 million during the year.

WINDOW TAKAFUL OPERATIONS

The Company has written gross contribution of Rs 190 million compared to Rs 36 million in the corresponding period and earned Rs 24 million from its Takaful operations compared to loss of Rs 3 million in the corresponding period.

As a result, the Company generated profit before tax of Rs. 468 million with profit after tax of Rs. 327 million and earnings per share of Rs. 1.74 during the year compared to Rs 249 million and Rs 174 million respectively in the corresponding period.

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SEGMENTS AT A GLANCE

FIRE

Gross Premium written was Rs 1,203 million compared to Rs 793 million during 2017. Net Premium Earned and Net claims were Rs 175 million and Rs 98 million respectively compared to Rs 164 million and Rs 79 million respectively during 2017. This resulted in underwriting loss of Rs 36 million compared to underwriting profit of Rs 29 million during 2017.

MARINE, AVIATION AND TRANSPORT

Marine business gross written premium was Rs 528 million in 2018 compared to Rs 373 million during 2017. Net Premium Earned and Net claims were Rs 242 million and Rs 85 respectively compared to Rs 189 million and Rs 76 million respectively during 2017. This resulted in underwriting profit of Rs 107 million compared to Rs 86 million during 2017.

MOTOR

Motor business gross Premium was Rs 1,399 million compared to Rs 870 million during 2017. Net Premium Earned and Net claims were Rs 1,219 million and Rs 551 respectively. This resulted in underwriting profit of Rs 279 million compared to Rs 181 million during 2017.

HEALTH

Gross Premium was Rs 368 million compared to Rs 249 million during 2017. Net Premium Earned and Net claims were Rs 325 million and Rs 306 respectively. During the year, the Company has recorded premium deficiency reserve amounting to Rs 20 million during the current year. This resulted in underwriting loss of Rs 61 million.

MISCELLANEOUS

Miscellaneous segment includes Engineering and Contractor's All Risk Insurance, Travel, Bond and Pecuniary lines of business. This business line has written gross premium of Rs 920 million in 2018 compared to Rs 617 million during 2017. Net premium earned and net claims amounted to Rs 275 million and Rs 103 million respectively with underwriting loss of Rs 27 million.

CLAIMS

Our focus is on swift settlement of claims. For this purpose, the Company has taken a number of initiatives to further reduce the claims settlement turnaround time.

Incurred loss ratio remained 51% in 2018 compared to 57% in 2017. Our claims settlement ratio during the year was 90%.

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RE-INSURANCE AND RISK MANAGEMENT

The Company follows a policy of risk optimization through a carefully designed program of re-insurance. The Company believes in building partnerships with our clients to provide them a long term risk management solution by using our insurance expertise, a state of the art technology platform and a focused risk management service that helps our clients understand the hazards that may threaten their businesses and determine cost-effective loss prevention solutions.

APPROPRIATIONS

The Board of Directors has proposed final dividend for the year ended December 31, 2018 of Rs. 1.06 per share (2017: Rs. 0.85 per share), amounting to Rs. 203.348 million (2017: Rs 163 million).

BOARD OF DIRECTORS MEETINGS

During the year 2018, meetings of the board of directors were held on timely basis. Attendance by each director in the meetings held was as follows:

	Attendance
Syed Hyder Ali	5
Shamim Ahmad Khan	5
Atif Aslam Bajwa*	2
Syed Hasnain Ali	5
Khurram Raza Bakhtayari*	2
Tahir Masaud (CEO)	5
Sajjad Iftikhar	5
Faisal Khan	0

* Director resigned during the year.

Leave of absence was granted to directors who could not attend some of the Board meetings.

RELATED PARTY TRANSACTIONS

The Board of Directors approved Company's transactions made with Associated Companies / Related parties. All the transactions executed with related parties were on commercial terms and conditions.

CAPITAL MANAGEMENT AND LIQUIDITY

The Company actively manages and monitors the matching of its asset positions against its

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commitments, together with diversification and credit quality of its investments against established targets.

The Company's primary source of funds is cash provided by operating activities i.e. insurance business. Net operating cash flows have also been invested to generate investment income for the Company. Net cash flows of the Company are utilized for business commitments, expansions and for dividend payout to the shareholders.

INSURER'S FINANCIAL STRENGTH RATING

Pakistan Credit Rating Agency (Private) Limited (PACRA) has assigned your Company an "Insurer Financial Strength" (IFS) Rating of "AA" (Double A), further, during the year JCR-VIS Credit Rating Company Limited has also assigned your Company an IFS Rating of "AA" (Double A). IFS rating of "AA" (Double A) denotes a very strong capacity to meet policyholder and contract obligations, modest risk factors, and the expectation that the impact of any adverse business and economic factors will be very limited.

RISK MITIGATION

The senior management team, led by the Chief Executive Officer is responsible for risk mitigation measures. The Company's proactive risk management program helps in identifying and responding to changing business and regulatory requirements on timely basis.

MATERIAL CHANGES

There have been no material changes during the year which would affect financial position of Company.

CODE OF CONDUCT

The Board has adopted a statement of ethics and business practices. The Code of Conduct is signed by all the employees undertaking that they subscribe to high ethical values. All our operational activities are carried out in a transparent manner in accordance with the code of ethics.

CORPORATE SOCIAL RESPONSIBILITY

Your Company is aware of its corporate social responsibilities and is supporting social sector organizations in the fields of education, health and environment. The Company also offers internships all around the year to students from colleges and universities.

IGI General

ISO CERTIFICATION AND ITS VALUE TO OUR CUSTOMERS

Your Company continues to focus on improving productivity and efficiency in its operations and during the year has upgraded its Quality Management Certification to ISO 9001:2015.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

- The financial statements prepared by the management of the Company present the state of its affairs, the results of its operations, cash flows and changes in equity, fairly.

- Proper books of accounts have been maintained by the Company.

- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

- The financial statements have been prepared in conformity with the Companies Ordinance 1984 and International Financial Reporting Standards, as applicable in Pakistan. Any departures therefrom have been adequately disclosed and explained;

- The system of internal control is sound in design and has been effectively implemented and monitored;

- There are no doubts on the Company's ability to continue as a going concern;

- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;

- Key operating and financial data is separately annexed with the report.

- Outstanding taxes and duties are given in the financial statements.

- The value of investments of based on audited accounts of the respective funds were as follows:

  Provident fund as at June 30, 2017 Rs 74.2 million
  Gratuity fund as at December 31, 2016 Rs 50.4 million

- The statement of pattern of shareholding in the Company as on December 31, 2018 is as follows:

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IGI
General

Holding Co	
IGI Holdings Limited	191,838,394
Directors	
Syed Hyder Ali	1
Mr. Shamim Ahmed Khan	1
Mr. Tahir Masaud (Chief Executive Officer)	1
Mr. Sajjad Iftikhar	1
Syed Hasnain Ali	1
Mr. Faisal Khan	1
Total	**191,838,400**

The directors are holding one share each of the Company as nominee of IGI Holdings.

STATEMENT OF COMPLIANCE UNDER SECTION 46(6) OF THE INSURANCE ORDINANCE 2000

The directors hereby certify that in their opinion:

- the annual statutory accounts of the company annexed hereto have been drawn up in accordance with the Ordinance and any Rules made thereunder;
- the company has during the period complied with the provisions of the Ordinance and the Rules made thereunder relating to paid up capital, solvency and reinsurance arrangements; and
- as at the date of the statement, the company continues to be in compliance with the provisions of the Ordinance and the Rules made thereunder relating to paid up capital, solvency and reinsurance arrangements.

FUTURE OUTLOOK

The Board and management of your Company are cognizant of the fact that we are operating in a highly competitive industry. We are making significant investment in modern technology and infrastructure to enable the Company to improve its product offering, efficiency and levels of customer service. During the year the Company has obtained license from Pakistan Telecommunication Authority to commence its tracking division.

We also believe that we have the right professional team and a modern infrastructure to deliver sustainable and profitable growth in the years ahead.

AUDITORS

The present auditors M/s A.F Ferguson & Co., Chartered Accountants retire and offer themselves for reappointment. They have confirmed achieving satisfactory rating by the Institute of Chartered

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General

Accountants of Pakistan (ICAP) and compliance with the Guidelines on the Code of Ethics of the International Federation of Accountants (IFAC) as adopted by ICAP.

The Board of Directors have recommended their reappointment as Auditors of the Company for the year ending December 31, 2019, at a fee to be mutually agreed.

ACKNOWLEDGEMENT

We value the support and patronage received from our business partners and all stakeholders and appreciate the dedicated and sincere efforts of our employees.

For and on behalf of the Board

S'A Khan

Shamim Ahmad Khan
Chairman
Lahore: March 04, 2019

Tahir Masaud
Chief Executive Officer
Lahore: March 04, 2019

IGI GENERAL INSURANCE LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the members of IGI General Insurance Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **IGI General Insurance Limited** (the Company), which comprise the statement of financial position as at December 31, 2018, and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Company's affairs as at December 31, 2018 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

Report on Other Legal and Regulatory Requirements

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

a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);

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b) the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Operator's business; and;

d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is **Noman Abbas Sheikh**.

AFFerguson & Co

A.F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: April 2, 2019

IGI GENERAL INSURANCE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	Note	2018	2017
		-----------(Rupees in '000)-----------	
Assets			
Property and equipment	5	315,619	274,627
Intangible assets	6	3,694	5,193
Investment properties	7	169,754	179,346
Investments			
- Equity securities	8	225,821	-
- Government securities	9	1,814,142	321,211
- Term deposits	10	525,000	960,000
Loans and other receivables	11	286,890	138,741
Insurance / reinsurance receivables	12	1,101,170	701,814
Reinsurance recoveries against outstanding claims		854,042	723,743
Salvage recoveries accrued		46,148	78,889
Deferred commission expense	24	153,419	127,569
Deferred taxation	14	32,700	13,902
Tax recoverable	29.2	65,301	137,883
Prepayments	15	645,177	509,692
Cash and bank	16	477,161	1,507,742
		6,716,038	5,680,352
Total assets of Window Takaful Operations - operator's fund		142,357	64,186
Total assets		6,858,395	5,744,538
Equity and Liabilities			
Capital and reserves attributable to Company's equity holders			
Authorised capital			
250,000,000 (2017: 250,000,000) ordinary shares of Rs 10 each		2,500,000	2,500,000
Issued, subscribed and paid-up share capital			
191,838,400 (2017: 150,100,000) ordinary shares of Rs 10 each	17	1,918,384	1,501,000
Proposed shares to be issued under scheme of arrangement		-	417,384
Unappropriated profit		331,655	172,622
Total equity		2,250,039	2,091,006
Liabilities			
Underwriting provisions			
Outstanding claims including IBNR	23	1,314,812	1,226,184
Unearned premium reserves	22	1,503,062	1,185,547
Premium deficiency reserves		20,503	-
Unearned reinsurance commission		120,932	101,679
Retirement benefit obligations	13	21,217	12,419
Borrowings	18	118,881	78,235
Premium received in advance		484	536
Insurance / reinsurance payables	19	703,314	347,883
Other creditors and accruals	20	733,931	684,324
Total liabilities		4,537,136	3,636,807
Total liabilities of Window Takaful Operations - operator's fund		71,220	16,725
Total equity and liabilities		6,858,395	5,744,538
Contingencies and commitments	21		

The annexed notes 1 to 38 form an integral part of these financial statements.

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Chairman | Director | Director | Chief Executive Officer

IGI GENERAL INSURANCE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017
		------(Rupees in '000)------	
Net insurance premium	22	2,236,396	1,645,140
Net insurance claims	23	(1,142,715)	(933,244)
Premium deficiency		(20,503)	-
Net commission and other acquisition costs	24	(66,245)	121,835
Insurance claims and acquisition expenses		(1,229,463)	(811,409)
Management expenses	25	(764,933)	(624,973)
Underwriting results		242,000	208,758
Investment income	26	134,816	63,685
Rental income		31,766	22,117
Other income	27	83,111	8,947
Other expenses	28	(42,603)	(48,631)
Result of operating activities		449,090	254,876
Finance costs		(5,168)	(3,539)
Profit from Window Takaful Operations		23,677	(2,539)
Profit before tax		467,599	248,798
Income tax expense	29	(140,213)	(74,919)
Profit after tax		327,386	173,879
Other comprehensive loss			
-Remeasurement of defined benefit obligations-net of tax		(5,290)	(1,257)
Total comprehensive income		322,096	172,622

The annexed notes 1 to 38 form an integral part of these financial statements.

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Chairman	Director	Director	Chief Executive Officer

IGI GENERAL INSURANCE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

	Issued, subscribed and paid-up share capital	Proposed shares to be issued under scheme of arrangement	Unapprpriated profit	Total
	(Rupees in '000)			
Balance as at January 1, 2017	1,000	-	-	1,000
Profit after taxation for the year ended December 31, 2017	-	-	173,879	173,879
Other comprehensive loss for the year	-	-	(1,257)	(1,257)
Total comprehensive income for the year ended December 31, 2017	-	-	172,622	172,622
Transactions with owners-directly recognised in equity				
Proposed issue of share capital under scheme of arrangement	-	417,384	-	417,384
Issue of paid-up share capital	1,500,000	-	-	1,500,000
Balance as at December 31, 2017	1,501,000	417,384	172,622	2,091,006
Profit after taxation for the year ended December 31, 2018	-	-	327,386	327,386
Other comprehensive loss for the year	-	-	(5,290)	(5,290)
Total comprehensive income for the year ended December 31, 2018	-	-	322,096	322,096
Transactions with owners-directly recognised in equity				
Issuance of shares under scheme of arrangement	417,384	(417,384)	-	-
Final dividend at rate of Re. 0.85 per share for year ended December 31, 2017	-	-	(163,063)	(163,063)
Balance as at December 31, 2018	**1,918,384**	**-**	**331,655**	**2,250,039**

The annexed notes 1 to 38 form an integral part of these financial statements.

Chairman	Director	Director	Chief Executive Officer

IGI GENERAL INSURANCE LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017
		---- (Rupees in '000) ----	
OPERATING CASH FLOWS			
Underwriting activities			
Premium received		4,312,361	3,261,063
Reinsurance premium paid		(1,853,523)	(1,337,939)
Claims paid		(1,620,722)	(1,195,945)
Reinsurance and other recoveries received		436,336	494,470
Commissions paid		(477,884)	(197,424)
Commissions received		435,423	290,002
Net cash inflow from underwriting activities		1,231,991	1,314,227
Other operating activities			
Income tax paid		(84,270)	(111,699)
General management expenses paid		(780,258)	(664,811)
Operating receipts / (payments) - net		(104,283)	(64,082)
Net cash outflow from operating activities		(968,811)	(840,592)
Total cash inflow from all operating activities		263,180	473,635
INVESTMENT ACTIVITIES			
Profit received		152,688	53,177
Payments for investments		(1,669,139)	(196,093)
Cash transfer to Window Takaful Operations		-	(50,000)
Fixed capital expenditure- owned		(49,618)	(41,478)
Proceeds from disposal of fixed assets- owned		20,805	11,997
Total cash outflow from investing activities		(1,545,264)	(222,397)
FINANCING ACTIVITIES			
Net cash inflow on hive down under scheme of arrangement		-	728,960
Issue of capital		-	1,500,000
Dividend paid		(163,063)	-
Financial charges paid		(5,168)	(3,539)
Addition / (repayment) of liability against assets subject to finance lease		(15,266)	(9,917)
Total cash (outflow) / inflow from financing activities		(183,497)	2,215,504
Net cash (outflow) / inflow from all activities		(1,465,581)	2,466,742
Cash and cash equivalents at beginning of the year		2,467,742	1,000
Cash and cash equivalents at end of the year	16.2	1,002,161	2,467,742

The annexed notes 1 to 38 form an integral part of these financial statements.

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Chairman	Director	Director	Chief Executive Officer

IGI GENERAL INSURANCE LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
	---- (Rupees in '000) ----	
Reconciliation to statement of comprehensive income		
Operating cash flows	263,180	473,635
Depreciation and amortisation expense	(55,454)	(48,103)
Depreciation on leased assets	(16,397)	(10,239)
Financial cost	(5,168)	(3,539)
Gain on disposal of fixed assets	5,015	8,567
Increase / (decrease) in assets other than cash	720,873	(131,450)
Increase in liabilities	(743,156)	(176,490)
Return on bank balances	63,835	49,450
Investment income	70,981	14,587
Profit from window takaful operations	23,677	(2,539)
Profit after tax	327,386	173,879

The annexed notes 1 to 38 form an integral part of these financial statements.

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Chairman Director Director Chief Executive Officer

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 IGI General Insurance Limited ("the Company"), a Packages Group Company, was incorporated as a public limited company on November 18, 2016 under the Companies Ordinance, 1984 (now Companies Act, 2017). The registered office of the Company is situated at 7th floor, The Forum, Suite No. 701-713, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi. The objects of the Company include providing general insurance services (mainly Fire, Marine, Motor, Health and Miscellaneous) and general takaful services (mainly Fire, Marine, Motor, Health and Miscellaneous).

1.2 The Company is a wholly owned subsidiary of IGI Holdings Limited - Parent Company (formerly: IGI Insurance Limited) and has been formed to facilitate the transfer of general insurance segment of IGI Insurance Limited to the Company under the Scheme of Arrangement filed with the Honourable High Court of Sindh (SHC). The transfer of general insurance business and related assets and liabilities from IGI Insurance Limited to the Company has been made effective from January 31, 2017, which has been sanctioned by SHC vide Order dated December 16, 2017. The insurance license was transferred to the Company from IGI Insurance Limited with effect from January 16, 2018.

1.3 The Company commenced its window takaful operations with effect from July 1, 2017 after getting the approval from the SECP.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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 (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017, Insurance Ordinance, 2000, Insurance Rules 2017, Insurance Accounting Regulations, 2017 and Takaful Rules, 2012.

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

2.1.1 In terms of the requirements of the Takaful Rules, 2012, read with SECP Circular 25 of 2015 dated July 9, 2015, the assets, liabilities and profit and loss of the Operator Fund of the General Takaful operations of the Company have been presented as a single line item in the statement of financial position and statement of comprehensive income of the Company respectively.

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain staff retirement benefits which are carried at present value of the defined benefit obligation less fair value of plan assets and certain investments which are carried at market value.

2.3 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pakistani rupees, which is the Company's functional and presentation currency.

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

The Securities and Exchange Commission of Pakistan (SECP) through its notification SRO 89(1) / 2017 dated February 9, 2017 had issued Insurance Rules, 2017 (the Rules) which had come into force at once. The Rules prescribed the format of annual financial statements for non-life insurers. Further, the SECP through SRO 88 (1) /2017 dated February 9, 2017 had also issued Insurance Accounting Regulations, 2017 (the Regulations). The Regulations were applicable from April 1, 2017. However, SECP on application of the Company had allowed to apply the Regulations, effective from the accounting year commencing from January 1, 2018. The Rules and Regulations prescribe new format of the financial statements, measurement principles for subsequent measurement and impairment of available for sale investments and also explain principles for recognition of premium receivable under an insurance policy and cover note. Accordingly, during the current year, the Company has changed its accounting policy for these items and the presentation of the financial statements has been realigned with the format prescribed under the Rules while corresponding figures have been reclassified or additionally incorporated in the financial statements for the year ended December 31, 2018 on the basis of the classification prescribed therein. Further, nomenclatures of the primary statements have also been aligned with the Rules and certain primary statements such as statement of premiums, statement of claims, statement of expenses and statement of investment income which were previously made part of the financial statements have now been excluded from the financial statements in accordance with the requirements of the Rules. The impact of key changes is disclosed in note 3 to these financial statements.

There are certain amendments to the standards and new interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2018 but are considered not to be relevant or do not have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

2.5 **Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective:**

The following revised standards, amendments and interpretations with respect to the accounting and reporting standards would be effective from the dates mentioned below against the respective standard, amendments or interpretation:

Standard, Interpretations or Amendments	**Effective date (accounting periods beginning on or after)**
IFRS 9 - Financial Instruments	April 1, 2019
IFRS 15 - Revenue from contracts	July 1, 2018
IFRS 16 - Leases	January 1, 2019

The management is in the process of assessing the impact of these standards on the financial statements of the Company.

3 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in preparation of these financial statements are set out below. Accounting policies relating to Window Takaful Operations are disclosed in a separate financial statements of Window Takaful Operations which have been annexed to these financial statements. The accounting policies have been consistently applied for all the years presented except for the changes disclosed in notes 3.1, 3.2 and 3.3 to the financial statements.

3.1 During the year, the Company has changed its accounting policy with respect to presentation of financial statements and these financial statements have been presented in accordance with the revised format of financial statements as prescribed under the Insurance Rules, 2017 (as explained in note 2.4). The significant reclassification changes resulting therefrom are disclosed in note 36 to these financial statements.

3.2 During the current year, consequent to the application of the Insurance Accounting Regulation, 2017, the Company has changed its accounting policy in respect of subsequent measurement and impairment of available for sale investments to comply with the requirements of IAS 39, 'Financial Instruments : Recognition and Measurement'. As per the revised policy available for sale investments are measured at fair value subsequent to initial recognition with changes in fair value recognise in other comprehensive income. A significant or prolonged decline in the value of equity securities below its cost is also considered as an objective evidence of impairment. Impairment losses, if any, on available for sale investments are recognised directly in the statement of comprehensive income. Previously, available for sale investments were stated subsequent to initial recognition at the lower of cost or market value (market value being taken as lower if fall is other than temporary) in accordance with the requirements of SEC (Insurance) Rules, 2002. Any decline in the market value recognised by the Company was taken to the statement of comprehensive income.

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This change in accounting policy does not have any impact on these financial statements as there were no investments classified as available for sale as at December 31, 2018 and December 31, 2017.

3.3 The Insurance Accounting Regulations, 2017 requires recording of premium receivable under an insurance policy / cover note as written from the date of attachment of risk to the policy / cover note. Previously the Company was recognising premium income and receivable at the time of issuance of insurance policy in accordance with the SEC (Insurance) Rules, 2002. Therefore, the Company has accounted for cover notes which are effective at the reporting date as change in accounting policy. This change in accounting policy has not been applied retrospectively in accordance with the requirement of International Accounting Standard (IAS) - 8, "Accounting Policies, Change in Accounting Estimates and Errors" as the cumulative effect of the change at the beginning and at the end of the prior and current year is immaterial. Therefore, figures have not been adjusted accordingly.

3.4 Insurance contracts

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

The Company enters into fire and property damage, marine, motor, health, burglary, loss of cash in transit, travel, personal accident, engineering losses and other insurance contracts with corporate clients and individuals residing or located in Pakistan.

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

The Company neither issues investment contracts nor does it issue insurance contracts with Discretionary Participation Features (DPF).

3.5 Premium

Premium received / receivable under a policy is recognised as written from the date of attachment of the risk to the policy to which it relates. 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 the incidence of risk. The portion of premium written relating to the unexpired period of coverage is recognised as unearned premium by the Company. This liability is calculated by applying 1/24 method as specified in the Insurance Rules, 2017.

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

Receivables under insurance contracts are recognised when due, at the fair value of the consideration receivable less provision for doubtful debts, if any. If there is objective evidence that the receivables are impaired, the Company reduces the carrying amount of the receivables and recognises that impairment loss in the statement of comprehensive income.

3.6 Reinsurance ceded

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

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

Reinsurance liabilities represent 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.

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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 comprehensive income.

3.7 Claims expense

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

The Company recognises liability in respect of all claims incurred upto the reporting date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract. The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

The provision for Incurred But Not Reported (IBNR) claims is determined by the Company as required under circular No. 9 of 2016 issued by SECP. As per SECP circular No. 9 of 2016 an insurer shall estimate IBNR claims reserve based on the prescribed method provided in the guidelines. Guidelines also allows the use of any other alternative method of determining IBNR, if found more suitable for the risk class, provided that the amount estimated under the alternative method shall not be less than the amount calculated under prescribed method. The prescribed method for estimating IBNR claim reserve is the chain ladder method based on paid claims hereinafter called 'Incurred But Not Paid' or 'IBNP'. The Basic Chain Ladder (BCL) method uses a run off triangle to estimate the development factors for each accident period which are further used to estimate the ultimate paid claims. Data from settlement registers are used in the BCL models. Lags are determined to be the difference between the 'date of loss' and 'date of claim payment'. Monthly lags are used since it reflects the claim development pattern within a given year and the back testing supports the same. Once IBNP has been determined using BCL, the outstanding claims are deducted to arrive at IBNR on paid basis.

Under alternative method IBNR is determined on reported basis. IBNR (reported basis) is much similar to IBNR (paid basis) but is calculated using a different methodology. It does not use either IBNP or outstanding claims to estimate IBNR rather, is determined using BCL method. Development factors are determined for each accident period to estimate the ultimately reported claims directly. Intimation registers are used in the BCL model where lags are calculated as the difference between the 'date of loss' and 'date of intimation'.

The analysis is carried out separately for each class of business and results determined through this alternative method are compared to the results of prescribed method and higher of the two are set as the final reserve.

3.8 Reinsurance recoveries against claims

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

3.9 Commission and other acquisition costs

Commission expense and other acquisition costs are charged to the statement of comprehensive income at the time the policies are accepted. This expense is deferred and brought to account as expense in accordance with the pattern of recognition of the gross premium to which it relates. Commission expense is arrived at after taking the impact of opening and closing deferred commission.

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 statement of comprehensive income as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Commission from reinsurers is arrived at after taking the impact of opening and closing unearned commission. Profit commission, if any, which the Company may be entitled to under the terms of reinsurance, is recognised on accrual basis.

3.10 Premium deficiency reserve

The Company is required as per Insurance Rules, 2017 to maintain a provision in respect of premium deficiency for the class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the reporting date in respect of the unexpired policies in that class of business at the reporting date. The movement in the premium deficiency reserve is recorded as an expense / income in the statement of comprehensive income for the year.

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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 reporting date in respect of policies in force at 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 comprehensive income for the year. The expected ultimate net claim ratios for the unexpired periods of policies in force at reporting date for each class of business is as follows:

Fire and property damage	56%
Marine, aviation and transport	35%
Motor	45%
Health	94%
Miscellaneous	37%

Based on an analysis of combined operating ratio for the expired period of each reportable segment, the management considers that the unearned premium reserve for all classes of business as at the year end is adequate (except for health class) to meet the expected future liability after reinsurance, from claims and other expenses, expected to be incurred after the reporting date in respect of policies in those classes of business in force at the reporting date.

The company has recorded premium deficiency reserve on the recommendation of actuary for health business.

3.11 Creditors, accruals and provisions

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

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

3.12 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalised during the current period for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the reporting date between the tax bases and carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised 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 assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited to the statement of comprehensive income, except in the case of items credited or charged to equity in which case it is included in equity.

3.13 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand, deposits with banks, stamps in hand and short term finances.

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3.14 Investments

3.14.1 All investments are initially recognised at cost, being the fair value of the consideration given and include transaction cost, except for held for trading investments in which case transaction costs are charged to the statement of comprehensive income. These are classified into the following categories:

- Investment at fair value through profit or loss - held for trading
- Held to maturity
- Available for sale

3.14.1.1 Investments at fair value through profit or loss - held for trading

These financial assets are acquired principally for the purpose of generating profit from short-term fluctuation in prices or are part of a portfolio for which there is a recent actual pattern of short-term profit taking.

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

3.14.1.2 Held to maturity

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity and are initially measured at cost being the fair value of the consideration given and include transaction cost. At subsequent reporting dates, these are measured at amortised cost using the effective yield method.

Any premium paid or discount availed on acquisition of held to maturity investments is deferred and amortised over the term of the investment using the effective yield.

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

The difference between the redemption value and the purchase price of the held to maturity investments is amortised and taken to the statement of comprehensive income over the term of the investment.

3.14.1.3 Available for sale

Available for sale investments are those non-derivative investments that are designated as available for sale or are not classified in any other category. Subsequent to initial recognition, these are stated at market value. The Company uses stock exchange quotation at the reporting date to determine the market value of its quoted investments and the MUFAP rates to compute market value of government securities.

Dividend income and entitlement of bonus shares are recognised when the Company's right to receive such dividend and bonus shares is established.

3.14.1.4 Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition these are measured at amortised cost.

3.14.1.5 Date of recognition

Regular way purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Company commits to purchase or sell the investment.

3.15 Investment property

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

Depreciation policy, subsequent capital expenditures and gain or losses on disposal are accounted for in the same manner as tangible fixed assets.

3.16 Operating assets

Tangible

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

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Depreciation on all operating assets is charged to the statement of comprehensive income using the straight line method so as to write-off depreciable amount of an asset over its useful life. Depreciation on additions to fixed assets is charged from the month in which an asset is acquired or capitalised, while no depreciation is charged for the month in which the asset is disposed of.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted, if impact on depreciation is significant. 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 items 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 comprehensive income in the period in which they are incurred.

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

Leased Assets

Asset subject to finance lease are initially recognised at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss.

Finance leases

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of the payment. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to statement of comprehensive income over the lease term.

Intangible

Software development cost are only capitalised to the extent that future economic benefits are expected to flow to the entity. Intangible assets with finite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets with indefinite useful lives are stated at cost less impairment losses, if any.

Amortisation is charged to statement of comprehensive income using the straight line method.

3.17 Staff retirement benefits

3.17.1 Defined contribution plan

The Company operates an approved contributory provident fund for all permanent employees. Equal monthly contributions are made by the Company and employees to the fund at the rate of 10 percent of basic salary.

3.17.2 Defined benefit plan

All permanent employees of the Company participate in an approved funded defined gratuity plan. Contributions to the fund are made based on actuarial recommendations. The most recent actuarial valuation was carried out as at December 31, 2018 using the Projected Unit Credit Method. Amounts arising as a result of 'Remeasurements', representing the actuarial gains and losses and the difference between the actual investment returns and the return implied by the net interest cost are recognised in the statement of financial position immediately, with a charge or credit to 'Other Comprehensive Income' in the periods in which they occur.

3.17.3 Accumulating compensated absences

Provisions are made annually to cover the obligation for accumulating compensated absences and are charged to statement of comprehensive income.

3.18 Financial instruments

Financial assets and financial liabilities within the scope of IAS 39 are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and are de-recognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is included in the statement of comprehensive income for the year.

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Financial instruments carried on the statement of financial position mainly include cash and bank deposits, investments, accrued investment income, sundry receivables, accrued expenses, amount due from / to other insurers / reinsurers, sundry creditors, short term finance, long term finance and unclaimed dividend. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.19 Offsetting of financial assets and financial liabilities

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

3.20 Segment reporting

A business segment is a distinguishable component of the Company that is engaged in providing services that are subject to risks and returns that are different from those of other business segments. The Company accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Insurance Rules, 2017. The reported operating segments are also consistent with the internal reporting provided to Strategy Committee and Board of Directors which are responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

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

The perils covered under fire insurance include damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and terrorism.

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

Motor insurance provides comprehensive car coverage and indemnity against third party loss.

Health insurance provides coverage against expenses incurred during the hospitalisation due to sickness, emergency and accidents.

Miscellaneous insurance provides cover against health, burglary, loss of cash in safe and cash in transit, travel, personal accident, money, engineering losses, live stocks, crops and other covers.

Financing, investment and income taxes are managed on an overall basis and are therefore, not allocated to any segment. The accounting policies of operating segment are the same as those described in the summary of significant accounting policies.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them. Those assets and liabilities which can not be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

3.21 Impairment

The carrying values of the Company's non-financial assets are reviewed at each financial year end for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The resulting impairment loss is taken to the statement of comprehensive income.

3.22 Foreign currency transactions and translations

Foreign currency transactions are translated into Pak Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined. Exchange gains or losses are included in income currently.

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3.23 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

3.24 Borrowing costs

Borrowing costs are recognised as an expense in the period in which these are incurred except in cases where such costs are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) in which costs such costs are capitalised as part of the cost of that asset. Currently, the Company does not have any borrowing costs directly attributable to the acquisition of or construction of qualifying assets.

3.25 Share capital

Ordinary shares are classified as equity and recognised at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.26 Expenses of management

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. Expenses not allocable to the underwriting business are charged as administrative expenses.

3.27 Dividends and appropriations to reserves

Dividends and appropriations to reserves are recorded in the period in which these are approved.

3.28 Earnings per share

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with accounting and reporting 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.

Significant accounting estimates and areas where judgments were made by the management in the application of accounting policies are as follows:

- Provision for outstanding claims including IBNR (notes 3.7 and 23);
- Provision for taxation and deferred tax (notes 3.12 and 14);
- Defined benefit plan (notes 3.17.2 and 13);
- Useful lives and residual values of fixed assets and investment property (notes 3.15, 3.16, 5, 6 and 7);
- Premium deficiency reserve (note 3.10);
- Classification of investments and its impairment (notes 3.14, 8, 9 and10);
- Reinsurance recoveries against outstanding claims (notes 3.8); and
- Provision against premium due but unpaid and amount due from other insurers / reinsurers (notes 3.5, 12.3 and 12.4)

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		Note	2018	2017
5	PROPERTY AND EQUIPMENT		---- (Rupees in '000) ----	
	Operating assets	5.1	299,552	274,135
	Capital work-in-progress	5.2	16,067	492
			315,619	274,627

5.1 Operating assets

	2018									
	Cost				Accumulated Depreciation				Written Down Value as at December 31	Depreciation rate (% per annum)
	As at January 01	Additions	Disposals	As at December 31	As at January 01	Charge for the year	Disposals	As at December 31		
	---(Rupees in '000)---									
Furniture and fixtures	26,261	4,887	(1,682)	29,466	2,501	3,232	(1,383)	4,350	25,116	10%-16.67%
Office equipment	22,623	7,873	(2,538)	27,958	4,448	5,356	(2,079)	7,725	20,233	10%-28%
Computer equipment	17,113	10,853	(2,777)	25,189	5,272	7,462	(2,752)	9,982	15,207	33.33%-50%
Buildings	126,075	3,810	-	129,885	15,516	14,461	-	29,977	99,908	5%-33%
Motor vehicles-owned	42,026	18,632	(24,092)	36,566	11,189	13,852	(10,393)	14,648	21,918	20%-40%
Motor vehicles-leased	89,202	55,912	(2,102)	143,012	10,239	16,397	(794)	25,842	117,170	20%-25%
	323,300	101,967	(33,191)	392,076	49,165	60,760	(17,401)	92,524	299,552	

	2017										
	Cost					Accumulated Depreciation				Written Down Value as at December 31	Depreciation rate (% per annum)
	As at January 01	Net book value transferred as part of Scheme of Arrange-ment	Additions	Disposals	As at December 31	As at January 01	Charge for the year	Disposals	As at December 31		
	---(Rupees in '000)---										
Furniture and fixtures	-	20,229	6,505	(473)	26,261	-	2,515	(14)	2,501	23,760	10%-16.67%
Office equipment	-	18,840	4,033	(250)	22,623	-	4,465	(17)	4,448	18,175	10%-28%
Computer equipment	-	6,728	10,385	-	17,113	-	5,272	-	5,272	11,841	33.33%-50%
Buildings	-	121,697	4,378	-	126,075	-	15,516	-	15,516	110,559	5%-33%
Motor vehicles-owned	-	46,161	538	(4,673)	42,026	-	13,124	(1,935)	11,189	30,837	20%-40%
Motor vehicles-leased	-	44,897	44,305	-	89,202	-	10,239	-	10,239	78,963	20%-25%
	-	258,552	70,144	(5,396)	323,300	-	51,131	(1,966)	49,165	274,135	

5.1.1 Disposal of operating assets

Particulars of the assets	Cost	Accumulated depreciation	Book value	Sale proceeds	Net gain / (loss)	Mode of disposal	Particulars of purchaser
	---(Rupees in '000)---						
Furniture and fixtures							
Various furniture and fixtures	1,432	(1,133)	299	46	(253)	Negotiation	Abdul Quddus
Various furniture and fixtures	207	(207)	-	79	79	Negotiation	Muhammad Yousuf
Various furniture and fixtures	43	(43)	-	8	8	Negotiation	Shajar Abbas
	1,682	(1,383)	299	133	(166)		
Office equipment							
iPhone 7S Plus	80	(24)	56	39	(17)	Negotiation	Abdul Quddus
Air conditioners, Chillers and compressors	1,081	(1,081)	-	34	34	Negotiation	Abdul Quddus
APPLE iPhone 6	88	(46)	42	50	8	Insurance claim	Alfalah Insurance
LED 50 Inch	93	(40)	53	49	(4)	Insurance claim	Alfalah Insurance
Photocopier machines	118	(62)	56	30	(26)	Negotiation	Arham Business Solution
Air conditioners	353	(314)	39	101	62	Negotiation	Muhammad Yousuf
Philips LCD 42"	40	(36)	4	4	-	Negotiation	Rafaqat
Photocopier machine	245	(244)	1	15	14	Negotiation	Document Solution
Air conditioner 1.5 Ton	110	(58)	52	8	(44)	Negotiation	Muhammad Imran
Air conditioner 1.5 Ton	110	(58)	52	8	(44)	Negotiation	Muhammad Imran
Air conditioner Finance 1.5 Ton	110	(58)	52	8	(44)	Negotiation	Muhammad Imran
Air conditioner 1.5 Ton	110	(58)	52	8	(44)	Negotiation	Muhammad Imran
	2,538	(2,079)	459	354	(105)		
Computer equipment							
Various PCs and Printers	312	(311)	1	4	3	Negotiation	Abdul Sattar
Lenovo	41	(41)	-	5	5	Insurance claim	Alfalah Insurance
Various printers/PCs/server machines	2,377	(2,353)	24	20	(4)	Negotiation	Muhammad Imran
Laptop Dell 5110 # 105	47	(47)	-	15	15	Company policy	Shahbaz Haider Agha *
	2,777	(2,752)	25	44	19		

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Particulars of the assets	Cost	Accumulated depreciation	Book value	Sale proceeds	Net gain / (loss)	Mode of disposal	Particulars of purchaser
	------------------------------(Rupees in '000)				-------------------------		
Motor vehicles-Own							
Honda civic	2,655	(1,283)	1,372	2,094	722	Company policy	Pervaiz Nadir *
Honda civic	2,839	(379)	2,460	2,839	379	Company policy	Pervaiz Nadir *
Honda City aspire	2,091	(244)	1,847	2,091	244	Company policy	Ahmed Zia *
Suzuki wagon-R	1,109	(129)	980	1,109	129	Company policy	Muhammad Javed *
Toyota corolla altis	2,074	(1,383)	691	1,150	459	Company policy	Athar Chaudhry *
Toyota vitz	1,207	(685)	522	742	220	Company policy	Muhammad Akram *
Toyota Corolla altis grande	2,475	(1,361)	1,114	1,903	789	Company policy	Khurram Ikram *
Suzuki wagon-R	1,106	(147)	959	1,105	146	Company policy	Syed Ahsan Ali *
Suzuki wagon-R	1,106	(129)	977	1,106	129	Company policy	Faisal Siddiq *
Suzuki swift	1,495	(174)	1,321	1,495	174	Company policy	Murid Abbas *
Suzuki swift	1,495	(175)	1,320	1,495	175	Company policy	Shakeel Ahmed *
Honda CD 70	68	(12)	56	64	8	Insurance claim	Alfalah Insurance
Suzuki alto	728	(728)	-	273	273	Company policy	Syed Zeeshan Rafiq *
Suzuki mehran	692	(680)	12	307	295	Company policy	Shakeel Ahmed *
Suzuki cultus	1,072	(1,072)	-	476	476	Company policy	Mohammad Iqbal *
Toyota corolla XLI	1,528	(1,528)	-	500	500	Company policy	Mustafa Nafees *
Honda motorcycle 100CC	87	(87)	-	40	40	Company policy	Ashfaq Ahmed Khan *
Honda CG 125	102	(102)	-	54	54	Company policy	Wahab Zaidi *
Super power bike	42	(30)	12	10	(2)	Company policy	Muhammad Abid *
Unique UD 70	49	(30)	19	30	11	Company policy	Nishat Ahmed *
CD Dream bike	72	(35)	37	50	13	Insurance claim	Alfalah Insurance
	24,092	(10,393)	13,699	18,933	5,234		
Motor vehicles-Leased							
Toyota corolla altis	2,102	(794)	1,308	1,341	33	Company policy	Khurram Paul *
Total - December 31, 2018	33,191	(17,401)	15,790	20,805	5,015		
Total - December 31, 2017	23,932	(20,502)	3,430	11,997	8,567		

* These represent persons in employment of the company.

5.1.2 The cost of fully depreciated property and equipment still in use amounts to 88.816 million (2017: Rs. 60.626 million).

	2018	2017
5.2 Capital Work-in-Progress	---- (Rupees in '000)	----
Advances to suppliers *	11,135	-
Others	4,932	492
	16,067	492

* This includes advances related to purchase of leased assets.

6 INTANGIBLE ASSETS

	2018									
	Cost				Accumulated Amortisation				Written Down Value as at December 31	Amortisation rate (% per annum)
	As at January 01	Additions	Disposals	As at December 31	As at January 01	Charge for the year	Disposals	As at December 31		
	---------------------------------				(Rupees in '000)			---------------------------------		
Computer Software	6,465	-	-	6,485	1,272	1,499	-	2,771	3,894	20%

	2017											
	Cost					Accumulated Amortisation					Written Down Value as at December 31	Amortisation rate (% per annum)
	As at January 01	Transferred as part of Scheme of Arrange-ment	Additions	Disposals	As at December 31	As at January 01	Transferred as part of Scheme of Arrange-ment	Charge for the year	Disposals	As at December 31		
	---------------------------------					(Rupees in '000)				---------------------------------		
Computer Software	-	2,110	4,355	-	6,465	-	-	1,272	-	1,272	5,193	20%

7 INVESTMENT PROPERTIES

	2018									
	Cost				Accumulated Depreciation				Written Down Value as at December 31, 2018	Useful life
	As at January 01	Additions	Disposals	As at December 31	As at January 01	Charge for the year	Disposals	As at December 31		
	---------------------------------				(Rupees in '000)			---------------------------------		
Buildings	185,285	-	-	185,285	5,939	9,592	-	15,531	169,754	20 years

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	2017										
	Cost				Accumulated Depreciation						
	As at January 01	Transferred as part of Scheme of Arrangement	Additions	Disposals	As at December 31	As at January 01	Charge for the year	Disposals	As at December 31	Written Down Value as at December 31, 2017	Useful life
	(Rupees in '000)										
Buildings	-	170,257	15,028	-	185,285	-	5,939	-	5,939	179,346	20 years

7.1 The market value of the investment properties is Rs. 845.885 million (2017: Rs. 692.903 million) as per valuation carried out by the independent professional valuer as at December 31, 2018.

8 INVESTMENTS IN EQUITY SECURITIES - MUTUAL FUNDS

	2018					2017				
	Number of units	Carrying value	(Impairment / provision)	Revaluation surplus / (deficit)	Market value	Number of units	Carrying value	(Impairment / provision)	Revaluation surplus / (deficit)	Market value
		(Rupees in '000)					(Rupees in '000)			
At fair value through profit or loss										
Alfalah GHP Stock Fund	355,961	45,000	-	(7,923)	37,077	-	-	-	-	-
HBL Stock Fund	399,361	45,000	-	(7,173)	37,827	-	-	-	-	-
MCB Pakistan Stock Market Fund	591,878	60,000	-	(9,978)	50,022	-	-	-	-	-
NAFA Stock Fund	3,845,299	59,870	-	(9,975)	49,895	-	-	-	-	-
UBL Stock Advantage Fund	828,454	60,000	-	(9,000)	51,000	-	-	-	-	-
	6,020,953	269,870	-	(44,049)	225,821	-	-	-	-	-

9 INVESTMENTS IN DEBT SECURITIES - PAKISTAN INVESTMENT BONDS AND MARKET TREASURY BILLS

Particulars	Maturity year	Effective yield % per annum	Profit payment	2018	2017
				(Rupees in '000)	
Held to maturity (note 9.1)					
Pakistan Investment Bonds	2021	13.08%	Semi-annual	14,643	14,726
Pakistan Investment Bonds	2022	11.24%	Semi-annual	1,021	14,551
Pakistan Investment Bonds	2020	13.98%	Semi-annual	24,323	23,915
Pakistan Investment Bonds	2022	11.99%	Semi-annual	60,508	60,525
Pakistan Investment Bonds	2019	13.22%	Semi-annual	14,880	1,028
Pakistan Investment Bonds	2022	12.76%	Semi-annual	10,961	10,914
Pakistan Investment Bonds	2019	6.34%	Semi-annual	194,329	195,552
				320,665	321,211
At fair value through profit or loss					
Treasury Bills	2019	10.30%	On maturity	75,574	-
Treasury Bills	2019	10.30%	On maturity	245,022	-
Treasury Bills	2019	10.30%	On maturity	48,113	-
Treasury Bills	2019	10.30%	On maturity	431,117	-
Pakistan Investment Bonds	2028	7.32%	Semi-annual	123,838	-
Pakistan Investment Bonds	2028	8.55%	Semi-annual	246,075	-
Pakistan Investment Bonds	2028	8.51%	Semi-annual	94,886	-
Pakistan Investment Bonds	2028	8.51%	Semi-annual	105,814	-
Pakistan Investment Bonds	2028	8.55%	Semi-annual	123,038	-
				1,493,477	-
Total market value-December 31, 2018				1,814,142	321,211
Total carrying value-December 31, 2018				1,824,846	321,211

9.1 The Pakistan Investment Bonds are placed as statutory deposit with the State Bank of Pakistan in accordance with the requirements of Clause (a) of sub-section 2 of section 29 of Insurance Ordinance, 2000 having market value of Rs 319.364 million (2017: Rs 339.538 million).

	Note	2018	2017
10 INVESTMENTS IN TERM DEPOSITS		(Rupees in '000)	
Held to maturity			
Deposits maturing within 12 months	10.1	525,000	960,000

10.1 These carry profit rate ranging from 9.5 % to 12 % per annum (2017: 5 % to 5.75 %) and have maturities upto March 2019.

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11	LOANS AND OTHER RECEIVABLES	Note	2018	2017
			---- (Rupees in '000) ----	
	Receivable from related parties	11.1	79,291	38,603
	Advances - considered good		9,043	5,671
	Security deposits		55,030	39,933
	Sales tax recoverable		35,350	19,475
	Accrued income on savings accounts and investments		45,429	13,688
	Others	11.2	62,747	21,371
			286,890	138,741

11.1 This includes receivables under group shared services.

11.2 These include a receivable from takaful operations amounting to Rs. 58.028 million in respect of Sindh Sales Tax as disclosed in note 21.4.

12	INSURANCE / REINSURANCE RECEIVABLES	Note	2018	2017
			---- (Rupees in '000) ----	
	Due from insurance contract holders-unsecured			
	- considered good		537,728	432,211
	- considered doubtful		120,338	102,741
			658,066	534,952
	Less: provision for impairment of receivables from insurance contract holders	12.3	(120,338)	(102,741)
		12.1 & 12.2	537,728	432,211
	Due from other insurer / reinsurer - unsecured			
	- considered good		563,442	269,603
	- considered doubtful		41,423	41,423
			604,865	311,026
	Less: provision for impairment of receivables from insurance contract holders	12.4	(41,423)	(41,423)
			563,442	269,603
			1,101,170	701,814

12.1 This includes an amount of Rs. 13.009 million (2017: Rs. 21.496 million) receivable from related parties.

12.2 The aggregate amount due by directors, chief executive and executives of the Company amounts to Rs 0.297 million (2017: Rs 0.355 million).

12.3	Provision for doubtful receivables	Note	2018	2017
			---- (Rupees in '000) ----	
	Opening		102,741	-
	Balance transferred as part of Scheme of Arrangement		-	83,894
	Provision made during the year		17,597	18,847
	Balance as at December 31		120,338	102,741

12.4	Provision for doubtful receivables		
	Opening	41,423	-
	Balance transferred as part of Scheme of Arrangement	-	41,423
	Provision made during the year	-	-
	Balance as at December 31	41,423	41,423

13 RETIREMENT BENEFITS OBLIGATIONS

13.1 Salient features

The Company offers an approved gratuity fund for all employees. Annual contributions are made to the fund on the basis of actuarial recommendations. The gratuity is governed under the Trust Act, 1882, the Trust Deed and the Rules of the Fund, the Income Tax Ordinance, 2001 , the Income Tax Rules, 2002 and the applicable local regulations. An actuarial valuation is carried out every year to determine the liability of the Company in respect of the benefit. The most recent valuation in this regard has been carried out as at December 31, 2018 using the Projected Unit Credit (PUC) Actuarial Cost Method as allowed under the International Accounting Standard (IAS) 19 - 'Employee Benefits' for valuation of the Fund.

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The Company faces the following risks on account of gratuity fund:

Final salary risks

The risk that the final salary at the time of cessation of service is greater than what was assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Asset volatility

Most assets are invested in risk free investments. However, investments in shares, are subject to adverse fluctuation as a result of change in market price.

Discount rate fluctuation

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plan's bond holdings.

Investment risks

The risk of the investment underperforming and not being sufficient to meet the liabilities. The risk is mitigated by closely monitoring the performance of investment.

Mortality risks

The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service / age distribution and the benefit.

Longevity risks

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Withdrawal risks

The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service / age distribution and the benefit.

13.1.1 Principal actuarial assumptions

	2018	2017
Valuation discount rate	13.75%	9.50%
Valuation discount rate for statement of comprehensive income	9.50%	9.50%
Salary increase rate - *short term*	13.75%	10.00%
Salary increase rate - *long term*	13.75%	9.50%
Return on plan assets	13.75%	9.50%
Duration	10.91 years	10.99 years
Normal retirement age	58	58
Withdrawal rate	Moderate	Moderate
Mortality rate	SLIC 2001-05	SLIC 2001-05
Next salary increase date	1-Jan-2019	1-Jan-2018

13.1.2 Amount recognised in statement of financial position

	2018	2017
	---- (Rupees in '000) ----	
Reconciliation		
Present value of defined benefit obligation	98,685	84,971
Less: fair value of plan assets	(77,468)	(72,552)
Payable to defined benefit plan	21,217	12,419
Movement in net liability / (asset) recognised		
Opening net liability	12,419	9,588
Expense for the year	11,658	9,829
Other comprehensive loss	7,451	1,795
Contributions	(10,311)	(8,793)
	21,217	12,419

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	2018	2017
	---- (Rupees in '000) ----	
Movement in present value of defined benefit obligation		
Opening	84,971	68,205
Current service cost	10,990	9,336
Interest cost	7,643	6,479
Benefits paid	(8,565)	-
Actuarial loss on obligation	3,646	951
Closing	98,685	84,971
Movement in the fair value of plan assets		
Opening	72,552	58,617
Expected return on plan assets	6,975	5,986
Contributions	10,311	8,793
Benefits paid	(8,565)	-
Actuarial loss on obligation	(3,805)	(844)
	77,468	72,552

13.1.3 Amount recognised in statement of comprehensive income

	2018	2017
Current service cost	10,990	9,336
Interest cost	668	493
Past service cost	-	-
Expense for the year	11,658	9,829

13.1.4 Amount recognised in other comprehensive income

	2018	2017
Remeasurement loss on obligation	3,646	951
Remeasurement loss on plan assets	3,805	844
	7,451	1,795

13.1.5 Actual return on plan assets

	2018	2017
Expected return on assets	6,975	5,142
Actuarial (loss) / gain	(3,805)	(844)
	3,170	4,298

13.1.6 Analysis of present value of defined benefit obligation

	2018	2017
Split by vested / non-vested		
(i) Vested benefits	98,685	84,971
(ii) Non-vested benefits	-	-
	98,685	84,971

13.1.7 Sensitivity analysis

	As at December 31, 2018			As at December 31, 2017		
	Change in assumption	Increase / (decrease) in present value of defined benefit obligation		Change in assumption	Increase / (decrease) in present value of defined benefit obligation	
		(%)	Rupees in '000		(%)	Rupees in '000
Discount rate	+1%	-10.09%	(9,954)	+1%	-10.13%	(8,604)
	-1%	11.74%	11,582	-1%	11.86%	10,079
Salary increase rate	+1%	12.12%	11,956	+1%	12.24%	10,397
	-1%	-10.57%	(10,427)	-1%	-10.60%	(9,011)
Life expectancy / withdrawal rate	+10%	-0.25%	(251)	+10%	-0.26%	(220)
	-10%	0.26%	256	-10%	0.26%	224

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant assumptions, same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability.

13.1.8 Plan assets comprise of the following:

	2018 Rupees in '000	Percentage composition	2017 Rupees in '000	Percentage composition
Equity investments	14,526	18.75%	14,869	20.49%
Cash and bank deposits	16,809	21.70%	9,045	12.47%
Government securities	46,133	59.55%	48,638	67.04%
Fair value of plan assets	77,468	100.00%	72,552	100.00%

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13.1.9 As per the actuarial recommendations, the expected return on plan assets was taken as 13.75% (2017: 9.50%), which is representative of yields on long-term Government bonds. Due to the increased volatility of share prices in recent months, there is no clear indication of return on equity. It is therefore assumed that the yield on equity matches the return on debt.

Based on actuarial advice, the Company intends to charge an amount of Rs 14.923 million in the financial statements for the year ending December 31, 2019.

The Expected Contribution for the next one year should take into account the maximum annual contribution limit set by the Income Tax Rules, 2002 i.e. the basic payroll of the last month of the financial year end. If the contribution exceeds the limit defined in the Income Tax Rules, the Company may apply to the Commissioner of Inland Revenue (CIR) for special contribution for the excess amount. The Expected Gratuity Expense is around 9.18% of annual salary which is greater than the maximum allowable limit of 8.33%. Therefore, the Company may contribute up to Rs. 13.544 million during 2019.

13.1.10 Expected maturity analysis of undiscounted defined benefit obligation for the gratuity scheme is as follows:

	Less than a year	Between 1-2 Years	Between 2-5 years	Over 5 years	Total
	(Rupees in '000)				
At December 31, 2018					
Gratuity	1,960	3,768	31,334	665,217	702,279
At December 31, 2017					
Gratuity	4,347	1,738	17,200	287,336	310,621

13.1.11 **5 year data on the deficit / (surplus) of the plan is as follows:**

	2018	2017	2016	2015	2014
	(Rupees in '000)				
Present value of defined benefit obligation	98,685	84,971	-	-	-
Fair value of plan assets	(77,468)	(72,552)	-	-	-
Deficit / (surplus)	21,217	12,419	-	-	-

13.2 DEFINED CONTRIBUTION PLAN - PROVIDENT FUND

The Company has set up a provident fund for its permanent employees and contributions were made by the Company to the Trust in accordance with the requirements of Section 218 of the Companies Act, 2017. The total charge against provident fund for the year ended December 31, 2018 was Rs. 13.251 million . The net assets based on unaudited financial statements of Provident Fund as at June 30, 2018 are Rs. 96.069 million out of which 83.1% were invested in different financial instruments categories as provided in Section 218 of the Companies Act, 2017 and the rules formulated therein. The carrying value of the investments of the provident fund as at June 30, 2018 (unaudited) was Rs. 100.01 million. The above investments out of 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.

	30-Jun-2018 (un-audited)		30-Jun-2017 (audited)	
	Rupees in '000	% of the size of the fund	Rupees in '000	% of the size of the fund
Government securities	59,676	59.67%	68,836	79.58%
Listed securities	4,860	4.86%	5,334	6.17%
Bank deposits	16,902	16.90%	12,330	14.25%
Mutual Funds	13,571	13.57%	-	0.00%
Term finance certificates	5,000	5.00%	-	0.00%
Total	100,009	100.00%	86,500	100%

13.3 STAFF STRENGTH

	2018	2017
	(Number of employees)	
Number of employees as at December 31	176	149
Average number of employees during the year	176	149

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		Note	2018	2017
14	DEFERRED TAXATION		---- (Rupees in '000) ----	
	Deferred debits arising in respect of :			
	- Provision for doubtful receivables		46,911	45,248
	- Defined benefit plan		6,153	3,725
	- Unrealised loss on investments		15,878	-
	- Liabilities against assets subject to finance lease		34,475	23,471
			103,417	72,444
	Deferred credits arising due to			
	- Accelerated tax depreciation		(36,738)	(34,853)
	- Assets subject to finance lease		(33,979)	(23,689)
			(70,717)	(58,542)
			32,700	13,902

			2018	2017
15	PREPAYMENTS			
	Prepaid reinsurance premium ceded		613,174	481,956
	Others		32,003	27,736
			645,177	509,692

		Note	2018	2017
16	CASH AND BANK			
	Cash and cash equivalents			
	Policy stamps in hand		240	2,684
	Cash at bank			
	Current accounts		3,929	1,488,024
	Savings accounts	16.1	472,992	17,034
			476,921	1,505,058
			477,161	1,507,742

16.1 The balances in savings accounts carry mark-up ranging between 6.5% to 10% (2017: 3.5% to 4.75%) per annum.

		Note	2018	2017
16.2	**Cash and cash equivalents for the purpose of statement of cash flows:**		---- (Rupees in '000) ----	
	Cash and cash equivalents		477,161	1,507,742
	Term deposits	10.1	525,000	960,000
			1,002,161	2,467,742

17 During the year, the Company has issued 41,738,400 fully paid shares of Rs. 10 each to IGI Holdings Limited - Parent Company as disclosed in note 1.2 (formerly IGI Insurance Limited) in accordance with the Scheme of Arrangement (under sections 284 to 288 of the Companies Act, 2017) sanctioned by the High Court of Sindh through its order dated December 16, 2017. The Company is a wholly owned subsidiary of IGI Holdings Limited.

		Note	2018	2017
18	BORROWINGS		---- (Rupees in '000) ----	
	Liabilities against assets subject to finance lease	18.1	118,881	78,235
	Current portion		24,265	13,339
	Non-current portion		94,616	64,896
			118,881	78,235

18.1 **Liabilities against assets subject to finance lease**

	2018			2017		
	Minimum Lease Payments	Financial charges	Principal outstanding	Minimum Lease Payments	Financial charges	Principal outstanding
	(Rupees in '000)					
Not later than one year	26,706	2,441	24,265	16,190	2,851	13,339
Later than one year and not later than five years	106,260	11,644	94,616	70,220	5,324	64,896
	132,966	14,085	118,881	86,410	8,175	78,235

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The Company has entered into lease agreements with various leasing companies for lease of motor vehicles. The liabilities under these agreements are payable by the year 2019 - 2023 and are subject to finance charge at rates ranging from 4.45% - 7.16% per annum.

The Company intends to exercise its option to purchase these assets upon the termination of the lease term. The cost of operating and maintaining the leased assets is borne by the Company.

		Note	2018	2017
			---- (Rupees in '000) ----	
19	**INSURANCE / REINSURANCE PAYABLES**			
	Due to other insurers / reinsurers		703,314	347,883
20	**OTHER CREDITORS AND ACCRUALS**			
	Agent commission payable		154,728	124,347
	Cash margin		265,036	219,424
	Federal excise duty		29,177	21,656
	Federal insurance fee		1,977	1,397
	Workers' Welfare Fund	20.1	-	66,618
	Accrued expenses		136,104	97,684
	Others		146,909	153,198
			733,931	684,324

20.1 The Finance Act, 2008 had introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) as a result of which it was construed that all industrial establishments whose income exceeded Rs. 0.5 million in a tax year were brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever was higher. In light of this, the Company filed a constitutional petition in the Honourable Sindh High Court (SHC) challenging the applicability of WWF which is pending adjudication. However, these decisions were challenged in the Supreme Court of Pakistan.

On November 10, 2016 the Supreme Court of Pakistan (SCP) passed a judgment declaring the amendments made in the Finance Acts 2006 and 2008 pertaining to WWF as illegal citing that WWF was not in the nature of tax and could, therefore, not have been introduced through money bills. Accordingly, the aforesaid amendments were struck down by the SCP. The Federal Board of Revenue filed a petition in the SCP against the said judgment, which is pending hearing. While the petitions filed on the matter are still pending before the SHC, the Company have taken legal and tax opinions on the impact of the SCP judgment on the petition before the SHC. Both legal and tax advisors consulted were of the view that the judgment has removed the very basis on which the demands were raised against the Company. Therefore, there was no longer any liability against the Company under the WWF Ordinance and that all cases pending in the SHC or lower appellate forums will now be disposed of in light of the earlier judgment of the SCP.

In the current year, based on the above facts above and the advice sought from tax consultants, the management of the Company decided to reverse the provision against WWF from the years 2008 to 2012 amounting to Rs 66.618 million.

21 CONTINGENCIES AND COMMITMENTS

The following contingencies were transferred to and vested into IGI General Insurance Limited with effect from close of business on January 31, 2017 that have been retained by the Company as part of the scheme of arrangement:

21.1 The Company is defending a suit against it by M/s Nawaz Enterprises for recovery of Rs. 9.45 million on account of insurance claim. The management, based on a advice of the legal counsel, is confident that the outcome of the case is likely to be in favor of the Company.

21.2 The Company is defending a suit filed against it and the beneficiary by the Federation of Pakistan amounting to Rs. 4.929 million. The petition is pending for hearing before Civil Court judge. The management, based on a advice of the legal counsel, is hopeful that the outcome of the case is likely to be decided in favor of the Company.

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21.3 An appeal was filed before the Commissioner - Appeals, the Sindh Revenue Board (SRB) against the order passed by the Assistant Commissioner, SRB under section 23(1) of the Sindh Sales Tax on Services Act, 2011 for tax periods July 2011 to December 2012 in respect of re-insurance accepted transactions which was decided against the Company. The department alleged that the company provided re-insurance services to local insurance companies and demanded sindh sales tax on services under Sindh Sales Tax on Services Act, 2011. The Commissioner Appeals had decided the matter against the company. Against the order of the Commissioner - Appeals, further appeal had been filed before the Appellate Tribunal, SRB on January 16, 2015, which was also decided against the Company. The Company had filed an appeal in the Honourable High Court of Sindh which is pending adjudication. The management, based on a advice of the legal counsel, is hopeful that the outcome of the case will be decided in favor of the Company.

21.4 During the year, the Sindh Revenue Board (SRB) raised a demand of tax of Rs 430.412 million under section 23(1) of Sindh Sales Tax on Services Act (SSTA), 2011, in respect of sales tax on reinsurance obtained from foreign re-insurers by the Company. The department has also imposed a penalty of Rs 21.520 million.

The department alleged that the Company has received re-insurance services from foreign re-insurance companies for the period from July 2011 to December 2014 and it is the contention of the department that these services are liable to sales tax under SSTA, 2011. The department attached the Company's bank account and directed the Company's banker to issue pay orders to SRB. The pay orders of Rs 58.028 million from the Company's bank account were issued by the Company's banker on December 27, 2018 upon direction of SRB .

The Company has filed an appeal before the Commissioner Appeals on December 28, 2018 against the above order. The Company has also filed a constitutional petition before the Honourable High Court (the Court) of Sindh at Karachi on December 28, 2018 seeking protection from the above mentioned coercive action taken by the tax department. The Court has suspended the above mentioned attachment notice and also instructed the bank that the said pay orders should not be encashed.

The management in its first hearing before the Assistant Commissioner SRB has submitted that:

- The payments to foreign re-insurance companies are not a service and is merely a re-distribution of the insurance risk and therefore the insurance premium. There is no value addition involved since in essence it is a sharing of the insurance risk between the insurer and re-insurers. The Management believes that the gross premium charged by the insurer was already subject to Sales Tax on the gross amount, hence it is illogical to again subject it to sales tax upon its re-distribution keeping in view the fact that neither any service is being provided to the policy holder nor any value addition is being made.

- These services have been obtained by the Company from the re-insurance companies incorporated outside Pakistan with no legal or physical presence therefore it is the view that the provisions of Sindh Sales Tax laws are not applicable to these type of arrangements and are outside the jurisdiction of Sindh Sales Tax laws.

The management believes that even if it is assumed that Sindh Sales Tax on re-insurance provided to insurer / insurance companies is applicable, the law does not provide any mechanism for calculating the basis on which such tax will be imposed and its related payment and the same would have been claimed as adjustable input tax by the Company against its output tax liability.

The management, based on the advice received from their tax and legal advisors, is confident that this matter is likely to be decided in favour of the Company. The Company has recorded Rs 58.028 million as 'other receivable' in these financial statements.

21.5 The contingencies relating to taxation are given in note 29.2 to the financial statements.

22	NET INSURANCE PREMIUM	2018	2017
		---- (Rupees in '000) ----	
	Written gross premium	4,417,930	2,901,560
	Add: Unearned premium reserve - opening	1,185,547	-
	Add: Balances transferred under scheme of arrangement	-	1,227,094
	Less: Unearned premium reserve - closing	(1,503,062)	(1,185,547)
	Premium earned	4,100,415	2,943,107
	Less: Reinsurance premium ceded	(1,995,237)	(1,203,948)
	Add: Prepaid reinsurance premium ceded - opening	(481,956)	-
	Add: Balances transferred under scheme of arrangement	-	(575,975)
	Less: Prepaid reinsurance premium ceded - closing	613,174	481,956
	Reinsurance expense	(1,864,019)	(1,297,967)
		2,236,396	1,645,140

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		Note	2018	2017
			---- (Rupees in '000) ----	

23 NET INSURANCE CLAIMS

		Note	2018	2017
Claims paid			1,620,722	1,195,945
Add:	Outstanding claims (including IBNR) - closing	23.1	1,314,812	1,226,184
Less:	Balances transferred under scheme of arrangement		-	(902,330)
Less:	Outstanding claims (including IBNR) - opening		(1,226,184)	-
	Claims expense		1,709,350	1,519,799
Less:	Reinsurance and other recoveries received		(436,336)	(494,470)
	Add: Reinsurance and other recoveries in respect of outstanding claims - closing		(854,042)	(723,743)
Less:	Balances transferred under scheme of arrangement		-	631,658
	Less: Reinsurance and other recoveries in respect of outstanding claims - opening		723,743	-
	Reinsurance and other recoveries revenue		(566,635)	(586,555)
			1,142,715	933,244

23.1 Claims development tables

The following table shows the development of fire claims over a period of time. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments. For other classes of business the uncertainty about the amount and timings of claims payment is usually resolved within a year.

Analysis on gross basis

Accident year	2014	2015	2016	2017	2018	Total
	(Rupees in '000)					
Estimate of ultimate claims cost:						
At end of accident year	232,592	324,613	332,103	363,401	575,330	1,828,039
One year later	216,453	371,882	358,703	330,493		1,277,531
Two years later	220,697	370,112	303,642	-		894,451
Three years later	217,108	360,734	-	-		577,842
Four years later	78,974	-	-	-		78,974
Estimate of cumulative claims	78,974	360,734	303,642	330,493	575,330	1,649,173
Cumulative payments to date	(78,974)	(315,075)	(271,820)	(317,880)	(239,598)	(1,223,347)
Liability recognised in the statement of financial position	-	45,659	31,822	12,613	335,732	425,826

The above effects have been worked out on the assumption that increase / decrease in net claims expense pertains to individual segment in isolation.

		2018	2017
		---- (Rupees in '000) ----	

24 NET COMMISSION EXPENSE

		2018	2017
Commission paid or payable		508,265	338,903
Add:	Deferred commission expense - opening	127,569	-
Less:	Deferred commission expense - closing	(153,419)	(127,569)
	Net commission	482,415	211,334
Less:	Commission received or receivable	(435,423)	(290,002)
	Add: Unearned reinsurance commission - opening	(101,679)	-
	Add: Balances transferred under scheme of arrangement	-	(144,846)
	Less: Unearned reinsurance commission - closing	120,932	101,679
	Commission from reinsurers	(416,170)	(333,169)
		66,245	(121,835)

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		Note	2018	2017
			---- (Rupees in '000) ----	
25	**MANAGEMENT EXPENSES**			
	Employee benefit cost	25.1	387,843	316,170
	Rent, rates and taxes		37,598	30,269
	Electricity, gas		11,506	8,892
	Repairs and maintenance		5,512	4,385
	Education and training		2,558	5,399
	Computer expenses		9,420	4,530
	Communication		12,063	7,972
	Inspection fee		6,291	2,666
	Tracker / security locks		83,035	45,602
	Depreciation and amortisation	5, 6 and 7	71,851	58,342
	Provision for doubtful debts		17,597	18,847
	Motor car expenses		33,757	23,357
	Travelling expenses		27,062	29,611
	Representation expenses		8,909	7,153
	Printing and stationary		9,198	7,320
	Legal and professional		31,024	42,365
	Advertisement expenses		7,057	9,805
	Miscellaneous		2,652	2,288
			764,933	624,973
25.1	**Employee benefit cost**			
	Salaries, allowance and other benefits		362,472	296,821
	Charges for post employment benefit		25,371	19,349
			387,843	316,170
26	**INVESTMENT INCOME**			
	Income from equity securities			
	Held for trading			
	Dividend income		5,870	-
	Income from debt securities			
	Held for trading			
	Return on government securities		88,104	-
	Held to maturity			
	Return on government securities		27,860	14,587
	Income from term deposits			
	Return on term deposits		63,835	49,098
	Net realised gains / (losses) on investments			
	Held for trading financial assets			
	Equity securities		5,140	-
	Debt securities		(1,240)	-
	Net unrealised loss on investments			
	Held for trading financial assets			
	Equity securities		(44,049)	-
	Government securities		(10,704)	-
	Total investment income		134,816	63,685

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		Note	2018	2017
			---- (Rupees in '000) ----	
27	**OTHER INCOME**			
	Reversal of Workers' Welfare Fund	20.1	66,618	-
	Return on bank balances		7,395	352
	Gain on sale of fixed assets		5,015	8,567
	Exchange gain		4,048	-
	Miscellaneous		35	28
			83,111	8,947
28	**OTHER EXPENSES**			
	Group shared services expenses		7,680	23,910
	Insurance expense		11,362	10,596
	Repairs and maintenance		148	3,882
	Legal and professional		11,508	7,129
	Auditors' remuneration	28.1	11,490	2,952
	Donations		415	162
			42,603	48,631
28.1	**Auditor's remuneration**			
	Fee for statutory audit		1,150	1,150
	Fee for interim review		500	500
	Fee for audit of regulatory return		350	350
	Special certifications and sundry services		1,250	750
	Tax advisory and other consultancy services		8,018	-
	Out of pocket expenses		222	202
			11,490	2,952
29	**TAXATION**			
	For the year			
	Current		156,850	81,118
	Deferred		(16,637)	(6,199)
			140,213	74,919
29.1	**Relationship between tax expense and accounting profit**			
	Profit before tax		467,599	248,798
	Tax calculation at the rate of 29% (2017: 30%)		135,604	74,639
	Provision for impairment		1,740	-
	Effect of permanent differences		-	49
	Effect of items taxable under lower rates		-	231
	Change in tax rate		(463)	-
	Others		3,332	-
			140,213	74,919

29.2 **Taxation**

29.2.1 During the year, the Company has entered into a group taxation policy with its Parent Company under section 59AA of the Income Tax Ordinance, 2001 under which payments of tax are made through Parent Company.

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The income tax assessments of the Company have been finalised up to and including the tax year 2017. However, the Company has filed appeals in respect of certain assessment years which mainly relate to the following:

29.2.2 While finalising the assessment for the year 1999-2000 the Taxation Officer had not allowed credit for tax paid under section 54 amounting to Rs. 3 million for which rectification application is filed which is pending.

The Company has also filed applications in respect of certain mistakes made in the orders passed under section 124 of the Income tax Ordinance for 2001-2002 and 2002-2003. The applications filed were rejected by the T.O. against which appeals had been filed with the CIT (A) which are pending.

The Additional Commissioner of Income Tax (AC) has issued notice under section 122 (5A) of the Income Tax Ordinance, 2001 in respect of the tax year 2005 and 2006 whereby he has proposed to disallow claim of expenses and exemption in respect of gain on sale of shares and taxed income from associates. Against the above notice, the Company has filed a constitutional petition before the Honorable High Court. The regular hearing of petition is currently pending with the High Court.

29.2.3 In respect of tax year 2007, all significant issues involved amounting to Rs. 7 billion were decided in favor of the Company by CIR(A) and then by the ATIR. However, no appeal effect order has been passed. Further, certain matters amounting to Rs. 82 million that were remanded back to DCIR by the CIR(A) were not decided upon by the High Court. The Company has written a letter to the taxation officer for passing appeal effect orders. The department had filed Income Tax Reference Application before Honorable High Court of Sindh against the deletion of the addition made on account of re-characterisation of actual realized capital gain. The said Income Tax Reference Application was heard by Honorable High Court and the judgment has been passed in favour of the Company.

29.2.4 In case of tax year 2008, the Additional Commissioner Audit Division-11 had issued notice under section 122 (5A) of the Ordinance for passing an amended order on certain issues. The Company filed a writ petition before the High Court of Sindh which has restrained the department to take up the amended proceedings.

The additional Commissioner Audit zone III LTU Karachi issued another notice under section 122(5A) of the Ordinance in May 14, 2014 and passed an amended assessment order under section 122(5A) by disallowing provision for IBNR and allocation of expense against capital gains and dividend income. As a result of amended assessment demand of Rs. 63.166 million was created. Against the disallowances made by the ACIR, the Company has filed an appeal before the Commissioner Inland Revenue (Appeals) and also filed an application for stay of demand. Pursuant to the stay application, the CIR(A) has granted stay of demand to the Company. Against the above disallowance, the company filed an appeal before the learned Appellate Tribunal Inland Revenue. Further, the company challenged the assessment order on the ground that the assessment was barred by limitation of time. Moreover, the department filed a cross appeal before the ATIR challenging the relief granted by the CIR(A). The ATIR has decided both the appeals on the point of limitation of law as contained under section 122(2) of the Ordinance and have decided the appeal in favor of the company. Moreover, the departmental appeal has also been rejected being treated as infructuous. The department has filed a reference application before the Sindh High Court against the order of the ATIR which is pending adjudication.

Moreover, pursuant to the decision of the CIR(A), the ACIR has passed an appeal effect order duly incorporating the relief granted by the CIR(A) in respect of allocation of expenses and tax refundable of Rs. 18.030 million has been determined.

29.2.5 In case of tax year 2009, the Deputy Commissioner of Inland Revenue (DCIR) has passed the amended order under section 122(5A) of the Ordinance by disallowing provisions on account of IBNR, Unearned Commission and allocation of expenses relating to exempt income. As a result of amended assessment demand of Rs 141 million was created. The DCIR has made certain errors in the order for which application for rectification was filed. Rectified order under Section 221 has been passed and as a result demand has been reduced to Rs.51 million. The learned CIR(A) has granted partial relief in respect of certain issue and confirmed certain disallowances. The company filed further appeal before the appellate tribunal inland revenue (ATIR) in respect of issues on which relief was not allowed by the CIR(A). The ATIR, pursuant to the appeals filed against the order of CIR(A), has now passed the order whereby the ATIR has confirmed disallowance made on account of provision for IBNR. Further issue of allocation of expenses against investment income has been remanded back to CIR(A). As regards, the issue of addition made on account of provision of unearned commission, the ATIR has upheld the decision of CIR(A) whereby disallowance made on this score is deleted. In respect of issues decided against the Company, a reference application was filed before honorable Sindh High Court where the IBNR issue has been decided in favor of the Company whereas remaining issues are pending adjudication.

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The Additional Commissioner Inland Revenue (ACIR) has passed an amended assessment order under section 122(5A) of the Ordinance wherein tax on dividend income, commission income and property income has been charged at corporate tax rate (i.e. 35% for the year) by treating such income as business income of the company under Fourth Schedule to the Ordinance. As a result of the amended assessment demand of Rs.31.420 million was created. The Company paid an amount of Rs.10 million and obtained stay from the Commissioner Inland Revenue till 31 August 2015 in respect of payment of the remaining tax demand of Rs.21.420 million. Further, against the above treatment meted out by the ACIR, the Company has filed an appeal before the Commissioner Inland Revenue (Appeals) which is pending adjudication. The Company also filed a petition against the said order before the Honorable Sindh High Court which was disposed off with the directions that no coercive measures taken by the Tax Authorities till the decision of the CIR(A) on the appeal filed which is pending adjudication.

29.2.6 In case of tax year 2010, the Additional Commissioner Inland Revenue (ACIR) has passed an amended assessment order under section 122(5A) of the Ordinance wherein tax on dividend and property income has been charged at corporate tax rate (i.e. 35% for the year) by treating such income as business income of the Company under Fourth Schedule to the Ordinance. Further, the ACIR has disallowed provision of IBNR under section 34(3) of the Ordinance. As a result of the amended assessment demand of Rs.93.445 million has been created. The Company has filed appeal and application for stay of tax demand before the CIR(A) against the above assessment order. The Company has also filed a petition against the said order before the Honorable Sindh High Court which is pending adjudication.

Pursuant to the appeal, the learned CIR(A) vide combined appellate order No.21 and 22/A-1 dated 10 March 2016 has decided all issues in favor of the company. The tax department has filed further appeal before the Appellate Tribunal Inland Revenue(ATIR) in respect of the issues on which relief was allowed by the CIR(A) which is pending adjudication.

29.2.7 In case of tax year 2011, the Additional Commissioner Inland Revenue (ACIR) has passed an amended assessment order under section 122(5A) of the Ordinance wherein tax on dividend and property income has been charged at corporate tax rate (i.e. 35% for the year) by treating such income as business income of the company under Fourth Schedule to the Ordinance. Further, the ACIR has also disallowed provision of IBNR, claim of brought forward loss for the tax year 2008 and refund adjustments for tax years 2004 and 2009 in the amended assessment order . Moreover, Workers' Welfare Fund @ 2% of the accounting profit for the year has also been levied. As a result of the amended assessment demand of Rs.142.414 million has been created. The Company has filed appeal and application for stay of tax demand before the CIR(A) against the above assessment order. The Company has also filed a petition against the said order before the Honorable Sindh High Court which is pending adjudication.

Pursuant to the appeal, the learned CIR(A) vide combined appellate order No. 21 & 22/A-1 dated 10 March 2016 has decided the following issues in favor of the Company-

(a) Chargeability of tax on dividend income and property income at corporate tax rate;

(b) Provision for IBNR;

(c) Levy of Workers' welfare fund for the year.

As regards, credit/adjustment of refunds available to the company, the CIR(A) has remanded back the issue with the directions to verify the claim of refunds and allow the adjustment as per law. The tax department has filed further appeal before the Appellate Tribunal Inland Revenue(ATIR) in respect of the issues on which relief was allowed by the CIR(A) which is pending adjudication.

29.2.8 In case of tax year 2012, the Additional Commissioner Inland Revenue (ACIR) has passed an amended assessment order under section 122(5A) of the Ordinance wherein tax on dividend and property income has been charged at corporate tax rate (i.e. 35% for the year) by treating such income as business income of the company under Fourth Schedule to the Ordinance. Further, the ACIR has also disallowed provision of IBNR amounting to Rs. 33 million in the amended assessment order. As a result of the amended assessment, demand of Rs. 106.563 million was created. The company has obtained stay from the Honorable Sindh High court in respect of the above tax demand. Further, against the aforesaid order, the Company also filed an appeal before CIR(A) which is pending adjudication. The stay from the Honorable Sindh High Court has been disposed off subsequently with the directions that no coercive measures taken by the Tax Authorities till the decision of the CIR(A) on the appeal filed which is pending adjudication.

29.2.9 In case of tax year 2013, the Additional Commissioner Inland Revenue (ACIR) has passed an amended assessment order under section 122(5A) of the Ordinance wherein tax on dividend and property income has been charged at corporate tax rate (i.e. 35% for the year) by treating such income as business income of the company under Fourth Schedule to the Ordinance. Further, the ACIR has also disallowed provision of IBNR, claim of brought forward loss for the tax year 2012 and has also made an addition on account of disposal of fixed assets at less than fair market value(FMV) in the amended assessment order . As a result of the amended assessment, demand of Rs. 95.008 million was created. Against the aforesaid order, the company has filed an appeal before CIR(A). Pursuant to the appeal, the learned CIR(A) vide appellate order No. 10/A-1 dated 05 October 2016 has decided the following issues in favor of the Company:

(a) Chargeability of tax on dividend income and property income at corporate tax rate;
(b) Provision for IBNR amounting to Rs. 33 million;
(c) Addition on account of disposal of fixed assets.

Further the CIR(A) has remanded back the issues in respect of adjustment of brought forward loss for the tax year 2012 and credit of workers' welfare fund paid with the return of income. The tax department has filed further appeal before the Appellate Tribunal Inland Revenue(ATIR) in respect of the issues on which relief was allowed by the CIR(A) which is pending adjudication.

29.2.10 In case of tax year 2014, case of the Company was selected for audit under section 177 of the ordinance and subsequently, the Deputy Commissioner Inland Revenue (DCIR) has passed an amended assessment order under section 122(1) of the Ordinance wherein tax on dividend income has been charged at corporate tax rate (i.e. 34% for the year) by treating such income as business income of the company under Fourth Schedule to the Ordinance. Further, the ACIR has also disallowed provision of IBNR and has also made an addition on account of disposal of fixed assets at less than Fair Market Value(FMV) and motor car expenses paid in cash under section 21(l) in the amended assessment order. As a result of the amended assessment, demand of Rs. 148.444 million was created. The Company has obtained stay from the honorable Sindh High court in respect of the above tax demand. Further, against the aforesaid order, the Company has also filed an appeal before CIR(A) which is pending adjudication.

29.2.11 In case of tax year 2015, the Additional Commissioner Inland Revenue (ACIR) has passed an amended assessment order under section 122(5A) of the Ordinance wherein tax on dividend and property income has been charged at corporate tax rate (i.e. 33% for the year) by treating such income as business income of the Company under Fourth Schedule to the Ordinance. Further, the ACIR has levied Super tax under section 4B of the ordinance amounting to Rs. 27.743 million and Workers' Welfare Fund for the year. As a result of the amended assessment, demand of Rest. 234.287 million was created. The Company has obtained stay from the honorable Sindh High court in respect of the above tax demand. Further, against the aforesaid order, the Company has also filed an appeal before CIR(A) which is pending adjudication. The stay from the Honorable Sindh High Court has been disposed off subsequently with the directions that no coercive measures taken by the Tax Authorities till the decision of the CIR(A) on the appeal filed which is pending adjudication.

The ACIR also passed an order under section 221 of the Ordinance charging Super tax under section 4B amounting to Rs 27.912 million. Without prejudice to the stance in appeal, the company made payment of Rs 20.000 million in respect of the Super tax liability under section 4B whereas the remaining Super tax demand of Rs 7.913 million was adjusted against the refund of tax year 2008. The company filed an application with the ACIR requesting to annul the order based on various legal grounds, however, no order was passed in this regard. Moreover, the company also filed an appeal before the CIR(A) in respect of the order passed under section 221 of the Ordinance. Pursuant to the above appeal, the CIR(A) passed the appellate order wherein the action of the ACIR in charging super tax under section 221 of the Ordinance was annulled. The company has written a letter to the concerned taxation officer for passing appeal effect order in line with the appellate order passed by the CIR(A), which is pending. The tax department has also filed further appeal before the ATIR against the order passed by the CIR(A), which is pending adjudication.

29.2.12 The case for tax year 2015 was further selected for audit under section 177 of the Ordinance. The company submitted all the information requested through the Information and Document Request (IDR) pursuant to which a show-cause notice was issued in December 2017. The company has submitted its response in respect of the issues raised in the show-cause notice, however, no assessment order has yet been passed.

In case of tax year 2016, the Additional Commissioner Inland Revenue (ACIR) has passed an amended assessment order under section 122(5A) of the Ordinance wherein tax on dividend income has been charged at corporate tax rate (i.e. 32% for the year) by treating such income as business income of the company under Fourth Schedule to the Ordinance. Further, the ACIR has disallowed the claim of expense on account of health administrative services under section 21(c) of the ordinance and has also made an addition on account of disposal of fixed assets at less than Fair Market Value(FMV) in the amended assessment order. As a result of the amended assessment, demand of Rs. 206.542 was created. The Company has filed stay application in respect of the above tax demand in the Honorable High Court of Sindh and also filed an appeal against the aforesaid order before the CIR(A) which are pending adjudication.

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The management and tax advisor of the Company are confident that the above matters will be decided in the Company's favor. Accordingly, no provision has been recognised in these financial statements.

30 COMPENSATION FOR DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Fee for attending board meeting	-	-	2,750 *	1,425 *	-	-
Managerial remuneration	12,270	9,780	1,350	1,980	100,066	72,680
Bonus	13,398	10,860	-	-	43,132	29,995
Retirement benefits (including provident fund)	2,129	1,697	-	-	17,361	12,610
Housing and utilities	6,841	5,459	-	-	56,809	41,520
Medical expenses	1,227	978	-	-	7,519	5,371
Conveyance allowance	446	588	-	-	12,975	9,880
Others	3,011	6,324	-	-	5,747	6,322
	39,322	35,686	4,100	3,405	243,609	178,378
Number of persons	1	1	6	6	73	60

30.1 Chief Executive and executives of the Company are provided with Company maintained cars and residential telephones.

* This includes fee for attending Board meeting of all the six directors.

31 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of Holding Company, associates, related group companies, directors of the Company, key management personnel, post employment benefit plans and other related parties. The Company in the normal course of business carries out transactions with various related parties at agreed / commercial terms and conditions. Amounts due to / from and other significant transactions, other than those disclosed else where in these condensed interim financial statements, are as follows:

	Parent		Post employment benefit plans		Key management personnel (including directors)		Other related parties	
	2018	2017	2018	2017	2018	2017	2018	2017
	(Rupees in '000)		(Rupees in '000)		(Rupees in '000)		(Rupees in '000)	
Transactions								
Premium underwritten	-	-	-	-	540	73	344,681	218,956
Premium collected	-	-	-	-	599	479	446,313	404,117
Claims expense	-	-	-	-	118	174	26,782	54,688
Commission expense	-	-	-	-	-	-	15,507	17,358
Commission paid	-	-	-	-	-	-	17,668	16,422
Rental income	-	-	-	-	-	-	31,488	21,627
Key management personnel compensation	-	-	-	-	287,031	122,953	-	-
Charge in respect of gratuity fund	-	-	12,120	9,129	-	-	-	-
Charge in respect of provident fund	-	-	13,251	10,219	-	-	-	-
Contribution to gratuity fund	-	-	10,311	8,093	-	-	-	-
Contribution to provident fund	-	-	13,251	10,219	-	-	-	-
Insurance premium paid	-	-	-	-	-	-	4,473	3,199
Rent paid	-	-	-	-	-	-	1,309	-
Dividend paid	163,063	-	-	-	-	-	-	-
Balances								
Premium receivable	-	-	-	-	297	144	18,058	21,496
Commission payable	-	-	-	-	-	-	4,355	5,234
Dividend payable	-	-	-	-	-	-	-	-
Investment in shares	-	-	-	-	-	-	-	-
Other receivable	-	6,639	-	-	-	-	137,499	43,581
Payable to gratuity fund	-	-	(21,217)	(12,419)	-	-	-	-
Payable to provident fund	-	-	(3,661)	(4,027)	-	-	-	-

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32 SEGMENT REPORTING

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

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

Particulars	2018					
	Fire and property Damage	Marine, Aviation and Transport	Motor	Accident and Health	Miscellaneous	Total
	(Rupees) in '000					
Premium receivable (inclusive of Sindh sales tax, federal insurance fee and administrative surcharge)	1,391,928	621,079	1,628,318	378,075	1,065,361	5,084,761
Less: Federal Excise Duty	(177,313)	(74,986)	(214,835)	(6,061)	(134,460)	(607,655)
Federal Insurance Fee	(11,639)	(5,286)	(13,986)	(3,682)	(9,159)	(43,752)
Stamp duty	(34)	(13,035)	(594)	(2)	(1,759)	(15,424)
Gross written premium (inclusive of administrative surcharge)	1,202,942	527,772	1,398,903	368,330	919,983	4,417,930
Gross direct premium	1,196,997	518,245	1,356,605	367,705	910,982	4,350,534
Administrative surcharge	5,945	9,527	42,298	625	9,001	67,396
	1,202,942	527,772	1,398,903	368,330	919,983	4,417,930
Insurance premium earned	1,142,155	518,239	1,232,679	324,680	882,662	4,100,415
Insurance premium ceded to reinsurers	(966,853)	(276,349)	(13,702)	-	(607,115)	(1,864,019)
Net insurance premium	175,302	241,890	1,218,977	324,680	275,547	2,236,395
Commission income	227,954	105,468	955	-	81,793	416,170
Net underwriting income	403,256	347,358	1,219,932	324,680	357,340	2,652,566
Insurance claims	(361,243)	(167,322)	(552,670)	(305,625)	(322,490)	(1,709,350)
Insurance claims recovered from reinsurers	263,676	82,010	1,304	-	219,645	566,635
Net Claims	(97,567)	(85,312)	(551,366)	(305,625)	(102,845)	(1,142,715)
Commission expense	(133,054)	(62,963)	(147,714)	(16,066)	(122,617)	(482,415)
Management expenses	(208,281)	(91,380)	(242,210)	(63,774)	(159,288)	(764,933)
Net Insurance claims and expenses	(438,902)	(239,655)	(941,290)	(385,465)	(384,751)	(2,390,063)
Premium Deficiency	-	-	-	(20,503)	-	(20,503)
Underwriting result	(35,646)	107,703	278,642	(60,785)	(27,411)	242,000
Net investment income						134,816
Rental income						31,766
Other income						83,111
Other expenses						(42,603)
Result of operating activities						449,090
Finance cost						(5,168)
Profit from window takaful operations						23,677
Profit before tax						467,599
Segment assets	1,115,326	278,362	437,384	100,152	790,581	2,721,805
Unallocated assets	-	-	-	-	-	3,994,233
Assets of Window Takaful Operations - Operator's Fund						142,357
						6,858,395
Segment liabilities	1,134,490	324,583	1,032,419	295,812	855,299	3,642,603
Unallocated liabilities	-	-	-	-	-	894,533
Total liabilities of Window Takaful Operations - Operator's Fund						71,220
						4,608,356

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Particulars	Fire and property Damage	Marine, Aviation and Transport	Motor	Accident and Health	Miscellaneous	Total
	2017					
	(Rupees) in '000					
Premium receivable (inclusive of Sindh sales tax, federal insurance fee and administrative surcharge)	916,932	435,135	1,017,540	258,038	723,450	3,351,095
Less: Federal Excise Duty	(117,651)	(51,916)	(133,681)	(7,652)	(98,778)	(409,678)
Federal Insurance Fee	(7,726)	(3,686)	(8,698)	(2,488)	(6,101)	(28,699)
Stamp duty	(27)	(8,950)	(316)	(2)	(1,863)	(11,158)
Gross written premium (inclusive of Administrative Surcharge)	791,528	370,583	874,845	247,896	616,708	2,901,560
Gross direct premium	788,877	365,109	844,807	248,318	608,981	2,856,092
Administrative surcharge	4,554	7,465	25,361	472	7,616	45,468
	793,431	372,574	870,168	248,790	616,597	2,901,560
Insurance premium earned	904,320	410,099	852,003	215,203	561,482	2,943,107
Insurance premium ceded to reinsurers	(740,515)	(221,023)	(5,111)	-	(331,318)	(1,297,967)
Net insurance premium	163,805	189,076	846,892	215,203	230,164	1,645,140
Commission income	166,658	95,060	23	-	71,428	333,169
Net underwriting income	330,463	284,136	846,915	215,203	301,592	1,978,309
Insurance claims	(401,487)	(246,162)	(432,922)	(198,037)	(241,191)	(1,519,799)
Insurance claims recovered from reinsurers	322,299	170,051	-	-	94,205	586,555
Net claims	(79,188)	(76,111)	(432,922)	(198,037)	(146,986)	(933,244)
Commission expense	(52,575)	(42,560)	(46,163)	(5,755)	(64,281)	(211,334)
Management expenses	(169,931)	(79,795)	(186,366)	(53,284)	(135,597)	(624,973)
Net insurance claims and expenses	(301,694)	(198,466)	(665,451)	(257,076)	(346,864)	(1,769,551)
Underwriting result	28,769	85,670	181,464	(41,873)	(45,272)	208,758
Net investment income						63,685
Rental Income						22,117
Other income						8,947
Other expenses						(48,631)
Result of operating activities						254,876
Finance costs						(3,539)
Loss from window takaful operations						(2,539)
Profit before tax						248,798
Segment assets	959,302	228,086	323,503	82,021	630,515	2,223,427
Unallocated assets	-	-	-	-	-	3,456,925
Assets of Window Takaful Operations - Operator's Fund						64,186
						5,744,538
Segment liabilities	1,042,393	280,315	847,045	246,310	801,956	3,218,019
Unallocated liabilities	-	-	-	-	-	418,788
Total liabilities of Window Takaful Operations - Operator's Fund						16,725
						3,653,532

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33 MOVEMENT IN INVESTMENTS

	2018		
	Held to maturity	Fair value through P&L	Total
	(Rupees in '000)		
As at January 1, 2018	1,281,210	-	1,281,210
Additions	-	8,447,271	8,447,271
Disposals (sale and redemptions)	(435,000)	(6,737,111)	(7,172,111)
Fair value net gains (excluding net realised gains)	-	(54,753)	(54,753)
Amortisation of premium / discount	(545)	63,891	63,346
Total	845,665	1,719,298	2,564,963

	2017		
	Held to maturity	Fair value through P&L	Total
	(Rupees in '000)		
Balances transferred under scheme of arrangement	125,118	-	125,118
Additions	1,153,999	-	1,153,999
Disposals (sale and redemptions)	-	-	-
Fair value net gains (excluding net realised gains)	-	-	-
Amortisation of premium / discount	2,093	-	2,093
Total	1,281,210	-	1,281,210

34 MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

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

34.1 Insurance risk

The Company accepts the insurance risk through its insurance contracts where it assumes the risk of loss from persons or organizations that are directly subject to the underlying loss. The Company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts. The Company manages its risk via its underwriting and reinsurance strategy within an overall risk management framework. Exposures are managed by having documented underwriting limits and criteria. Reinsurance is purchased to mitigate the effect of potential loss to the Company from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Reinsurance policies are written with approved reinsurers on either a proportional or excess of loss treaty basis.

Further, the Company adopts strict claim review policies including active management and prompt pursuing of the claims, regular detailed review of claim handling procedures and frequent investigation of possible false claims to reduce the insurance risk.

Concentration of insurance risk

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

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

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

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The ability to manage catastrophic risk is tied to managing the density of risk within a particular area. For catastrophic aggregates, the IT system also assigns precise geographic CRESTA (Catastrophe Risk Evaluating and Standardising Target Accumulations) codes with reference to the accumulation of sums insured in force at any particular location against natural perils. A risk management solution is implemented to help assess and plan for risk in catastrophic scenarios. It provides a way to better visualise the risk exposures so the Company determines the appropriate amount of reinsurance coverage to protect the business portfolio.

For Marine risks, complete underwriting details, besides sums insured and premiums, like vessel identification, voyage input (sea / air / inland transit), sailing dates, origin and destination of the shipments, per carry limits, etc. are fed into the IT system. The reinsurance module of the IT system is designed to satisfy the requirements as laid down in the proportional treaty agreement. Shipment declarations are also endorsed on the policies. Respective reinsurance cessions are automatically made upon the posting of policy documents.

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

34.1.2 Reinsurance arrangements

Keeping in view the maximum exposure in respect of key zone aggregates, a number of proportional and non-proportional reinsurance arrangements are in place to protect the net account in case of a major catastrophe. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional treaty, accumulated losses on net account can also be recovered from the non-proportional treaty which is very much in line with the risk management philosophy of the Company.

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

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

	2018		
	Maximum sum insured	Reinsurance cover	Highest net liability
	(Rupees in '000)		
Fire and property damage	36,067,249	35,917,249	150,000
Marine, aviation and transport	17,608,304	14,086,643	3,521,661
Motor	74,555	-	74,555
Health	2,740,936	-	2,740,936
Miscellaneous	10,000,000	9,945,000	55,000
Window Takaful Operations	4,933,898	4,719,898	214,000
	71,424,942	64,668,790	6,756,152

	2017		
	Maximum sum insured	Reinsurance cover	Highest net liablity
	(Rupees in '000)		
Fire and property damage	37,272,240	37,230,977	41,263
Marine, aviation and transport	12,077,761	5,193,437	6,884,324
Motor	74,555	-	74,555
Health	1,000	-	1,000
Miscellaneous	13,500,000	8,100,000	5,400,000
Window Takaful Operations	6,254,766	5,863,987	390,779
	69,180,322	56,388,401	12,791,921

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

	2018		
	Gross liabilities	Gross assets	Net liabilities / (assets)
	(Rupees in '000)		
Fire and property damage	1,134,490	1,115,326	19,164
Marine, aviation and transport	324,583	278,362	46,221
Motor	1,032,419	437,384	595,035
Health	295,812	100,152	195,660
Miscellaneous	855,299	790,581	64,718
Window Takaful Operations	235,962	126,064	109,898
	3,878,565	2,847,869	1,030,696

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	2017		
	Gross liabilities	Gross assets	Net liabilities / (assets)
	(Rupees in '000)		
Fire and property damage	1,042,393	959,302	83,091
Marine, aviation and transport	280,315	228,086	52,229
Motor	847,045	323,504	523,541
Health	246,310	82,021	164,289
Miscellaneous	801,956	630,515	171,441
Window Takaful Operations	62,706	39,153	23,553
	3,280,725	2,262,581	1,018,144

34.1.3 Uncertainty in the estimation of future claims payment

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

An estimated amount of the claim is recorded immediately on intimation to the Company. The estimation of the amount is based on the amount notified by the policy holder, management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims. For the estimation of provision of claims incurred but not reported (IBNR), the Company uses actuarial advice as more fully explained in note 3.7 to these financial statements.

There are several variable factors which affect the amount and timing of recognised claim liabilities. However, the management considers that uncertainty about the amount and timing of claim payments is generally resolved within a year. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from recognised amounts.

34.1.4 Key assumptions

The principal assumption underlying the liability estimation of IBNR and premium deficiency reserve is that the Company's future claim development will follow similar historical pattern for occurrence and reporting. The management uses qualitative judgment to assess the extent to which past occurrence and reporting pattern will not apply in future. The judgment includes external factors e.g. treatment of one-off occurrence claims, changes in market factors, economic conditions, etc.

34.1.5 Sensitivities

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

	Effect of 10% increase in claims		Effect of 10% decrease in claims	
	Profit and Loss account	Equity	Profit and Loss account	Equity
	(Rupees in '000)			
Fire and property damage	(6,927)	(6,927)	6,927	6,927
Marine, aviation and transport	(6,057)	(6,057)	6,057	6,057
Motor	(39,147)	(39,147)	39,147	39,147
Health	(21,699)	(21,699)	21,699	21,699
Miscellaneous	(7,302)	(7,302)	7,302	7,302
Window Takaful Operations	(3,667)	(3,667)	3,667	3,667
	(84,799)	(84,799)	84,799	84,799

34.2 Financial risk

(i) Market risk

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

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(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest / mark-up rate risk in respect of the following:

	2018							
	Interest Rates	Interest / mark-up bearing			Non-interest / mark-up bearing			Total
		Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
		(Rupees in '000)						
Financial assets								
Cash and bank	6.5% - 10%	472,992	-	472,992	3,929	-	3,929	476,921
Investments	7.32%-10.31%	525,000	1,014,316	1,539,316	1,025,647	-	1,025,647	2,564,963
Premium due but unpaid		-	-	-	537,728	-	537,728	537,728
Amounts due from other insurers / reinsurers - unsecured		-	-	-	563,442	-	563,442	563,442
Reinsurance recoveries against outstanding claims		-	-	-	854,042	-	854,042	854,042
Loans and other receivables		-	-	-	251,540	-	251,540	251,540
Salvage recoveries accrued		-	-	-	46,148	-	46,148	46,148
Window Takaful Operations - total assets		-	-	-	142,357	-	142,357	142,357
		997,992	1,014,316	2,012,308	3,424,833	-	3,424,833	5,437,141
Financial liabilities								
Provision for outstanding claims (including IBNR)		-	-	-	1,314,812	-	1,314,812	1,314,812
Amounts due to other insurers / reinsurers		-	-	-	703,314	-	703,314	703,314
Other creditors and accruals		-	-	-	702,777	-	702,777	702,777
Retirement benefit obligations		-	21,217	21,217	-	-	-	21,217
Borrowings	4.45% - 7.16%	24,265	94,616	118,881	-	-	-	118,881
Window Takaful Operations - total liabilities		-	-	-	71,220	-	71,220	71,220
		24,265	115,833	140,098	2,792,123	-	2,792,123	2,932,221
		973,727	898,483	1,872,210	632,710	-	632,710	2,504,920

	2017							
	Interest Rates	Interest / mark-up bearing			Non-interest / mark-up bearing			Total
		Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
		(Rupees in '000)						
Financial assets								
Cash and bank	3.5% - 4.75%	17,034	-	17,034	1,488,024	-	1,488,024	1,505,058
Investments	8.34%-13.22%	210,278	110,933	321,211	960,000	-	960,000	1,281,211
Premium due but unpaid		-	-	-	432,211	-	432,211	432,211
Amounts due from other insurers / reinsurers - unsecured		-	-	-	269,603	-	269,603	269,603
Reinsurance recoveries against outstanding claims		-	-	-	723,743	-	723,743	723,743
Salvage recoveries accrued					78,889	-	78,889	78,889
Loans and other receivables		-	-	-	119,266	-	119,266	119,266
Window Takaful Operations - total assets		-	-	-	64,186	-	64,186	64,186
		227,312	110,933	338,245	4,135,922	-	4,135,922	4,474,167
Financial liabilities								
Provision for outstanding claims (including IBNR)		-	-	-	1,226,184	-	1,226,184	1,226,184
Amounts due to other insurers / reinsurers		-	-	-	347,883	-	347,883	347,883
Accrued expenses		-	-	-	164,302	-	164,302	164,302
Sundry creditors		-	-	-	509,388	-	509,388	509,388
Liabilities against assets subject to finance lease	3.98% - 4.16%	64,896	13,339	78,235	-	-	-	78,235
Window Takaful Operations - total liabilities		-	-	-	73,072	-	73,072	73,072
		64,896	13,339	78,235	2,320,829	-	2,320,829	2,399,064
		162,416	97,594	260,010	1,815,093	-	1,815,093	2,075,103

Sensitivity analysis

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark up rate risk arises from mismatches of financial assets and liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. Borrowing arrangements have variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR) as indicated in respective notes. The table below summarises Company's interest rate risk as of December 31, 2018 and 2017 and shows the effects of a hypothetical 1% increase and a 1% decrease in interest rates as at the year end.

	Profit and Loss	
	Increase	Decrease
	(Rupees in '000)	
As at December 31, 2018		
Cash flow sensitivity - Variable rate financial liabilities	(1,189)	1,189
Cash flow sensitivity - Variable rate financial assets	454	(454)
As at December 31, 2017		
Cash flow sensitivity - Variable rate financial liabilities	(782)	782
Cash flow sensitivity - Variable rate financial assets	12	(12)

(b) Foreign 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. As of the reporting date, the Company does not have material assets or liabilities which are exposed to foreign currency risk.

(ii) Liquidity risk

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

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

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

	2018			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
	(Rupees in '000)			
Provision for outstanding claims [including IBNR]	1,314,812	1,314,812	1,314,812	-
Amounts due to other insurers / reinsurers	703,314	703,314	703,314	-
Other creditors and accruals	702,777	702,777	702,777	-
Retirement benefit obligations	21,217	21,217	-	21,217
Borrowings	118,881	118,881	24,265	94,616
Window Takaful Operations - total liabilities	71,220	71,220	71,220	-
	2,932,221	2,932,221	2,816,388	115,833

	2017			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
	(Rupees in '000)			
Provision for outstanding claims [including IBNR]	1,226,184	1,226,184	1,226,184	-
Amounts due to other insurers / reinsurers	347,883	347,883	347,883	-
Other creditors and accruals	684,324	684,324	684,324	-
Retirement benefit obligations	12,419	12,419	-	12,419
Borrowings	78,235	78,235	13,339	64,896
Window Takaful Operations - total liabilities	16,725	16,725	16,725	-
	2,365,770	2,365,770	2,288,455	77,315

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34.3 Credit risk

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

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

		2018	2017
		(Rupees in '000)	
	Investments		
-	Equity	225,821	-
-	Government securities	1,814,142	321,211
-	Term deposits	525,000	960,000
-	Loans and other receivables	251,540	119,266
	Insurance / reinsurance receivables		
-	Premiums due but unpaid	537,728	432,211
-	Amount due from other insurers / reinsurers	563,442	269,603
-	Reinsurance recoveries against outstanding claims	854,042	723,743
-	Salvage recoveries accrued	46,148	78,889
-	Cash and bank	476,921	1,505,058
-	Window Takaful Accounts - total assets	142,357	64,186
		5,437,141	4,474,167

The Company did not hold any collateral against the above during the year. The management continuously monitors the credit exposure towards the policyholders and other insurers / reinsurers and makes provision against those balances considered doubtful of recovery. The movement in the provision for doubtful debt account is shown in notes 12.3 and 12.4. The remaining past due balances were not impaired as they relate to a number of policy holders and other insurers / reinsurers for whom there is no recent history of default.

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

	Rating Agency	Rating	
		Short Term	Long Term
Bank deposits and term deposit receipts			
Allied Bank	PACRA	A1+	AAA
Bank Al Habib	PACRA	A1+	AA+
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR VIS	A-1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
JS Bank Limited	PACRA	A1+	AA-
Bank Islami	PACRA	A1	A+
MCB Bank Limited	PACRA	A1+	AAA
National Bank of Pakistan	PACRA	A1+	AAA
Soneri Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank	PACRA	A1+	AAA
Summit Bank Limited	JCR VIS	A-1	A-
Samba Bank Limited	JCR VIS	A-1	AA
MIB Bank Limited (Formerly NIB Bank)	PACRA	A1+	AA-
Bank of Punjab	PACRA	A1+	AA
United Bank Limited	JCR VIS	A-1+	AAA
Meezan Bank	JCR VIS	A1+	AA+
FINCA Microfinance Bank Limited	PACRA	A1	A
First MicroFinance Bank-Pakistan	JCR VIS	A-1	A+
Telenor Microfinance Bank	PACRA	A1	A+
U Microfinance Bank Limited	JCR VIS	A-2	A
NRSP MicroFinance Bank	PACRA	A1	A

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The age analysis of premiums due but unpaid and amounts due from other insurers / reinsurers is as follows:

	2018	2017
	(Rupees in '000)	
Upto 1 year	1,004,389	551,904
1-2 years	64,603	131,404
2-3 years	51,439	41,909
Over 3 years	142,500	120,761
	1,262,931	845,978
Window Takaful Operations		
Upto 1 year	60,720	20,573
1-1.5 years	2,030	-
	62,750	20,573

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial assets subject to credit risk is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

	2018	2017
	------(Rupees in '000)------	
Sector wise analysis of premiums due but unpaid		
Foods and beverages	37,198	15,416
Financial services	71,291	37,244
Pharmaceuticals	30,105	42,417
Textile and composites	93,740	89,354
Plastic industries	-	305
Engineering	48,361	29,268
Other manufacturing	37,105	27,047
Miscellaneous	340,266	293,901
	658,066	534,952
Window Takaful Operations		
Textile	8,368	2,625
Financial services	205	-
Engineering	97	2,144
Pharmaceuticals	737	480
Food	7,404	300
Other manufacturing	70	-
Others	13,293	5,400
	30,174	10,949

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

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Prepaid reinsurance premium ceded	2018	2017
	(Rupees in '000)				
A- or above (including PRCL)	556,157	561,549	392,279	1,509,985	1,274,563
BBB and B+	2,864	92,655	72,498	168,017	152,632
Others	45,844	199,838	148,397	394,079	89,530
Total	604,865	854,042	613,174	2,072,081	1,516,725

	Amount due from re-takaful operators	Re-takaful recoveries against outstanding claims	Prepaid re-takaful contribution ceded	2018	2017
	(Rupees in '000)				
A or above	31,025	15,014	24,723	70,762	17,595
BBB	731	354	582	1667	2,094
Others	820	273	450	1543	682
	32,576	15,641	25,755	73,972	20,371

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34.4 Capital management

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

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

35 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The table below analyses financial instruments carried at fair value. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Company has no items to report in this level.

The Company held the following financial instruments measured at fair value:

	2018		
	Level 1	Level 2	Level 3
	Rupees in '000		
Assets carried at fair value			
Held for Trading Investments			
Mutual fund	225,821	-	-
Market treasury bills and Pakistan investment bonds	-	1,493,477	-

	2017		
	Level 1	Level 2	Level 3
	Rupees in '000		
Assets carried at fair value			
Held for Trading Investments	-	-	-

The carrying amounts of all other financial assets and liabilities reflected in these financial statements approximate their fair values.

36 CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified wherever necessary to conform with the revised format of the financial statements prescribed under the Insurance Rules, 2017 as detailed in note 2.2. The effects of these reclassifications are summarised below:

Reclassification from Balance Sheet	Reclassification to Statement of Financial Position	2018 Rupees ' 000
Operating assets - Tangible	Property and equipment	274,135
Capital work-in-progress	Property and equipment	492
Cash and bank deposits - Deposits maturing within 12 months	Investments - Term deposits	960,000
Sundry receivables	Loans and other receivables	125,053
Accrued investment income	Loans and other receivables	13,688
Sundry receivables	Salvage recoveries accrued	78,889
Prepayments - prepaid reinsurance premium ceded	Prepayments	481,956
Prepayments - others	Prepayments	27,736

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Reclassification from Balance Sheet	Reclassification to Statement of Financial Position	2018 Rupees ' 000
Premiums due but unpaid	Insurance / reinsurance receivables	432,211
Amounts due from other insurers / reinsurers	Insurance / reinsurance receivables	269,603
Sundry creditors	Retirement benefit obligations	12,419
Borrowings - Liabilities against assets subject to finance lease	Borrowings	64,896
Current portion of long term liabilities	Borrowings	13,339
Accrued expenses	Other creditors and accruals	164,302
Sundry creditors	Other creditors and accruals	520,022

Reclassification from Profit and Loss Account	Reclassification to Statement of Comprehensive Income	2018 Rupees ' 000
General and administration expenses	Management expenses	199,088
Return on bank balances	Investment income	49,098

37 **DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors of the Company on 4th March 2019

38 **GENERAL**

Figures in these financial statements have been rounded off to the nearest thousand of rupees.

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Chairman	Director	Director	Chief Executive Officer
SAK	SHNA	S.I	T. M

IGI GENERAL INSURANCE LIMITED - WINDOW TAKAFUL OPERATIONS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the members of IGI General Insurance Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **IGI General Insurance Limited – Window Takaful Operations** ("the Operator"), which comprise the statement of financial position as at December 31, 2018, and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Operator's affairs as at December 31, 2018 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Operator's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

Report on Other Legal and Regulatory Requirements

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

a) proper books of account have been kept by the Operator as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);

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b) the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Operator's business; and;

d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is **Noman Abbas Sheikh**.

AFFerguson & Co

A.F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: April 2, 2019

IGI GENERAL INSURANCE LIMITED
WINDOW TAKAFUL OPERATIONS
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	Note	2018 Operator Fund	2018 Participants' Takaful	2018 Aggregate	2017 Aggregate
		----(Rupees in '000)----			
Assets					
Operating assets	5	21	-	21	46
Investments					
- Equity securities	6	40	40	80	-
- Term deposits	7	46,000	60,500	106,500	25,500
Wakala fee receivable		41,763	-	41,763	11,526
Other receivables	8	12,368	79,408	91,776	177
Takaful / retakaful receivables	9	-	62,750	62,750	20,573
Retakaful recoveries against outstanding claims		-	15,641	15,641	-
Qard-e-hasan to Participant Takaful Fund	10	28,000	-	28,000	-
Deferred commission expense	18	7,976	-	7,976	3,623
Deferred wakala fee	19	-	21,919	21,919	7,832
Taxation - payment less provisions		261	320	581	44
Prepayments	11	225	25,755	25,980	10,747
Cash and bank	12	5,703	46,473	52,176	53,561
Total assets		142,357	312,806	455,163	133,629
Funds and liabilities					
Funds attributable to Operator and Participants					
Operator's Fund (OPF):					
Statutory fund		50,000	-	50,000	50,000
Unappropriated profit / (accumulated losses)		21,137	-	21,137	(2,540)
		71,137	-	71,137	47,460
Waqf / Participants' Takaful Fund (PTF):					
Ceded money		-	500	500	500
Accumulated (deficit) / surplus		-	(14,192)	(14,192)	3,744
		-	(13,692)	(13,692)	4,244
Qard-e-hasan from Operator's Fund	10	-	28,000	28,000	-
Liabilities					
Underwriting provisions					
- Outstanding claims including IBNR	17	-	52,075	52,075	3,826
- Unearned contribution reserve	16	-	70,587	70,587	22,030
- Contribution deficiency reserve		-	3,954	3,954	-
- Unearned retakaful reward	20	-	5,460	5,460	2,342
Contribution received in advance		-	378	378	69
Takaful / retakaful payable	13	2,278	66,077	68,355	23,355
Wakala fee payable		-	41,763	41,763	11,526
Unearned wakala fee		21,919	-	21,919	7,832
Other creditors and accruals	14	47,023	58,204	105,227	10,945
Total liabilities		71,220	298,498	369,718	81,925
Total equity and liabilities		142,357	312,806	455,163	133,629
Contingencies and commitments	15				

The annexed notes 1 to 33 form an integral part of these financial statements.

Chairman | Director | Director | Chief Executive Officer

IGI GENERAL INSURANCE LIMITED
WINDOW TAKAFUL OPERATIONS
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	For the year ended December 31, 2018	For the period from July 1, 2017 to December 31, 2017
		-----(Rupees in '000)-----	
Participants' revenue account			
Net contribution revenue	16	95,548	8,959
Net claims	17	(76,313)	(3,356)
Contribution deficiency		(3,954)	-
Wakalah fee	19	(44,193)	(3,694)
Reward on re-takaful	20	10,019	1,835
Direct expenses	21	(1,764)	(1)
Claims and acquisition expenses		(116,205)	(5,216)
Underwriting (deficit) / surplus		(20,657)	3,743
Profit on bank deposit		2,527	-
Investment income	23	1,101	1
Mudarib's fee on investment income and profit on bank deposit		(907)	-
		2,721	1
(Deficit) / surplus for the year / period		(17,936)	3,744
Operator's revenue account			
Wakalah fee	19	44,193	3,694
Commission expense	18	(14,894)	(2,163)
Management expenses	22	(8,375)	(3,517)
		20,924	(1,986)
Profit on bank deposit		399	-
Investment income - net	23	2,030	446
Mudarib's share on investment income and profit on bank deposit		907	-
Other expense	24	(583)	(1,000)
Profit / (loss) for the year / period		23,677	(2,540)
Other comprehensive income		-	-
Total comprehensive income / (loss) for the year / period		23,677	(2,540)

The annexed notes 1 to 33 form an integral part of these financial statements.

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Chairman	Director	Director	Chief Executive Officer

IGI GENERAL INSURANCE LIMITED
WINDOW TAKAFUL OPERATIONS
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Operator's Fund		
	Statutory fund	Unappropriated profit	Total
	---------- Rupees in '000 ----------		
Balance as at July 1, 2017	-	-	-
Contribution made during the period	50,000	-	50,000
Total comprehensive income / (loss) for the period			
Loss for the period	-	(2,540)	(2,540)
Other comprehensive income	-	-	-
	-	(2,540)	(2,540)
Balance as at December 31, 2017	**50,000**	**(2,540)**	**47,460**
Total comprehensive income for the year			
Profit for the year	-	23,677	23,677
Other comprehensive income	-	-	-
	-	23,677	23,677
Balance as at December 31, 2018	**50,000**	**21,137**	**71,137**

	Participant's Takaful Fund		
	Cede money	Accumulated deficit	Total
	---------- Rupees in '000 ----------		
Balance as at July 1, 2017	-	-	-
Contribution received during the period	500	-	500
Surplus for the period	-	3,744	3,744
Other comprehensive income	-	-	-
	-	3,744	3,744
Balance as at December 31, 2017	**500**	**3,744**	**4,244**
Deficit for the year	-	(17,936)	(17,936)
Other comprehensive income	-	-	-
	-	(17,936)	(17,936)
Balance as at December 31, 2018	**500**	**(14,192)**	**(13,692)**

The annexed notes 1 to 33 form an integral part of these financial statements.

Chairman   Director   Director   Chief Executive Officer

IGI GENERAL INSURANCE LIMITED
WINDOW TAKAFUL OPERATIONS
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	For the year ended December 31, 2018			'For the period from July 1, 2017 to December 31, 2017
		Operator's Fund	Participants' Takaful Fund	Aggregate	Aggregate
		Rupees in '000			
OPERATING CASH FLOWS					
Takaful activities					
Contributions received		-	171,162	171,162	25,486
Retakaful ceded		-	(40,768)	(40,768)	(2,836)
Claims paid		-	(44,276)	(44,276)	(659)
Re-takaful and other recoveries received		-	571	571	1,129
Retakaful reward received		-	13,137	13,137	4,177
Commission paid		(11,911)	-	(11,911)	(955)
Wakalah fee received		28,043	-	28,043	-
Wakalah fee paid		-	(28,043)	(28,043)	-
Other takaful receipts		-	3,146	3,146	2,318
Net cash inflow from takaful activities		16,132	74,929	91,061	28,660
Other operating activities					
Income tax paid		(216)	(320)	(536)	(44)
General and other expenses paid		(15,266)	-	(15,266)	(1)
Net cash outflow from other operating activities		(15,482)	(320)	(15,802)	(45)
Total cash inflow from all operating activities		650	74,609	75,259	28,615
INVESTMENT ACTIVITIES					
Profit received		2,146	2,290	4,436	446
Investment made		(40)	(40)	(80)	-
Total cash inflow from investing activities		2,106	2,250	4,356	446
FINANCING ACTIVITIES					
Contribution to operators' fund		-	-	-	50,000
Total cash inflow from financing activities		-	-	-	50,000
Net cash inflow from all activities		2,756	76,859	79,615	79,061
Cash and cash equivalents at beginning of the year / period		48,947	30,114	79,061	-
Cash and cash equivalents at end of the year / period	12.2	51,703	106,973	158,676	79,061
Reconciliation to statement of comprehensive income					
Operating cash flows		650	74,609	75,259	28,616
Depreciation expenses		(25)	-	(25)	(9)
Financial charges		-	-	-	(1)
Ceded amount to PTF		-	-	-	(500)
Return on bank balances and investment		2,146	2,290	4,436	446
Increase in liabilities		(54,494)	(261,299)	(315,793)	(81,870)
Increase in assets		75,400	166,464	241,864	54,522
Surplus / (defecit) for the year / period		23,677	(17,936)	5,741	1,204

The annexed notes 1 to 33 form an integral part of these financial statements.

Chairman	Director	Director	Chief Executive Officer

1 LEGAL STATUS AND NATURE OF BUSINESS

IGI General Insurance Limited ("the Operator"), a Packages Group Company, was incorporated as a public limited company on November 18, 2016 under the Companies Ordinance, 1984 (now Companies Act, 2017). The registered office of the Operator is situated at 7th floor, The Forum, Suite No. 701-713, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi. The objects of the Operator include providing general insurance services (in spheres of Fire, Marine, Motor, Health and Miscellaneous) and general takaful services.

The Operator was granted authorisation on June 20, 2017 under Rule 6 of the Takaful Rules, 2012 to undertake Window Takaful Operations ("WTO") by the Securities and Exchange Commission of Pakistan ("SECP") under Takaful Rules, 2012 to carry on general takaful in Pakistan.

The Operator transferred statutory fund of Rs. 50 million in a separate bank account for the window takaful operations as per the requirement of circular 8 of 2014. The Operator has formed a Waqf for Participants' Fund by executing the Waqf deed dated February 27, 2017 and deposited a cede money of Rs. 0.5 million. The cede money is required to be invested in Shari'ah compliant remunerative instrument which may be used to acquire immovable Waqf property if Shari'ah and law so warrants. Waqf Deed governs the relationship of Operator and participants for management of takaful operations, investments of participants' funds and investments of the Operator's funds approved by the shari'ah advisor of the Operator. The Operator commenced activities of WTO on July 01, 2017.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS) 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 and Insurance Ordinance, 2000, Insurance Rules 2017, Insurance Accounting Regulations, 2017 and Takaful Rules, 2012.

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

2.1.2 The Securities and Exchange Commission of Pakistan (SECP) through its notification SRO 89(1) / 2017 dated February 9, 2017 had issued Insurance Rules, 2017 which had come into force at once. The Insurance Rules, 2017 (the Rules) prescribe format of annual financial statements for non-life insurers. Further, SECP through SRO 88 (1) / 2017 dated February 9 ,2017 had also issued Insurance Accounting Regulations, 2017. The Insurance Accounting Regulations were applicable from April 1, 2017. However, SECP on application of the Operator had allowed to apply Insurance Accounting Regulations, 2017 effective from the accounting year commencing from January 1, 2018. Accordingly, during the current year, the Operator has changed its accounting policy and the presentation of the financial statements has been realigned with the format prescribed under the Rules while corresponding figures have been reclassified or additionally incorporated in the financial statements for the year ended December 31, 2018 on the basis of the classification prescribed therein.

Further nomenclature of the primary statements have also been aligned with the Rules and certain primary statements such as statement of contribution, statement of claims, statement of expenses and statement of investment income which were previously made part of financial statements have now been excluded from the financial statements in accordance with the requirements of the Insurance Rules, 2017.

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

2.2 Basis of measurement

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

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2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Operator operates. The financial statements are presented in Pakistani Rupees, which is the Operator's functional and presentation currency and has been rounded off to the nearest thousand of rupees.

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

There are certain amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after January 1, 2018 but are considered not to be relevant or do not have any significant effect on the Operator's operations and are, therefore, not detailed in these financial statements.

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

The following revised standards, amendments and interpretations with respect to the accounting and reporting standards would be effective from the dates mentioned below against the respective standard, amendments or interpretation:

Standard, interpretation or amendment	Effective date (accounting periods ending on or after)
- IFRS 9 – Financial Instruments	June 30, 2019
	Effective date (accounting periods beginning on or after)
- IFRS 15 - Revenue from contracts	July 1, 2018
- IFRS 16 - Leases	January 1, 2019

The management is currently in the process of assessing the impact of these standards on the financial statements of the Operator.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparation of these financial statements are set out below. These accounting policies have been consistently applied for all the years presented except for the changes mentioned in notes 3.1 and 3.2 below:

3.1 During the year the Operator has changed its accounting policy with respect to presentation of financial statements and these financial statements have been presented in accordance with the revised format of financial statements as prescribed under the Insurance Rules, 2017 (as explained in note 2.1.2). The significant reclassification changes resulting therefrom are disclosed in note 31 to these financial statements.

3.2 During the current year, consequent to the application of the Insurance Accounting Regulation, 2017, the Operator has changed its accounting policy in respect of subsequent measurement and impairment of available for sale investments to comply with the requirements of IAS 39, "Financial Instruments : Recognition and Measurement". As per the revised policy available for sale investments are measure at fair value subsequent to initial recognition with changes in fair value recognise in other comprehensive income through the statement in other comprehensive income. A significant or prolonged decline in the value of equity securities below its cost is also considered as an objective evidence of impairment. Impairment losses, if any, on available for sale investments are recognised directly in the income statement. Previously, available for investments were stated subsequent to initial recognition at the lower of cost or market value (market value being taken as lower if fall is other than temporary) in accordance with the requirements of SEC (Insurance) Rules, 2002 any decline in the market value recognised by the Operator was taken to the statement of comprehensive income. This change in accounting policy does not have any impact on the financial statements of the Operator as there were no available for sale investments as at December 31, 2018 and December 31, 2017.

3.3 Takaful contracts

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

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Contracts under which the Participant Takaful Fund (PTF) accepts significant takaful risk from another party (the participant) by agreeing to compensate the participant if a specified uncertain future event (the takaful event) adversely affects the participant are classified as takaful contracts. Takaful risk is significant if a takaful event could cause the PTF to pay significant benefits due to the happening of the takaful event compared to its non-happening. Once a contract has been classified as a takaful contract, it remains a takaful contract for the remainder of its lifetime, even if the takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

The PTF underwrites non-life takaful contracts that can be categorised into following main categories:

3.3.1 Fire and property

Fire and property takaful contracts mainly compensate the participants for damage suffered to their properties or for the value of property lost. Participants who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the takaful covered properties in their business activities. These contracts are generally one year contracts except some contracts that are of three months period.

3.3.2 Marine, aviation and transport

Marine takaful covers the loss or damage of vessels, cargo, terminals, and any transport or property by which cargo is transferred, acquired, or held between the points of origin and final destination. These contracts are generally for three months period.

3.3.3 Motor

Motor takaful provides protection against losses incurred as a result of theft, traffic accidents and against third party liability that could be incurred in an accident. These contracts are generally one year contracts.

3.3.4 Miscellaneous

All other various types of Takaful contracts are classified in miscellaneous category. These contracts are normally one year contracts except some engineering contracts that are of more than one year period. Whereas, normally travel contracts expire within one month time.

3.4 Contribution

Contribution written under a policy is recognised as income over the period of takaful 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, contribution is recognised as revenue in PTF in accordance with the pattern of the incidence of risk. The portion of contribution written relating to the unexpired period of coverage is recognised as unearned contribution by the PTF. This liability is calculated by applying **1/24** method as specified in the Insurance Accounting Regulations, 2017.

3.5 Re-takaful ceded

These are contracts entered into by the Operator with re-takaful operators for compensation of losses suffered on Takaful contracts issued. These re-takaful contracts include both facultative and treaty arrangement contracts and are classified in same categories of Takaful contracts for the purpose of these financial statements. The Operator recognises the entitled benefits under the contracts as various re-takaful assets.

The deferred portion of re-takaful contribution is recognised as a prepayment in PTF. The deferred portion of re-takaful contribution ceded is calculated by using **1/24** method.

3.6 Claims expense

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

The Operator recognises liability in respect of all claims incurred upto the reporting date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an takaful contract. The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

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The provision for Incurred But Not Reported (IBNR) claims is determined by the Operator as required under circular No. 9 of 2016 issued by the SECP. As per SECP circular No. 9 of 2016 an Operator shall estimate IBNR claims reserve based on the prescribed method provided in the guidelines. Guidelines also allows the use of any other alternative method of determining IBNR, if found more suitable for the risk class, provided that the amount estimated under the alternative method shall not be less than the amount calculated under prescribed method. The prescribed method for estimating IBNR claim reserve is the chain ladder method based on paid claims hereinafter called 'Incurred But Not Paid' or 'IBNP'. The Basic Chain Ladder (BCL) method uses a run off triangle to estimate the development factors for each accident period which are further used to estimate the ultimate paid claims. Data from settlement registers are used in the BCL models. Lags are determined to be the difference between the 'date of loss' and 'date of claim payment'. Monthly lags are used since it reflects the claim development pattern within a given year and the back testing supports the same. Once IBNP has been determined using BCL, the outstanding claims are deducted to arrive at IBNR on paid basis.

Under alternative method IBNR is determined on reported basis. IBNR (reported basis) is much similar to IBNR (paid basis) but is calculated using a different methodology. It does not use either IBNP or outstanding claims to estimate IBNR rather, is determined using BCL method. Development factors are determined for each accident period to estimate the ultimately reported claims directly. Intimation registers are used in the BCL model where lags are calculated as the difference between the 'date of loss' and 'date of intimation'.

The analysis is carried out separately for each class of business and results determined through this alternative method are compared to the results of prescribed method and higher of the two are set as the final reserve.

3.7 Re-takaful recoveries against claims

Re-takaful recoveries against outstanding claims and salvage recoveries are recognised as an asset and measured at the amount expected to be received.

3.8 Commission, other acquisition costs and re-takaful reward

Commission expense and other acquisition costs are charged to the OPF at the time the policies are accepted. Re-takaful reward from re-takaful operator is recognised at the time of issuance of the underlying takaful policy by the PTF. This income is deferred and brought to statement of comprehensive income as revenue in accordance with the pattern of recognition of the re-takaful contribution to which it relates. Retakaful reward from re-takaful operator is arrived at after taking the impact of opening and closing unearned re-takaful reward. Profit on re-takaful contracts, if any, which the PTF may be entitled to under the terms of re-takaful, is recognised on accrual basis.

3.9 Contribution deficiency reserve

The Operator is required as per the Insurance Accounting Regulations, 2017, to maintain a provision in respect of contribution deficiency for the class of business where the unearned contribution reserve is not adequate to meet the expected future liability, after re-takaful from claims, and other supplementary expenses expected to be incurred after the reporting date in respect of the unexpired takaful contracts in that class of business at the reporting date. The movement in the contribution deficiency reserve is recorded as an expense in the statement of comprehensive income.

The company has recorded contribution deficiency reserve on the recommendation of actuary for fire and property damage, marine, aviation and transport, health and miscellaneous business.

3.10 Takaful surplus

Takaful surplus attributable to the participants is calculated after charging all direct cost and setting aside various reserves. Allocation to participants, if applicable, is made after adjustment of claims paid to them during the year.

3.11 Wakalah fee

The Operator of Window Takaful manages the general takaful operations for the participants and charge wakala fee to PTF to meet the general and administrative expenses of the Operator including commissions to agents at following rates:

Class	Percentage
Fire and property	33.5%
Marine, aviation and transport	35.0%
Motor	30.0%
Miscellaneous	27.5%

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The deferred portion of wakala fee is recognised as a prepayment in PTF and unearned wakala fee in OPF. The deferred portion of wakalah fee is calculated by using 1/24 method.

3.12 Mudarib's share - PTF

The Operator also manages the participants' investment as Mudarib and charges 25% of the investment income earned by the PTF as Mudarib's share. It is recognised on the same basis on which related revenue is recognised.

3.13 Qard-e-Hasan

If there is a deficit of admissible assets over liabilities in PTF, the Operator provides interest free loan 'Qard-e-Hasan' to PTF from OPF so that PTF may become solvent as per Takaful Rules, 2012.

Qard-e-Hasan from PTF can be recovered by the Operator over any period of time without charging any profit.

3.14 Creditors, accruals and provisions

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

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

3.15 Taxation

The profit of the Operator is taxed as part of total profit of the IGI General Insurance Limited as the Operator is not separately registered for tax purposes.

3.16 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand, deposits with banks, stamps in hand and short term finances.

3.17 Investments

3.17.1 The Operator invests in Shariah compliant financial instruments only. All investments are initially recognised at cost, being the fair value of the consideration given and include transaction cost, except for held for trading investments in which case transaction costs are charged to the statement of comprehensive income. These are classified into the following categories:

- Fair value through profit or loss
- Held to maturity
- Available for sale

3.17.2 Investments at fair value through profit or loss - held for trading

These financial assets are acquired principally for the purpose of generating profit from short-term fluctuation in prices or are part of a portfolio for which there is a recent actual pattern of short-term profit taking.

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

3.17.3 Held to maturity

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

Any premium paid or discount availed on acquisition of held to maturity investments is deferred and amortised over the term of the investment using the effective yield.

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

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The difference between the redemption value and the purchase price of the held to maturity investments is amortised and taken to the statement of comprehensive income account over the term of the investment.

3.17.4 Available for sale

Available for sale investments are those non-derivative investments that are designated as available for sale or are not classified in any other category. These are primarily those investments that are intended to be held for an undefined period of time or may be sold in response to the need for liquidity. It also includes investments in associated undertakings where the Operator does not have significant influence. The Operator follows trade date accounting for 'regular way purchase and sales' of investments.

Subsequent to initial recognition, these are stated at market value. The Operator uses stock exchange quotation at the reporting date to determine the market value of its quoted investments whereas, impairment of unquoted investments is computed by reference to net assets value of the investee.

Dividend income and entitlement of bonus shares are recognised when the Operator's right to receive such dividend and bonus shares is established.

Gains / (losses) on sale of available for sale investments are recognised in statement of comprehensive income.

3.17.5 Other receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition these are measured at amortised cost.

3.17.6 Date of recognition

Regular way purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Operator commits to purchase or sell the investment.

3.17.7 Sale and repurchase agreements

Securities purchased under an agreement to resell (reverse repo) are not recognised in the financial statements as investments and the amount extended to the counter party is included in sundry receivables. The difference between the sale and repurchase price is recognised as income and included in other income.

3.18 Fixed assets

Tangible

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation on all fixed assets is charged to statement of comprehensive income on the straight line method so as to write-off depreciable amount of an asset over its useful life. Depreciation on additions to fixed assets is charged from the month in which an asset is acquired or capitalised, while no depreciation is charged for the month in which the asset is disposed off.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted, if impact on depreciation is significant. 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 items will flow to the Operator and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss in the period in which they are incurred.

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

Intangible

Software development cost are only capitalised to the extent that future economic benefits are expected to flow to the entity. Intangible assets with finite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets with indefinite useful lives are stated at cost less impairment losses, if any.

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3.19 Offsetting of financial assets and financial liabilities

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

3.20 Segment reporting

A business segment is a distinguishable component of the Operator that is engaged in providing services that are subject to risks and returns that are different from those of other business segments. The Operator accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Insurance Rules, 2017. The reported operating segments are also consistent with the internal reporting provided to Board of Directors which is responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

The Operator has four primary business segments for reporting purposes namely fire, marine, motor and miscellaneous.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them. Those assets and liabilities which can not be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

3.21 Impairment

The carrying values of the Operator's non-financial assets are reviewed at each financial year end for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The resulting impairment loss is taken to the statement of comprehensive income.

3.22 Foreign currency transactions and translations

Foreign currency transactions are translated into Pak Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined. Exchange gains or losses are included in income currently.

3.23 Expenses of management

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 contribution. Expenses not allocable to the underwriting business are charged as administrative expenses.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with the approved accounting standards as applicable in Pakistan requires the use of certain critical accounting estimates, judgments and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires the management to exercise its judgment in the process of applying the Operator's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances.

The areas where various assumptions and estimates are significant to the Operator's financial statements are as follows:

i) classification of takaful contracts (note 3.3)
ii) provision for unearned contribution (notes 3.4 and 16)
iii) provision for contribution due but unpaid and amount due from other takaful / re-takaful operators (note 3.4)
iv) provision for outstanding claims including IBNR and re-takaful recoveries there against (notes 3.6, 3.7 and 17)
v) contribution deficiency reserve (note 3.9)
vi) provision for unearned wakala fee (note 3.11)
vii) classification of investments (note 3.17, 6 and 7)
viii) residual values and useful lives of fixed assets (note 3.18 and 5)
ix) allocation of management expenses (note 3.23 and 22)
x) taxation (note 3.15)

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5 OPERATING ASSETS

	Note	2018	2017
		Rupees in '000	
Computer equipment - Operator's Fund	5.1	21	46

5.1

	2018									
	Cost				Accumulated Depreciation				Written down value as at December 31	Depreciation rate (% per annum)
	As at January 01	Additions	Disposals	As at December 31	As at January 01	Charge for the year	Disposals	As at December 31		
	(Rupees in '000)									
Computer equipment	55	-	-	55	9	25	-	34	21	33.33%

	2017									
	Cost				Accumulated Depreciation				Written down value as at December 31	Depreciation rate (% per annum)
	As at 01 January	Additions	Disposals	As at December 31	As at 01 January	Charge for the period	Disposals	As at December 31		
	(Rupees in '000)									
Computer equipment	-	55	-	55	-	9	-	9	46	33.33%

6 INVESTMENTS IN EQUITY SECURITIES - MUTUAL FUND

	2018					2017				
	Number of units	Carrying value	Impair-ment / provision	Revalua-tion surplus / (deficit)	Market value	Number of units	Carrying value	Impair-ment / provision	Revalua-tion surplus / (deficit)	Market value
		(Rupees in '000)					(Rupees in '000)			
Operator's Fund										
At fair value through profit or loss										
Alfalah GHP Islamic Income B Growth Units	97	10	-	-	10	-	-	-	-	-
Al-Ameen Islamic Cash Fund	101	10	-	-	10	-	-	-	-	-
HBL Islamic Money Market Fund	104	10	-	-	10	-	-	-	-	-
MCB Al- Hamra Islamic Fund	97	10	-	-	10	-	-	-	-	-
	399	40	-	-	40	-	-	-	-	-
Participant's Takaful Fund										
At fair value through profit or loss										
Alfalah GHP Islamic Income B Growth Units	97	10	-	-	10	-	-	-	-	-
Al-Ameen Islamic Cash Fund	101	10	-	-	10	-	-	-	-	-
HBL Islamic Money Market Fund	104	10	-	-	10	-	-	-	-	-
MCB Al- Hamra Islamic Fund	97	10	-	-	10	-	-	-	-	-
	399	40	-	-	40	-	-	-	-	-

7 INVESTMENTS IN TERM DEPOSITS

	2018		
	Operator Fund	Participants' Takaful Fund	Aggregate
	(Rupees in '000)		
Held to maturity			
Term deposits	46,000	60,500	106,500

	2017		
	Operator Fund	Participants' Takaful Fund	Aggregate
	(Rupees in '000)		
Held to maturity			
Term deposits	25,000	500	25,500

7.1 The operator's fund and participants' takaful fund's term deposits carry expected profit at the rate of 10% (2017: 5.5% to 5.75%) per annum and are due to mature in January 2019.

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8 OTHER RECEIVABLES

	Note	2018 Operator Fund	2018 Participants' Takaful Fund	2018 Aggregate
		---- (Rupees in '000) ----		
Accrued income		283	431	714
Receivable from IGI General Insurance Limited (operator)		771	-	771
Inter-fund receivable		3,418	144	3,562
Qard-e-hasan from Operator's Fund	10.1	-	28,000	28,000
Other receivables	8.1	7,896	50,833	58,729
		12,368	79,408	91,776

	2017 Operator Fund	2017 Participants' Takaful Fund	2017 Aggregate
	---- (Rupees in '000) ----		
Inter-fund receivable	-	144	144
Other receivables	-	33	33
	-	177	177

8.1 During the year, the Sindh Revenue Board (SRB) raised a demand of tax of Rs 430.412 million under section 23(1) of Sindh Sales Tax on Services Act (SSTA), 2011, in respect of sales tax on reinsurance obtained from foreign re-insurers by the conventional business of Operator. The department has also imposed a penalty of Rs 21.520 million.

The department alleged that the conventional business of Operator has received re-insurance services from foreign re-insurance companies for the period from July 2011 to December 2014 and it is the contention of the department that these services are liable to sales tax under SSTA, 2011. The department attached the bank accounts relating to Window Takaful Operations and directed the Operator's banker to issue pay orders from these bank accounts to SRB. The pay orders of Rs 58.028 million from the Operator's bank accounts (Rs. 50.391 million from PTF's bank account and Rs. 7.637 million from OPF's bank account) were issued by the Operator's banker on December 27, 2018 upon direction of SRB. The Operator has reimbursed the said amount withdrawn from these bank accounts to Window Takaful Operations from its conventional business since the amount withdrawn pertain to conventional business only. Accordingly, a receivable against the amount withdrawn of Rs. 58.028 million and a corresponding liability to conventional businsess has been recorded in these financial statements.

The Operator has filed an appeal before the Commissioner Appeals on December 28, 2018 against the above order. The Operator has also filed a constitutional petition before the Honourable High Court (the Court) of Sindh at Karachi on December 28, 2018 seeking protection from the above mentioned coercive action taken by the tax department. The Court has suspended the above mentioned attachment notice and also instructed the bank that the said pay orders should not be encashed.

The management in its first hearing before the Assistant Commissioner SRB has submitted that:

- The payments to foreign re-insurance companies are not a service and is merely a re-distribution of the insurance risk and therefore the insurance premium. There is no value addition involved since in essence it is a sharing of the insurance risk between the insurer and re-insurers. The Management believes that the gross premium charged by the insurer was already subject to Sales Tax on the gross amount, hence it is illogical to again subject it to sales tax upon its re-distribution keeping in view the fact that neither any service is being provided to the policy holder nor any value addition is being made.

- These services have been obtained by the Operator from the re-insurance companies incorporated outside Pakistan with no legal or physical presence therefore it is the view that the provisions of Sindh Sales Tax laws are not applicable to these type of arrangements and are outside the jurisdiction of Sindh Sales Tax laws.

The management believes that even if it is assumed that Sindh Sales Tax on re-insurance provided to insurer / insurance companies is applicable, the law does not provide any mechanism for calculating the basis on which such tax will be imposed and its related payment and the same would have been claimed as adjustable input tax by the Operator against its output tax liability.

The management, based on the advice received from their tax and legal advisors, is confident that this matter is likely to be decided in favour of the Operator. The Operator shall repay the amount withdrawn from Window Takaful Operations to conventional business once the matter is decided in favour of the Operator and the payorders are cancelled accordingly.

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9 TAKAFUL / RETAKAFUL RECEIVABLES

	2018		
	Operator Fund	Participants' Takaful Fund	Aggregate
	(Rupees in '000)		
Considered good			
Contribution due from policyholders	-	30,174	30,174
Amount due from other takaful / retakaful operator	-	32,576	32,576
	-	62,750	62,750

	2017		
	Operator Fund	Participants' Takaful Fund	Aggregate
	(Rupees in '000)		
Considered good			
Contribution due from policyholders	-	10,949	10,949
Amount due from other takaful / retakaful operator	-	9,624	9,624
	-	20,573	20,573

10 QARD-E-HASAN

	Note	2018	2017
		(Rupees in '000)	
Opening balance of Qard-e-hasan		-	-
Qard-e-hasan transferred from OPF during the year	10.1	28,000	-
Closing balance of Qard-e-hasan		28,000	-

10.1 The Operator fund has funded the deficit in participant takaful fund by way of an interest free loan (Qard-e-hasan) in accordance with the Takaful Rules, 2012. In the event of future surplus in the Participant Takaful Fund to which a Qard-e-hasan has been made, the Qard-e-hasan shall be repaid prior to distribution of surplus to participants.

11 PREPAYMENTS

	2018		
	Operator Fund	Participants' Takaful Fund	Aggregate
	(Rupees in '000)		
Prepaid retakaful contribution ceded	-	25,755	25,755
Others	225	-	225
	225	25,755	25,980

	2017		
	Operator Fund	Participants' Takaful Fund	Aggregate
	(Rupees in '000)		
Prepaid retakaful contribution ceded	-	10,747	10,747
Others	-	-	-
	-	10,747	10,747

12 CASH AND BANK

	Note	2018		
		Operator Fund	Participants' Takaful Fund	Aggregate
		(Rupees in '000)		
Cash and cash equivalents				
Cash in hand		-	125	125
Cash at bank				
Profit and loss sharing accounts	12.1	5,703	46,348	52,051

	2017		
	Operator Fund	Participants' Takaful Fund	Aggregate
	(Rupees in '000)		
Cash at bank			
Current accounts	23,947	29,614	53,561

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12.1 These profit and loss sharing accounts carry expected profit rates ranging from 5.05% to 5.25% (2017: 5.50% to 5.75%) per annum.

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

	Note	2018 Operator Fund	2018 Participants' Takaful Fund	2018 Aggregate
		(Rupees in '000)		
Cash and cash equivalent		5,703	46,473	52,176
Term deposits		46,000	60,500	106,500
		51,703	106,973	158,676

	2017 Operator Fund	2017 Participants' Takaful Fund	2017 Aggregate
	(Rupees in '000)		
Cash and cash equivalent	23,947	29,614	53,561
Term deposits	25,000	500	25,500
	48,947	30,114	79,061

13 TAKAFUL / RETAKAFUL PAYABLE

	2018 Operator Fund	2018 Participants' Takaful Fund	2018 Aggregate
	(Rupees in '000)		
Amount due to co-takaful / re-takaful operators	2,278	66,077	68,355

	2017 Operator Fund	2017 Participants' Takaful Fund	2017 Aggregate
	(Rupees in '000)		
Amount due to co-takaful / re-takaful operators	443	22,912	23,355

14 OTHER CREDITORS AND ACCRUALS

	Note	2018 Operator Fund	2018 Participants' Takaful Fund	2018 Aggregate
		(Rupees in '000)		
Accrued expenses		732	916	1,648
Commission payable		9,746	-	9,746
Federal excise duty and sales tax		-	2,262	2,262
Federal takaful fee		-	455	455
Inter-fund payable		144	3,418	3,562
Payable to IGI General Insurance Limited - operator	8.1	7,637	50,392	58,029
Qard-e-hasan to Participants' Takaful Fund	10.1	28,000	-	28,000
Others		764	761	1,525
		47,023	58,204	105,227

	2017 Operator Fund	2017 Participants' Takaful Fund	2017 Aggregate
	(Rupees in '000)		
Accrued expenses	500	-	500
Commission payable	4,244	-	4,244
Federal excise duty and sales tax	-	895	895
Federal takaful fee	-	56	56
Payable to IGI General Insurance Limited - operator	3,560	56	3,616
Inter-fund payable	144	-	144
Others	3	1,487	1,490
	8,451	2,494	10,945

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15 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at December 31, 2018 and December 31, 2017.

	Note	For the year ended December 31, 2018	For the period from July 1, 2017 to December 31, 2017
16 NET CONTRIBUTION REVENUE		---- (Rupees in '000) ----	
Written gross contribution		190,078	36,366
Add: Unearned contribution reserve - opening		22,030	-
Less: Unearned contribution reserve - closing		(70,587)	(22,030)
Contribution earned		141,521	14,336
Less: Re-takaful contribution ceded		(60,981)	(16,124)
Add: Prepaid re-takaful contribution ceded - opening		(10,747)	-
Less: Prepaid re-takaful contribution ceded - closing		25,755	10,747
Re-takaful expense		(45,973)	(5,377)
		95,548	8,959
17 NET CLAIMS			
Claims paid		44,276	659
Add: Outstanding claims (including IBNR) - closing		52,075	3,826
Less: Outstanding claims (including IBNR) - opening		(3,826)	-
Claims expense		92,525	4,485
Less: Re-takaful and other recoveries received		(571)	(1,129)
Add: Re-takaful and other recoveries in respect of outstanding claims - closing		(15,641)	-
Less: Re-takaful and other recoveries in respect of outstanding claims - opening		-	-
Re-takaful and other recoveries revenue		(16,212)	(1,129)
		76,313	3,356
18 NET COMMISSION EXPENSE			
Commission paid or payable		19,247	5,786
Add: Deferred commission - opening		3,623	-
Less: Deferred commission - closing		(7,976)	(3,623)
		14,894	2,163
19 NET WAKALA FEE			
Gross wakala fee		58,280	11,526
Add: Deferred wakala fee - opening		7,832	-
Less: Deferred wakala fee - closing		(21,919)	(7,832)
		44,193	3,694
20 REWARD ON RE-TAKAFUL			
Reward on re-takaful received		13,137	4,177
Add: Unearned re-takaful reward - opening		2,342	-
Less: Unearned re-takaful reward - closing		(5,460)	(2,342)
		10,019	1,835
21 DIRECT EXPENSES			
Tracker cost		1,723	-
Bank charges		20	1
Other expenses		21	-
		1,764	1

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	Note	For the year ended December 31, 2018	For the period from July 1, 2017 to December 31, 2017
22 MANAGEMENT EXPENSES		---- (Rupees in '000) ----	
Salaries, allowances and other benefits	22.1	4,925	2,103
Shariah advisor fees		1,050	1,264
Printing and stationery		75	141
Computer running expenses		2,161	-
Depreciation		25	9
Training expenses		64	-
Motor expenses		38	-
Advertisement		15	-
Other		22	-
		8,375	3,517

22.1 This includes Rs. 4.925 million (2017: 1.4 million) in respect of remuneration of the key management personnel.

23 INVESTMENT INCOME	Note	2018 Operator Fund	2018 Participants' Takaful Fund	2018 Aggregate
		(Rupees in '000)		
Income from term deposit receipt				
Return on term deposits	23.1	2,030	1,101	3,131

23.1 This includes Rs. 0.026 million (2017: Rs. 0.001 million) profit earned on placement of cede money in term deposit.

	2017 Operator Fund	2017 Participants' Takaful Fund	2017 Aggregate
	(Rupees in '000)		
Income from term deposit receipt			
Return on term deposits	446	1	447
	446	1	447

24 OTHER EXPENSES	2018	2017
	---- (Rupees in '000) ----	
Bank charges	12	-
Auditors' remuneration	571	500
Ceded amount to PTF	-	500
	583	1,000

25 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of related group companies, directors of the Operator, key management personnel, major shareholders, post employment benefit plans and other related parties. The Operator in the normal course of business carries out transactions with various related parties at agreed / commercial terms and conditions. Balances and transactions with the related parties are disclosed in the relevant notes to these financial statements.

	2018			2017		
	Operator's fund	Participants' Takaful Fund	Aggregate	Operator's fund	Participants' Takaful Fund	Aggregate
	Rupees in '000					
Transactions with related parties						
Contribution underwritten	-	1,013	1,013	-	-	-
Contribution collected	-	927	927	-	-	-
Commission expense	44	-	44	-	-	-
Balances with related parties						
Receivable from IGI General Insurance Limited - operator	771	-	771			
Payable to IGI General Insurance Limited - operator	7,637	50,392	58,029	3,560	56	3,616
Inter-fund receivable	3,418	144	3,562	-	144	144
Inter-fund payable	144	3,418	3,562	144	-	144
Contribution receivable	-	86	86	-	-	-
Commission payable	40	-	40	-	-	-

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26 SEGMENT REPORTING

26.1 Participants' Takaful fund

Particulars	Fire and property Damage	Marine, Aviation and Transport	Motor	Health	Miscellaneous	Total
	For the year ended December 31, 2018					
	(Rupees in '000)					
Contribution receivable (inclusive of federal excise duty, federal insurance fee and administrative surcharge)	58,575	13,643	97,448	40,315	5,559	215,540
Less: Federal Excise Duty	(7,575)	(1,496)	(12,824)	(325)	(685)	(22,905)
Federal Insurance Fee	(524)	(135)	(877)	(386)	(58)	(1,980)
Other Charges	(2)	(551)	(22)	-	(2)	(577)
Gross written contribution (inclusive of administrative surcharge)	50,474	11,461	83,725	39,604	4,814	190,078
Gross direct contribution	50,427	11,449	83,701	39,604	4,810	189,991
Administrative surcharge	47	12	24	-	4	87
	50,474	11,461	83,725	39,604	4,814	190,078
Contribution earned	36,106	10,905	56,349	35,058	3,103	141,521
Retakaful expense	32,064	9,549	1,710	-	2,650	45,973
Net contribution revenue	4,042	1,356	54,639	35,058	453	95,548
Net rebate on retakaful	6,847	2,260	339	-	573	10,019
Net underwriting income	10,889	3,616	54,978	35,058	1,026	105,567
Takaful claims	(12,876)	(3,712)	(32,686)	(40,192)	(3,059)	(92,525)
Retakaful and other recoveries	10,344	3,201	44	-	2,623	16,212
Net claims	(2,532)	(511)	(32,642)	(40,192)	(436)	(76,313)
wakalah expense	(12,517)	(3,854)	(17,322)	(9,641)	(859)	(44,193)
Direct expense	(12)	(2)	(1,740)	(9)	(1)	(1,764)
Net claims and expenses	(15,061)	(4,367)	(51,704)	(49,842)	(1,296)	(122,270)
Contribution deficiency	(2,520)	(58)	-	(1,358)	(18)	(3,954)
Underwriting (deficit)/surplus	(6,692)	(809)	3,274	(16,142)	(288)	(20,657)
Net investment income						2,721
Deficit for the year						(17,936)

Particulars	Fire and property Damage	Marine, Aviation and Transport	Motor	Miscellaneous	Total
	For the period from July 1, 2017 to December 31, 2017				
	(Rupees in '000)				
Contribution receivable (inclusive of federal excise duty, federal insurance fee and administrative surcharge)	18,635	2,008	20,669	977	42,290
Less: Federal Excise Duty	(2,502)	(227)	(2,649)	(128)	(5,506)
Federal Insurance Fee	(159)	(18)	(177)	(8)	(363)
Other Charges	(1)	(51)	(3)	0	(55)
Gross written contribution (inclusive of administrative surcharge)	15,973	1,712	17,840	841	36,366
Gross direct contribution	15,971	1,708	17,826	840	36,345
Administrative surcharge	2	4	14	1	21
	15,973	1,712	17,840	841	36,366
Contribution earned	5,596	1,561	6,814	365	14,336
Retakaful expense	3,737	1,364	-	276	5,377
Net contribution revenue	1,859	197	6,814	89	8,959
Net rebate on retakaful	814	311	649	61	1,835
Net underwriting income	2,673	508	7,463	150	10,794
Takaful claims	(870)	(78)	(3,222)	(315)	(4,485)
Retakaful and other recoveries	774	71	-	284	1,129
Net claims	(96)	(7)	(3,222)	(31)	(3,356)
wakala expense	(1,476)	(534)	(1,589)	(95)	(3,694)
Direct expense	-	-	(1)	-	(1)
Net claims and expenses	(1,572)	(541)	(4,812)	(126)	(7,051)
Underwriting result	1,101	(33)	2,651	24	3,743
Net investment income					1
Surplus for the period					3,744

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26.2 Operator's Fund

Particulars	Fire and property Damage	Marine, Aviation and Transport	Motor	Health	Miscellaneous	Total
	'For the year ended December 31, 2018					
	(Rupees) in '000					
wakala fee	12,517	3,854	17,322	9,641	859	44,193
Commission expense	(5,882)	(1,485)	(6,021)	(1,126)	(380)	(14,894)
Management expenses	(2,224)	(505)	(3,689)	(1,745)	(212)	(8,375)
	4,411	1,864	7,612	6,770	267	20,924
Profit on bank deposit						399
Investment income - net						2,030
Mudarib's share on investment income						907
Other expense						(583)
Profit before tax						23,677

Particulars	Fire and property Damage	Marine, Aviation and Transport	Motor	Miscellan-eous	Total
	For the period from July 1, 2017 to December 31, 2017				
	(Rupees in '000)				
wakala fee	1,476	534	1,589	95	3,694
Commission expense	(1,041)	(88)	(999)	(35)	(2,163)
Management expense	(1,544)	(166)	(1,726)	(81)	(3,517)
	(1,109)	280	(1,136)	(21)	(1,986)
Investment Income - net of Mudarib's share of PTF Investment Income					446
Other expenses					(1,000)
Loss for the period					(2,540)

26.3 Statement of financial position

	Fire and property	Marine, aviation and transport	Motor	Health	Miscellaneous	Total
	2018					
	Rupees in '000					
Segment assets						
Segment assets						
- Participants' Takaful Fund	56,438	7,468	41,229	14,324	6,605	126,064
Unallocated assets						
- Participants' Takaful Fund	-	-	-	-	-	186,742
- Operators' Fund	-	-	-		-	142,357
Consolidated total assets						455,163
Segment liabilities						
Segment liabilities						
- Participants' Takaful Fund	70,730	10,495	106,319	40,441	7,977	235,962
Unallocated liabilities						
- Participants' Takaful Fund	-	-	-	-	-	62,536
- Operators' Fund	-	-	-	-	-	71,220
Consolidated total liabilities						369,718

	Fire and property	Marine, aviation and transport	Motor	Miscellaneous	Total
	2017				
	Rupees in '000				
Segment assets					
Segment assets					
- Participants' Takaful Fund	23,051	1,257	13,830	1,015	39,153
Unallocated assets					
- Participants' Takaful Fund	-	-	-	-	30,290
- Operators' Fund	-	-	-	-	64,186
Consolidated total assets					133,629
Segment liabilities					
Segment liabilities					
- Participants' Takaful Fund	28,604	1,823	30,609	1,670	62,706
Unallocated liabilities					
- Participants' Takaful Fund	-	-	-	-	2,493
- Operators' Fund	-	-	-	-	16,726
Consolidated total liabilities					81,925

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27 MANAGEMENT OF TAKAFUL RISK AND FINANCIAL RISK

The operator issue contracts that transfer takaful risk or financial risk or both. This section summarises the takaful risks and the way the Operator manages them.

27.1 Takaful risk management

27.1.1 Takaful risk

The risk under any one takaful contract is the possibility of the covered event occurring and the uncertainty of the amount of the resulting claim. The Operator is exposed to the uncertainty surrounding the timing, frequency and severity of claims under takaful contracts and there is a risk that actual claims exceed the carrying amount of the takaful liabilities.

Experience shows that the larger the portfolio of similar takaful contracts, the smaller will be the relative variability about the expected outcome. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Operator has developed its takaful underwriting strategy to diversify the type of takaful risks accepted and within each of these categories the Operator's takaful contract are for a maximum period of one year.

Factors that aggravate takaful risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

(a) Frequency and severity of claims

Political, environmental, economical and climatic changes give rise to more frequent and severe extreme events (for example, fire, theft, riot and strike, explosion, earthquake, atmospheric damage, hurricanes, typhoons, river flooding, electric fluctuation, terrorism, war risk, damages occurring in inland transit, burglary, loss of cash in safe and cash in transit, travel and personal accident, money losses, engineering losses and other events) and their consequences (for example, subsidence claims). For certain contracts, the Operator has also limited the number of claims that can be paid in any policy year or introduced a maximum amount payable for claims in any policy year.

Takaful contracts which are divided into direct and facultative arrangements are further subdivided into four segments: fire, marine, motor and miscellaneous. The takaful risk arising from these contracts is concentrated in the territories in which the Operator operates, and there is a balance between commercial and personal properties / assets in the overall portfolio of covered properties / assets. The Operator underwrites takaful contracts in Pakistan only.

The Operator manages these risks through its underwriting strategy, adequate re-takaful arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. The Operator has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. Takaful contracts also entitle the Operator to pursue third parties for payment of some or all costs (for example, subrogation). The claims payments are limited to the extent of sum covered on occurrence of the covered event.

The Operator has entered into re-takaful cover / arrangements, with local and foreign re-takaful operators having good credit rating by reputable rating agencies, to reduce its exposure to risks and resulting claims. Keeping in view the maximum exposure in respect of key zone aggregates, a number of proportional and non-proportional facultative re-takaful arrangements are in place to protect the net account in case of a major catastrophe. The effect of such re-takaful arrangements is that the Operator recovers the share of claims from re-takaful companies thereby reducing its exposure to risk. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional re-takaful arrangements, any loss over and above the said limit would be recovered under non-proportional treaty which is very much in line with the risk management philosophy of the Operator.

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

The Operator has claims department dealing with the mitigation of risks surrounding claims incurred whether reported or not. This department investigates and settles all claims based on surveyor's report / assessment. The unsettled claims are reviewed individually at least semi-annually and adjusted to reflect the latest information on the underlying facts, contractual terms and conditions, and other factors. The Operator actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

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(b) Sources of uncertainty in the estimation of future claim payments

Claims reported and the development of large losses / catastrophes is analysed separately. The shorter settlement period for claims allows the Operator to achieve a higher degree of certainty about the estimated cost of claims including IBNR. However, the longer time needed to assess the emergence of a subsidence claim makes the estimation process more uncertain for these claims.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value, re-takaful and other recoveries. The Operator's claim are for shorter settlement period generally and Operator takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome may be different from the original liability established. The liability comprises amount in relations to unpaid reported claims, claims incurred but not reported (IBNR), expected claims settlement costs and a provision for unexpired risks at the end of the reporting period.

Liability in respect of outstanding claims is based on the best estimate of the claims intimated or assessed. In calculating the estimated cost of unpaid claims (both reported and not), the Operator estimation techniques are a combination of loss-ratio based estimates (where the loss ratio is defined as the ratio between the ultimate cost of takaful claims and takaful contribution earned in prior financial years in relation to such claims) and an estimate based upon actual claims experience using predetermined basis where greater weight is given to actual claims experience as time passes.

In estimating the liability for the cost of reported claims not yet paid, the Operator considers any information available from surveyor's assessment and information on the cost of settling claims with cases having similar characteristics in previous periods. Claims are assessed on a case-by-case basis separately.

(c) Process used to decided on assumptions

The risks associated with takaful contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. This exposure is geographically concentrated in the Pakistan only.

The Operator uses internal data to measure its related estimated claim liabilities. Internal data is derived mostly from the Operator's monthly claims reports, surveyor's report for particular claim and screening of the actual takaful contracts carried out to derive data for the contracts held. The Operator has reviewed the individual contracts and in particular the industries in which the participant companies operate and the actual exposure years of claims. This information is used to develop related provision for outstanding claims (both reported and non-reported).

The principal assumption underlying the liability estimation of IBNR and contribution deficiency reserve is that the Operator's future claim development will follow similar historical pattern for occurrence and reporting. The management uses qualitative judgment to assess the extent to which past occurrence and reporting pattern will not apply in future. The judgment includes external factors e.g. treatment of one-off occurrence claims, changes in market factors, economic conditions, etc.

(d) Changes in assumptions

The Operator has not changed its assumptions for the takaful contracts as disclosed in above (b) and (c).

(e) Sensitivity analysis

The analysis of exposure described in paragraph (c) above is also used to test the sensitivity of the selected assumptions to changes in the key underlying factors. Assumptions of different levels have been used to assess the relative severity of subsidence claims given past experience. The key material factor in the Operator's exposure to subsidence claims is the risk of more permanent changes in geographical location in which Operator is exposed.

The Operator makes various assumptions and techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios. The Operator considers that the liability for takaful claims recognised in the statement of financial position is adequate. However, actual experience will differ from the expected outcome.

As the Operator enters into short term takaful contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, results of sensitivity testing assuming 10% change in the claim incidence net of recoveries showing effect on underwriting results and balance of waqf is set out below.

	2018		2017	
	Underwriting results	Balance of Waqf	Underwriting results	Balance of Waqf
	(Rupees in '000)		(Rupees in '000)	
10% increase in average claim cost				
Fire and property damage	(253)	(253)	(10)	(10)
Marine, aviation and transport	(51)	(51)	(1)	(1)
Motor	(3,264)	(3,264)	(322)	(322)
Miscellaneous	(44)	(44)	(3)	(3)
	(3,612)	(3,612)	(336)	(336)
10% decrease in average claim cost				
Fire and property damage	253	253	10	10
Marine, aviation and transport	51	51	1	1
Motor	3,264	3,264	322	322
Miscellaneous	44	44	3	3
	3,612	3,612	336	336

Concentration of takaful risk

A concentration of risk may also arise from a single takaful contract issued to a particular type of participant, within a geographical location or to types of commercial business. In order to minimise the financial exposure arising from large claims, the Operator, in the normal course of business, enters into agreement with other re-takaful operators, who are dispersed over several geographical regions.

The Operator has certain single takaful contracts which it considers as risk of high severity but very low frequency. The Operator cedes substantial part of these risks to the re-takaful companies on its panel and its maximum exposure on any single policy is limited to the amount of Rs. 25 million.

The maximum class wise risk exposure (in a single policy) is as follows:

	2018		
	Gross sum covered	Retakaful cover	Highest net liability
	(Rupees in'000)		
Fire and property damage	3,395,066	3,370,066	25,000
Marine, aviation and transport	1,400,000	1,260,000	140,000
Motor	44,000	-	44,000
Miscellaneous	94,832	89,832	5,000
	4,933,898	4,719,898	214,000

	2017		
	Gross sum covered	Retakaful cover	Highest net liability
	(Rupees in'000)		
Fire and property damage	4,700,322	4,548,308	152,014
Marine, aviation and transport	1,400,000	1,260,000	140,000
Motor	80,205	-	80,205
Miscellaneous	74,239	55,679	18,560
	6,254,766	5,863,987	390,779

28 FINANCIAL RISK MANAGEMENT

The Operator has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Operator's risk management framework. The Board is also responsible for developing and monitoring the Operator's risk management policies.

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Risk management framework

Every takaful operator is exposed to a wide range of risks, some discrete and some interdependent; integrated risk management entail strong governance processes; ensuring greater accountability, transparency and risk awareness in underwriting, investment and strategic decisions. The Board of Directors take ultimate responsibility for supervising the Operator's risk management framework. Risk management framework covers the need to review the strategy of a Operator and to assess the risk associated with it.

The Audit Committee oversees compliance by management with the Operator's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Operator. The Audit Committee is assisted in its oversight role by an Internal Audit Function. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

28.1 Credit risk

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

28.1.1 Exposure to credit risk

Credit risk of the Operator arises principally from the deposit and account placement with banks, investment, contribution due but unpaid, amount due from other takaful / re-takaful operators, retakaful and other recoveries against outstanding claims, accrued investment income and other receivables. To reduce the credit risk, Operator's management monitors exposure to credit risk through its regular review, assessing credit worthiness of counter parties and prudent estimates of provision for doubtful debts.

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

	Note	2018	2017
		(Rupees in '000)	
Cash and bank	12	52,176	53,561
Investments-term deposits	7	106,500	25,500
Investments-equity securities	6	80	-
Contribution due but unpaid	9	30,174	10,949
Amount due from other takaful / retakaful operators		32,576	9,624
Wakala fees receivable		41,763	11,526
Other receivables	8	33,047	177
		296,316	111,337

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

	2018		
	Short term	Long term	Agency
Meezan Bank Limited	A1+	AA+	JCR-VIS
Bank Al Habib Limited	A1+	AA+	PACRA

	2017		
	Short term	Long term	Agency
Meezan Bank Limited	A1+	AA	JCR-VIS
Bank Al Habib Limited	A1+	AA+	PACRA

Contribution due but unpaid

Contribution due but unpaid is mostly recoverable from corporate customers.

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Concentration of credit risk

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 effect their ability to meet contractual obligations in similar manner. Sector-wise analysis of gross "contribution due but unpaid" (before charging of provision for impairment) at the reporting date was:

	2018		2017	
	Rupees in '000	%	Rupees in '000	%
Textile	8,368	28%	2,625	24%
Financial services	205	1%	-	-
Engineering	97	0%	2,144	20%
Pharmaceuticals	737	2%	480	4%
Food	7,404	25%	300	3%
Other manufacturing	70	0%	-	-
Others	13,293	44%	5,400	49%
	30,174	100%	10,949	100%

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

	2018		2017	
	Gross	Impairment	Gross	Impairment
	(Rupees in '000)		(Rupees in '000)	
Upto 1 year	29,010	-	10,949	-
Upto 1 - 1.5 years	1,164	-	-	-

Re-takaful ceded does not relieve the Operator from its obligation to participants and as a result the Operator remains liable for the portion of outstanding claims covered by re-takaful to the extent that re-takaful fails to meet the obligation under the re-takaful agreements.

In common with other takaful companies, in order to minimise the financial exposure arising from large claims, the Operator, in the normal course of business, enters into agreement with other re-takaful companies.

The Operator enters into re-takaful arrangements with re-takaful companies having sound credit ratings accorded by reputed credit rating agencies. The Operator is required to comply with the requirements of circular no. 32 / 2009 dated 27 October 2009 issued by SECP which requires a takaful operator to place at least 80% of their outward treaty cessions with re-takaful companies rated 'A' or above by Standard & Poor's or equivalent rating by any other reputed international rating agency, with the balance (20%) being placed with entities rated at least 'BBB' by Standard & Poor's or equivalent rating by any other reputed international rating agency. An analysis of all re-takaful assets relating to outward treaty cessions recognised by the rating of the entity from which it is due is as follows:

	2018			
	Amount due from re-takaful operators	Re-takaful recoveries against outstanding claims	Prepaid re-takaful contribution ceded	Total
	(Rupees in '000)			
A or above	31,025	15,014	24,723	70,762
BBB	731	354	582	1,667
Others	820	273	450	1,543
	32,576	15,641	25,755	73,972

	2017			
	Amount due from re-takaful operators	Re-takaful recoveries against outstanding claims	Prepaid re-takaful contribution ceded	Total
	(Rupees in '000)			
A or above	8,799	-	8,796	17,595
BBB	143	-	1,951	2,094
Others	682	-	-	682
	9,624	-	10,747	20,371

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Age analysis of "Amount due from other takaful companies" at the reporting date was:

	2018		2017	
	Gross	Impairment	Gross	Impairment
	(Rupees in '000)		(Rupees in '000)	
Upto 1 year	31,710	-	9,624	-
Upto 1 - 1.5 years	866	-		

In respect of the aforementioned takaful and re-takaful assets, the Operator takes into account its track record of recoveries and financial position of the counterparties while creating provision for impairment. Further, re-takaful recoveries are made when corresponding liabilities are settled.

28.2 Liquidity risk

Liquidity risk is the risk that the Operator will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Operator could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Operator's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Operator's reputation. The diversified funding sources and assets of the Operator are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities.

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

	2018			
	Carrying amount	Contractual cash flows	Up to 6 months	Over 6 months to 1 year
	(Rupees in '000)			
Financial liabilities-OPF				
Takaful / retakaful payable	2,278	2,278	2,278	-
Other creditors and accruals	47,023	47,023	47,023	-
	49,301	49,301	49,301	-
Financial liabilities-PTF				
Provision for outstanding claims (including IBNR)	52,075	52,075	52,075	-
Provision for unearned contribution	70,587	70,587	70,587	-
Provision for unearned re-takaful reward	5,460	5,460	5,460	-
Takaful / retakaful payable	66,077	66,077	66,077	-
wakala fees payable	41,763	41,763	41,763	-
Other creditors and accruals	55,487	55,487	55,487	-
	291,449	291,449	291,449	-
	340,750	340,750	340,750	-

	2017			
	Carrying amount	Contractual cash flows	Up to 6 months	Over 6 months to 1 year
	(Rupees in '000)			
Financial liabilities-OPF				
Takaful / retakaful payable	443	443	443	-
Other creditors and accruals	8,451	8,451	8,451	-
	8,894	8,894	8,894	-
Financial liabilities-PTF				
Outstanding claims including IBNR	3,826	3,826	3,826	-
Unearned contribution reserve	22,030	22,030	22,030	-
Unearned retakaful reward	2,342	2,342	2,342	-
Takaful / retakaful payable	22,912	22,912	22,912	-
wakala fee payable	11,526	11,526	11,526	-
Other creditors and accruals	1,543	1,543	1,543	-
	64,179	64,179	64,179	-
	73,073	73,073	73,073	-

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28.3 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as profit rates, foreign exchange rates and market prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. As at reporting date there are no financial instruments denominated in foreign currencies. Therefore, the Operator is not exposed to risk from foreign currency exchange rate fluctuations.

28.3.1 Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates. Majority of the profit rate exposure arises from balances held in term deposits with reputable banks.

At the reporting date, the profit rate profile of the operator's significant profit-bearing financial instrument is:

	2018							
	Profit Rate	Profit bearing			Non-profit bearing			Total
		Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
		(Rupees in '000)						
Financial assets								
Operator's Fund								
Cash and bank	5.50% - 5.75%	5,703	-	5,703	-	-	-	5,703
Investments-term deposits	10%	46,000	-	46,000	-	-	-	46,000
Investments - mutual fund		-	-	-	40	-	40	40
Wakala fees receivable		-	-	-	41,763	-	41,763	41,763
Other receivables		-	-	-	4,472	-	4,472	4,472
Qard-e-hasan to Participant Takaful Fund		-	-	-	28,000	-	28,000	28,000
		51,703	-	51,703	74,275	-	74,275	125,978
Participants' Takaful Fund								
Cash and bank	5.50% - 5.75%	46,473	-	46,473	-	-	-	46,473
Investments-term deposits	10%	60,500	-	60,500	-	-	-	60,500
Investments-mutual fund					40	-	40	40
Contribution due but unpaid		-	-	-	30,174	-	30,174	30,174
Amount due from other takaful / retakaful operators		-	-	-	32,576	-	32,576	- 32,576
Retakaful recoveries against outstanding claims		-	-	-	15,641	-	15,641	- 15,641
Other receivables		-	-	-	28,575	-	28,575	28,575
		106,973	-	106,973	107,006	-	107,006	213,979
Financial liabilities								
Operator's Fund								
Takaful / retakaful payable		-	-	-	2,278	-	2,278	2,278
Other creditors and accruals		-	-	-	47,023	-	47,023	47,023
		-	-	-	49,301	-	49,301	49,301
Participants' Takaful Fund								
Provision for outstanding claims (including IBNR)		-	-	-	52,075	-	52,075	52,075
Provision for unearned contribution		-	-	-	70,587	-	70,587	70,587
Provision for unearned re-takaful reward		-	-	-	5,460	-	5,460	5,460
Takaful / retakaful payable		-	-	-	66,077	-	66,077	66,077
Wakala fees payable		-	-	-	41,763	-	41,763	41,763
Other creditors and accruals		-	-	-	55,487	-	55,487	55,487
		-	-	-	291,449	-	291,449	291,449

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	Profit Rate	Profit bearing: Maturity upto one year	Profit bearing: Maturity after one year	Profit bearing: Sub total	Non-profit bearing: Maturity upto one year	Non-profit bearing: Maturity after one year	Non-profit bearing: Sub total	Total
	2017							
		(Rupees in '000)						
Financial assets								
Cash and bank deposits	5.50% - 5.75%	25,500	-	25,500	53,561	-	53,561	79,061
Contribution due but unpaid (PTF)		-	-	-	10,949	-	10,949	10,949
Amount due from other takaful / retakaful operators (PTF)		-	-	-	9,624	-	9,624	9,624
Wakala fees receivable (OPF)		-	-	-	11,526	-	11,526	11,526
		25,500	-	25,500	85,660	-	85,660	111,160
Financial liabilities								
Provision for outstanding claims		-	-	-	3,826	-	3,826	3,826
Provision for unearned contribution		-	-	-	22,030	-	22,030	22,030
Provision for unearned re-takaful reward		-	-	-	2,342	-	2,342	2,342
Amount due to co-takaful / retakaful operators		-	-	-	23,355	-	23,355	23,355
Wakala fees payable		-	-	-	11,526	-	11,526	11,526
Accrued expenses (OPF)		-	-	-	500	-	500	500
Other creditors and accruals		-	-	-	9,494	-	9,494	9,494
		-	-	-	73,073	-	73,073	73,073

Cash flow sensitivity analysis for variable rate instruments

The Operator is exposed to cash flow profit rate risk in respect of its term deposits receipts. In case of 100 basis points (bp) increase / decrease in profit rates at period end, assuming that all other variables remain constant, the net income and equity would have been higher / lower approximately by Rs 2.830 million (2017: Rs.0.714 million) in operators' fund. Similarly, in case of Participants' Takaful Fund the net income and balance of Waqf / PTF would have been higher / lower approximately by Rs 4.310 million (2017: Rs. 0.005 million).

28.3.2 Price risk

Price risk is the risk of changes in the fair value of investments. The Operator is not exposed to price risk since it has no investments.

28.4 Fund Management

The operator's objective when managing capital is to safeguard the operator's ability to continue as going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

The Operator manages its fund structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions.

29 FINANCIAL INSTRUMENTS BY CATEGORY

	2018	2017
	(Rupees in '000)	
Financial assets and financial liabilities		
Financial assets		
Loans and receivables - amortised cost		
Cash and bank deposits		
Current and other accounts	52,176	53,561
Investments		
Term deposits	106,500	25,500
Mutual fund	80	-

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	2018	2017
	------- (Rupees in '000) ---------	
Current assets - others		
Contribution due but unpaid	30,174	10,949
Amount due from other takaful / retakaful operators	32,576	9,624
Other receivables	33,047	-
Retakaful recoveries against outstanding claims	15,641	-
Wakala fees receivable	41,763	11,526
	153,201	**32,099**
Qard-e-hasan to Participant Takaful Fund	28,000	-
Financial Liabilities		
Amortised cost		
Provision for outstanding claims including IBNR	52,075	3,826
Provision for unearned contribution	70,587	22,030
Provision for unearned retakaful reward	5,460	2,342
Takaful / retakaful payable	68,355	23,355
Wakala fees payable	41,763	11,526
Accrued expenses (OPF)	-	500
Other creditors and accruals	102,510	9,494
	340,750	**73,073**

30 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The table below analyses financial instruments carried at fair value. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Operator has no items to report in this level.

The Company held the following financial instruments measured at fair value:

	2018		
	Level 1	Level 2	Level 3
	Rupees in '000		
Assets carried at fair value			
Held for trading investments			
Mutual fund	80	-	-

	2017		
	Level 1	Level 2	Level 3
	Rupees in '000		
Assets carried at fair value			
Held for trading investments			
Mutual fund	-	-	-

31 CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified wherever necessary to conform with the revised format of financial statements prescribed under the Insurance Rules, 2017 as detailed in note 2.1.2. The effects of these reclassifications are summarised below:

Reclassification from Balance Sheet	Reclassification to Statement	2018
		Rupees in '000
Creditors and Accruals - Amount due to co-takaful / retakaful operators	Takaful / retakaful payable	23,355
Cash and bank deposits - Deposits maturing within 12 months	Investments - Term deposits	25,500

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Reclassification from Balance Sheet	Reclassification to Statement	2018
		Rupees in '000
Creditors and Accruals - Accrued expenses (OPF)	Other creditors and accruals	500
Sundry receivables	Taxation - payment less provisions	44
Sundry receivables	Loans and other receivables	177
Contribution due but unpaid	Takaful / Retakaful receivables	10,949
Amount due from other takaful / retakaful operators	Takaful / Retakaful receivables	9,624

32 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Operator on __________, 2018.

33 GENERAL

Figures in these financial statements have been rounded off to the nearest thousand of rupees.

Chairman | Director | Director | Chief Executive Officer

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of IGI General Insurance Limited

Review Report on the Statement of Compliance contained in the Code of Corporate Governance for Insurers, 2016

We have reviewed the enclosed Statement of Compliance with the Code of Corporate Governance for Insurers, 2016 (the Code) prepared by the Board of Directors of **IGI General Insurance Limited** ('the Company') for the year ended December 31, 2018 in accordance with the requirements of Code of Corporate Governance for Insurers, 2016 applicable to insurance companies as issued by the Securities and Exchange Commission of Pakistan (SECP).

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, 2018.

AFFerguson & Co

Chartered Accountants
Dated: April 2, 2019
Karachi

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

IGI GENERAL INSURANCE LIMITED
for the year ended 31st December 2018

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

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

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

Category	Name
Independent Director	None
Executive Director	Mr. Chaudhry Tahir Masaud Mr. Faisal Khan
Non-Executive Directors	Mr. Shamim Ahmad Khan Mr. Syed Hyder Ali Mr. Sajjad Iftikhar Mr. Syed Hasnain Ali

*As per clause (iii) of the Code of Corporate Governance for Insurers, 2016, the appointment of an independent director on the Board is preferred but is not mandatory. Hence, no independent director has been appointed on the Board of Directors of the Company.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI, or being a member of a stock exchange, has been declared as a defaulter by the stock exchange.

4. Two casual vacancies occurred on the Board during the year which were filled up by the directors within 90 days thereof.

5. The Company has prepared a Code of Conduct, which has been disseminated among all the directors and employees of the Company.

6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive directors and the key officers, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven (7) days before the meeting. The minutes of the meeting were appropriately recorded and circulated.

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

10. The Board has arranged an orientation course for its newly appointed directors during the year to apprise them of their duties and responsibilities.

11. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms & conditions of employment.

12. The Directors' Report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance for Insurers, 2016 and fully describes the salient matters required to be disclosed.

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

14. The directors, Chief Executive Officer and other executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding.

15. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance for Insurers, 2016.

16. The Board has formed the following Management Committees:

UNDERWRITING, RE-INSURANCE & CO-INSURANCE COMMITTEE	
Name of the Member	**Category**
Syed Hyder Ali	Chairman
Tahir Masaud	Member
Faisal Khan	Member
Syed Hasnain Ali	Member
Sajjad Iftikhar	Member
Jamshaid Hussain	Member & Secretary
Noman Bashir	Member
Fawad Sarwar	Member

CLAIM SETTLEMENT COMMITTEE	
Name of the Member	**Category**
Shamim Ahmad khan	Chairman
Tahir Masaud	Member
Syed Awais Amjad	Member
Kashif Qayyum	Member
Zahid Mehmood	Member

RISK MANAGEMENT & COMPLIANCE COMMITTEE	
Name of the Member	**Category**
Shamim Ahmad khan	Chairman
Tahir Masaud	Member
Sajjad Iftikhar	Member
Faisal Khan	Member
Syed Awais Amjad	Member
Saira Sheikh	Member

17. The Board has formed the following Board Committees:

ETHICS, HUMAN RESOURCE & REMUNERATION COMMITTEE	
Name of the Member	**Category**
Syed Hyder Ali	Chairman
Syed Hasnain Ali	Member
Tahir Masaud	Member

INVESTMENT COMMITTEE	
Name of the Member	**Category**
Syed Hasnain Ali	Chairman
Syed Hyder Ali	Member
Tahir Masaud	Member
Sajjad Iftikhar	Member
Syed Awais Amjad	Member

18. The Board has formed an Audit Committee. It comprises of three (3) members, all of them are non-executive directors. The chairman of the Committee is a non-executive director. The composition of the Audit Committee is as follows:

AUDIT COMMITTEE	
Name of the Member	**Category**
Syed Hasnain Ali	Chairman
Syed Hyder Ali	Member
Sajjad Iftikhar	Member

19. The meetings of the Committees were held at least once every quarter prior to approval of interim and final results of the insurer and as required by the Code of Corporate Governance for Insurers, 2016. The terms of references of the Committees have been formed and advised to the Committee for compliance.

20. The Board had outsourced the internal audit function to a firm of Chartered Accountants till September 30, 2018 and after that it has set up an effective internal audit function. They are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a regular basis.

21. The Chief Executive Officer, Chief Financial Officer, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under the Code of Corporate Governance for Insurers, 2016. The Appointed Actuary of the Company also meets the conditions as laid down in the said Code. Moreover, the

persons heading the underwriting, claim, reinsurance, risk management and grievance 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**
Tahir Masaud	Chief Executive Officer
Syed Awais Amjad	Chief Financial Officer
Saira Shaikh	Compliance Officer & Head of Grievance Department
Yasir Ali Quraishi	Company Secretary
Shahzeb Haider	Head of Internal Audit
Jamshaid Hussain	Head of Underwriting
Kashif Qayyum	Head of Claims
Faisal Khan	Head of Risk Management & Reinsurance

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

23. 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.

24. The Appointed Actuary of the Company has confirmed that he or his spouse and minor children do not hold shares of the Company.

25. The Board ensures that the Appointed Actuary complies with the requirements set out for him in the Code of Corporate Governance for Insurers, 2016.

26. The Board ensures that the investment policy of the Company has been drawn up in accordance with the provisions of the Code of Corporate Governance for Insurers, 2016.

27. The Board ensures that the risk management system of the Company is in place as per the requirement of the Code of Corporate Governance for Insurers, 2016.

28. The Company has set up a risk management function, which carries out tasks as covered under the Code of Corporate Governance for Insurers, 2016.

29. The Board ensures that as part of the risk management system, the Company gets itself rated from JCR-VIS and PACRA which is being used by its risk management function and the respective Committee as a risk monitoring tool. The rating assigned by the said rating agencies on September 13, 2018 and December 18, 2018 are "AA" & "AA" respectively.

30. The Board has set up a grievance department / function, which fully complies with the requirements of the Code of Corporate Governance for insurers, 2016.

31. We confirm that all other material principles contained in the Code of Corporate Governance for Insurers, 2016 have been complied with.

By Order of the Board

S A Khan

Shamim Ahmad Khan
Date: March 04, 2019