

TRANSFORMING  
IMAGINATION  
THROUGH  
DIGITIZATION



# CONTENT

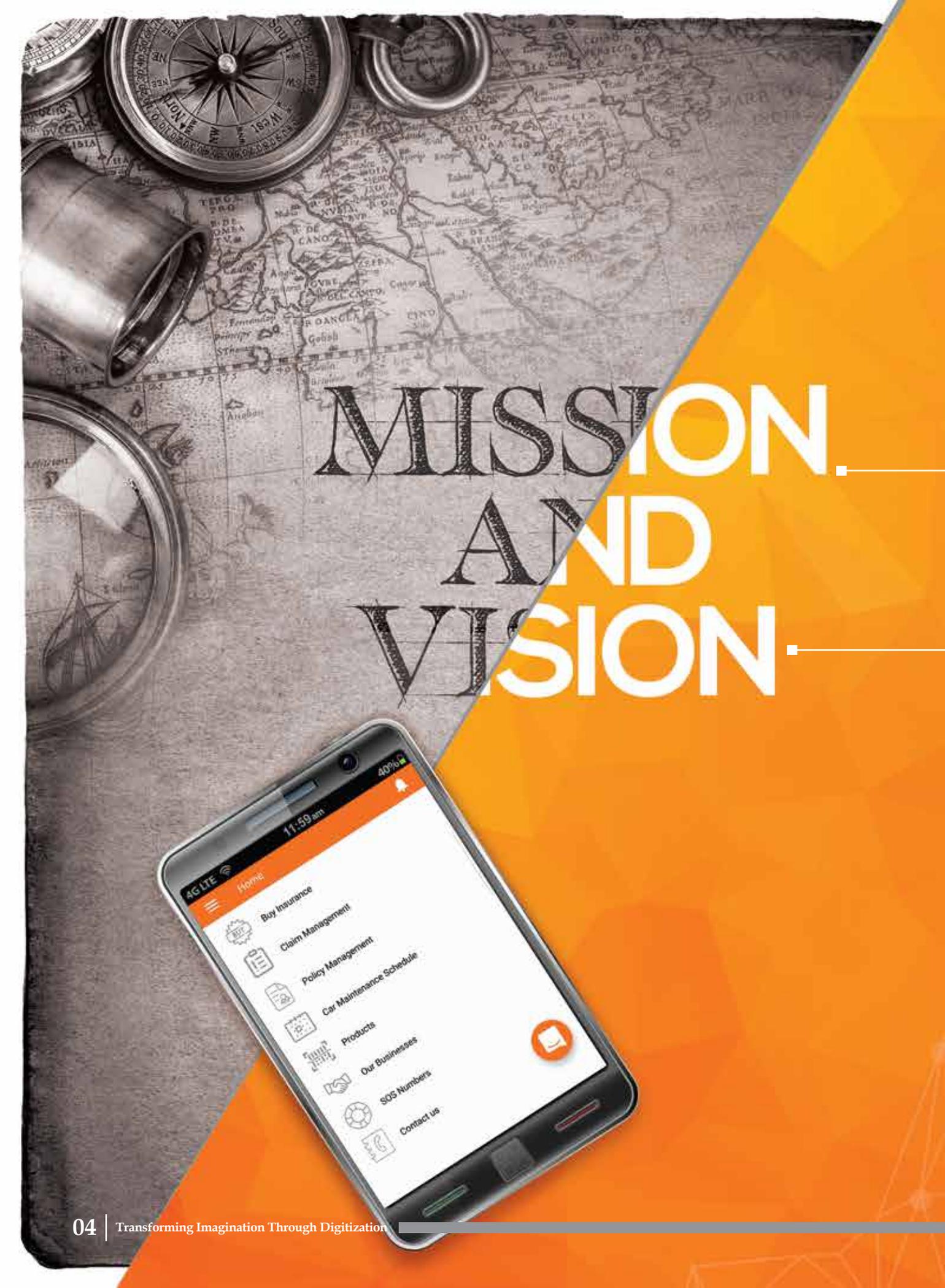
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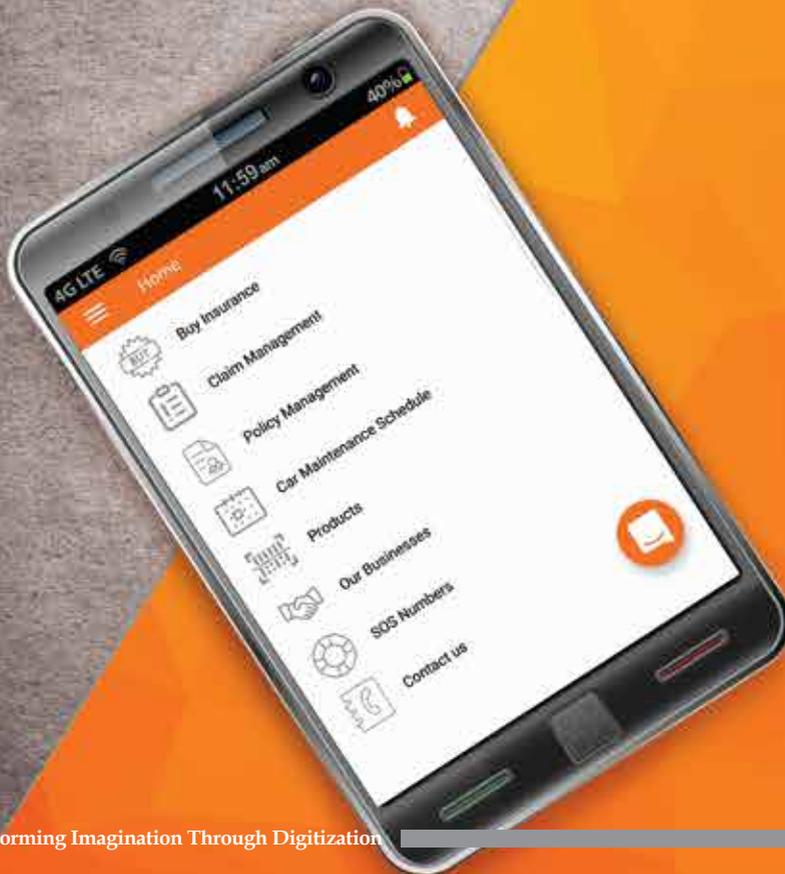
# 01

# COMPANY INFORMATION

- 1.1 MISSION AND VISION
- 1.2 STRATEGIC OBJECTIVES
- 1.3 COMPANY PROFILE
- 1.4 GEOGRAPHICAL PRESENCE
- 1.5 PRODUCT PORTFOLIO
- 1.6 SWOT ANALYSIS
- 1.7 CALENDAR OF MAJOR EVENTS  
DURING THE YEAR
- 1.8 OTHER INFORMATION

A vintage-style map with various geographical labels and a grid of latitude and longitude lines. Overlaid on the map are several navigation tools: a brass compass rose in the top left, a pair of brass compasses in the top center, a brass telescope in the middle left, and a circular instrument, possibly a sextant or a similar navigational tool, in the bottom left. The right side of the image is dominated by a large, bright orange diagonal shape that contains the main title text.

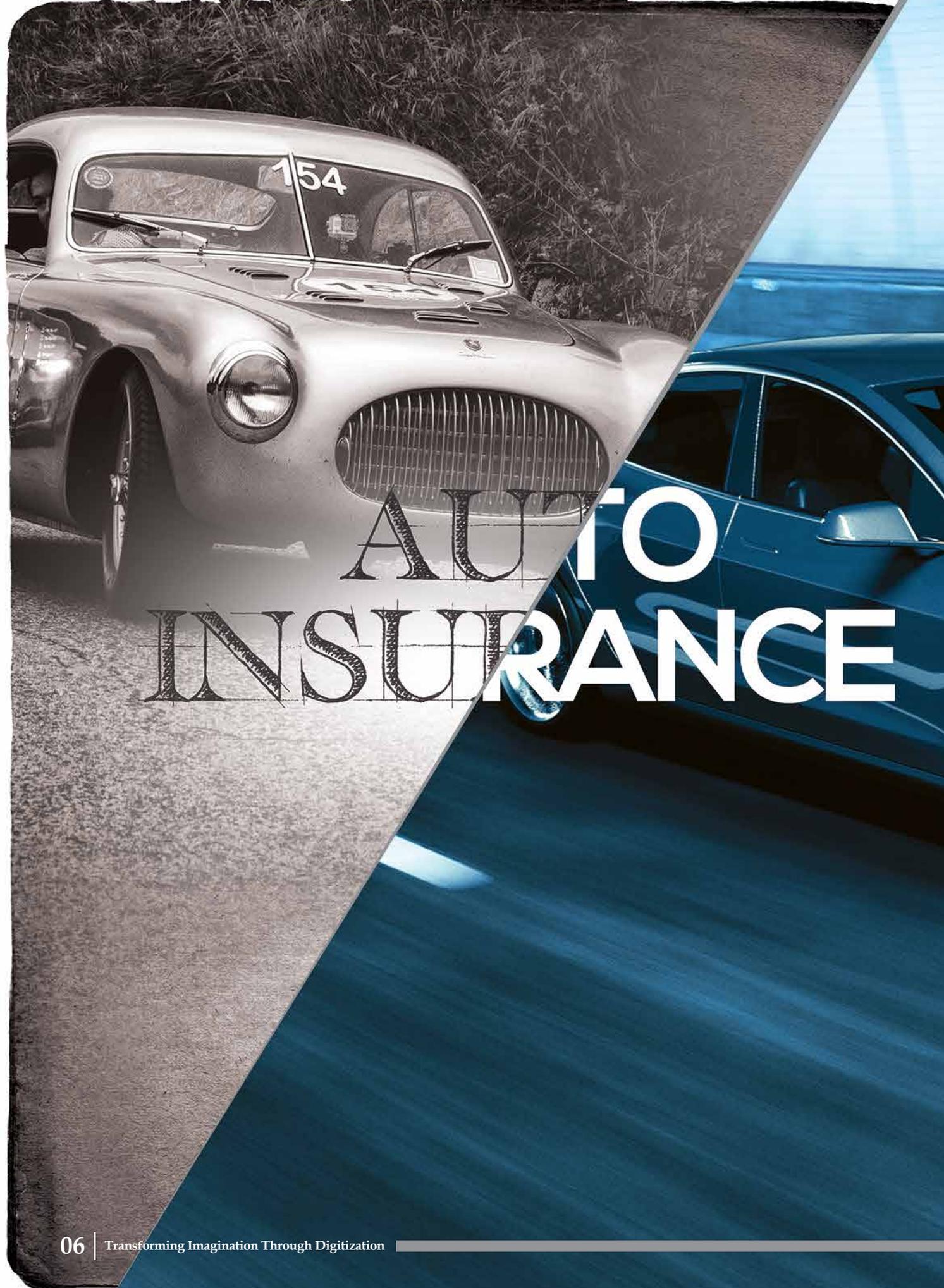
# MISSION. AND VISION.



## 1.1 - MISSION AND VISION

To combine aggressive strategic marketing with effective and efficient execution; providing incomparable services and product innovations to continuously create sustainable value for our stakeholders.

To evolve as a dominant insurance player in Pakistan by exploiting profitable niches through deployment of cutting-edge technology and proficient human capital

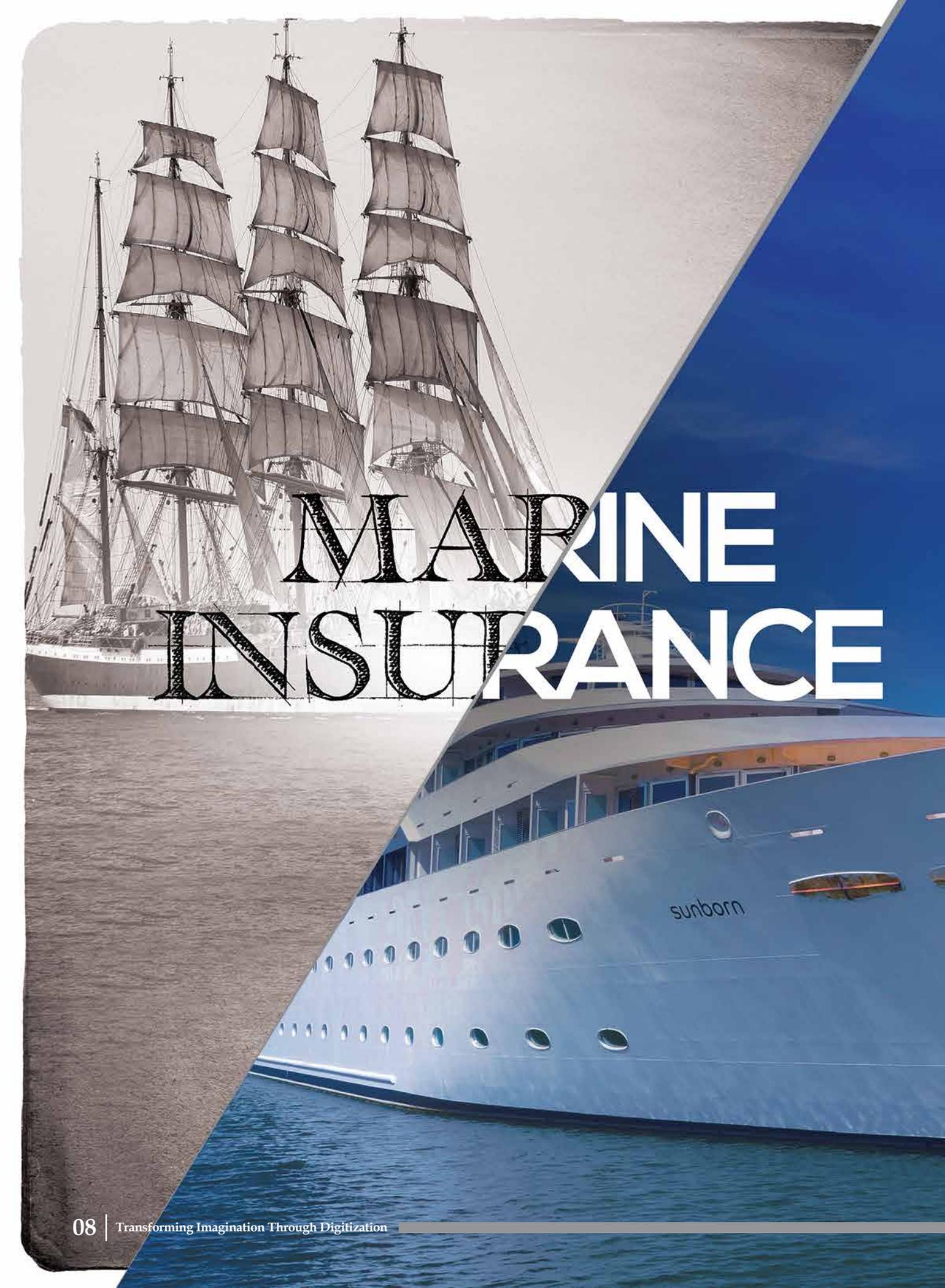


# AUTO INSURANCE



## **DRIVING INNOVATION**

TPL Insurance is designed to cater to customers across all market segments. Driven by innovation, we emphasize on optimizing the latest technology, with the aim to attain global dominance in the insurance industry. TPL Insurance is one of Pakistan's most innovative digital company and we continue to benefit from cutting-edge technology, to empower the local service industry.

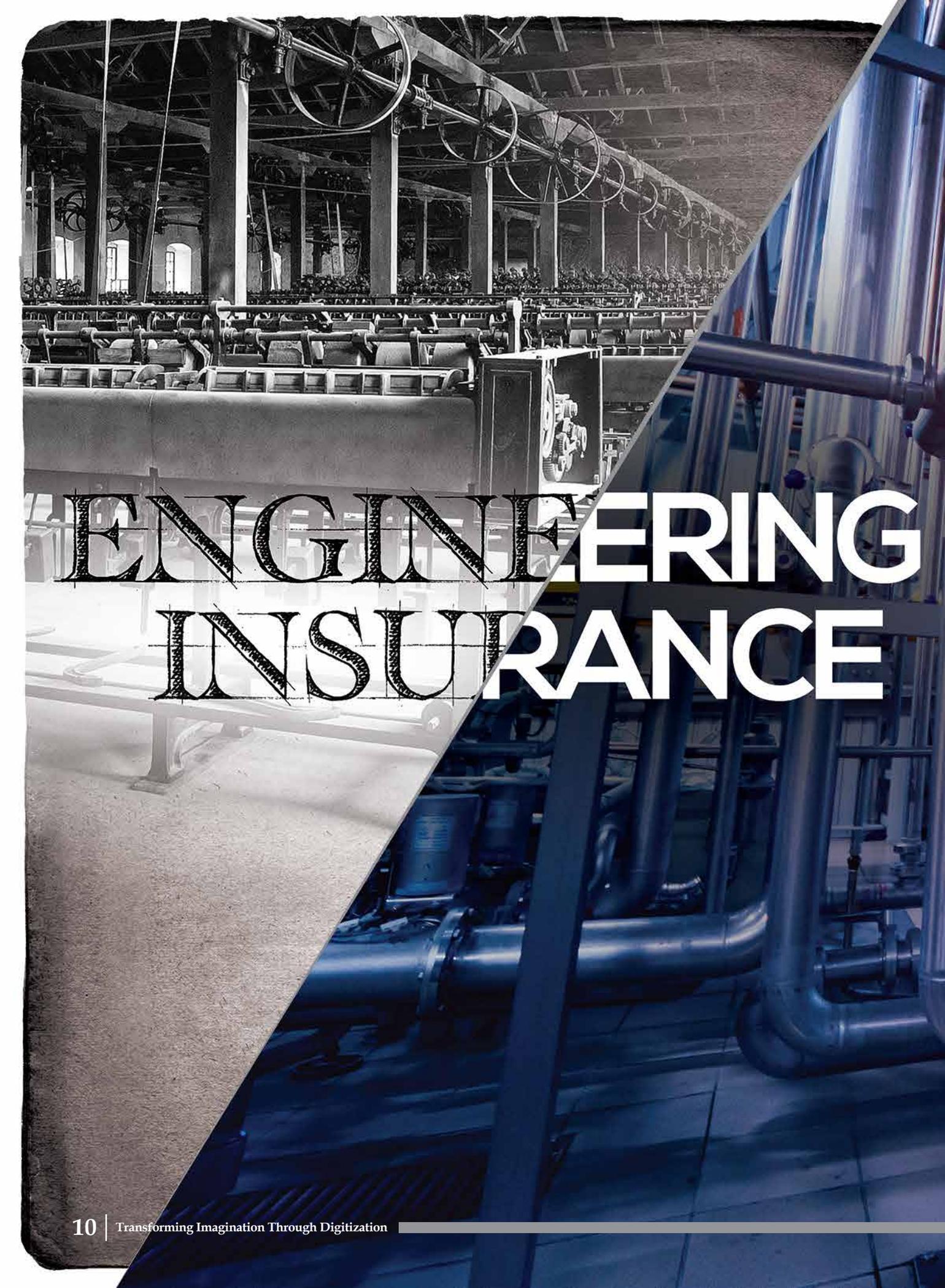


# MARINE INSURANCE



## 1.2 - STRATEGIC OBJECTIVE

To ensure hassle - free claim settlement experience which guarantees speed, transparency, convenience and reliability. To ensure higher standards of customer relations whilst following a set of pragmatic core values which are reflected in our attitudes, decisions and behaviors.



# ENGINEERING INSURANCE



## **DRIVING TRANSFORMATION**

Based on digital transformation, TPL Insurance provides quick and convenient solutions, so our customers can experience hassle-free insurance procedures. The Company continues to invest in supreme technology and technical expertise as its ongoing digital transformation.



# FIRE INSURANCE



## WELCOMING NEW SERVICE AREA

Keeping up with the innovative service era, TPL Insurance has embraced Insure Tech and IoT. We are the leading insurance service providers and have transformed and upgraded the insurance industry year after year. For customer gratification, we aim to establish a flexible network that incorporates intelligence into operations and management, as well as enhancing efficiency and return.



# TRAVEL INSURANCE



## **DRIVING HIGH GROUND**

TPL Insurance extends its services to customers across all market segments. Motivated by innovation, we emphasize on improving our digital applications through latest technology. Our advanced infrastructure is aimed at attaining global leadership in the technological front. Customer convenience being our utmost priority, we continue to transform the general insurance industry by providing them with revolutionary digital technology.

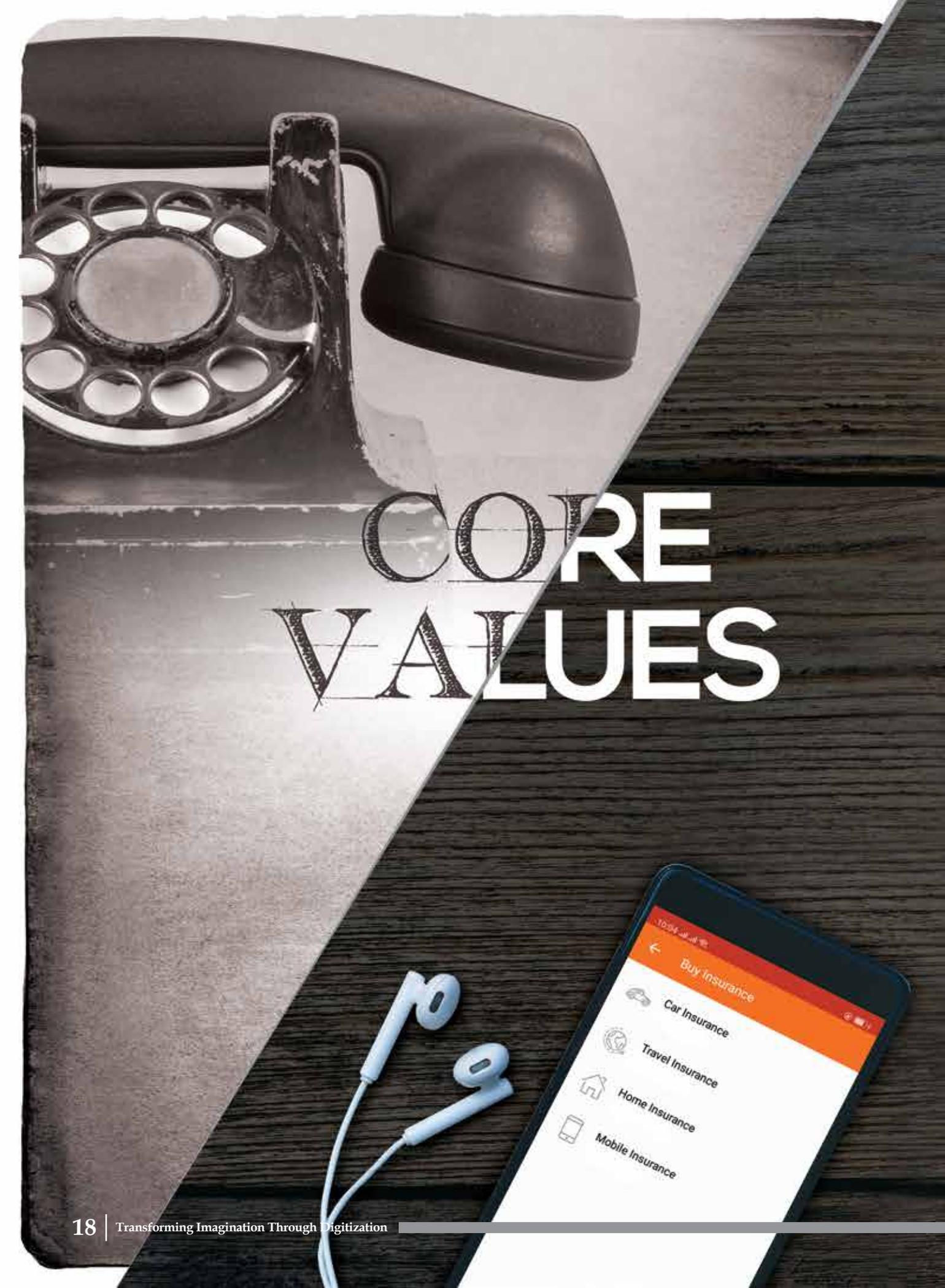


# HOME INSURANCE

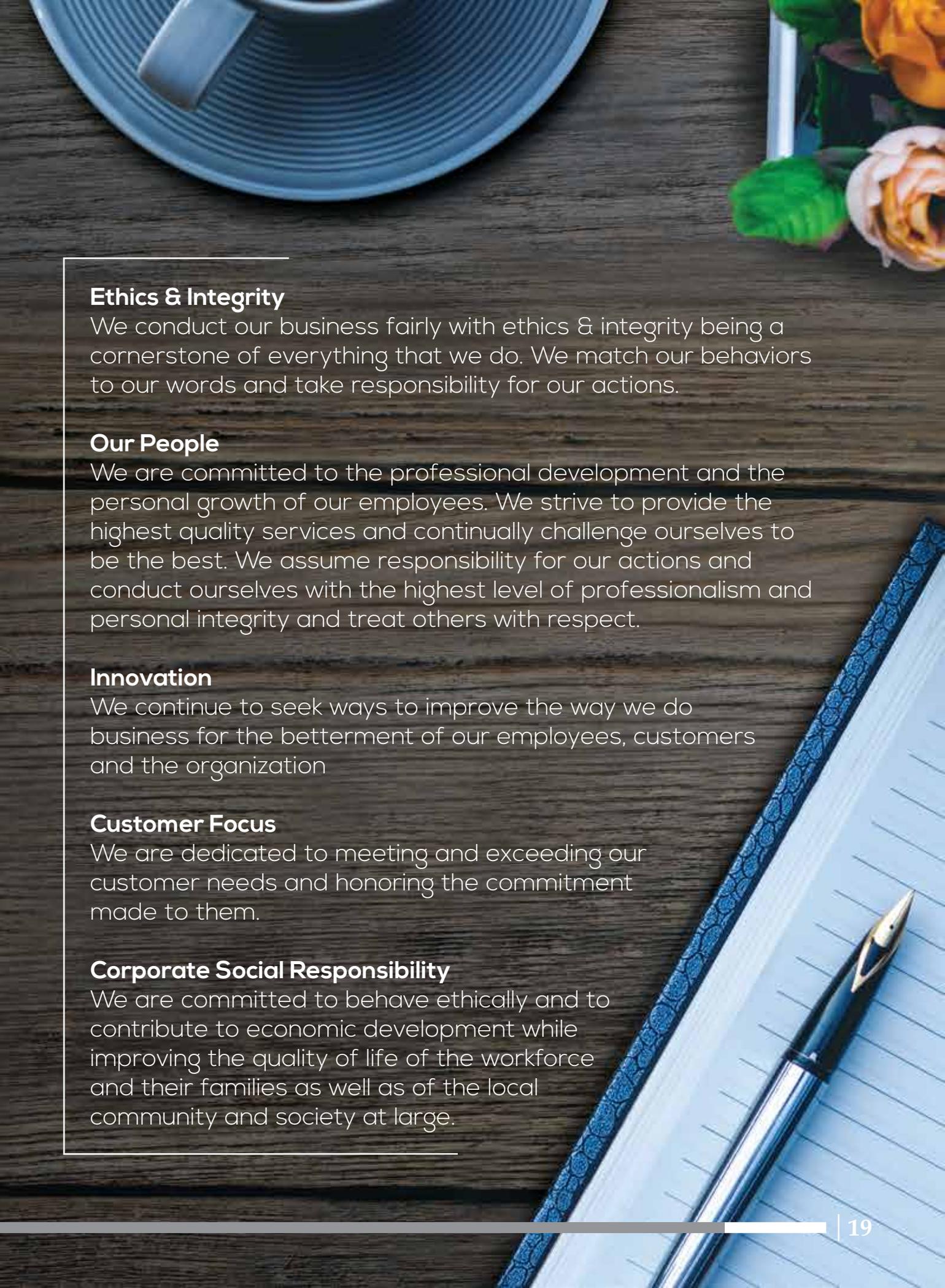


## **MOVING AHEAD WITH NEW TRENDS**

TPL Insurance prides itself for being the pioneers of launching new trends in the industry. From innovation-based products to exclusive value additions and enhanced usability, the Company excels in providing peace of mind through ease and convenience. We renew our vow to be the industry leaders by introducing exceptional solutions and quality services, all at the best value your money can provide.



# CORE VALUES



## **Ethics & Integrity**

We conduct our business fairly with ethics & integrity being a cornerstone of everything that we do. We match our behaviors to our words and take responsibility for our actions.

## **Our People**

We are committed to the professional development and the personal growth of our employees. We strive to provide the highest quality services and continually challenge ourselves to be the best. We assume responsibility for our actions and conduct ourselves with the highest level of professionalism and personal integrity and treat others with respect.

## **Innovation**

We continue to seek ways to improve the way we do business for the betterment of our employees, customers and the organization

## **Customer Focus**

We are dedicated to meeting and exceeding our customer needs and honoring the commitment made to them.

## **Corporate Social Responsibility**

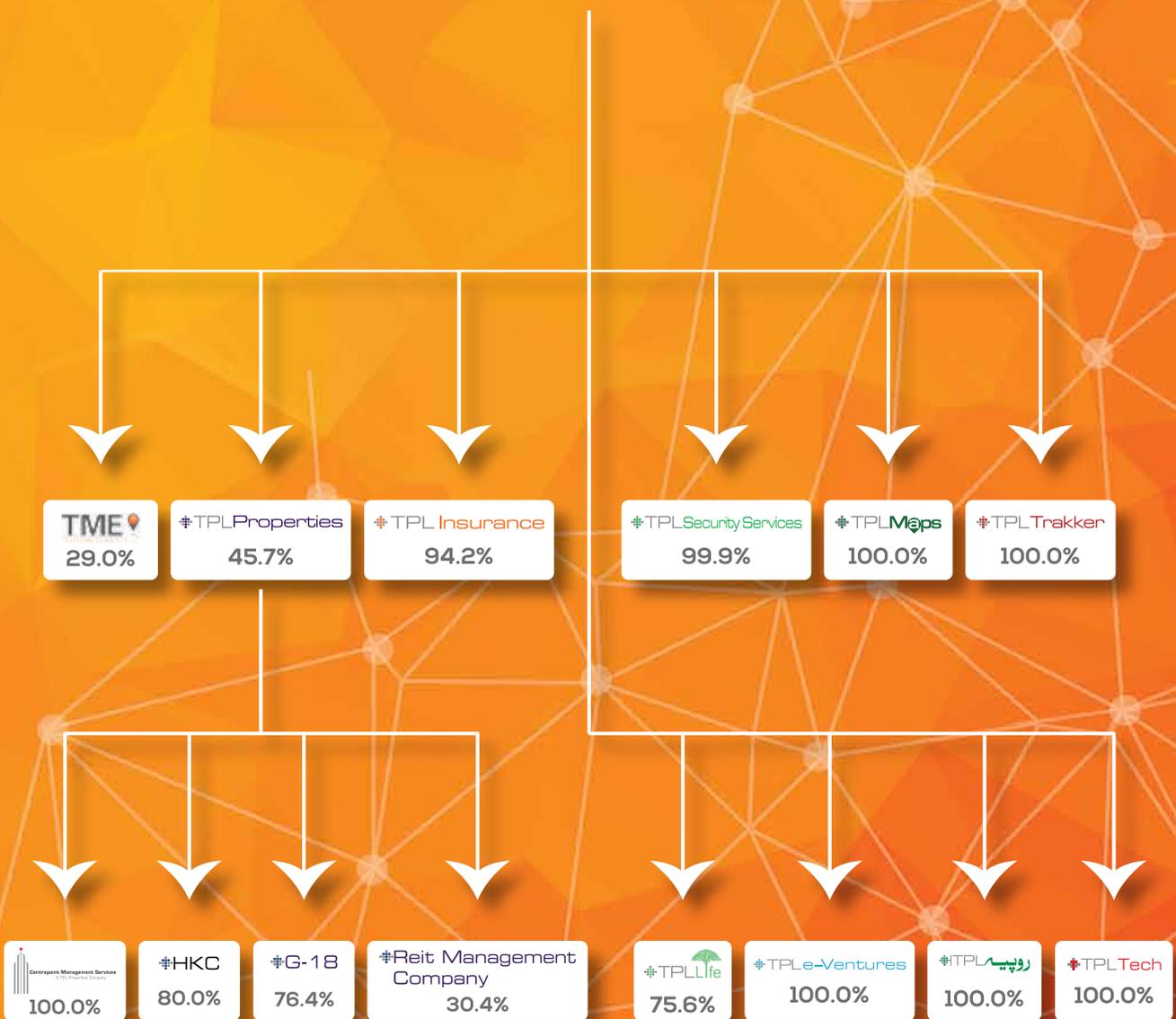
We are committed to behave ethically and to contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

## 1.3 - COMPANY PROFILE

TPL Insurance is Pakistan's first direct insurance company with the aim to provide seamless insurance services to its customers through its 24 / 7 call center and integrated insurance systems. TPL Insurance has launched Pakistan's first insurance customer app with distinguished features of policy issuance, claim lodging, self-surveys, endorsements and renewal of policies with further features and products to be included in the app soon.

TPL Insurance is disrupting the concept of insurance by digitally enabling its business partners and customers in issuance of policies and servicing of customers. With the promise to lodge claims in less than 60 seconds and to process in 45 minutes, TPL Insurance upholds its unmatched quality service standards through a highly diligent insurance team and customer friendly processes. The company is offering all lines of general insurance viz. Auto, Fire, Marine, Health, Home and Travel with both conventional and Takaful (Islamic insurance) solutions to ensure peace of mind for its customers.

# TPL



# 1.4 - GEOGRAPHICAL PRESENCE

## **KARACHI OFFICE**

Head Office  
TPL Insurance Ltd.  
11th Floor, Centrepont,  
Off Shaheed-e-Millat Expressway,  
Adjacent K.P.T. Interchange, Karachi - 74900  
Tel: 021.37130223  
Fax: 021.35316031-2  
UAN: 021.111.000.301

## **LAHORE**

Branch Office Lahore  
51-M, Denim Road,  
Quaid-e-Azam Industrial Estate,  
Kot Lakhpat, Lahore.  
Tel: 042-35209000  
UAN: 042.111.000.301  
Fax: 042.35157233

## **ISLAMABAD**

Branch Office Islamabad  
55-B, 10th Floor (South) ISE Tower,  
Jinnah Avenue, Blue Area, Islamabad.  
UAN: 051.111.000.301  
Fax: 051.2895073

## **FAISALABAD**

Branch Office Faisalabad  
Office No. 4-02, 4th floor,  
Meezan Executive Tower,  
Civil Lines, Faisalabad.  
UAN: 051.111.000.301  
Tel: 041.8501471-3  
Fax: 041.8501470

## **MULTAN**

Branch Office Multan  
Haider Street, Shalimar Colony  
Northern Bypass-Boson Road  
Multan.  
UAN: 061.111.000.301  
Fax: 061.44243451

## **HYDERABAD**

Branch Office Hyderabad  
A-8, District Council Complex,  
Hyderabad.  
Tel: 022.2728676  
Fax: 022.2783154



## 1.5 - PRODUCT PORTFOLIO

TPL Insurance Ltd, capitalizes on cutting edge technology and innovative products. With a mission to provide incomparable services and creating sustainable value for its stakeholders, TPL Insurance Ltd has introduced unparalleled standards of service to its customers for over a decade.

TPL Insurance Ltd creates new and innovative methods to understand its customers' needs, ensuring a hassle-free claim settlement experience. Capitalizing on speed, transparency, convenience and reliability to ensure high standards of customer relations, it follows a set of pragmatic core values reflected in attitudes, decisions and behavior of the exceptional human capital.

The only insurer in Pakistan that gives customers the ability to lodge, and monitor progress of claims through a free to use mobile app, TPL Insurance has introduced ease and convenience backed by innovation and technology like no other.

TPL Insurance offers a wide range of personal lines and commercial lines products including but not limited to Property, Marine, Engineering, Health, Auto, Home and Travel Insurance both on conventional as well as on takaful mode.



## 1.6 - SWOT ANALYSIS

### STRENGTHS

- First insurance customer App
- Digitization across the organization
- Branch network in leading cities
- Comprehensive product portfolio
- Fastest claim settlement in the industry
- A+ Rating by PACRA
- Competent and skilled human resource
- Window Takaful Operations
- Preferred insurance provider
- One of the largest retail customer base
- CAGR of 22.6%
- 24/7 call center
- In-house survey capability

### WEAKNESSES

- Under-penetration in corporate lines

### OPPORTUNITIES

- Product bundling
- One of the lowest insurance penetration in the world
- New entrants in auto industry
- New product requirements under cyber insurance
- Micro finance banks improving insurance penetration

### THREATS

- Law & order situation
- Cut throat pricing
- Economic conditions
- Changes in tax regime

## 1.7 - CALENDAR OF MAJOR EVENTS DURING THE YEAR

### February

- BOD Meeting - Annual Financial Statements of the Company for the year ended December 31, 2017.
- Issue Bonus shares in the proportion of 1 share(s) for every 10 share(s) held i.e 10%.

### April

- BOD Meeting - Financial Statements of the Company for the quarter ended March 31, 2018.
- Annual General Meeting.

### August

- BOD Meeting - Financial Statements of the Company for the six months ended June 30, 2018.
- Issue Bonus shares in the proportion of 1.3 share(s) for every 10 share(s) held i.e 13%.

### October

- BOD Meeting - Financial Statements of the Company for the nine months ended September 30, 2018.
- Issue Cash Dividend @ 20% i.e. Rs. 2 Per Share.

### December

- BOD Meeting - Approval of Budget for the year 2019.

## 1.8 - OTHER INFORMATION

### **BANKERS**

Al-Baraka Bank Pakistan Ltd.  
Bank Al Habib Ltd.  
Bank Islami Pakistan Ltd.  
Dubai Islamic Bank Pakistan Ltd.  
Faysal Bank Ltd.  
Habib Bank Ltd.  
Habib Metropolitan Bank Ltd.  
JS Bank Ltd.  
MCB Bank Ltd.  
Meezan Bank Ltd.  
MIB Islamic Bank Ltd.  
Mobilink Micro Finance Bank Ltd.  
National Bank of Pakistan  
Samba Bank Ltd.  
Silk Bank Ltd.  
Summit Bank Ltd.  
Telenor Micro Finance Bank Ltd.  
United Bank Ltd.

### **AUDITORS**

EY Ford Rhodes  
Chartered Accountants

### **LEGAL ADVISOR**

Lari & Co.  
Maritime & Insurance Advocates

### **SHARE REGISTRAR**

THK Associates (Pvt) Limited  
1st Floor, 40-C  
Block-6, P.E.C.H.S  
Karachi-75400, Pakistan.  
Tel: 021.34168270  
UAN: 021.111.000.322  
Fax: 021.34168271

### **REGISTERED OFFICE**

11th & 12th Floor, Centrepoint,  
Off Shaheed-e-Millat Expressway,  
Adjacent KPT Interchange Flyover,  
Karachi, Postal Code: 74900  
Fax: 021.35316032  
UAN: 021.111.000.301  
Tel: 021.37130223

### **WEB PRESENCE**

[www.tplinsurance.com](http://www.tplinsurance.com)





**CEO'S  
MESSAGE**

# CEO'S MESSAGE

I am pleased to announce that TPL Insurance Ltd. has completed another successful year of innovation, growth and value creation.

2018 was marred by political uncertainty of general elections, pressures on foreign reserves and resultant depreciation of PKR against USD by 26%, an increase in State Bank's Benchmark rate from 6% to 10% and the new government introducing tighter controls over spending by non-filers of income tax. All these factors impacted the business origination of TPL Insurance as prices for new cars soared, imports of used vehicles declined and investment in new corporate ventures slowed down.

However, the Company took this as an opportunity and continued to invest in development of new sales channels, broadening of its products base and introduction of customer centric digital initiatives to strengthen its outreach and improve service quality. The Company launched Pakistan's First Insurance App that allows customers to buy motor, travel, mobile & home insurance, make claims, conduct self-surveys and maintain vehicles at their convenience.

Further, the Company worked diligently to strengthen and enhance its business partnerships with Banks, Insurance Brokers, Motor Dealerships and Travel Agents during the year resulting in a premium growth of 5% despite challenging market conditions. TPL Insurance also introduced unique products for retail segment within Auto, Travel, Mobile and Home insurance categories and Art, Cyber and Liability insurance in the corporate segment.

During 2018, TPL Insurance achieved a milestone by insuring over 216,000 lives in the micro health segment with the assistance of leading micro finance bank in Pakistan. This achievement reaffirms our commitment to become an insurer for all segments of the society and an evidence of the scalability of our customer services function.

I am confident that TPL Insurance will continue to rise above all challenges and surpass its growth trajectory of 22.6% during last 5 years. The Company aims to continue its growth in the retail and micro segments by investing in product innovation, introducing new channels for customers and providing efficient customer services through digital means. Also, our corporate insurance segment is shaping up well with improved reinsurance arrangements, higher market acceptability and positive customer experience. I am certain that our corporate segment will continue to show dedicated efforts in contributing value for our shareholders.

In the end, I would like to reiterate our commitment and show our gratitude to all our shareholders, business partners and customers who have reposed their trust in TPL Insurance Ltd.



Muhammad Aminuddin  
Chief Executive Officer





# 03

# STAKEHOLDERS' INFORMATION

- 3.1 HORIZONTAL ANALYSIS
- 3.2 VERTICAL ANALYSIS
- 3.3 CASHFLOW ANALYSIS
- 3.4 DUPONT ANALYSIS
- 3.5 RATIO ANALYSIS
- 3.6 COMMENTS ON FINANCIAL ANALYSIS
- 3.7 PERFORMANCE AT A GLANCE
- 3.8 SHARE PRICE SENSITIVITY ANALYSIS
- 3.9 STATEMENT OF VALUE ADDITION
- 3.10 STATEMENT OF CHARITY ACCOUNT
- 3.11 STAKEHOLDERS' ENGAGEMENT
- 3.12 ISSUES RAISED IN THE LAST AGM  
AND DECISIONS TAKEN

## 3.1 - HORIZONTAL ANALYSIS

Statement of Financial Position	2018	2017	2016	2015	2014	2013
-----Rupees in million-----						
<b>Assets</b>						
Property and equipment	129.60	91.39	361.16	384.71	313.54	188.14
Investments	673.12	1,069.46	821.77	726.98	49.94	153.24
Loans and other receivables	348.81	274.37	106.72	8.36	272.80	118.46
Insurance / reinsurance receivables	147.15	258.49	284.89	148.06	87.47	88.24
Reinsurance recoveries against outstanding claims	67.72	21.51	39.94	24.32	23.64	5.14
Deferred commission expense	91.08	61.62	60.87	59.56	80.29	57.43
Deferred taxation	31.98	21.24	-	1.31	-	-
Prepayments	225.09	193.24	109.54	309.96	351.70	356.55
Taxation - payments less provision	13.72	-	-	-	-	-
Cash and bank balances	153.05	133.59	176.42	16.65	8.95	108.35
Total Assets of general takaful operations	370.02	335.50	318.93	190.68	81.40	-
<b>Total Assets</b>	<b>2,251.35</b>	<b>2,500.62</b>	<b>2,280.24</b>	<b>1,870.59</b>	<b>1,269.75</b>	<b>1,075.54</b>
<b>Shareholders' Equity</b>						
Issued, subscribed and paid up share capital	938.66	755.15	755.15	755.15	452.31	452.31
Unappropriated profits	16.90	253.92	148.89	45.72	12.44	(13.49)
Share premium - net of share issuance cost	8.03	138.68	138.69	138.69	-	-
Available-for-sale reserve	(26.70)	(26.45)	2.27	1.63	-	-
<b>Total Shareholders' Equity</b>	<b>936.90</b>	<b>1,121.30</b>	<b>1,044.99</b>	<b>941.19</b>	<b>464.76</b>	<b>438.83</b>
<b>Liabilities</b>						
Provision for outstanding claims [including IBNR]	136.34	129.52	126.59	121.20	152.84	126.09
Provision for unearned premium	636.45	671.87	699.87	572.65	543.04	441.91
Deferred commission income	19.51	4.36	4.57	-	-	-
Deferred taxation	-	-	2.39	-	15.14	7.28
Premiums received in advance	4.63	2.78	1.61	1.79	2.23	2.50
Insurance / reinsurance payables	122.27	114.67	56.96	18.48	12.55	15.35
Other creditors and accruals	226.22	219.12	164.77	101.38	48.96	33.89
Taxation - provision less payments	-	2.73	0.35	8.21	2.69	9.69
Total liabilities of general takaful operations	169.04	234.27	178.13	105.69	27.54	-
<b>Total Liabilities</b>	<b>1,314.45</b>	<b>1,379.32</b>	<b>1,235.24</b>	<b>929.40</b>	<b>804.99</b>	<b>636.72</b>
<b>Total Shareholders' Equity and Liabilities</b>	<b>2,251.35</b>	<b>2,500.62</b>	<b>2,280.24</b>	<b>1,870.59</b>	<b>1,269.75</b>	<b>1,075.54</b>
Statement of Comprehensive Income	2018	2017	2016	2015	2014	2013
-----Rupees in million-----						
Net insurance premium	1,264.04	1,299.46	1,204.42	1,129.28	1,042.93	733.46
Net insurance claims	(485.92)	(502.05)	(507.90)	(531.77)	(527.03)	(314.17)
Management expenses	(486.70)	(516.99)	(525.05)	(400.78)	(292.73)	(227.45)
Net commission expense	(135.02)	(113.93)	(120.76)	(141.85)	(145.36)	(78.26)
<b>Underwriting results</b>	<b>156.40</b>	<b>166.50</b>	<b>50.70</b>	<b>54.88</b>	<b>77.80</b>	<b>113.58</b>
Investment income	1.25	15.16	43.64	9.84	13.77	6.99
Other income	214.24	156.19	137.87	130.65	79.36	67.35
Financial charges	(1.64)	(0.77)	(0.40)	(0.53)	(0.57)	(0.77)
Other expenses	(243.57)	(221.24)	(118.50)	(159.62)	(134.62)	(108.79)
<b>Profit before tax</b>	<b>126.69</b>	<b>115.84</b>	<b>113.30</b>	<b>35.23</b>	<b>35.74</b>	<b>78.36</b>
Profit/ (Loss) before tax from Window Takaful Operations	(112.18)	47.53	35.53	10.39	3.21	-
<b>Profit before tax for the year</b>	<b>14.51</b>	<b>163.36</b>	<b>148.83</b>	<b>45.62</b>	<b>38.95</b>	<b>78.36</b>
Taxation	(10.94)	(58.34)	(45.66)	(12.34)	(13.02)	(26.84)
<b>Profit after tax</b>	<b>3.58</b>	<b>105.03</b>	<b>103.17</b>	<b>33.28</b>	<b>25.93</b>	<b>51.52</b>

## 3.2 - VERTICAL ANALYSIS

Statement of Financial Position	2018	2017	2016	2015	2014	2013
<b>Assets</b>						
Property and Equipment	5.8%	3.7%	15.8%	20.6%	24.7%	17.5%
Investments	29.9%	42.8%	36.0%	38.9%	3.9%	14.2%
Loans and other receivables	15.5%	11.0%	4.7%	0.4%	21.5%	11.0%
Insurance / reinsurance receivables	6.5%	10.3%	12.5%	7.9%	6.9%	8.2%
Reinsurance recoveries against outstanding claims	3.0%	2.5%	1.8%	1.3%	1.9%	0.5%
Deferred commission expense	4.0%	2.5%	2.7%	3.2%	6.3%	5.3%
Deferred taxation	1.4%	0.8%	0.0%	0.1%	0.0%	0.0%
Prepayments	10.0%	7.7%	4.8%	16.6%	27.7%	33.2%
Taxation - payments less provision	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash and bank balances	6.8%	5.3%	7.7%	0.9%	0.7%	10.1%
Total Assets of general takaful operations	16.4%	13.4%	14.0%	10.2%	6.4%	0.0%
<b>Total Assets</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Shareholders' Equity</b>						
Issued, subscribed and paid up share capital	41.7%	30.2%	33.1%	40.4%	35.6%	42.1%
Share premium - net of share issuance cost	0.4%	5.5%	6.1%	7.4%	0.0%	0.0%
Unappropriated profits	0.8%	10.2%	6.5%	2.4%	1.0%	-1.3%
Available-for-sale reserve	-1.2%	-1.1%	0.1%	0.1%	0.0%	0.0%
<b>Total Shareholders' Equity</b>	<b>41.6%</b>	<b>44.8%</b>	<b>45.8%</b>	<b>50.3%</b>	<b>36.6%</b>	<b>40.8%</b>
<b>Liabilities</b>						
Provision for outstanding claims [including IBNR]	6.1%	5.2%	5.6%	6.5%	12.0%	11.7%
Provision for unearned premium	28.3%	26.9%	30.7%	30.6%	42.8%	41.1%
Deferred commission income	0.9%	0.2%	0.2%	0.0%	0.0%	0.0%
Deferred taxation	0.0%	0.0%	0.1%	0.0%	1.2%	0.7%
Premiums received in advance	0.2%	0.1%	0.1%	0.1%	0.2%	0.2%
Insurance / reinsurance payables	5.4%	4.6%	2.5%	1.0%	1.0%	1.4%
Other creditors and accruals	10.0%	8.8%	7.2%	5.4%	3.9%	3.2%
Taxation - provision less payments	0.0%	0.1%	0.0%	0.4%	0.2%	0.9%
Total Liabilities of general takaful operations	7.5%	9.4%	7.8%	5.7%	2.2%	0.0%
<b>Total Shareholders' Equity and Liabilities</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

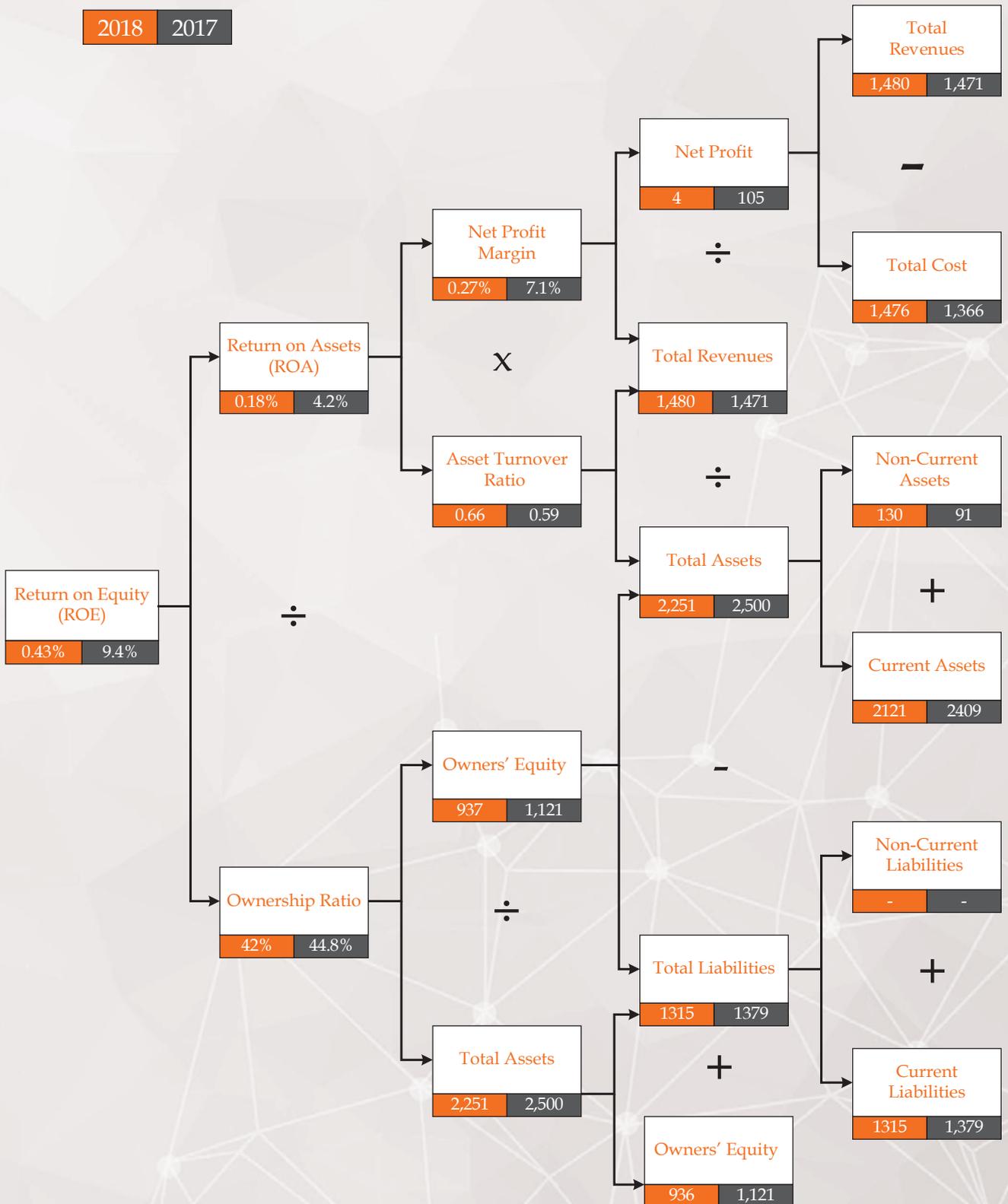
Statement of Comprehensive Income	2018	2017	2016	2015	2014	2013
Net insurance premium	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net Insurance claims	-38.4%	-38.6%	-42.2%	-47.1%	-50.5%	-42.8%
Management expenses	-38.5%	-45.0%	-43.6%	-35.5%	-28.1%	-31.0%
Net commission expense	-10.7%	-8.8%	-10.0%	-12.6%	-13.9%	-10.7%
<b>Underwriting results</b>	<b>12.4%</b>	<b>7.6%</b>	<b>4.2%</b>	<b>4.9%</b>	<b>7.5%</b>	<b>15.5%</b>
Investment income	0.1%	1.2%	3.6%	0.9%	1.3%	1.0%
Other income	16.9%	12.0%	11.4%	11.6%	7.6%	9.2%
Financial charges	-0.1%	-0.1%	0.0%	0.0%	-0.1%	-0.1%
Other expenses	-19.3%	-11.8%	-9.8%	-14.1%	-12.9%	-14.8%
<b>Profit / (Loss) before tax</b>	<b>10.0%</b>	<b>8.9%</b>	<b>9.4%</b>	<b>3.1%</b>	<b>3.4%</b>	<b>10.7%</b>
Profit before tax from Window Takaful Operations	-8.9%	3.7%	3.0%	0.9%	0.3%	0.0%
<b>Profit / (Loss) before tax for the year</b>	<b>1.1%</b>	<b>12.6%</b>	<b>12.4%</b>	<b>4.0%</b>	<b>3.7%</b>	<b>10.7%</b>
Taxation	-0.9%	-4.5%	-3.8%	-1.1%	-1.2%	-3.7%
<b>Profit / (Loss) after tax</b>	<b>0.3%</b>	<b>8.1%</b>	<b>8.6%</b>	<b>2.9%</b>	<b>2.5%</b>	<b>7.0%</b>

### 3.3 - CASHFLOW ANALYSIS

Particulars	2018	2017	2016	2015	2014	2013
	-----Rupees in million-----					
Net Cashflows from Operating Activities	25.24	(30.68)	277.21	178.93	163.39	156.32
Net Cashflows from Investing Activities	30.46	(378.38)	(24.05)	11.77	(212.22)	(64.97)
Net Cashflows from Financing Activities	(186.24)	(0.77)	(0.39)	441.00	(50.57)	(0.77)
Net Cash Inflow / (Outflow)	(130.54)	(409.82)	252.77	631.70	(99.40)	90.58
Cash and cash equivalent at the start of the year	483.59	893.42	640.65	8.95	108.35	17.77
Cash and cash equivalent at the end of the year	353.05	483.59	893.42	640.65	8.95	108.35

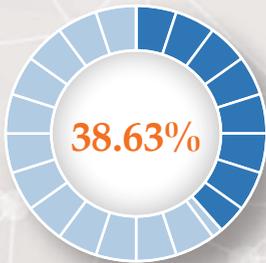
### 3.4 - DuPONT ANALYSIS

2018 2017



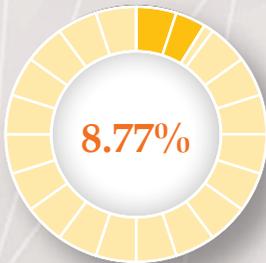
### 3.5 RATIO ANALYSIS

2017



Claim Ratio %

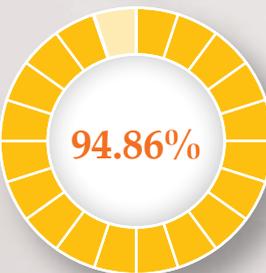
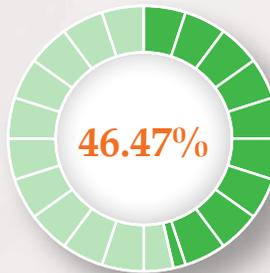
2018



Commission Ratio %



Management Expense Ratio %



Combined Ratio %



## RATIO ANALYSIS

		2018	2017	2016	2015	2014	2013
<b>Profitability</b>							
Profit Before Tax / Gross Premium	%	1.1%	11.8%	10.9%	3.9%	3.2%	9.0%
Profit Before Tax / Net Premium	%	1.2%	12.6%	12.4%	4.0%	3.7%	10.7%
Profit After Tax / Gross Premium	%	0.3%	7.6%	7.5%	2.8%	2.1%	5.9%
Underwriting Result / Gross Premium	%	11.6%	12.0%	3.7%	4.7%	6.4%	13.1%
Underwriting Result / Net Premium	%	12.4%	12.8%	4.2%	4.9%	7.5%	15.5%
Profit Before Tax / Total Income	%	1.0%	11.1%	10.7%	3.6%	3.4%	9.7%
Profit After Tax / Total Income	%	0.2%	7.1%	7.4%	2.6%	2.3%	6.4%
Combined Ratio	%	95.6%	94.9%	98.2%	104.3%	105.3%	99.5%
Net Claims / Net Premium	%	38.4%	38.6%	42.2%	47.1%	50.5%	42.8%
Net Commission / Net Premium	%	10.7%	8.8%	10.0%	12.6%	13.9%	10.7%
Total Expenses / Net Premium	%	46.5%	47.5%	46.1%	44.7%	40.8%	45.9%
Net Profit Margin	%	0.3%	8.1%	8.6%	2.9%	2.5%	7.0%
<b>Return to Shareholders</b>							
Return on Equity	%	0.4%	9.4%	9.9%	3.5%	5.6%	11.7%
Return on Assets	%	0.2%	4.2%	4.5%	1.8%	2.0%	4.8%
Earnings Per Share	Rs.	0.04	1.12	1.37	0.47	0.50	1.12
Price Earning Ratio	Times	547.5	22.1	13.9	50.6	51.6	8.9
Price to Book Ratio	Times	2.2	1.7	1.4	1.9	2.5	1.0
Breakup Value Per Share	Rs.	10.0	14.8	13.8	12.5	10.1	9.5
<b>Market Data</b>							
Market Price Per Share at the end of the year	Rs.	21.9	24.8	19.0	23.8	25.8	10.0
Market Price Per Share - Highest during the year	Rs.	25.7	28.4	23.2	24.5	28.0	11.7
Market Price Per Share - Lowest during the year	Rs.	18.3	17.1	14.0	16.4	8.5	7.5
<b>Performance / Liquidity</b>							
Current Ratio / Quick Ratio	Times	1.6	1.7	1.6	1.6	1.2	1.4
Cash / Current Liabilities	%	0.1%	0.1%	0.1%	0.0%	0.0%	0.2%
Total Assets Turnover	Times	0.6	0.5	0.5	0.6	0.8	0.7
Fixed Assets Turnover	Times	9.8	14.2	3.3	2.9	3.3	3.9
Total Liabilities / Equity	Times	1.4	1.2	1.2	1.0	1.7	1.5
Cashflow from Operations Margin	%	2.0%	-2.4%	23.0%	15.8%	15.7%	21.3%
No. of days in Premium Receivable	Days	40	68	76	46	26	37
No. of days in Claim Settlement	Days	65	64	62	64	79	100
Paid-up Capital / Total Assets	%	41.7%	30.2%	33.1%	40.4%	35.6%	42.1%
Earning Assets / Total Assets	%	36.7%	48.1%	43.8%	39.8%	4.6%	24.3%
Equity / Total Assets	%	41.6%	44.8%	45.8%	50.3%	36.6%	40.8%

## 3.6 - COMMENTS ON KEY FINANCIAL DATA

### Performance Ratios

- Claims ratio has remained relatively stable at 38.4% (2017: 38.6%) due to effective vendor management. The Company managed to reduce average claims size by 10% despite increase in part prices due to Rupee devaluation of more than 30% during 2018.
- Commission ratio reported increase of 1.9% at 10.7% (2017: 8.8%). This is due to increase in non-motor portfolio, which carries higher commission rates.
- The earning per share has declined to Rs. 0.04 per share during 2018 from Rs. 1.12 in 2017, attributed to investment in digitization and development of commercial lines operations.

### Balance Sheet

- The Company's total assets have increased by 109% to Rs. 2.25 billion at the end of 2018 from Rs. 1.08 billion at the end of 2013.
- The value of total investments has increased to Rs. 673.1 million as at 31 December 2018 compared to Rs. 153.3 million as at 31 December 2013, an increase of 339%.
- Number of days in premium receivable has decreased from 68 days one year ago to 40 days at the end of 2018. This is due to effective receivables management.
- The total equity stood at Rs. 936.9 million as at 31 December 2018 compared to Rs. 438.83 million as at 31 December 31, 2013 which reflects increase of 114% over last six years.
- Breakup value per share has reduced from Rs. 14.8 per share in 2017 to Rs. 10.0 per share at the end of 2018. This is attributed to cash dividend of 20% to shareholders and issuance of 23% bonus shares during the year.

### Profit and Loss Account

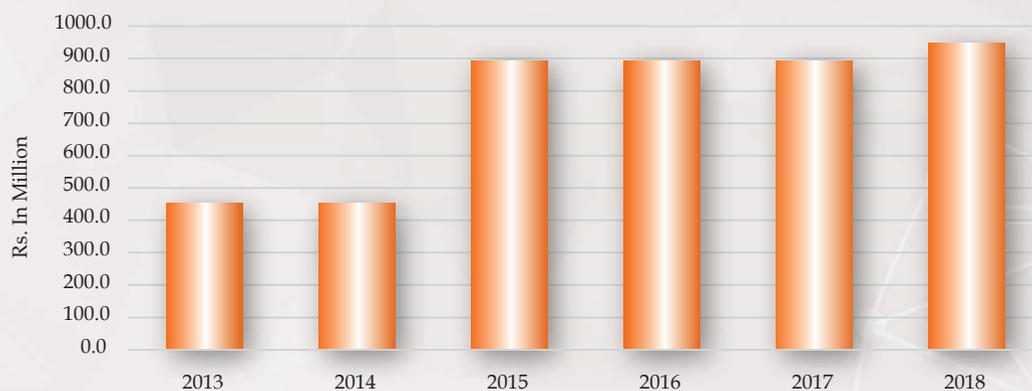
- The gross and net premium have reported growth of 55.21% and 72.34% respectively over the period of six years (Conventional business only).
- The profit before tax reported at Rs. 14.51 million for the year ended 31 December 2018. This is lower compared to prior years, mainly due to ongoing investment in digitization and development of non-motor operations.

### Cash Flows

- The positive trend of the cash inflow from operating activities of the Company over the 6 years is a sound foundation for the Company's thriving future.
- During the year, the Company paid 20% cash dividend to shareholders' resulting in net cash outflow from financing activities of Rs. 186.2 million. The Company maintains strong liquidity position to carry out its operations smoothly.

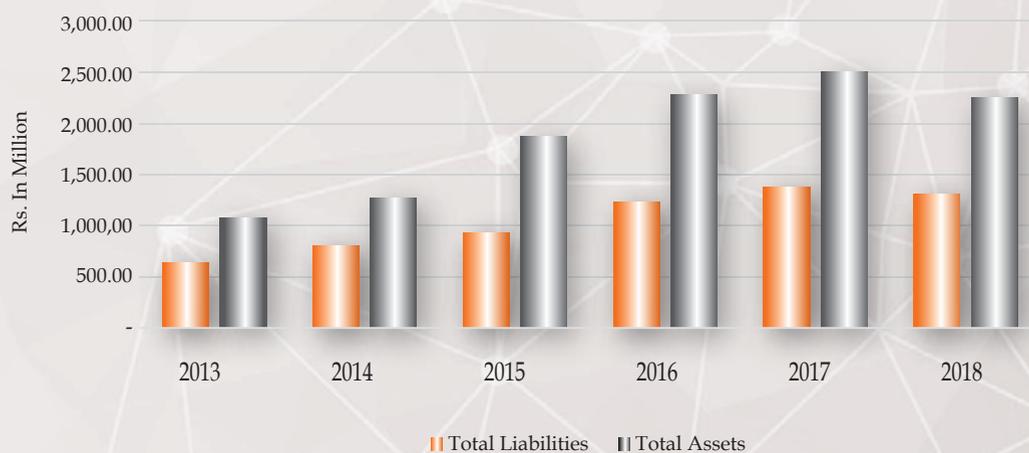
### 3.7 - PERFORMANCE AT A GLANCE

#### Share Capital\*



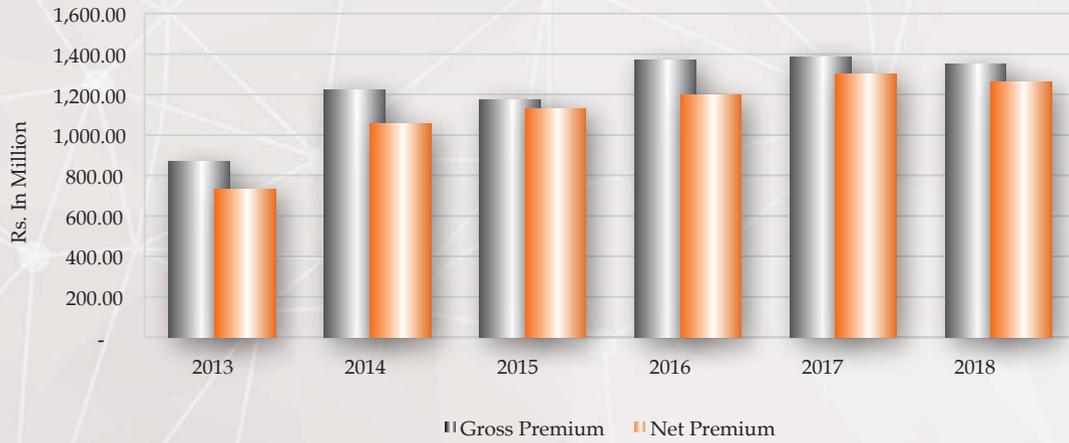
\*Share capital includes issued share capital and share premium reserve

#### Assets vs. Liabilities

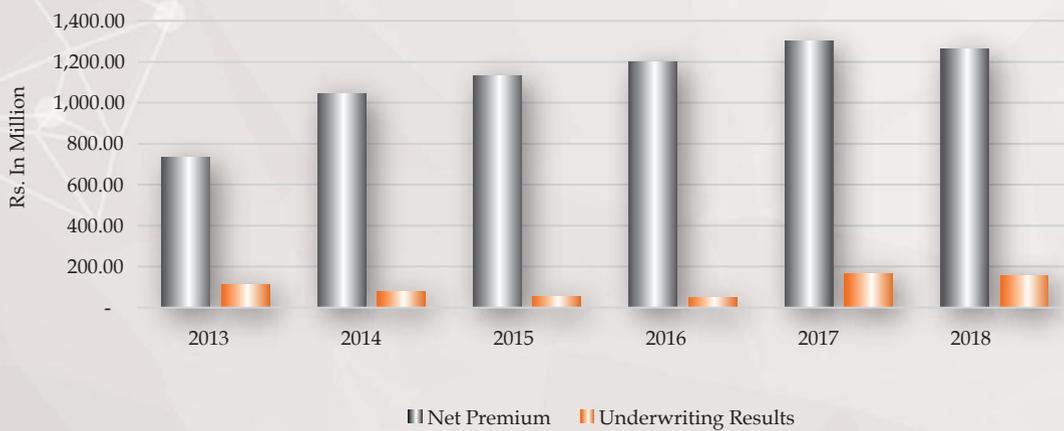


### 3.7 - PERFORMANCE AT A GLANCE (CONTINUED)

Gross Premium vs. Net Premium

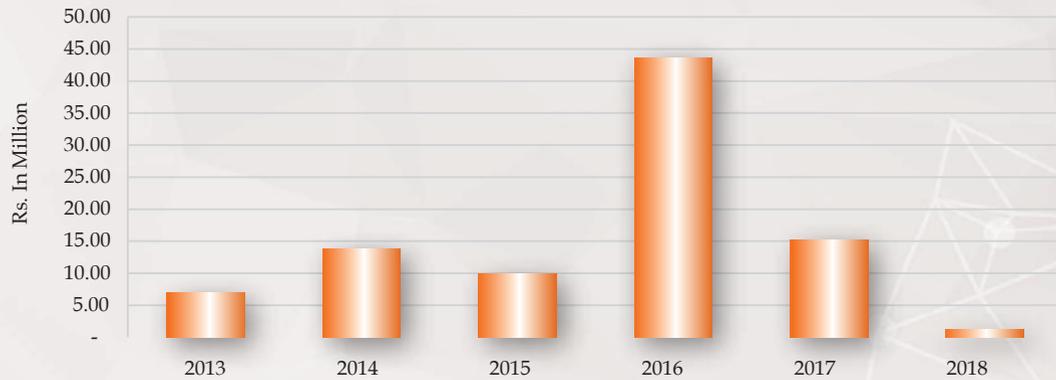


Net Premium vs. Underwriting Results

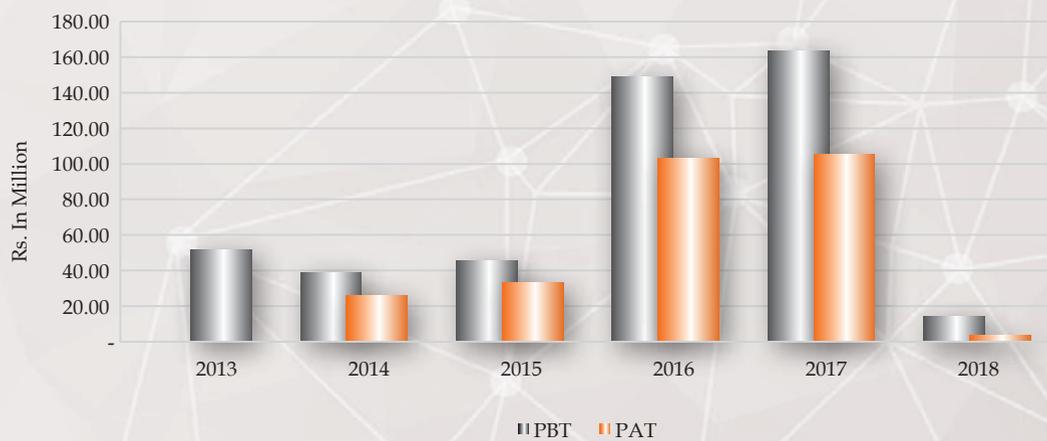


### 3.7 - PERFORMANCE AT A GLANCE (CONTINUED)

#### Investment Income

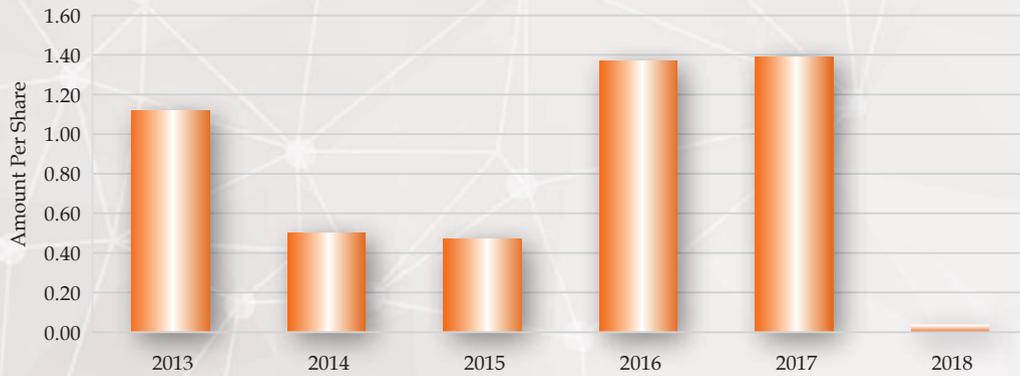


#### PBT vs. PAT

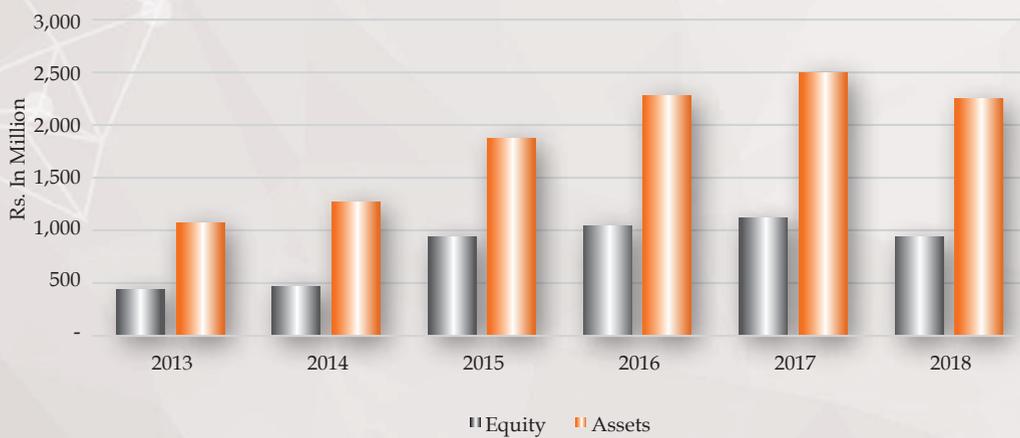


### 3.7 - PERFORMANCE AT A GLANCE (CONTINUED)

#### Earnings Per Share

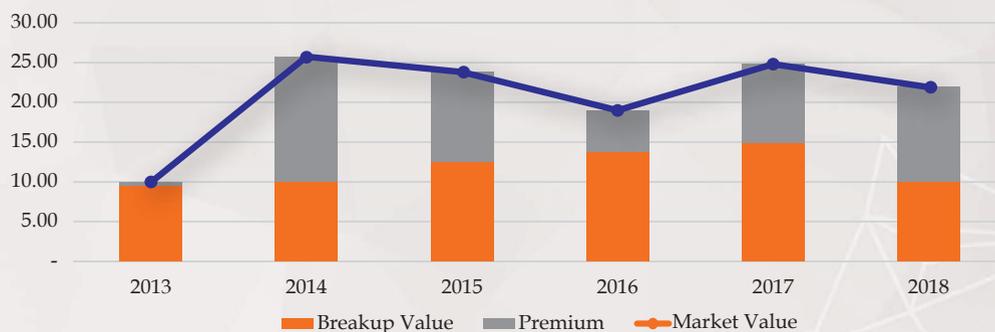


#### Equity vs. Total Assets



### 3.7 - PERFORMANCE AT A GLANCE (CONTINUED)

Breakup Value Per Share vs. Market Value Per Share



### 3.8 - SHARE PRICE SENSITIVITY ANALYSIS

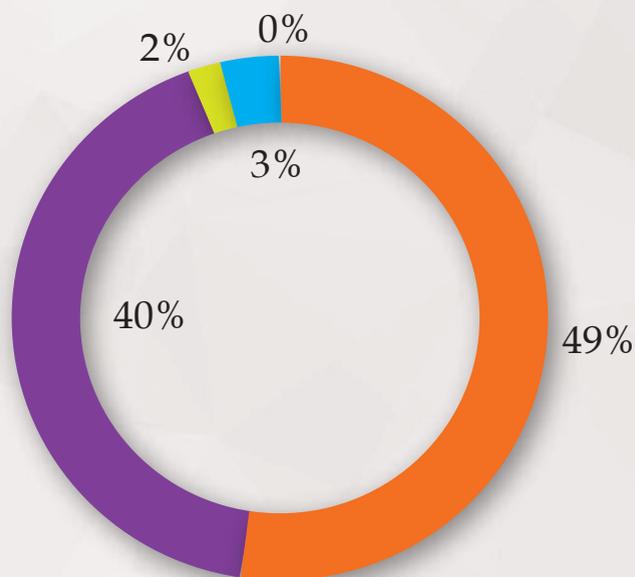
Months	Highest Price	Lowest Price	Per Day Average Volume
Jan 2018	24.00	21.30	1,000
Feb 2018	23.50	22.35	26,833
Mar 2018	21.00	19.00	22,188
Apr 2018	21.01	19.00	4,056
May 2018	22.59	19.54	1,875
Jun 2018	21.53	19.39	145,167
Jul 2018	25.67	22.53	917
Aug 2018	25.00	23.95	1,833
Sep 2018	24.00	21.50	750
Oct 2018	23.00	21.28	1,000
Nov 2018	19.28	18.30	667
Dec 2018	21.90	18.75	13,167

### 3.9 - STATEMENT OF VALUE ADDITION

WEALTH GENERATED	2018		2017	
	Rupees	%	Rupees	%
Net premium earned	1,264,044,832		1,299,464,809	
Wakala fee earned	331,943,038		328,934,265	
Commission from reinsurers	22,838,240		13,427,081	
Investment and other income	215,492,351		180,949,875	
	<u>1,834,318,461</u>		<u>1,822,776,031</u>	
Less: Claims, Expenses (excluding employees remuneration, donation, depreciation and taxes)	(1,189,449,222)		(1,174,825,316)	
	<b>644,869,239</b>	<b>100.0%</b>	<b>647,950,714</b>	<b>100.0%</b>

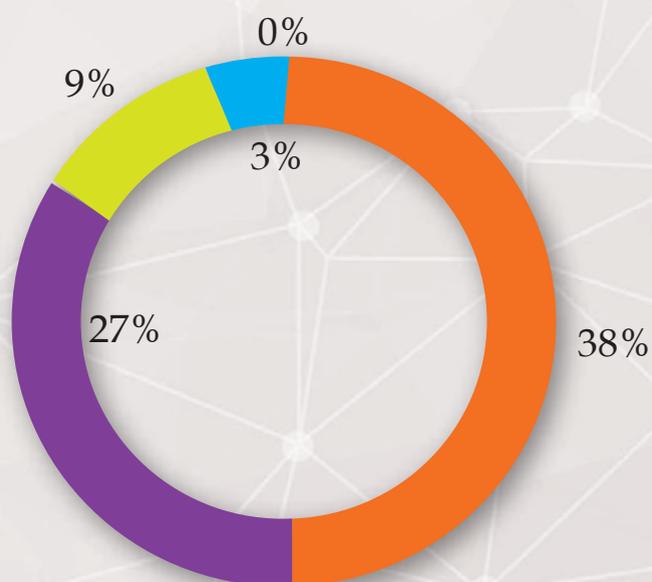
WEALTH DISTRIBUTED	2018		2017	
	Rupees	%	Rupees	%
To employees	318,863,417	49.4%	249,027,124	38.4%
To business partners	259,406,910	40.2%	174,006,081	26.9%
To government	10,936,073	1.7%	58,006,124	9.0%
To society	18,952,523	2.9%	22,515,058	3.5%
To financier	1,642,832	0.3%	769,430	0.1%
Retained in business				
Depreciation and amortization	31,492,452	4.9%	39,080,285	6.0%
Retained profit / loss	3,575,032	0.6%	105,006,612	16.2%
	<u>35,067,484</u>	<u>5.4%</u>	<u>144,086,897</u>	<u>22.2%</u>
	<b>644,869,239</b>	<b>100.0%</b>	<b>647,950,714</b>	<b>100.0%</b>

## 2018



- To Employees
- To Business Partners
- To Government
- To Society
- To Financer

## 2017



- To Employees
- To Business Partners
- To Government
- To Society
- To Financer

## 3.10 - STATEMENT OF CHARITY ACCOUNT

		2018	2017
S.No	Particulars	Rupees in million	
1	Education	3.36	9.79
2	General Donations	1.94	1.93
3	Health Care and Environment	16.04	11.07
	<b>Total</b>	<b>21.34</b>	<b>22.79</b>

## 3.11 - STAKEHOLDERS' ENGAGEMENT

### Institutional Investors

TPL Insurance Limited convenes Annual and Extra Ordinary General Meetings in accordance with the Companies Act, 2017. The Company's quarterly financial reports, annual reports and complete financial statements are published and hosted on the Company's website (www.tplinsurance.com). This transparency allows shareholders to remain connected with the Company as well as reaffirm their trust in the Company's promising performance and growth. Additionally, it facilitates potential investors in making their investment choices. In compliance with the Code of Corporate Governance and the listing regulations of the stock exchange, the Company notifies information to the Stock Exchange and the Securities and Exchange Commission of Pakistan regarding the dates of Board of Directors meetings and financial results in a timely manner.

### Minority Shareholders

In order to ensure that the minority shareholders of the Company attend the general meetings of the Company, notices are circulated to the shareholders well in advance. The notices of the general meeting are published in widely circulated newspapers of the country and the same are published in both English and Urdu.

### Customers

The Company's philosophy has always been to keep its customers and policy holders above all. The Company, with its customer-centric service philosophy, offers three 24/7 platforms such as the call center, Company website and Yodelee App. Our dedicated teams for sales, claims, renewals, and customer services have been acknowledged and awarded for observing, maintaining and raising the Quality and Standard in the industry. The Company also reaches out and engages its customers and policy holders through social media and the Company website in order to get feedback and eradicate grievances (if any). This results in solidifying our customer's trust and satisfaction.

### Banks

The Company holds true to its values and relationships. We partner with various forerunners of finance and banking industry and forge relations in the FIG sector. This collaboration is always aimed at providing mutual benefits.

### Media

Events, achievements, product launches, expansions, briefings, press releases and advertisements keep the Company in the news often. The Company has a strong presence in the media and its promotional and social activities are thoroughly covered and published in various forms including print, radio, TV, digital, etc.

### Regulators

In compliance with applicable laws and regulations, the Company's statutory returns and forms are filed with various regulatory bodies and federal and provisional taxation authorities periodically. The Company ensures that all requirements are met and complied with.

### Analysts

The Company is recognized by Pakistan Credit Rating Agency (PACRA) with a rating of "A+".

## 3.12 - ISSUES RAISED IN THE LAST AGM AND DECISIONS TAKEN

No major issues were raised by the shareholders during the meeting. The following matters were taken up in the meeting as per the Agenda and were approved by the shareholders:

1. Approval of minutes of Extraordinary General Meeting held on December 11, 2017.
2. Approval of audited financial statements of the Company for the year ended 31, December 2017.
3. Appointment of auditors for the year ended 31, December 2018.
4. Approval of issue of bonus shares to the shareholders.
5. Election of Directors for three year term in accordance with the requirements of Companies Act 2017.
6. Approval of remuneration of Directors.
7. Approval of special resolution for investment in related company.
8. Approval of amendment in Articles of Association of the Company to comply with the requirements of Companies Act 2017.



# 04

# CORPORATE GOVERNANCE

- 4.1 BOARD OF DIRECTORS' PROFILE
- 4.2 SHARIAH ADVISOR'S PROFILE
- 4.3 COMPOSITION OF BOARD AND MANAGEMENT COMMITTEES
- 4.4 TERMS OF REFERENCE - BOARD AND MANAGEMENT COMMITTEES
- 4.5 MANAGEMENT TEAM
- 4.6 DIRECTORS' TRAINING PROGRAM
- 4.7 OTHER DIRECTORSHIP OF COMPANY'S EXECUTIVE DIRECTORS
- 4.8 ROLE OF CHAIRMAN AND CEO
- 4.9 ORGANIZATION CHART
- 4.10 WHISTLEBLOWING POLICY
- 4.11 CODE OF BUSINESS CONDUCT AND ETHICAL PRINCIPLES
- 4.12 SUCCESSION PLANNING
- 4.13 POLICY FOR ACTUAL AND PERCEIVED CONFLICT OF INTEREST
- 4.14 POLICY FOR SAFETY OF RECORDS OF THE COMPANY
- 4.15 SECURITY CLEARANCE POLICY
- 4.16 POLICY ON DIVERSITY
- 4.17 POLICY OF RETENTION OF BOARD FEE BY THE EXECUTIVE DIRECTOR IN OTHER COMPANIES
- 4.18 INVESTOR GRIEVANCE POLICY
- 4.19 IT GOVERNANCE FRAMEWORK
- 4.20 ANNUAL EVALUATION OF BOARD'S PERFORMANCE
- 4.21 PERFORMANCE REVIEW OF THE CEO
- 4.22 CHAIRMAN'S REVIEW REPORT
- 4.23 REPORT OF THE AUDIT COMMITTEE
- 4.24 DIRECTORS' REPORT
- 4.25 MANAGEMENT RESPONSIBILITIES TOWARDS FINANCIAL STATEMENTS
- 4.26 PATTERN OF SHAREHOLDING
- 4.27 CATEGORY OF SHAREHOLDING

## 4.1 - BOARD OF DIRECTORS' PROFILE



### JAMEEL YUSUF (S.ST.) CHAIRMAN

Mr. Jameel Yusuf is a businessman by profession and is the Chairman of TPL Corp Ltd. He was the founder Chairman of Citizen-Police Liaison Committee (CPLC), and remained its Chairman from September 1989 to March 2003. He is also the Director of Asia Crime Prevention Foundation (ACPF) and is the founding trustee of "PANAHA", a shelter home established for women in distress.

Mr. Yusuf is also a member of Advisory Council Fellowship Fund for Pakistan (FFFD) since 2004. He was awarded Presidential Award "Sitara-e-Shujaat" for gallantry services in August 1992 and was also nominated for the First United Nations Vienna Civil Society Award in 1999.

## MUHAMMAD ALI JAMEEL DIRECTOR

Mr. Ali Jameel is the CEO of TPL Corp Ltd. He is also the director of TRG Pakistan Ltd. Formerly Mr. Jameel was the Chief Executive Officer of Jahangir Siddiqui Investment Bank. He has also held several advisory posts in Board of Investment, Economic Advisory Council, Pakistan's information technology and telecommunication sectors, including appointments on the Task Force on Telecom Deregulation, the Fiscal Incentive Group on the IT Commission and the Task Force on Venture Capital.

Mr. Jameel received his B.Sc. degree in Economics from London School of Economics. He is also an Associate Member of the Institute of Chartered Accountants in England & Wales and qualified in 1994 at KPMG Peat Marwick in London.



## MUHAMMAD AMINUDDIN CEO

Mr. Muhammad Aminuddin is the CEO of TPL Insurance and an experienced professional in the field of Global Financial Services. Starting his career with American Express, Aminuddin has served as the CEO of United Bank UK and as Deputy CEO and Executive Director of IGI Life Insurance Limited. He has also held roles of increasing seniority at ABN AMRO and RBS, within the Global Commodity Finance, Financial Institutions and Capital Markets groups. He also headed Trade & Working Capital for Africa for ABSA Bank, Barclay's African subsidiary bank.

In Jan 2018, Mr. Aminuddin qualified as a Chartered Director which is a corporate governance qualification under Royal Charter and is now a Fellow of The Institute of Directors, UK.



## ANDREW BORDA DIRECTOR

Mr. Andrew Borda has a Bachelor's of Arts (B.A.) degree from Washington and Lee University, Virginia, United States and a Master's of Science (M.S) degree from Graduate Institute of International and Development Studies, Geneva, Switzerland.

Mr. Borda has been Managing Partner at Greenoaks Global Operations Ltd. (London) since September 2013. Prior to this, Mr. Borda was the Vice President at Swiss Re (Zurich Switzerland, London U.K. and New York U.S.A) from 2011 to 2013 and a Senior Associate at McKinsey & Company in Geneva and Zurich, Switzerland for three years from 2008 to 2011.

## RANA ASSAD AMIN DIRECTOR

Mr. Rana Assad Amin has a vast experience gathered over a span of more than thirty five years in public service at key posts in Government of Pakistan. He served as the Auditor General of Pakistan from 2015 to 2017, after serving for more than 11 years in various positions including accounting, auditing and public financial management. He holds Master's degree in Project Management from Malardalens University, Sweden and MBA from Bradford University, United Kingdom. In addition, he also possesses degrees in LLB (Law) and M.A. Political Science from Punjab University.

Mr. Amin brings with him a rich professional and academic experience and represented Pakistan at various national and international forums including Corporate Governance, Anti-Money Laundering and Countering Terrorist Financing etc. He has also been on boards of various Public Sector Organizations. Mr. Amin has been associated with budget preparation and execution in the Finance Division, Government of Pakistan, and has contributed in financial policy formulation of Pakistan, at the highest level.



## WAQAR AHMED MALIK DIRECTOR

Mr. Waqar Ahmed Malik is a fellow of The Institute of Chartered Accountants in England and Wales and is also an Alumnus of the Harvard Business School and INSEAD. Mr. Malik's professional career and past engagements spans over more than 27 years across three continents with Fortune 500 companies including ICI PLC, State Bank of Pakistan, IGI Insurance, Engro Polymer, and Akzo Nobel. He was the Chief Executive Officer of ICI Pakistan and Chairman Pakistan PTA Limited, now Lotte Pakistan Limited.

He currently serves as the Board Member of Pakistan Petroleum Limited and Engro Corporation Limited.



## SYED NADIR SHAH DIRECTOR

Syed Nadir Shah is an experienced professional who has served at ANZ Banking Group, Grindlays Bank Ltd., Jardine Fleming Pakistan, World Tel (MECA), Infinity Global Telecom and Energy Saving Solution Ltd. Mr. Shah holds a BA Degree in Economics and a BBA Degree, majoring in Finance.

Mr. Shah currently serves as the Chairman of the Audit Committee and as a member in the Human Resources & Remuneration Committee of TPL Insurance Limited. His valuable inputs have made it possible to achieve the highest standards in the audit and HR functions. At present, he also holds directorship positions in Fauji Akbar Portia Terminals (Pvt.) Limited, Asia Petroleum Limited and Princely Jets Private Limited.



## 4.2 - SHARIAH ADVISOR'S PROFILE

### Mufti Muhammad Talha Iqbal

Mufti Muhammad Talha Iqbal is a qualified and certified Islamic scholar and Mufti from **Jamia Darul Uloom Karachi**, a premier institution promoting the guidelines of Islamic Economic and Banking System.

He has Takhassus fil Ifta / specialization in Fatwa (Islamic jurisprudence) and has vast experience in Islamic Fiqh and Islamic Banking and Finance to provide solutions in corporate related matters in the light of Shariah Principles.

He has expertise on Shariah Standards and Takaful as he has completed PGD from Centre for Islamic Economics (CIE).

He serves as teacher of Dars e Nizami at Jamiah Darul uloom Karachi since 2006 till date and is also faculty member of Centre for Islamic Economics (CIE) since 2010.

## 4.3 - COMPOSITION OF BOARD AND MANAGEMENT COMMITTEES

### a) BOARD COMMITTEES:

ETHICS, HUMAN RESOURCE, REMUNERATION AND NOMINATION COMMITTEE		
1	Syed Nadir Shah	Chairman
2	Ali Jameel	Member
3	Rana Assad Amin	Member
4	Waqar Ahmed Malik	Member
5	Nader Nawaz	Secretary
INVESTMENT COMMITTEE		
1	Ali Jameel	Chairman
2	Andrew Borda	Member
3	Waqar Ahmed Malik	Member
4	Muhammad Aminuddin	Member
5	Syed Kazim Hasan	Secretary
AUDIT COMMITTEE		
1	Syed Nadir Shah	Chairman
2	Ali Jameel	Member
3	Andrew Borda	Member
4	Yousuf Zohaib Ali	Secretary

### b) MANAGEMENT COMMITTEES:

RISK MANAGEMENT AND COMPLIANCE COMMITTEE		
1	Waqar Ahmed Malik	Chairman
2	Raza Ali Shah	Member
3	Muhammad Aminuddin	Member
4	Syed Kazim Hasan	Secretary
UNDERWRITING COMMITTEE		
1	Andrew Borda	Chairman
2	Raza Ali Shah	Member
3	Muhammad Aminuddin	Member
4	Syed Kazim Hasan	Secretary
CLAIM SETTLEMENT COMMITTEE		
1	Muhammad Aminuddin	Chairman
2	Syed Kazim Hasan	Member
3	Ovais Alam	Secretary
REINSURANCE & CO-INSURANCE COMMITTEE		
1	Andrew Borda	Chairman
2	Athar Abbas	Member
3	Muhammad Saleem Junejo	Secretary

### STRUCTURE OF THE BOARD

Category	
Independent Directors	Syed Nadir Shah, Mr. Rana Assad Amin
Executive Directors	Mr. Muhammad Aminuddin, Mr. Ali Jameel
Non-Executive Directors	Mr. Jameel Yusuf (S.St.), Mr. Andrew Borda, Mr. Waqar Ahmed Malik

## 4.4 - TERMS OF REFERENCE - BOARD AND MANAGEMENT COMMITTEES

### 1- AUDIT COMMITTEE:

The Committee is responsible for:

- a. Recommending the appointment of external auditors by the Company's shareholders and shall consider any question of resignation or removal of external auditors, audit fees and provision by external auditors of any service to the Company in addition to audit of its financial statements,
- b. Determining appropriate measures to safeguard the Company's assets;
- c. Reviewing preliminary announcements of results prior to publication;
- d. Reviewing quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing on:
  - Major judgmental areas;
  - Significant adjustments resulting from the audit;
  - The going-concern assumption;
  - Any changes in accounting policies and practices;
  - Compliance with applicable accounting standards; and
  - Compliance with statutory and regulatory requirements.
- e. Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- f. Reviewing management letter issued by external auditors and management's response thereto;
- g. Ensuring coordination between the internal and external auditors of the Company;
- h. Reviewing the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;
- i. Consideration of major findings of internal investigations and management's response thereto;
- j. Ascertaining the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;
- k. Reviewing the Company's statement on internal control systems prior to endorsement by the Board of Directors;
- l. Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body;
- m. Determination of compliance with relevant statutory requirements;
- n. Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and
- o. Consideration of any other issue or matter as may be assigned by the Board of Directors.

### 2- HUMAN RESOURCE, REMUNERATION AND NOMINATIONS COMMITTEE

The Committee is responsible for:

- a. Proposing a remuneration approach and related policies;
- b. Preparing remuneration reports and disclosures on compensation practices, on an annual basis but at least prior to the convening of the annual general meeting for the immediate preceding year;
- c. Reviewing and making recommendations to the Board of Directors regarding the specific remuneration, retirement, succession planning of the Board members, the CEO, senior management and key officers;
- d. Reviewing and approving training need assistance at all levels of the organization;
- e. Establishing code of business and corporate ethics that are circulated to all the staff members,
- f. Implementing the Board's policy on Board's renewal so that the Board individually and collectively continues to maintain target skill levels and independence;

- g. Making recommendation to the Board with regard to the nomination for appointment or reappointment of members of the Board consistent with appropriate criteria established in their profile and any succession plans;
- h. Ensuring proper orientation of Board members in respect of their responsibilities; and
- i. Establishing a mechanism for the formal assessment of the effectiveness of the Board as a whole as well as the contribution of individual Board members along with ongoing training to fulfill their role requirements.

### 3- FINANCE AND INVESTMENT COMMITTEE:

The Committee is responsible for:

- a. Setting investment policies (subject to approval of the Board) and guidelines, including policies and guidelines regarding asset classes, asset allocation ranges, and prohibited investments in compliance with regulatory requirements;
- b. Overseeing investment and reinvestment of the funds and maintenance of adequate solvency as laid down under Insurance Ordinance 2000 and rules framed thereunder;
- c. Monitoring the management of the funds by reviewing written reports from investment staff and by discussions with investment staff at Committee meetings that focus on the primary determinants of returns, including asset allocation and investment strategy;
- d. Evaluating investment performance based on a comparison of actual returns and benchmarks as the Board or Committee may from time to time select. The evaluation will take into account compliance with investment policies and guidelines and risk levels; and
- e. Conducting a quarterly performance evaluation of the Committee and report its findings to the Chairman of the Board.

### 4- RISK MANAGEMENT COMMITTEE

The committee is responsible for:

- a. Overseeing the activities of the Risk Management function of the Company, and make appropriate recommendation to the Board;
- b. Assisting the Board in implementation of the decision taken by the Board to mitigate probable risks falling within the scope of the risk management function;
- c. Assessing, quantifying, monitoring and controlling the nature, significance and interdependence of the risk (at individual level and aggregate level) to which the Company is or may be exposed and shall also manage them accordingly;
- d. Ensuring that the Company's Risk Management system is well integrated into its organization structure, decision making process and corporate culture and that there is a clear link to other functions;
- e. Assisting the Board in its oversight of the risk profile, Risk Management framework and the risk reward strategy determined by the Board;
- f. Reviewing and approving the Company's Risk Management policy including risk appetite and risk strategy.
- g. Reviewing the adequacy and effectiveness of risk management and controls;
- h. Assisting in oversight of management's process for the identification of significant risks across the Company and the adequacy of prevention, detection and reporting mechanisms;
- i. Reviewing Company's compliance level with applicable laws and regulatory requirements that may impact the Company's risk profile;
- j. Periodically reviewing changes in the economic and business environment, including emerging trends and other factors relevant to the Company's risk profile; and
- k. Reviewing and recommending approval of the Board risk management procedures and controls for new products and services.

## 5- UNDERWRITING COMMITTEE

The Underwriting Committee is responsible for:

- a. Reviewing periodically the policies and guidelines governing the Company's insurance and reinsurance underwriting;
- b. Reviewing periodically the policies and guidelines regarding the Company's agent, broker, insured, ceding Company, and reinsurer counterparty risk in connection with its insurance and reinsurance underwriting activities;
- c. Evaluating the Company's professional and development plans for key insurance and reinsurance underwriting and actuarial functions; and
- d. Performing such other responsibilities regarding the Company's insurance and reinsurance underwriting activities or policies or other matters as the Board may from time to time assign the Committee.

## 6- CLAIMS SETTLEMENT COMMITTEE

The Claim Settlement Committee is responsible for:

- a. Establishing, implementing and maintaining the claims processing time;
- b. Claims monitoring and ensuring the transparency, fairness and equality;
- c. Reviewing and analyzing periodically the feedback & complains obtained through the mechanism;
- d. Reviewing claims for suggesting corrective underwriting measures; and
- e. Ensuring that salvage sales made are at their optimum price and with transparency.

## 7- REINSURANCE / COINSURANCE COMMITTEE

The Reinsurance and Coinsurance Committee is responsible for:

- a. Monitoring on an ongoing basis;
  - The processes and procedures;
  - The policies and guidelines;
  - The counterparty risk;
  - The level of risk assumed; and
  - The performance of the insurance or reinsurance component of any investment by the Company in any security whose return is determined in whole or in part by reference to the performance of an actual or hypothetical single insurance or reinsurance risk or portfolio of insurance or reinsurance risks;
- b. Performing such other responsibilities regarding the Company's insurance and reinsurance underwriting activities or policies or other matters as the Board may from time to time assign the Committee; and
- c. Monitoring that proper commission are charged on outward cessions.

## 4.5 - MANAGEMENT TEAM





## 4.6 - DIRECTORS' TRAINING PROGRAM

Due to changes in the Board, three out of seven Board of Directors of the Company have undertaken the Directors' Training Program from SECP approved institutions. The remaining Directors are yet to obtain the certification. However, the Company aims to certify half of its Board by December 31, 2019.

Names of Directors who have already obtained the Certification are as follows:

1. Mr. Waqar Ahmed Malik
2. Mr. Jameel Yusuf (S.St.)
3. Syed Nadir Shah

As regards the requirement of Head of Departments and Female Executives to undertake the Directors' Training Program, the Company shall comply with the said requirement within the time prescribed under the Listed Companies (Code of Corporate Governance) Regulations 2017.

## 4.7 - OTHER DIRECTORSHIP OF COMPANY'S EXECUTIVE DIRECTORS

Mr. Mohammad Ali Jameel and Mr. Muhammad Aminuddin hold Non- Executive Director positions in the following companies:

- Mr. Mohammad Ali Jameel
- TRG Pakistan Limited
  - Agriauto Industries Limited

- Mr. Mohammad Aminuddin
- TPL Life Insurance Limited

## 4.8 - ROLE OF CHAIRMAN AND CEO

The roles and responsibilities of the Chairman and the Chief Executive Officer are distinct and complementary. The same are set out below:

### Chairman

The Chairman is in charge of the leadership of the Board. In particular, he is responsible for the following:

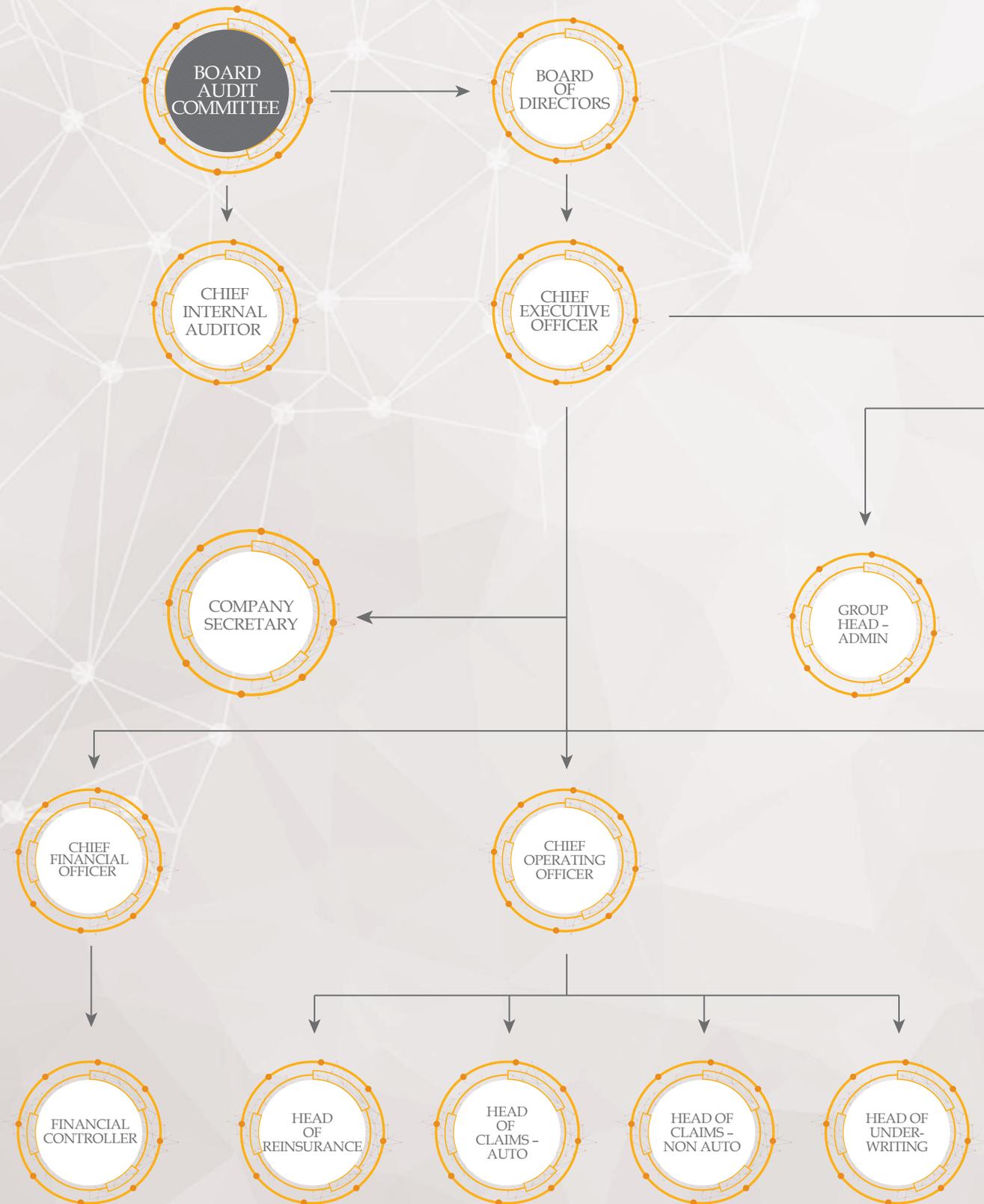
- To set the agenda and tone of the meetings of the Board in order to stimulate productive debate and ensure appropriate decision making regarding issues pertinent to those areas which are considered by the Board.
- To set a performance-oriented agenda which is largely fixated on strategizing, value creation and answerability.
- To manage the meetings of the Board to make sure that suitable time is allowed for discussion of all items on the agenda.
- To also ensure that complex or contentious issues are dealt with meritoriously, making sure in particular that non-executive directors have sufficient time to consider them.
- To ensure the constructive running of the Board and its relevant committees while in compliance of the maximum standards set by the Code of Corporate Governance.
- To ensure active, accurate and timely communication with shareholders and Board members alike regarding inter alia the performance of the Company.
- To ensure that the Board defines, to the best of its ability, the extent of the significant risks the Company can afford to and is willing to take in the employment of its devised plans.
- To warrant that the members review, consistently and continuously, the effectiveness of risk management and internal control systems.

### Chief Executive Officer

The CEO is responsible to lead the business, supervising it within the authorities delegated to him by the Board. He oversees the implementation and development of the devised policies. In particular, he is responsible for the following:

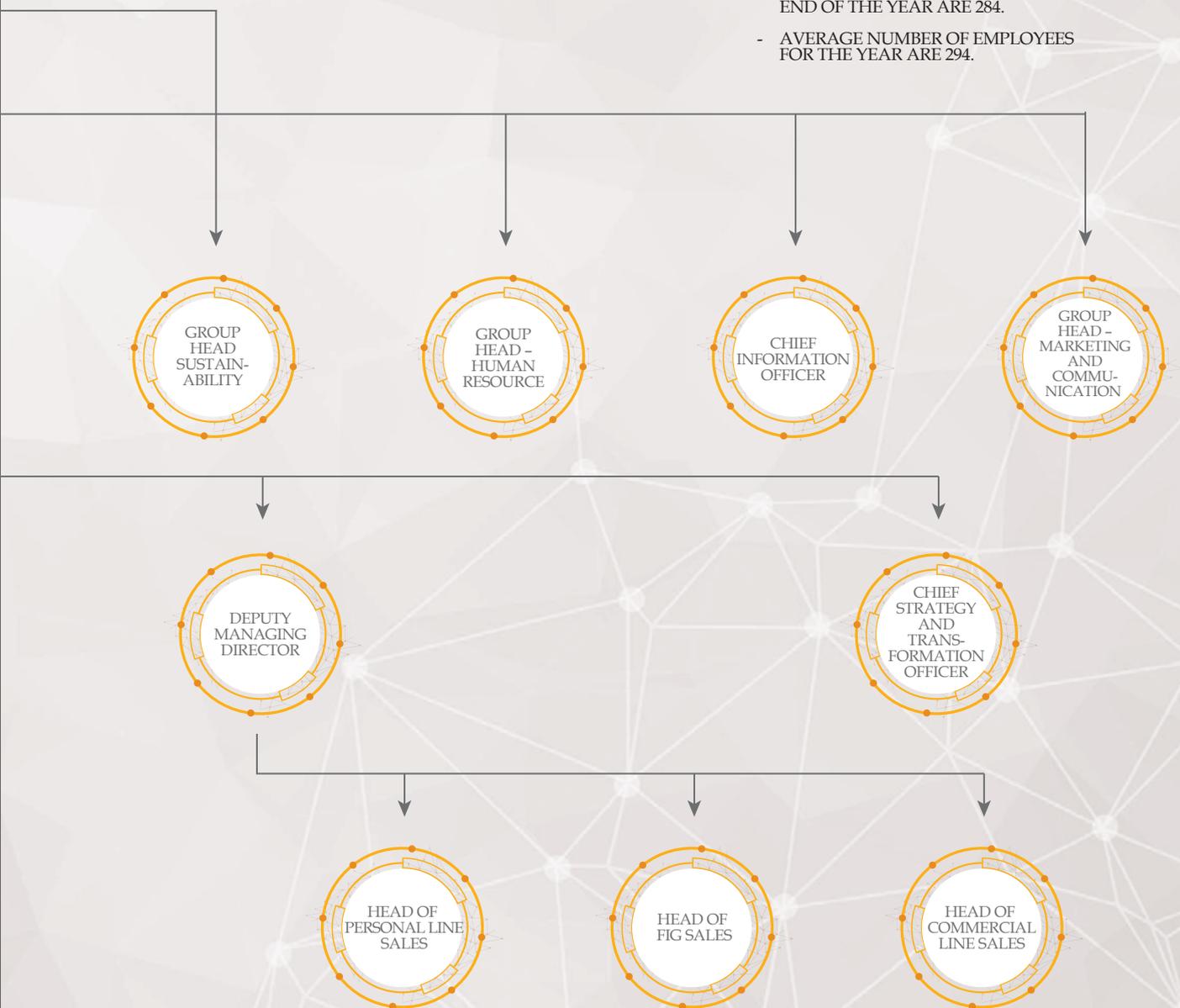
- To lead, in conjunction with the Board, the development of the Company's strategy.
- To lead and oversee the implementation of the Company's long and short term plans in accordance with its strategy.
- To ensure the Company is appropriately organized and appropriately staffed and to enable it to achieve the approved strategy.
- To assess the principal risks of the Company and to ensure that these risks are being monitored and managed.
- To ensure that the Company has appropriate systems to enable it to conduct its activities both lawfully and ethically.
- To ensure that the Company maintains high standards of corporate citizenship and social responsibility wherever/ whenever it does business.
- To act as a liaison between management and the Board and to provide information to the Board to enable the Directors to form appropriate judgments.
- To communicate effectively with shareholders, employees, Government authorities, other stakeholders and the public.
- To keep abreast of all material undertakings and activities of the Company and all material external factors affecting the Company, and ensure the integrity of all public disclosures by the Company.
- In concert with the Chairman, to develop focused agendas to be discussed by the Board in its meetings.
- To request that special or general meetings of the Board and shareholders be called when appropriate.
- To sit on committees of the Board where appropriate as determined by the Board.
- To abide by specific internally established control systems and authorities, to lead by personal example and encourage all employees to conduct their activities in accordance with all applicable laws and the Company's standards and policies, including its environmental, safety and health policies.

## 4.9 - ORGANIZATION CHART



**NUMBER OF EMPLOYEES:**

- TOTAL NUMBER OF EMPLOYEES AT END OF THE YEAR ARE 284.
- AVERAGE NUMBER OF EMPLOYEES FOR THE YEAR ARE 294.



## 4.10 -WHISTLEBLOWING POLICY

### 1. Introduction

All employees of TPL Insurance Limited are under an obligation implied in their contract of employment to give honest and faithful service to the Company. This includes an obligation not to disclose to external sources any trade secrets or confidential information acquired during the course of employment or act in a manner that will undermine the mutual trust and confidence on which the employment relationship is based. The Company complements obligations by providing protection to employees for disclosure made without malice and in good faith of certain specific confidential information to a third party in defined circumstances. These are outlined below in document. The purpose of this policy is to provide a means by which employees are enabled to raise concerns with the appropriate authorities if they have reasonable grounds for believing there is serious malpractice within the Company. The Company encourages employees to raise matters of concern responsibly through the procedures laid down in this policy statement.

### 2. Scope of the Policy

The policy is designed to deal with concerns raised in relation to the specific issues which are in the public interest and are detailed in below document, and which fall outside the scope of other policies and procedures. The policy will not apply to personal grievances concerning an individual's terms and conditions of employment, or other aspects of the working relationship, complaints of bullying or harassment, or disciplinary matters. Such complaints will be dealt with under existing procedures on grievance, bullying and harassment, discipline and misconduct. Details of these procedures will be found in the relevant employee handbook. They are also published on the online HR portal.

The policy may deal with specific concerns which are in the public interest and may include:

- A criminal offence
- Failure to comply with legal obligations or with the Statutes, Ordinances, Code of Conduct, and Regulations of the Company
- Financial or non-financial maladministration or malpractice or impropriety or fraud
- Academic or professional malpractice
- A risk to the health or safety of any individual
- Environmental damage
- A miscarriage of justice
- Improper conduct or unethical behavior
- Attempts to suppress or conceal any information relating to any of the above.

If in the course of investigation any concern raised in relation to the above matters appears to the investigator to relate more appropriately to grievance, bullying or harassment, or discipline, those procedures will be invoked.

### 3. Who can raise a concern?

Any employee, who has a reasonable belief that there is serious malpractice relating to any of the protected matters specified in above document, may raise a concern under the procedure detailed in section 6 below. The issues raised under the protected list may relate to another employee, a group of employees, the individual's own department or another part of the Company. Concerns must be raised without malice and in good faith, and the individual must reasonably believe that the information disclosed, and any allegations contained in it, are substantially true. The disclosure must not be made for purposes of personal gain, and in all the circumstances it must be reasonable to make the disclosure. The Company will ensure that any member of staff who makes a disclosure in such circumstances will not be penalized or suffer any adverse treatment for doing so. However, a member of staff who does not act in good faith or makes an allegation without having reasonable grounds for believing it to be substantially true, or makes it for purposes of personal gain, or makes it malicious or vexatious may be subject to disciplinary proceedings.

In view of the protection afforded to an employee raising a bona fide concern, it is preferable if that individual puts his/her name to any disclosure. The identity of the person raising the matter will be kept confidential, if so requested, for as long as possible provided that this is compatible with a proper investigation. Anonymous complaints are not covered by this procedure, but may be reported, investigated or acted upon as the person receiving the complaint sees fit (including the use of this procedure), having regard to the seriousness of the issue raised, the credibility of the complaint, the prospects of being able to investigate the matter, and fairness to any individual mentioned in the complaint.

## 4. Procedure

### 4.1 Raising a concern

To raise a concern under the policy employees are required to complete the whistle blowing complaint form. The employee is requested to duly fill the form and submit it to Internal Audit/ Human Resources department.

If employee is unsure about whether his/her concerns are best dealt with under this policy or grievance procedure, employees are expected to consult his / her HR Business Manager for further advice.

### 4.2 Process

The person to whom the disclosure is made will normally consider the information and decide whether there is a prima facie case to answer. He or she will decide whether an investigation should be conducted and what form it should take. This will depend on the nature of the matter raised and may be,

- Investigated internally
- Referred to the relevant departments
- The subject of independent enquiry

If the person to whom the disclosure is made decides not to proceed with an investigation, the decision will be explained as fully as possible to the individual who raised the concern. It is then open to the individual to make the disclosure again either to another of the persons specified in the paragraph above or to the Head of the Internal Audit or HR department.

### 4.3 Investigation

Any investigation will be conducted as sensitively and speedily as possible. The employee will be notified of the intended timetable for the investigation. The person to whom the disclosure is made may authorize an initial investigation to establish the relevant facts. The investigation may be conducted by the internal auditor in the case of a financial irregularity, or by another person. The investigator will report his or her findings to the person to whom the disclosure was made, who will then decide if there is a case to answer and what procedure to follow. This may include taking steps with the competent authority to set up a special internal independent investigation or reference to some other authority, for further investigation. The decision may be that the matter would be more appropriately handled under existing procedures for grievance, bullying and harassment, or discipline. The individual making the disclosure will be informed of what action is to be taken.

### 4.4 Records

An official written record will be kept of each stage of the procedure.

#### 4.5 Reporting of outcomes

A report of all disclosures and subsequent actions taken will be made by the persons deciding on the issues. This record should be signed by the Investigating Officer and the person who made the disclosure, and dated. Where appropriate the formal record need not identify the person making the disclosure, but in such a case that person will be required to sign a document confirming that the complaint has been investigated. Such reports will normally be retained for at least five years. In all cases a report of the outcome will be made to the relevant authorities, which will refer the report on appropriately if necessary.

### 5. Confidentiality and Protection Mechanism

The Policy assures that all complaints will be handled in complete confidence, and that the identity of the complainant will not be revealed to Management. In the unlikely event that the identity of Whistle Blower is revealed to any person in the Company, it will be ensured that the complainant is not subjected to any form of detrimental treatment.

#### 5.1 Complaints of retaliation as a result of disclosure

The company accepts that it has an obligation to ensure that employee who make a disclosure without malice and in good faith are protected, regardless of whether or not the concern raised is upheld. An employee who has made a disclosure and who feels that, as a result, he or she has suffered adverse treatment should submit a formal complaint under the grievance procedure as set out in the relevant employee handbook detailing what has been done to him or her. If it appears that there are reasonable grounds for making the complaint, the onus will be on the person against whom the complaint of adverse treatment has been made to show that the actions complained of were not taken in retaliation for the disclosure.

Where it is determined that there is a prima facie case that an employee has suffered adverse treatment, harassment or victimization as a result of his or her disclosure, a further investigation may take place and disciplinary action may be taken against the perpetrator in accordance with the relevant procedure.

### 6. Success of the Policy and its implementation

All stakeholders are responsible for the success of this Policy and should ensure that they use it to disclose suspected danger or wrongdoing. If a stakeholder has any question about the content or application of this Policy, he or she may contact the Internal Audit & Human Resources Department for obtaining necessary clarification.

### 7. Number of instances reported

No instances have been reported during the year 2018

## 4.11 -CODE OF BUSINESS CONDUCT AND ETHICAL PRINCIPLES

### Ethical Obligations

TPL Insurance Limited strives to maintain a positive work environment where employees treat each other with respect and courtesy. Certain guidelines of acceptable conduct such as responsibility and diligence towards work duties, courteous and civil behavior towards colleagues and customers alike, and high standards of integrity and honesty must be observed by all employees of the organization at all times. This includes avoiding using abusive or insulting language in communication (verbal or written). Any language which is deemed offensive by normal standards and practice is prohibited.

### Code of Conduct

It is our aim to establish business principles for the professional conduct of the employees of TPL Insurance. All employees are liable for disciplinary action if found in violation of the policies. In general, the use of good judgment, based on high ethical principles, is the standard of acceptable conduct.

The successful business operation and reputation of TPL Insurance is built upon the principles of fair dealing and ethical conduct of our employees. Our reputation for integrity and excellence require careful observance of the spirit and letter of all applicable laws and regulations, as well as a scrupulous regard for the highest standards of conduct and personal integrity.

The continued success of TPL Insurance is dependent upon our customers' trust and we are dedicated to preserving that trust. Employees owe a duty to TPL Insurance customers, and shareholders to act in a way that will merit the continued trust and confidence of the public. TPL Insurance will comply with all applicable laws and regulations and expects its directors, officers, and employees to conduct business in accordance with the letter, spirit, and intent of all relevant laws and to refrain from any illegal, dishonest, or unethical conduct.

### Conflict of Interest

TPL Insurance's policy regarding possible conflict of interest is based on the principle that an employee's decisions in the business must be made solely in the best interest of the company. In reaching these decisions, an employee should not be influenced by personal or family considerations which might consciously (or unconsciously) affect his or her judgment as to what is in the best interest of the company. Each employee has an obligation to conduct business within guidelines that prohibit actual or potential conflicts of interest. This document establishes only the framework within which the company wishes the business to operate. As a principle, relatives are not hired. On a later occasion if it is found out that a relative was hired with prior knowledge of an employee, this could become grounds for termination.

### Child Labor and Worker Exploitation Policy

TPL Insurance does not use child or forced labor in any of our operations or facilities. We do not tolerate unacceptable worker treatment, such as exploitation of children, physical punishment or abuse, or involuntary servitude. We expect our suppliers and contractors with whom we do business to uphold the same standards. We do not commit to exposing workers to situations in or outside of the workplace that are hazardous, unsafe, or unhealthy. The company does not hire any employee under the age of 18 years for employment.

### Confidentiality

All employees must protect confidential information, and prevent such information from being improperly disclosed to others inside or outside the organization. Any employee may not disclose any confidential information obtained from their position at the company to others or use any such information to obtain any benefit. Employees should not communicate or transmit confidential or sensitive information through external online communications services, such as the Internet. Interaction with competitors beyond the approved level will be regarded as gross misconduct. Appropriate disciplinary actions will be taken in case of negligence in case of non-compliance with the above policy.

### Privacy of Records

It is vital that all employees maintain the utmost confidentiality with regards to work and employee information. All employees must ensure that organization work files are returned to their appropriate location at the end of each working day. All aspects of the employee records and information must be treated in the strictest confidence. Any violation will be treated under Gross Misconduct as applicable under the service rules. Access to HR files is provided to relate HR Officials, HODs, Internal/External Auditors, CEO and CFO and is viewed in the HR offices only.

## Environmental Friendly

We are committed to running our business in an environmentally sound and sustainable manner. Accordingly, our aim is to ensure that, our processes and services have the minimum adverse impact commensurate with legitimate needs of the business.

## Bribery & Fraud

Bribery is not tolerated in any form and any such matters are reported to HR immediately. In acting on the Company's behalf, the employee is strictly prohibited from offering, paying, soliciting or accepting bribes/gifts. External and internal bribery risks are regularly and systematically assessed and preventative measure are in place to avoid such matters. Engaging in fraud is a fundamental breach of our core value of honesty and we treat it as the most serious breach of discipline. The management is required to establish and maintain sufficient controls to ensure that fraud risk is properly identified, monitored and mitigated.

## Gifts, Entertainment and Gratuities

We conduct our business on the basis of the superior value of goods and services we buy and sell. Our policy on gifts, entertainment and gratuities is designed to preserve and maintain the Company's reputation as a global enterprise, which acts with integrity and bases decisions only on legitimate business considerations. Receiving gifts, entertainment or other gratuities from people with whom we do business is generally not acceptable because doing so would imply an obligation on the part of the Company and potentially pose a conflict of interest.

## Misconduct

The following acts are considered as misconduct and are liable for termination of service without notice and benefits. The service of an employee is suspended without pay (14 days' maximum) in case of misconduct, during the pendency of the proceedings initiated.

- Habitual late attendance
- Absent from duty without information for more than 03 days.
- Habitual negligence or neglect of work
- Insubordination or disobedience of senior member of the employee
- Resorting to strike or instigating other employees to stop working or go slow or spreading discontentment
- Giving or possessing classified/unclassified information to unauthorized persons
- Any act bringing disrepute to the company
- Any fraudulent act or forgery or another criminal act
- Misuse of company assets
- Non-adherence to the Code of Conduct

## Health & Fire Safety

To build awareness on the Health, Safety and Environment standards, the organization on recurring basis, provide relevant information and training to the employees. The Administration/Security department ensures safe and healthy environment, conduct regular fire drills, so as to prepare every employee of the organization in the case of emergency situation. There are emergency exit routes, fire exits and fire extinguishers placed strategically. Associates will have the opportunity to have hands-on training on fire extinguisher and briefings on the proper use of firefighting equipment in their areas.

## Environmental Safety

All employees are requested to ensure a safe work environment is maintained at all times. The use of alcohol, chewing of betel nut, illegal drugs may seriously affect a person's ability to perform their duties in a proper and safe manner and therefore are strictly prohibited while on duty both on and off premises. Smoking of cigarettes is prohibited on all office premises.

## Legal Proceedings

It is essential that an employee, who becomes involved in legal proceedings, whether civil or criminal, should immediately inform his/her superior with a copy to the HR in writing. Failure to do so may result in termination of employment.

## Compliance

Compliance with Business Ethics and Conduct is the responsibility of every employee. Disregarding or failing to comply with this standard of Business Ethics and Conduct could lead to disciplinary action, up to and including the possible termination of employment. It is the responsibility of the HR and all the immediate managers to ensure that the principles embodied in this code are communicated to, understood and observed by all employees.

## 4.12 -SUCCESSION PLANNING

Our succession planning process covers the following areas:

### Step 1 – Identify Key Positions

Criteria for key positions include:

- Positions that require specialized job skills or expertise.
- High-level leadership positions.
- Positions that are considered “critical” to the organization.

### Step 2 – Build Job Profiles for each Key Position

- Determine the key success factors of the job and how proficient the job holder would need to be. This information can be obtained several ways, including performing on the job analysis or gathering critical information during the performance appraisal process. The information that is gathered includes the knowledge, skills, abilities, and attributes that the current employee in a position possesses that allow for competent and efficient performance of the function.

### Step 3 – Competency Gap Analysis

- Using relevant tools, gather data on current employee competencies for the key positions.
- Analyze the difference between current employee competencies and future needs.
- Document findings for development opportunities.

### Step 4 – Development Opportunities

- Assess the abilities and career interests of employees
- Candidates should demonstrate high potential or ability that will enable them to achieve success at a higher level within the organization.

### Step 5 – Individual Development Plans

- Design a plan for each candidate – developmental plans should be available for candidates and then incorporated into their performance management plans. Plans may include identifying career paths for high-potential candidates and others who have the interest and ability to move upward in the organization.
- Provide development opportunities – This can be accomplished through job assignments, training, or on job rotation, and it is one of the best ways for employees to gain additional knowledge and skills.

### Step 6 – Maintain Skills Inventory

- Continually monitor skills and needs to determine any gaps and develop plans to meet deficiencies.
- Keep an inventory of current and future needs and maintain the information for individual and group development.

## 4.13 -POLICY FOR ACTUAL AND PERCEIVED CONFLICT OF INTEREST

TPL Insurance maintains the highest standards in ensuring that business ethics are always upheld and no corruption takes place. The Company ensures all Directors uphold and adhere to the code of conduct and recognize their fiduciary duty to act in the highest standards of Corporate Governance and avoid conflict of interests. Every director of the Company whose interest lies in any of the Company’s dealings or arrangements are required to fully divulge their interests to the Board. They would not be a part of voting system for those matters. Each director is required to disclose the names of the Companies and their associations with them

## 4.14 -POLICY FOR SAFETY OF RECORDS OF THE COMPANY

TPL Insurance ensures safety of records in the following ways:

- We have properly documented and tested Business Continuity Plan/Disaster Recovery Plan (BCP/DRP) which elucidates the safety of company records and ensure continuity of business operations in the event of a disaster.
- Every department in the Company is self-responsible for daily backups on the server.
- Advanced machines are in place through which electronic retrieval of printed data can be extracted.

## 4.15 -POLICY FOR SECURITY CLEARANCE OF FOREIGN DIRECTORS

In accordance with the requirements of Ministry of Interior (MoI), foreign directors cannot resume charge of their position unless the MoI provides security clearance of the foreign director.

The Company obtains declarations along with other requisite documents from the Foreign Directors, which are submitted with the Securities and Exchange Commission of Pakistan for onward submission to MoI.

In the event, the MoI refuses to provide clearance of the Foreign Director(s), the Company takes adequate steps to replace the said Director.

## 4.16 -POLICY ON DIVERSITY

The Company believes in cultural diversity and has blend of employees with varying characteristics. The Company promotes and encourages diversity in the form of gender, ethnicity and physical ability and ensures that the employees are treated in a fair and impartial manner.

## 4.17 -POLICY OF RETENTION OF BOARD FEE BY THE EXECUTIVE DIRECTOR IN OTHER COMPANIES

Mr. Mohammad Ali Jameel and Mr. Muhammad Aminuddin who hold Executive Director positions in the Company also hold Non-Executive Director positions on the Boards of other Companies and receive remuneration in compliance with the respective Company's policies approved by their Board of Directors.

## 4.18 -INVESTOR'S GRIEVANCES POLICY

TPL Insurance has a well-defined mechanism for handling investor grievances and the subsequent redressal of the grievance. Our Compliance team undertakes to ensure that the investors are provided impeccable services.

The Company has set the following guidelines to handle investor queries and complaints:

- Timely responses to investor grievances;
- Fair treatment of all investors;
- Corrective measures to be taken instantly to avoid complaints in the future

The Company Secretary is the point of contact in such cases. Investors may directly write to the Company at the following address:

The Company Secretary  
TPL Insurance Limited  
12th Floor, CenterPoint,  
Off Shaheed-e-Millat Expressway,  
Adjacent KPT Interchange, Karachi.

Shareholders' enquiries about their shareholding, dividends or share certificates etc. can be directed to the Share Registrar at the following address:

THK Associates (Pvt) Limited  
1st Floor, 40-C, Block-6,  
P.E.C.H.S., Karachi - 75400  
UAN: (92-21):111-000-322  
Tel: (92-21) 34168266-70

Alternatively, the investors can also send an email to designated email address [info@tplinsurance.com](mailto:info@tplinsurance.com) for their queries/complaints.

In other cases, an investor who is not satisfied can also approach the Securities & Exchange Commission of Pakistan (SECP) complaint cell through the interactive link available on our website.

### 4.19 -IT GOVERNANCE FRAMEWORK

TPL Insurance maintains a documented IT Security Policy which is approved by the Board of Directors. The policy aims to ensure that the operations are running effectively and are protected from any security threats. The Policy entails the following aspects:

- Staff Trainings
- Roles and Responsibilities
- Protection of Information Assets
- System Development Life Cycles (SDLC)
- Security Investigation and Reporting
- Intrusion Prevention and Detection
- Disaster Recovery Plan

### 4.20 -ANNUAL EVALUATION OF BOARD'S PERFORMANCE

The Board has developed a mechanism to evaluate its own performance, on an annual basis, through a questionnaire. The said questionnaire is prepared in accordance with the Code of Corporate Governance and is circulated to all the Directors covering inter-alia the following areas:

- Fiduciary Duties
- Business Strategy
- Compliance with the Law
- Participation on the Board
- Corporate Reporting

### 4.21 -PERFORMANCE REVIEW OF THE CEO

The Chief Executive Officer is appointed by the Board of Directors for tenure of three years. The Human Resource & Remuneration Committee of the Board sets operational, financial and strategic objectives to evaluate his performance. The Committee reviews and monitors the CEO's performance on an annual basis.

## 4.22 -CHAIRMAN'S REVIEW REPORT

On behalf of the Board, I am pleased to present the performance review of the Board of Directors of the Company. I would like to take this opportunity to thank my fellow Board Members for providing the Company their consistent support and vision it required to thrive.

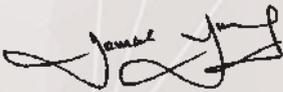
The Board completed its term of office in April, 2018 and the Directors were re-elected for a fresh term commencing from May, 2018. Two casual vacancies were created upon the resignations of Mr. Saad Nissar and Mr. Bilal Bin Zafar, however the same were duly filled by Mr. Muhammad Aminuddin and Mr. Rana Assad Amin respectively.

I would like to take this opportunity to appreciate the out-going directors for the services rendered and thank them for their valuable contribution to the Board.

The current composition of the Board is a blend of seasoned and experienced individuals. The Board of Directors have played an important role at all levels whereas the Committees of the Board operated efficiently and assisted the Board in all key matters in accordance with the requirements under the Listed Companies (Code of Corporate Governance) Regulations, 2017.

In addition, the Board effectively carried out Board Performance Appraisal at the end of the financial year in terms of which the performance was found to be satisfactory.

It gives me great pleasure to report that the performance of the Board has been par excellence which assisted the Company to succeed in all its endeavors. The Board carries out its fiduciary duties with objective judgment and in the best interest of the Company. Moving forward, I am confident that the Company with the guidance of the Board would surpass all expectations by exponential growth in the coming years.



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Jameel Yusuf (S.St.)  
Chairman

February 21, 2019

## 4.23 -AUDIT COMMITTEE REPORT

### The Audit Committee

The Audit Committee (AC) is delegated with the authority from the Board to provide independent oversight of the Company's financial reporting and internal control systems, and the adequacy of the external and internal audits. The AC is provided with sufficient resources to perform its duties including support, as necessary, from the Internal Audit Department (IAD), the external auditor, legal counsel and management in examining all matters relating to the Company's adopted accounting policies and practices, and in reviewing all material financial, operational and compliance controls. The AC comprises of one independent director, one executive director and one non-executive director, and includes a member who is qualified chartered accountant. The AC held four meetings in 2018.

### Review of Financial Results

The AC reviewed the 2018 Financial Statements in conjunction with the Company's external auditors. Based on this review and discussions with management, the AC was satisfied that the Financial Statements were prepared in accordance with applicable accounting standards and fairly present the Company's financial position and results for the year ended 31 December 2018. The AC therefore recommended the Financial Statements for the year ended 31 December 2018 be approved by the Board.

### Review of Internal Control Systems

The AC reviewed the effectiveness of the Company's policies and procedures regarding internal control systems by reviewing the work of the IAD and the Company's external auditor, and regular reports from management including those on risk management, regulatory compliance and legal matters. In conjunction with the Risk Committee, the AC reviewed and concurred with the management confirmation that for the year ended 31 December 2018, the Company's risk management and internal control systems were effective. The AC is satisfied that the Company has adopted necessary control mechanisms to ensure that it satisfactorily complies with the requirements of the Code of Corporate Governance in respect of internal control systems.

### Review of Accounting, Financial Reporting and Internal Audit Functions

The AC reviewed and was satisfied with the adequacy of the resources, staff qualifications and experience, training programs and budget of the Company's accounting, financial reporting and internal audit functions.

### Review of Related Party Transactions

During 2018, the Company entered into certain related party transactions as disclosed in the notes to the financial statements. The AC reviewed these transactions. The AC confirmed that the transactions were entered into by the Company are in accordance with the applicable requirements.

### Independence of External Auditor

The AC is mandated to monitor the independence of the Company's external auditor, EY Ford Rhodes (EYFR) Chartered Accountants. With respect to the independence of the Company's external auditor, the AC received confirmation from and discussed with EYFR on its independence and objectivity. During the year, the AC reviewed EYFR's statutory audit scope and concurred with it.

### Re-appointment of External Auditors

The AC has reviewed the external auditors' independence and objectivity. External auditors have confirmed that they have been given satisfactory rating under Quality Control Review program of the Institute of Chartered Accountants of Pakistan. Accordingly, AC has recommended the re-appointment of EYFR (which has indicated its willingness to continue in office) as the Company's external auditor for 2019 for Shareholders' approval at the 2018 AGM.

Syed Nadir Shah  
Chairman of Audit Committee

21 February 2019

## 4.24 - DIRECTORS' REPORT 2018

On behalf of the Board of Directors of TPL Insurance Limited, I am pleased to present the annual report of the Company for the year ended December 31, 2018.

### BUSINESS REVIEW

#### GROSS WRITTEN PREMIUM

During the year, the company reported gross written premium of Rs. 2,409 million registering growth of 5.0%. The premium includes contributions written by window takaful operations of the company which amounts to Rs. 1,058.5 million (2017: 909.0 million). The lower growth is mainly ascribed to the motor insurance business segment that has faced unprecedented challenges during the year under review. Firstly the non-filer issue where auto sales were not permissible to individuals who did not have a "tax-filer" status in govt. records effective 1 July 2018, while in addition during the year 2018, the State bank of Pakistan raised its benchmark interest rate by 400 bps to 10.0%. Both these factors reduced demand for new car sales and in turn negatively impacted fresh motor insurance sales in 2018, which still constitutes the largest business segment of the company. The Company maintained its 3rd position in the motor market on overall basis and 5th rank in the industry (based on Net Earned Premium for the year ended 31 December 2017).

Year	Gross written premium (Rs. In millions)	Growth %
2013	869.9	23%
2014	1,220.8	40%
2015	1,635.5	34%
2016	2,054.5	26%
2017	2,292.7	12%
2018	2,408.7	5%

During 2018, the Company continued to expand into non-motor segment with gross written premium for the year reaching 351 million (2017: Rs. 197 million) in this segment. Thus the proportion of non-motor business increased from 9% in 2017 to 15% in 2018.

The Company is pursuing a diversification based, selective high quality growth strategy in the non - motor segment while remaining keenly focused on digitalization initiatives to further strengthen its outreach and improve service quality for the retail customer base. During 2018, we successfully digitalized claims operations via a customer app, thereby facilitating lodging of claims, and registering the survey reports directly into our claims processing system making the whole process paperless and at the

same time improving the claims settlement turnaround time. Work on further strengthening the underwriting system in a similar manner is in progress. Also, we are enhancing the features of our customer app to facilitate getting quotes and buying policy online, self-survey of vehicle damages, requesting endorsements and renewal of policies. As a result of these initiatives, we expect to improve our engagement digitally with our retail customer base and thus accelerate the Company's growth trajectory in 2019.

#### CLAIMS ANALYSIS

In 2018, the Company by implementing effective vendor management resulted in reduction in average claim size by 10% despite increase in part prices due to Rupee devaluation of more than 30% during the year. As a result, claim ratio was maintained at 43% during the year.

No major claim costs has been incurred in commercial lines business to date due to prudent underwriting and lower retention of risk. The company has developed a team of professionals in the segment to ensure effective risk management to ensure that claim costs are managed well in this business segment.

YEARLY CLAIMS INCURRED	
Year	% of Earned Premium
2013	43%
2014	50%
2015	47%
2016	46%
2017	43%
2018	43%

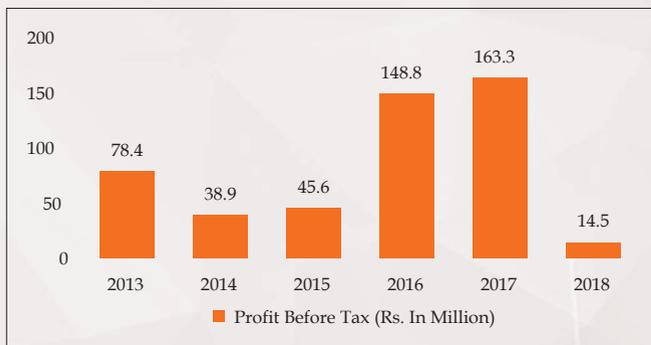
## WINDOW TAKAFUL OPERATIONS

The Company's Window Takaful Operations (WTO) crossed the one billion mark during 2018 and has underwritten contributions amounting to Rs. 1,058.5 million (2017: Rs. 909.0 million). This represents YoY growth of 16.4%. The consolidated assets of operator fund and participant takaful fund amount to Rs. 1,249.6 million (2017: Rs. 1,001.9 million). The Company continues to maintain 2nd position in motor takaful market.

During the year, for the first time, the participant takaful fund registered a surplus of Rs. 20.2 million (2017: loss of Rs. 69.9 million). This was achieved as a result of prudent underwriting and reduction in wakala fee. It is projected that participant takaful fund profitability would further improve in the next years and the company will recover the Qard e Hasna provided to the fund in full.

## FINANCIAL REVIEW

### PROFITABILITY AND GROWTH



The Company has recorded a pretax profit of Rs 14.5 million (2017: Rs. 163.4 million), including loss from operator fund of Rs. 112.2 million (2017: profit of Rs. 47.5 million). The surplus from participant takaful fund of Rs. 20.1 million (2017: loss of Rs. 69.9 million) is not included in the profit of the Company as per SECP's circular 25 of 2015. The pre-tax and post-tax basic earnings per share are 0.15 and 0.04 respectively (2017: Rs. 1.74 and Rs. 1.12).

The decline in profitability during the year is attributed to investment made in development of the non-motor business segment, digitization initiatives undertaken by the Company, as well as the reduction in wakala fee charged to participant's takaful fund. While these measures have had a short term negative impact on profitability of the Company, we

believe that these steps will enable us to achieve sustainable profitable growth in the coming years.

## INVESTMENTS

As at 31 December 2018, investments made by the Company (including investments made by Participant's Takaful Fund) stand at Rs. 1,026.3 million (2017: Rs. 1,188.4 million). These mainly comprise of investments in term deposits amounting to 350 million (2017: 405.0 million), investment in government securities amounting to Rs. 292.8 million (2017: Rs.99.5 million), investment in corporate sukuk amounting to Rs. 50 million (2017: Rs. Nil) and investment in equities and mutual funds amounting to 333.5 million (2017: 683.9 million). The aggregate market value of these investments is Rs. 1,023.4 million (2017: Rs. 1,195.2 million).

## CASH & BANK BALANCES

The cash and bank balances of the Company stand at Rs. 153.0 million (2017: Rs. 133.6 million). In addition, cash and bank balances of participants' takaful fund stand at Rs.93.8 million (2017: Rs. 102.7 million).

## DIVIDEND

The Board of Directors have declared interim dividend and bonus shares @ 20% and @13% respectively during the year, resulting in total pay-out for the year of 33% or Rs. 3.3 per share (2017: 10% Bonus shares issued). The Board of Directors do not recommend any final dividend for the financial year ended 31 December 2018.

## CREDIT RATING

The Pakistan Credit Rating Agency Ltd (PACRA) has maintained the credit rating of the Company to “A+” with a stable outlook.

## KEY FINANCIAL DATA FOR THE LAST SIX YEARS

### INCOME STATEMENT - CONVENTIONAL BUSINESS

(Rs. In millions)

Profit and Loss	2018	2017	2016	2015	2014	2013
Gross premium written	1,350.1	1,383.7	1,370.2	1,171.3	1,156.0	869.9
Net premium revenue	1,264.0	1,299.5	1,204.4	1,129.3	1,042.9	733.5
Underwriting expenses	(1,107.6)	(1,133.0)	(1,153.7)	(1,074.4)	(965.1)	(619.9)
Underwriting results	156.4	166.5	50.7	54.9	77.8	113.6
Investment income and other income	215.5	171.3	181.5	140.5	93.1	74.3
Other expenses	(245.2)	(222.0)	(118.9)	(160.1)	(135.2)	(109.6)
Profit before tax from General Insurance Operations	126.7	115.8	113.3	35.2	35.7	78.4
Profit before tax from Window Takaful Operations	(112.2)	47.5	35.5	10.4	3.2	-
Profit / (Loss) before tax for the year	14.5	163.3	148.8	45.6	38.9	78.4
Profit / (Loss) after tax	3.6	105.0	103.2	33.3	25.9	51.5

### CONSOLIDATED INCOME STATEMENT

(including profit and loss account of Participant’s Takaful Fund)

(Rs. In millions)

Consolidated Profit and Loss (including profit and loss account of Participant’s Takaful Fund)	2018	2017	2016	2015	2014	2013
Gross premium written	2,408.7	2,292.7	2,054.5	1,635.5	1,220.8	869.9
Net premium revenue	2,246.6	2,068.8	1,750.5	1,419.2	1,056.4	733.5
Underwriting expenses	(1,967.4)	(1,831.9)	(1,634.3)	(1,419.8)	(956.6)	(619.9)
Underwriting results	279.2	236.9	116.2	(0.6)	99.8	113.6
Investment income and other income	70.7	60.9	106.8	142.8	92.7	74.3
Other expenses	(315.3)	(204.3)	(141.0)	(160.1)	(155.5)	(109.6)
Profit / (Loss) before tax	34.6	93.5	82.0	(7.5)	37.0	78.4
Profit / (Loss) after tax	23.7	35.2	36.4	(19.9)	24.0	51.5

## BALANCE SHEET - CONVENTIONAL BUSINESS

(Rs. In millions)

Balance Sheet	2018	2017	2016	2015	2014	2013
Paid up share capital	946.7	893.8	893.8	893.8	452.3	452.3
Accumulated (losses) / Unappropriated profits	16.9	253.9	148.9	45.7	12.4	-13.5
Unrealized gain (loss) on revaluation of available-for-sale investments	(26.7)	(26.4)	2.3	1.6	0.0	0.0
<b>Total Equity</b>	<b>936.9</b>	<b>1,121.3</b>	<b>1,045.0</b>	<b>941.2</b>	<b>464.8</b>	<b>438.8</b>
Investments	673.1	1,069.5	821.8	727.0	49.9	153.2
Fixed assets	122.1	79.4	361.2	384.7	308.7	169.1
Capital work in progress	7.5	21.4	0.0	0.0	4.8	19.1
Cash and bank deposits	153.0	133.6	176.4	16.6	9.0	108.4
Other assets	925.6	861.2	602.0	551.6	815.9	625.8
Total assets of General Takaful Operations - OF	370.0	335.5	318.9	190.7	81.4	-
<b>Total Assets</b>	<b>2,251.3</b>	<b>2,500.6</b>	<b>2,280.2</b>	<b>1,870.6</b>	<b>1,269.8</b>	<b>1,075.5</b>
Underwriting liabilities	792.2	805.7	831.0	693.9	695.9	568.0
Other liabilities	353.1	339.3	226.1	129.9	81.6	68.7
Total liabilities of General Takaful Operations - OF	166.0	234.3	178.1	105.7	27.5	-
<b>Total Liabilities</b>	<b>1,314.4</b>	<b>1,379.3</b>	<b>1,235.2</b>	<b>929.4</b>	<b>805.0</b>	<b>636.7</b>

CONSOLIDATED BALANCE SHEET  
(including balance sheet of Participant's Takaful Fund)

(Rs. In millions)

Consolidated Balance Sheet (including balance sheet of Participant's Takaful Fund)	2018	2017	2016	2015	2014	2013
Paid up share capital	946.7	893.8	893.8	893.8	452.3	452.3
Accumulated (losses) / Unappropriated profits	18.9	255.9	150.9	47.7	14.4	(13.5)
Unrealized gain (loss) on revaluation of available-for-sale investments	(25.4)	(36.4)	2.3	1.6	-	-
<b>Total Equity</b>	<b>940.2</b>	<b>1,113.3</b>	<b>1,047.0</b>	<b>943.1</b>	<b>466.7</b>	<b>438.8</b>

(Rs. In millions)

Consolidated Balance Sheet (including balance sheet of Participant's Takaful Fund)	2018	2017	2016	2015	2014	2013
Investments	1,026.3	1,213.3	1,056.7	101.4	49.9	153.2
Fixed assets	112.9	58.0	357.3	384.7	313.5	169.1
Capital work in progress	7.6	21.4	-	-	4.8	19.1
Cash and bank deposits	251.9	247.2	240.8	753.5	89.8	108.4
Other assets	1,412.4	1,419.8	1,017.8	988.8	844.8	625.7
<b>Total Assets</b>	<b>2,811.1</b>	<b>2,959.7</b>	<b>2,672.6</b>	<b>2,228.4</b>	<b>1,302.8</b>	<b>1,075.5</b>
Underwriting liabilities	1,447.5	1,383.6	1,247.9	969.9	756.0	568.0
Other liabilities	423.4	462.8	377.7	315.4	80.1	68.7
<b>Total Liabilities</b>	<b>1,870.9</b>	<b>1,846.4</b>	<b>1,625.6</b>	<b>1,285.3</b>	<b>836.1</b>	<b>636.7</b>

## AUDITORS

M/s EY Ford Rhodes, Chartered Accountants retire and offer themselves for reappointment. The Board of Directors has recommended their appointment as auditors for the year ending 31 December 2019, at a fee to be mutually agreed.

## RELATED PARTY TRANSACTIONS

The related party transactions were placed before the Board of Audit Committee and approved by the Board. These transactions were in line with the International Financial Reports Standards and the Companies Act, 2017.

## CORPORATE SOCIAL RESPONSIBILITY

The management takes great care that its objective of contributing to society by focusing on responsible growth and thereby creating an environmental and social impact is always in focus. During 2018, the company deployed requisite resources into formulating frameworks and arrangements that address social challenges such as poor education outcomes, low health and living standards and improving the economic wellbeing of the people wherever they are, regardless of race, color, religion or ethnicity. On an overall basis, by our efforts, we endeavor to deliver a noticeable positive impact on society and become a catalyst for change.

## STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Board is fully aware of its corporate responsibilities as envisaged under the Code of Corporate Governance, prescribed by the Securities and Exchange Commission of Pakistan and is pleased to certify that:

- The financial statements prepared by the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- The Company has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of financial statements except as disclosed in the financial statements and accounting estimates are based on reasonable and prudent judgment.

- International Accounting Standards, International Financial Reporting Standard and other regulations (including but not limited to the Shariah guidelines / principles) as applicable in Pakistan, have been followed in the preparation of the financial statements and any departure there from have been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- The fundamentals of the Company are strong and there are no doubts about Company's ability to continue as a going concern.
- The Company has followed the best practices of the Corporate Governance and there has been no material departure there from.
- Key operating and financial data for the last six years in summarized form, is included in this annual report.
- Significant deviations from last year's operating results have been explained in this report.
- Statutory payments on account of taxes, duties, levies and charges outstanding are in the normal course of business.
- The board has ensured trainings for its directors; three directors of the Company have attended the director's training program.
- The value of investments of provident fund on the basis of audited financial statements of the provident fund as on 30 June 2018 is Rs. 38.9 million (2017: Rs. 28.4 million).

### DIRECTORS' REMUNERATION

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

### INSURANCE ORDINANCE 2000

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

- In their opinion and to the best of their belief, the annual statutory accounts of the Company set out in the forms attached with this statement have been drawn up in accordance with Insurance Ordinance 2000 and rules made there under.
- The Company has at all times in the year complied with the provisions of the Ordinance and the rules made there under relating to the paid up capital, solvency and reinsurance arrangements; and as at the date of the statement, it continues to be in compliance with the provisions of the Ordinance and rules framed there under as mentioned above.

### CODE OF CONDUCT

The Company ensures that all its activities are carried out in a transparent manner strictly following the code of business ethics with zero tolerance.

## PATTERN OF SHAREHOLDING

A statement of pattern of shareholding of the Company as at 31 December 2018 is as follows:

Shareholder's Category	Number of Shares Held	Percentage of Share holding
Parent Company - TPL Corp Limited	88,452,950	94.23%
Directors	126,781	0.14%
Mutual Fund	454,290	0.48%
General Public (Local)	3,965,691	4.22%
General Public (Foreign)	171,272	0.19%
Others	695,277	0.74%
Total	93,866,261	100%

## TRADING IN COMPANY'S SHARES

Details of trade in shares of the Company by Directors, CEO, CFO, Company Secretary, Head of Internal Audit, other employees and their spouses and minor children are reported in Pattern of Shareholding.

## BOARD MEETINGS

The Board of Directors held six meetings in 2018. Attendance of Directors is indicated below:

NAME OF DIRECTOR	MEETINGS ATTENDED
Mr. Jameel Yusuf (S.St.)	3
Mr. Ali Jameel	6
Mr. Rana Assad Amin **	5
Mr. Bilal Bin Zafar*	1
Mr. Waqar Malik	6
Mr. Syed Nadir Shah	6
Mr. Saad Nissar*	2
Mr. Muhammad Aminuddin **	2

\* resigned during the year

\*\* filled casual vacancy during the year

## FUTURE OUTLOOK

The Company is targeting focused growth in personal lines business as well as investing in digitalization initiatives to increase its outreach in the market. This, alongwith diversification benefits through penetration into non-motor segment would significantly strengthen company's position in future. We believe that the prevailing economic uncertainty due to deficit in balance of payment is expected to be over in near future. We are confident that initiatives taken by the government to improve foreign investments and GDP growth would bring economic stability and would supplement insurance industry growth. Although increasing discount rate and automobile prices cast doubt on auto insurance growth, but Company is confident to improve market share through product development, channel deepening and penetration through digitalization initiatives. Stock market is also expected to recover to normal level, leading to improved investment returns.

## ACKNOWLEDGEMENT

We would like to thank the shareholders of the Company for the confidence they have reflected in us. We also appreciate the valued support and guidance provided by the Pakistan Stock Exchange, Federal Board of Revenue, Provincial Revenue Authorities, Central Depository Company and Securities and Exchange Commission of Pakistan over time. We would also express our sincere thanks to the employees, strategic partners, vendors, bankers and customers for their support in pursuit of our corporate objectives.

For and on behalf of the Board of Directors,



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Muhammad Aminuddin  
Chief Executive Officer

## 4.25 -MANAGEMENT RESPONSIBILITIES TOWARDS FINANCIAL STATEMENTS

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

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.

## 4.26 -PATTERN OF SHAREHOLDING

-----NO. OF SHARES-----				
No. of Shareholders	From	To	Shares Held	Percentage
224	1	100	1,233	0.00
38	101	500	9,484	0.01
102	501	1,000	63,254	0.07
101	1,001	5,000	197,425	0.21
14	5,001	10,000	91,178	0.10
12	10,001	15,000	145,172	0.15
3	15,001	20,000	53,285	0.06
5	20,001	25,000	117,825	0.13
2	25,001	30,000	59,386	0.06
2	30,001	35,000	63,726	0.07
2	35,001	40,000	74,763	0.08
1	40,001	45,000	43,307	0.05
1	45,001	50,000	49,494	0.05
1	50,001	55,000	51,564	0.05
2	55,001	60,000	115,725	0.12
4	60,001	65,000	248,352	0.26
1	80,001	85,000	80,397	0.09
1	85,001	90,000	85,185	0.09
1	90,001	95,000	93,225	0.10
1	95,001	100,000	96,331	0.10
1	100,001	105,000	100,500	0.11
2	120,001	125,000	248,600	0.26
1	155,001	160,000	156,000	0.17
1	160,001	165,000	161,357	0.17
1	195,001	200,000	198,000	0.21
1	270,001	275,000	273,460	0.29
1	355,001	360,000	358,641	0.38
1	370,001	375,000	373,290	0.40
1	405,001	410,000	405,919	0.43
1	435,001	440,000	436,752	0.47
1	440,001	445,000	440,827	0.47
1	515,001	520,000	519,654	0.55
1	1,075,001	1,080,000	1,076,990	1.15
1	87,375,001	87,380,000	87,375,960	93.09
<b>533</b>			<b>93,866,261</b>	<b>100.00</b>

## 4.27 -CATEGORY OF SHAREHOLDING

Category of Shareholders as of December 31, 2018			
Particulars	No of Folio	No. of Shares	Percentage
<b>Directors, CEO &amp; their Spouse and Minor Children</b>	<b>6</b>	<b>126,781</b>	<b>0.14</b>
Mr. Jameel Yusuf (S.St.)		620	0.00
Mr. Ali Jameel		620	0.00
Mr. Andrew Borda		1	0.00
Syed Nadir Shah		620	0.00
Mr. Waqar Ahmed Malik		124,920	0.13
<b>Associated Companies</b>	<b>3</b>	<b>88,452,950</b>	<b>94.23</b>
TPL Corp Limited		87,375,960	93.09
TPL Holdings (Pvt) Ltd.		1,076,990	1.15
<b>Mutual Funds</b>	<b>4</b>	<b>454,290</b>	<b>0.48</b>
Golden Arrow Selected Stocks Fund Limited		373,290	0.40
CDC - Trustee PICIC Investment Fund		120	0.00
CDC - Trustee PICIC Growth Fund		483	0.00
CDC - Trustee AKD Opportunity Fund		80,397	0.09
<b>General Public (Local)</b>	<b>504</b>	<b>3,965,691</b>	<b>4.22</b>
<b>General Public (Foreign)</b>	<b>4</b>	<b>171,272</b>	<b>0.18</b>
<b>Others</b>	<b>14</b>	<b>695,277</b>	<b>0.74</b>
Toyota Hyderabad Motors		33,412	0.04
Bonus Fraction B-2018		189	0.00
CDC Stay Order Cases with Fraction		405,919	0.43
Bonus Fraction B-2019		168	0.00
Habib Sugar Mills Ltd.		60,062	0.06
Maple Leaf Capital Limited		1	0.00
Pearl Securities Limited		55,935	0.06
Fawad Yusuf Securities (Pvt.) Limited		329	0.00
Federal Board of Revenue		16,734	0.02
Sherman Securities (Private) Limited		61,867	0.07
Falcon-I (Private) Limited		1	0.00
Toyota Sahara Motors (Pvt.) Ltd		38,038	0.04
Paradigm Factors (Private) Limited		22,622	0.02
<b>Company Total</b>	<b>535</b>	<b>93,866,261</b>	<b>100.00</b>

Details of purchase of shares by directors and majority shareholders during the year 2018 are as follows;

Name of Director	No. of Shares	Price Per Share	Settlement Date	Nature of Transaction
Waqar Ahmed Malik	100,000/-	20.00	April 3, 2018	Purchase
TPL Holdings (Pvt) Ltd	349,000/-	19.93	June 27, 2018	Purchase
TPL Holdings (Pvt) Ltd	5,000/-	20.51	June 28, 2018	Purchase



05

# COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

- 5.1 INDEPENDENT AUDITOR'S REVIEW  
REPORT
- 5.2 STATEMENT OF COMPLIANCE WITH  
THE CODE OF CORPORATE  
GOVERNANCE



Building a better  
working world

EY Ford Rhodes  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

UAN: + 9221 111 11 39 37 (EYFR)  
Tel: +9221 3565 0007-11  
Fax: +9221 3568 1965  
ey.khi@pk.ey.com  
ey.com/pk

## 5.1 - INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of TPL Insurance Limited (the Company)

### Review Report on the Statement of Compliance with Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the Code of Corporate Governance prepared by the Board of Directors of TPL Insurance Limited for the year ended 31 December 2018 in accordance with the requirements of the Pakistan Stock Exchange Rule Book and Code of Corporate Governance for Insurers, 2016 (the Code).

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

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach.

We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Code as applicable to the Company for the year ended 31 December 2018.

Chartered Accountants

Date: 21 February 2019

## 5.2 - STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED DECEMBER 31, 2018

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

TPL Insurance Limited (the “Company”) has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of Independent and Non-Executive Directors representing the minority’s interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Directors	Syed Nadir Shah, Mr. Rana Assad Amin
Executive Directors	Mr. Muhammad Aminuddin, Mr. Ali Jameel
Non-Executive Directors	Mr. Jameel Yusuf (S.St.), Mr. Andrew Borda, Mr. Waqar Ahmed Malik

All Independent Directors meet the criteria of independence as laid down under the 2016 Code.

2. The Directors have confirmed that none of them is serving as a director in more than five 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 NBFIs, being a member of stock exchange, has been declared as a defaulter by a stock exchange.
4. The casual vacancies were duly filled up by the directors as follows:

S.No.	Resigned	Dated	Appointment	Dated
1	Mr. Bilal Bin Zafar	February 6, 2018	Mr. Rana Assad Amin	February 22, 2018
2.	Mr. Saad Nissar	August 2, 2018	Mr. Muhammad Aminuddin	August 11, 2018

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 a Director elected by the Board for this purpose, and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven (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 2016 Code.
10. An orientation of the Board of Directors was conducted to apprise them of their duties and responsibilities including the fiduciary duties as contained in the Companies Act, 2017.

11. The Board has approved appointment of the Chief Financial Officer and Chief Executive Officer, including their remuneration and terms and conditions of employment.
12. The Directors' Report for this year has been prepared in compliance with the requirements of the 2016 Code 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 2016 Code.
16. The Board has formed the following Management Committees:

**Underwriting Committee:**

Name of the Member	Category
Andrew Borda	Chairman
Raza Ali Shah	Member
Muhammad Aminuddin	Member
Syed Kazim Hasan	Secretary

**Claim Settlement Committee:**

Name of the Member	Category
Muhammad Aminuddin	Chairman
Syed Kazim Hasan	Member
Ovais Alam	Secretary

**Reinsurance and Co-insurance Committee:**

Name of the Member	Category
Andrew Borda	Chairman
Athar Abbas	Member
Muhammad Saleem Junejo	Secretary

**Risk Management and Compliance Committee:**

Name of the Member	Category
Waqar Ahmed Malik	Chairman
Raza Ali Shah	Member
Muhammad Aminuddin	Member
Syed Kazim Hasan	Secretary

17. The Board has formed the following Board Committees:

**Ethics, HR, Remuneration and Nomination Committee:**

Name of the Member	Category
Syed Nadir Shah	Chairman
Ali Jameel	Member
Rana Assad Amin	Member
Waqar Ahmed Malik	Member
Nader Nawaz	Secretary

**Investment Committee:**

Name of the Member	Category
Ali Jameel	Chairman
Andrew Borda	Member
Waqar Ahmed Malik	Member
Muhammad Aminuddin	Member
Syed Kazim Hasan	Secretary

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

**Audit Committee:**

Name of the Member	Category
Syed Nadir Shah	Chairman
Ali Jameel	Member
Andrew Borda	Member
Yousuf Zohaib Ali	Secretary

19. The meetings of the Committees were held once every quarter prior to approval of interim and final results of the Company, whereas the Ethics, Human Resources, Remuneration and Nomination Committee met on an annual basis as required under 2016 Code. The terms of references of all committees were duly formed and the Committees were further advised to comply with the same.
20. The Board has set up an effective internal audit function which has been staffed with resources who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and 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 2016 Code. Moreover, the persons heading the underwriting, claim, reinsurance and risk management 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 Person	Designation
Muhammad Aminuddin	Chief Executive Officer
Syed Kazim Hasan	Chief Financial Officer
Danish Qazi	Compliance Officer
Danish Qazi	Company Secretary
Yousuf Zohaib Ali	Head of Internal Audit
Raza Ali Shah	Head of Underwriting
Ovais Alam	Head of Claims
Muhammad Saleem Junejo	Head of Reinsurance
Aeman Shujaat	Head of Risk Management
Sania Hassan Khan	Head of Grievance Dept.

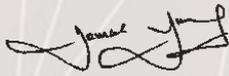
During the year, there were changes in the position of the Chief Financial Officer and Chief Executive Officer due to resignations and change in the position of Head of Risk Management.

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, 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 Board ensures that the investment policy of the Company has been drawn up in accordance with the provisions of the 2016 Code.
25. The Board ensures that the risk management system of the Company is in place as per the requirements of the 2016 Code. The Company has set up a risk management function/ department, which carries out its tasks as covered under the 2016 Code.
26. The Company has been rated by PACRA and the rating assigned by the rating agency on December 13, 2018 is A+ with stable outlook.
27. The Board has set up a grievance department/function, which fully complies with the requirements of the 2016 Code.
28. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names from the said list.
29. 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



Chairman

Date: February 21, 2019

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06

# MANAGEMENT REVIEW AND REPRESENTATION

- 6.1 SUSTAINABILITY REPORT
- 6.2 MANAGEMENT OBJECTIVES, KPI's AND SIGNIFICANT CHANGES
- 6.3 BUSINESS CONTINUITY PLAN
- 6.4 FORWARD LOOKING STATEMENT
- 6.5 RISK AND OPPORTUNITY REPORT
- 6.6 MANAGING QUALITY SERVICES AT TPL INSURANCE

## 6.1 - SUSTAINABILITY REPORT

### INTRODUCTION

As Pakistan’s first direct insurance company, TPL Insurance believes in playing a prominent role in contributing to the society by focusing on responsible growth, environmental and social impact. The following report communicates our sustainability strategies, management approaches and performances. It also comprehensively covers our ongoing initiatives, in accordance with United Nations Sustainable Development Goals (SDGs) which fall in the categories of:



Health  
Environment  
Education

### IMPACT PORTFOLIO: HOW WE CONTRIBUTED TO THE SOCIETY



**802,624**  
beneficiaries provided  
with healthcare  
facilities



**65%**  
energy conserved  
by using efficient  
technologies



**2,841**  
beneficiaries were  
provided with  
educational  
opportunities



**132**  
employees trained in  
various technical and  
soft skills



**1,000**  
trees planted in the  
1 km radius public  
area surrounding  
our corporate office



**Rs. 463 million**  
were paid as direct and  
indirect taxes to the  
Government

## SUSTAINABILITY GOALS

Sustainability forms the core of our strategic vision and serves as a guiding principle for our business objectives. Our sustainability goals are based on the Sustainable Development Goals 2030 set by the United Nations. TPL Insurance has invested more than Rs. 21 million in the areas of education, health and environment during the last fiscal year.

Conventional and Takaful		2018	2017
S.No	Particulars	Rupees in million	
1	Education	3.36	9.79
2	General Donations	1.94	1.93
3	Health Care and Environment	16.04	11.07
<b>Total</b>		<b>21.34</b>	<b>22.79</b>

All the SDGs are relevant to TPL Insurance's operations to varying degrees. In 2018, we prioritized seven of the goals that have particular significance for TPL Insurance across its operations.

 <p><b>1</b> NO POVERTY</p>	<p>TPL is a regular donor of the Panah Shelter Home that aims to provide safe shelter to women in distress and their dependent children, by providing informal education to women and children as well as vocational training which include courses in sewing, arts, crafts and beautician training. TPL in collaboration with Panah Shelter Home wants women to look for employment with some basic skill set and take a step in eradicating poverty.</p>
 <p><b>3</b> GOOD HEALTH AND WELL-BEING</p>	<p>Health is a driver of sustainable development and TPL is proud to have benefitted 802,624 individuals with healthcare facilities. We have made contributions to improving healthcare across various hospitals like Layton Rahmatullah Benevolent Trust (LRBT), Patient's Aid Foundation and Lady Dufferin to name a few. Health is at the heart of all human development and is essential for communities to thrive.</p>
 <p><b>4</b> QUALITY EDUCATION</p>	<p>Over the span of last year, TPL has provided 2,841 beneficiaries with educational opportunities. As a company we support various institutes like the Family Educational Services Foundation, Kashmir Education Foundation and Teacher's Resource Center to name a few. Moreover, we have sponsored an Event Hall at IBA and contributed funds for hostel facilities for the students of Sindh Madressah Board Qaid-e-Azam Public School &amp; College (SMB QAPS).</p>
 <p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p>	<p>Through its focus on employee development and training, the company is not only promoting a healthy work environment but also strengthening the country's economy by expanding the access of individuals to our company's products. Over the past year we have had 63 number of new hirings.</p>
 <p><b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<p>It is TPL's mission to use disruptive technology to maximize stakeholder return and achieve sustainable growth for our portfolio companies. All our companies have innovation at its very core and to use advanced technology to provide maximum ease to the customers and create sustainable value for the stakeholders.</p>
 <p><b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>For the conservation of energy, we have taken measures at our Corporate Head Office like installing smart lighting solutions that minimizes energy consumption. Our building has been designed using high quality energy efficient glass façade that minimizes energy consumption up to 65%. We are working to ensure that none of our products have any carbon emissions and all elements of our supply chain have zero environmental impact.</p>
 <p><b>17</b> PARTNERSHIPS FOR THE GOALS</p>	<p>The Company has partnered with various institutions to support the causes of imparting education, catering to the well-being of the society and enhancing the environment. By providing either donations or sponsoring a cause, the Company intends to do its role in generating sustainable value for communities.</p>

## ECONOMIC PERFORMANCE:

### Micro Insurance Segment:

Micro insurance covers the low income group of the society working towards economic independence and stability. TPL Insurance launched its first micro insurance product with the leading micro finance bank in Pakistan in 2014 to ensure continuity in the efforts towards economic stability and improved risk taking of this segment.

#### Our Impact:

To date TPL Insurance has served over 528,000 customers by underwriting their health risk of approximately Rs. 18.4 billion. The company also created awareness through medical camps and training sessions across the country and by educating the customers through onboarding calls.

### Retail Insurance Segment:

TPL Insurance registered itself as the first direct insurer in Pakistan in 2005 with focus on risk coverage and service to the retail segment. The company introduced measures to improve service to this segment by providing 24/7 Call Center, EVAC, Door Step Settlements and without survey settlements with the aim to create an impact on customer service.

#### Our Impact:

To date TPL Insurance has served over 150,000 customers (sum insured over Rs. 500 billion) with highest retention and satisfaction. The company has paid Rs. 6.5 billion in claims (Count: 137,000) which not only served its customers but also ensured constant economic activity and stability.

### Corporate Segment:

Growth in corporate sector ensures creation of jobs, competitive products in market and improved returns for all stakeholders which creates an overall impact in society. TPL Insurance entered into mainstream corporate insurance in 2017 with the aim to serve corporate segment with its known service centric approach.

#### Our Impact:

Although the multiplying social benefits of corporate insurance is difficult to gauge, the company has paid Rs. 144.8 million (Count: 668) in claims supporting all stakeholders of its corporate customers in keeping their finances afloat.

# ENVIRONMENTAL PERFORMANCE

## Introducing green efficiency at work

At TPL Insurance, we continue to seek ways to reduce the environmental impact of our operations. We implement high environmental standards so that our actions today will contribute to economic growth, social well-being, and a healthy environment for tomorrow. Since climate change is on the rise, we explore opportunities to support environment friendly projects which promote cleanliness, greenery and reduction in carbon emissions. We also strive to conserve energy which in turn, further reduces the emission of Greenhouse Gases (GHC) by using smart technologies and solutions and engage with environmentally conscious clients, investors and stakeholders.

### Boosting energy conservation

We strongly believe in reducing our carbon footprint and saving maximum energy. We have implemented several energy conservation measures such as installing smart lighting solutions in our offices for improved energy efficiency.

### Heat-recovery System

The office is equipped with a Heat Recovery System which is facilitated by a 2 x1 gas generator for an uninterrupted independent power supply that maximizes conservation of energy.

### A socially aware and responsible Supply Chain

Our supply chain is sourced from approved suppliers whose ethical values and strict social and environmental standards mirror our own.

### Green Office, Greener World

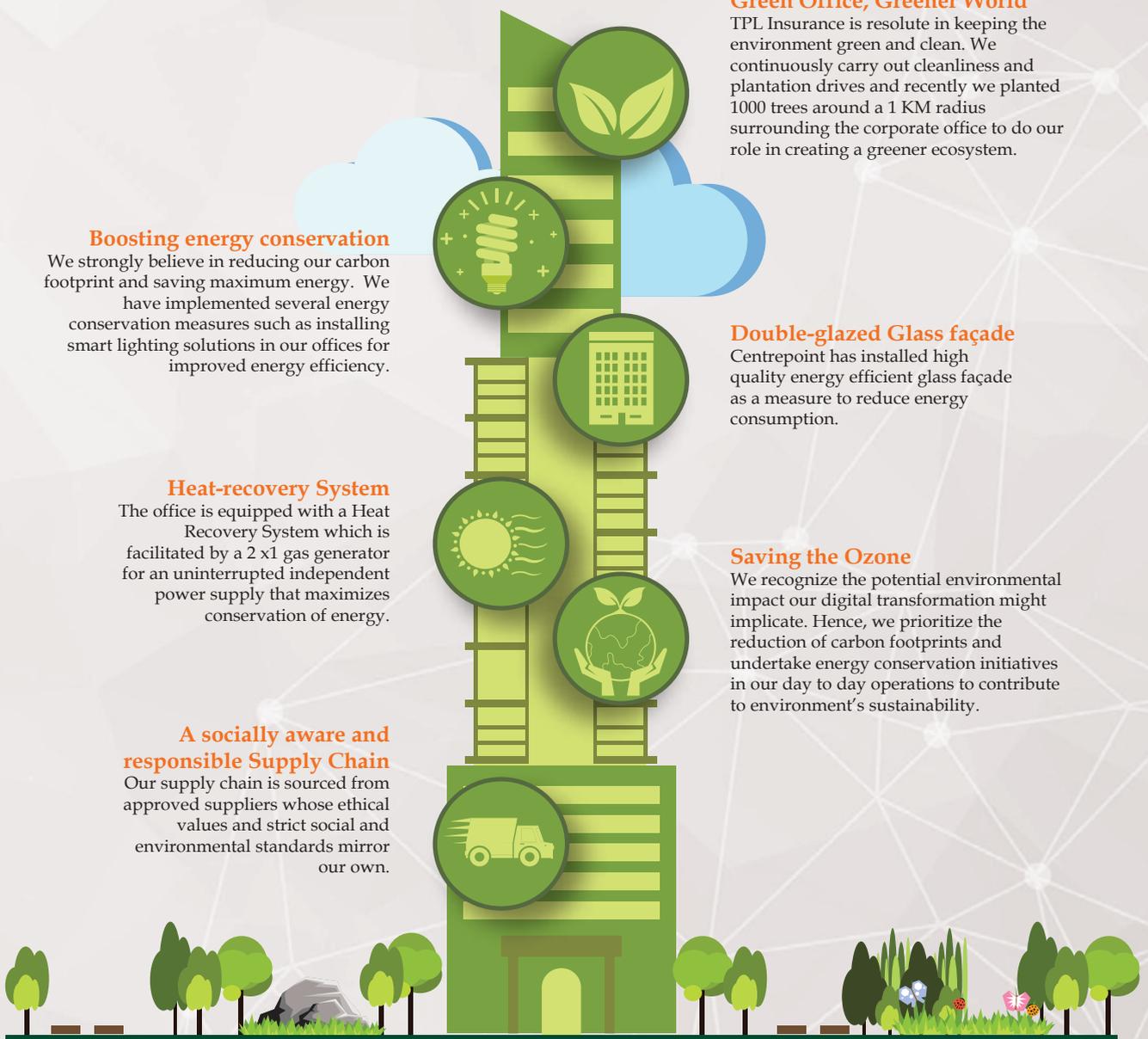
TPL Insurance is resolute in keeping the environment green and clean. We continuously carry out cleanliness and plantation drives and recently we planted 1000 trees around a 1 KM radius surrounding the corporate office to do our role in creating a greener ecosystem.

### Double-glazed Glass façade

Centrepoint has installed high quality energy efficient glass façade as a measure to reduce energy consumption.

### Saving the Ozone

We recognize the potential environmental impact our digital transformation might implicate. Hence, we prioritize the reduction of carbon footprints and undertake energy conservation initiatives in our day to day operations to contribute to environment's sustainability.





## “Pani Hai Zindagi”

*“We are immensely fortunate for the sponsorship by TPL and Mr. Jameel Yusuf’s personal interest in making Pani Hai Zindagi a success.”*

*-Artchowk Team*

TPL was proud to sponsor the event “Pani Hai Zindagi” by ArtChowk which started on December 29, 2018 and featured photographs from all over Pakistan. The event was held in collaboration with environmentalist Tofiq Pasha Mooraj. The photographs exhibited and the thought process behind them strongly advocated protecting the most valuable asset – water. The show was intended to create awareness on the looming crisis caused due to the shortages of water especially amongst the youth of this country who will actually be facing the reality of these shortages.

## SOCIAL PERFORMANCE

### Fostering sustainable growth

Integral to sustainable development, TPL Insurance focuses on investing in its most valuable asset: its employees and ensuring that their work environment is productive. The employees thrive in an inclusive environment and are presented with multiple growth opportunities. Consistent recognition and rewards for outstanding performance ensures their financial, physical and emotional wellness.

### HUMAN RESOURCE

#### Workforce Diversity

Embedding diversity and inclusion in our business plans help us ensure that we reach our goal to become a world-class insurance company. Our working culture, values and differences stand for fair and equal treatment for all, irrespective of origin, race, religion or gender.



31 female employees

268 male employees

35 average age of employees

#### Health & Safety

TPL Insurance is committed to maintaining a healthy and safe environment for all our employees and takes reasonable steps to ensure that the work environment is exposed to the lowest practicable risk. Through a culture of care, we ensure our workforce is motivated to perform at its best, delivering quality work in a safe way.



2 Fire & Safety drills conducted

0 Fatalities

### Employees Training & Development

At TPL Insurance the best investment we can make is in our employees, providing them with the tools, training and opportunities they need to perform at their potential. This harnesses the employees' collective ingenuity to solve future challenges. We thus have a specific yearly budget allocated to regularly conducting technical and soft-skills training sessions for our employees.



132 Employees were trained  
14 Technical skills  
118 Soft Skills

### Children Education Benefit Policy

TPL has a Children Education Benefit policy in place to provide educational assistance to the low income employees in the company. Through this support program, 11 children studying in various schools were provided with the benefit of having their education sponsored by the company.



11 children of employees  
provided with educational  
assistance

## HEALTHY COMMUNITY DEVELOPMENT



802,624 patients  
were provided with  
healthcare facilities.

According to the Ministry of Planning Development and Reforms, 29.5% of Pakistan's population falls below the national poverty line. In order to ensure the sustainable well-being of society there is a dire need for the provision of quality healthcare facilities, which can contribute towards the country's prosperity. In view thereof, TPL Insurance has prioritized healthcare in its CSR initiatives.

### Digital Reach

TPL Insurance encouraged a healthy lifestyle by spreading awareness to individuals in Pakistan through digital platforms #Safeliving #TPLCares

#### Our Impact:

TPL Insurance reached out to 14.1 million individuals.

### Fut'school League

TPL organized the Fut'school League to raise awareness on healthy activities and a well-balanced, active lifestyle where students from 20 renowned schools participated.

#### Our Impact:

The Fut'school League was a widely attended event with more than 500 people, consisting of families and students participating in the activities.

## Special Olympics Pakistan

Special Olympics International is a global movement of people working for inclusion and community where every single person is accepted and welcomed, regardless of ability or disability. They are dedicated to unite the world and transform the lives of people with intellectual disabilities through the Power of Sports.

### Our Impact:

TPL Insurance's contribution to Special Olympics Pakistan helped to train the special determined athletes.

## Blood Donation by TPL Employees

TPL Insurance conducted an in-house blood donation drive for various institutions, where 80 employees donated their blood to save lives. With an ageing population, more advanced life-saving medical procedures and new hospitals being established, more blood is required every year. According to WHO, each unit of donated blood can save up to three lives.

### Our Impact:

240 People benefitted from the blood donation drive conducted by TPL.

## Patients' Aid Foundation

Patients' Aid Foundation (PAF) is a non-profit organization committed to providing free treatment to the thousands of patients walking in to Jinnah Hospital Karachi looking for quality healthcare.

### Our Impact:

Patients' Aid Foundation was provided with PKR 10 million as a donation for the treatment of patients and as a contribution to build a new surgical complex with improved facilities, including 18 operation theatres, which will lead to the increase in the number of surgeries per year by 40,000.

## Lady Dufferin Hospital

Lady Dufferin Hospital is the largest women's hospital in Pakistan with one of the largest maternity facilities providing specialized care for women and infants.

### Our Impact:

TPL Insurance contributed PKR 2 Million to Lady Dufferin Hospital for the development of infrastructural facilities.



## *“Recognize the possibilities”*

*“TPL's generosity and commitment are invaluable to KDSP and we are proud to have TPL as part of our sponsors' family.”*  
*Karachi Down Syndrome Program (KDSP)*

My name is Muniza Durrani and I am Huzaifa's mother. I am immensely grateful to KDSP, for had it not been for this institution I would have no idea what therapies and treatments Huzaifa should go through to lead a healthy life. KDSP has over the years not only enhanced his fine motor skills but also improved his cognitive abilities. I still remember there was a time when Huzaifa couldn't even hold up his neck but due to the efforts of KDSP he can now run around like any other child. Their Early Childhood Intervention Program deals with challenges that children with Down's syndrome face and it's wonderful how they empower families. I continue to rely on KDSP for support and am thankful to the sponsors too who actively contribute to this cause and make it all possible.

## SOCIAL PERFORMANCE

### EMPOWERMENT THROUGH EDUCATION

#### EDUCATION

In Pakistan, as many as 44% children between the ages of 5 and 16 are still out of school (Ministry of Federal Education & Professional Training – Government of Pakistan, 2017). Education is vital to transform the life of a child, but for many, this is a distant dream. With a focus in the field of education, TPL Insurance has generously supported and promoted various educational organizations.



**Our Impact:**

**2,841** students were impacted in the field education.

#### FESF- Family Education Services Foundation

Family Educational Services Foundation (FESF) is a non-profit educational organization dedicated to enhancing the quality of life for all members of the community, especially the one's suffering from hearing impairment. They provide innovative training programs developmental tools and services to enable recipients gain self-sufficiency, empowering them to reach their fullest potential.

**Our Impact:**

TPL Insurance's contribution of PKR 300,000 has helped support an FESF school unit that is responsible for the education of 250 children.

#### Ida Rieu Welfare Association

Ida Rieu has been imparting education from K.G. to M.A. Level and providing vocational training to children with impaired hearing and visual abilities.

**Our Impact:**

TPL Insurance contributed PKR 250,000 to cater for the education and welfare of blind and deaf students.

#### Mentorship Sessions

Ms. Anika Effendi, Group Head - External Relations and CSR at TPL, is taking the company's mission forward by holding mentorship sessions at various educational institutes like PAF KIET to share her vast experience in the corporate world. The students learned about organizational culture, work ethics and management of workload pressure through these enlightening sessions.

**Our Impact:**

The mentorship sessions have benefitted 300 students from educational institutes.

#### Institute of Business Administration (IBA)

IBA is an autonomous degree-awarding institute based in Karachi. It has established itself as a premier business school with a track record of over fifty years of producing quality undergraduates and post-graduates in Business and Computer Sciences.

**Our Impact:**

TPL contributed PKR 6.5 million for the development of an Event Hall at IBA which has a footfall of 2000 students per day. The Event Hall has been dedicated to the company in appreciation of the ongoing efforts for the institution.



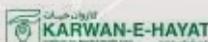
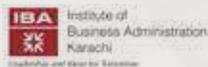
## *“Making a Difference”*

*“Thank you so much for your organization’s generous contribution to TRC Early Childhood Education and Development Programme. Your financial support has enabled the teachers enrolled in our ECED Programme to share their knowledge with young minds.”*

*Teachers’ Resource Centre*

My name is Shaheen Zia and I am a primary school teacher. Once I began teaching, I had this feeling of dissatisfaction that the students didn’t respond to the teaching methods as effectively as they should do. Enrolling in the Early Childhood Education and Development Programme offered by Teachers’ Resource Centre was an eye opener for me as it not only enhanced my teaching skills but made me realize that interaction with the students on an individual level leads to quicker learning. I wish TRC introduces more programmes like the ECED that will enable teachers to adopt the latest teaching methods in the education sector so that the students are equipped with the same knowledge being taught everywhere else.

LIST OF PARTNERS



## 6.2 - MANAGEMENT OBJECTIVES, KPI AND SIGNIFICANT CHANGES

Management Objectives, Strategies and KPIs		
<b>Objective No. 1</b>	<b>Enhance Customer Satisfaction</b>	<b>KPI</b>
<b>Strategy</b>	Improve the efficiency of complaint management system, reduce the complaints and providing the best value for Money	<ul style="list-style-type: none"> <li>- No. of Complaints</li> <li>- Time taken to resolve those complaints</li> <li>- Value for Money</li> </ul>
<b>Objective No. 2</b>	<b>Augment Premium and to attain persistent economic advancement</b>	<b>KPI</b>
<b>Strategy</b>	Through innovation and digitization, we will pull the demand for our products and engage a new channel of business for this purpose	<ul style="list-style-type: none"> <li>- Growth in the turnover</li> </ul>
<b>Objective No. 3</b>	<b>Grooming of Human Capital</b>	<b>KPI</b>
<b>Strategy</b>	Through appropriate trainings and reward and recognition system in place and by reducing employee turnover ratio, we can achieve highly effective and efficient human capital as they are the ones who represent us to the customers	<ul style="list-style-type: none"> <li>- No. of trainings</li> <li>- Employee turnover ratio</li> </ul>
<b>Objective No. 4</b>	<b>Maximising Shareholder Returns</b>	<b>KPI</b>
<b>Strategy</b>	By enhancing the Company's overall performance, the shareholder returns would be maximized	<ul style="list-style-type: none"> <li>- EPS</li> <li>- ROE</li> <li>- Asset Turnover</li> </ul>
<b>Objective No. 5</b>	<b>Enhance operational efficiency to achieve synergies</b>	<b>KPI</b>
<b>Strategy</b>	By aligning our strategies to our processes and through innovation and digitization, we can achieve synergies	<ul style="list-style-type: none"> <li>- Target vs. achieved</li> </ul>

### SIGNIFICANT CHANGES IN OBJECTIVES & STRATEGIES

TPL Insurance's strategies and objectives are aligned and no significant changes have been made, however, our focus for digitization has enhanced in order to achieve operational efficiencies and augment sales and profitability.

## 6.3 - BUSINESS CONTINUITY PLAN

Business continuity planning (BCP) involves defining potential risks, determining how those risks will affect operations, implementing safeguards and procedures designed to mitigate those risks, testing those procedures to ensure that they work, and periodically reviewing the process to make sure that it is up to date. It also provides a means to recover technologies in the event of loss, damage or failure which is covered in the Disaster Recovery Plan (DRP).

The Company, in its BCP/DRP, covers risks pertaining to the operations of the Company, their impacts upon occurrence, prevention of a disaster to occur and backup strategies for each of the key business processes.

Upon successful implementation of BCP/DRP, the Company has established the competences to endure its business operations without any interruptions. In order to ensure its efficient continuation, a department is assigned who conducts various simulation drills to ensure the BCP/DRP is effective and in function.

## 6.4 - FORWARD LOOKING STATEMENT

The Company is targeting focused growth in personal lines business as well as investing in digitalization initiatives to increase its outreach in the market. This, along-with diversification benefits through penetration into non-motor segment would significantly strengthen company's position in future. We believe that the prevailing economic uncertainty due to deficit in balance of payment is expected to be over in near future. We are confident that initiatives taken by the government to improve foreign investments and GDP growth would bring economic stability and would supplement insurance industry growth. Although increasing discount rate and automobile prices cast doubt on auto insurance growth, but Company is confident to improve market share through product development, channel deepening and penetration through digitalization initiatives. Stock market is also expected to recover to normal level, leading to improved investment returns. Affirmative of the economy and the future fruition, the expected outcomes are projected in the below mentioned genres:

- **Gross Premium and overall profitability** - high growth in gross premiums leading to maximization of Shareholders' wealth and sustainability of overall profits
- **Return on Investments** - high investment returns
- **Financial Strength** - flourishing based on the results of regulated rating agencies

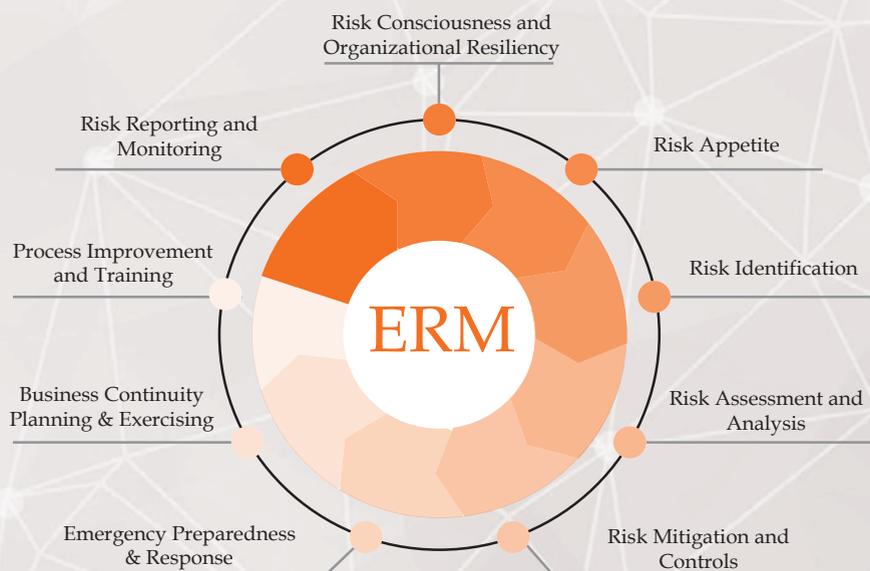
## 6.5 - RISK AND OPPORTUNITY REPORT

### Enterprise Risk Management

The Board of TPL Insurance (TPLI) has approved an Enterprise Risk Management (ERM) Policy prepared by the Risk Management Committee.

TPL Insurance has a formal Risk Management Committee under the supervision of Chairman that ensures the implementation of Enterprise Risk Management Program. The program aims effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations such that all the measures for managing risks entity-wide are addressed and strategic objectives are achieved. The program incorporates the following aspects:

- Identification of Risk.
- Quantification & Prioritization of Risk.
- Risk Responses.
- Risk Management Implementation and Evaluation.



Below mentioned is the list of risks faced by TPLI and mitigating strategies that are in place to alleviate those risks:

Risks	Mitigating Strategies
<p><b>Political and Economic Risks</b></p> <p>Challenges in the business due to the political instability and changes in the interest rates may become a snag in the achievement of Business objectives.</p>	<p>The Company is working on diversifying its insurance portfolio to reduce its exposure to political risk. The Company also has established the Strategy &amp; Transformation Department to monitor and devise strategies to minimize exposure to political and economic risks.</p>
<p><b>Regulatory Risk</b></p> <p>The Company is operating in an industry with high regulations. Failure to meet those regulatory standards and requirements would expose the Company to various penalties and would increase reputational risk</p>	<p>The Company is cognizant of its responsibilities and thus has established a Compliance Department which is responsible to keep tracks of important deadlines and ensures all the mandatory requirements are met timely</p>
<p><b>Reinsurance Risks</b></p> <p>Reinsurance risk is the risk that reinsurance partners are unable to discharge their liabilities which makes the Company liable to the insured fully.</p>	<p>The Company only deals with reinsurance counterparties having strong financial strength ratings to minimize these risks</p>
<p><b>Investment Risk</b></p> <p>Changes in the macro economic factors may affect the stock market and interest rates which impacts the Company's cash flows</p>	<p>The Company observes a prudent policy to minimize its risks through diversification of its portfolio and dedicating a specialized department to continuously monitor relevant fixed income, mutual funds and equity investments.</p>
<p><b>Liquidity Risk</b></p> <p>The Company may not be able to meet its financial obligations towards insured.</p>	<p>The Company manages its liquidity by sustaining strong cash flow position and regular monitoring of maturity profile of financial assets and liabilities.</p>
<p><b>Cyber Risk</b></p> <p>Any risk of financial loss, disruption or damage to the reputation of TPLI from failure of its information technology systems.</p>	<p>The Company has implemented strong controls including firewall, antivirus solutions and backup and recovery systems to minimize the risks posed by cyber risks.</p>
<p><b>People &amp; Environment Risk</b></p> <p>People are the single most important asset in any business but they are also the most vulnerable asset.</p>	<p>In TPLI, High graduate Level Intake as per HR policy with background checks. Market based remuneration and adjustments made at annual appraisals. Long term benefits like PF is offered. Group insurance, health insurance covers are taken for each employee. Training is regularly imparted across the board.</p>
<p><b>Solvency Risk</b></p> <p>The Company may not be able to meet its Solvency requirement as define by regulatory bodies.</p>	<p>Quarterly solvency margin calculations are prepared to gauge the excess solvency.</p>

## Risk Assessment Matrix

Risks are an inevitable part of our business. However, the success of TPLI depends on its ability to manage and respond to risks properly. The Company uses Risk Assessment Matrix to evaluate and prioritize risks based on the severity of their impact and their likelihood to occur.

A risk assessment matrix is a chart that plots the severity of an event occurring on one axis, and the probability of it occurring on the other. By visualizing existing and potential risks in this way, the Company assesses their impact, and also identifies which ones are highest-priority. From there, TPLI creates a plan for responding to the risks that need the most attention.

A risk assessment matrix focuses on two aspects:

**Severity:** The impact of a risk and the negative consequences that would result.

**Likelihood:** The probability of the risk occurring.

To place a risk in the risk assessment matrix, a rating is assigned to its severity and likelihood. Then it is plotted in the appropriate position in the chart. The classifications used are:

### Severity:

- Insignificant:** Risks that bring no real negative consequences, or pose no significant threat to the Company.
- Minor:** Risks that have a small potential for negative consequences, but will not significantly impact overall success.
- Moderate:** Risks that could potentially bring negative consequences, posing a moderate threat to the Company.
- Critical:** Risks with substantial negative consequences that will seriously impact the success of the Company.
- Catastrophic:** Risks with extreme negative consequences that could cause the Company to fail or severely impact daily operations of the organization. These are the highest-priority risks to address.

### Likelihood:

- Unlikely:** Extremely rare risks, with almost no probability of occurring.
- Seldom:** Risks that are relatively uncommon, but have a small chance of manifesting.
- Occasional:** Risks that are more typical, with about a 50/50 chance of taking place.
- Likely:** Risks that are highly likely to occur.
- Definite:** Risks that are almost certain to manifest.

## Classifying and Prioritizing Risk

After each risk is placed in the matrix, it is given an overall "risk ranking." Risks that have severe negative consequences and are highly likely to occur receive the highest rank; risks with both low impact and low likelihood receive the lowest rank. Risk rankings combine impact and likelihood ratings to help you identify which risks pose the greatest overall threats.

In our organization, ranking fall into a few broad categories, which are often color-coded:

- Low:** The consequences of the risk are minor, and it is unlikely to occur. These types of risks are generally ignored, and often color-coded green.
- Medium:** Somewhat likely to occur, these risks come with slightly more serious consequences. If possible, steps are taken to prevent medium risks from occurring. These risks are often color-coded yellow.
- High:** These are serious risks that both have significant consequences, and are likely to occur. These risks are prioritized and responded in near term. They are often color-coded orange.

**Extreme:** Catastrophic risks that have severe consequences and are highly likely to occur. Extreme risks are the highest priority. They should be responded immediately, as they can threaten the success of the organization or project. They are often color-coded red.

Once risk have been ranked, risk response plan can be vetted to prevent or address those risks that are “high” or “extreme”. It may not need to respond to risks ranked “low” or “medium” before work begins.

**HEAT MAP IMPLEMENTED BY TPLI AS PER FRAMEWORK**

		LIKELIHOOD			
		Rare < 10%	Unlikely >10% <35%	Possible >25% <65%	Likely > 65% < 90%
IMPACT	Critical > 1b				
	Major > 500m < 1b				
	Material > 50m < 500m				
	Minor > 10m < 50m				
	Insignificant < 10m				

## Board's efforts for determining the company's level of risk tolerance by establishing risk management policies.

The Board of Directors have established risk management committee which comprises of three members. The committee oversees and approves the company-wide risk management practices and provide an infrastructure to address the enterprise risks. Each member has an understanding of risk management expertise commensurate with the Company's size, complexity and capital structure. The committee is responsible for:

- Overseeing the development and implementation of risk management policy / framework which will set the risk management tone in the Company. The policy / framework will provide the guidelines to help in the identification of risks, assess the priorities according to their impacts and likelihoods and implement the relevant procedures to mitigate those risks to an acceptable level.
- Overseeing compliance framework which will report on compliances with legislation and regulations of risks pertaining to the entity.
- Provide an analysis regarding Company's approved risk appetite level and communicate the same to the entire enterprise.
- Review and confirm that all responsibilities outlined in the framework have been carried out.
- Review and monitor the steps taken to mitigate the risks identified.
- Continually, obtain reasonable assurance from the management that all known and emerging risks have been identified, mitigated and managed and monitor the adequacy of risk identification process.
- Make such recommendations with respect to any of the above and other matters as the Committee deems necessary or appropriate.
- Receive and review risk based reports and ensure entity-wide risks are mitigated to an acceptable level.

## Opportunity Report

The insurance sector in Pakistan has remained dormant. This is reflected in very low level of insurance density and insurance penetration in the country. The Company is proficient of availing all arising opportunities, and focused to digitize its operations by providing innovative insurance solutions to the customers and providing them risk transfer solutions.

The Company is also concentrating on the other line of business to maximize its return on earning assets.

## Materiality Approach

Financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework. Judgements about materiality are made in the light of surrounding circumstances. The primary purpose for setting overall materiality when preparing the accounts is that it is used to identify performance materiality which is needed.

## Key Sources of Uncertainty

International Financial Reporting Standards require management to make judgments, estimates and assumptions while preparing financial statements which affects the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

## 6.6 - MANAGING QUALITY SERVICES AT TPL INSURANCE

TPL Insurance focuses on identification of customer's requirements. We continue to improve our systems and processes based on feedback from customers.

We have developed Key Performance Indicators to monitor our services against benchmarks. These KPI's are monitored on a regular basis. We have dedicated a team to monitor these KPIs and corrective actions are taken in case actual results deviate from benchmarks.



# FINANCIAL STATEMENTS

7.1	AUDITOR'S REPORT TO THE MEMBERS
7.2	STATEMENT OF FINANCIAL POSITION
7.3	STATEMENT OF COMPREHENSIVE INCOME
7.4	STATEMENT OF CHANGES IN EQUITY
7.5	STATEMENT OF CASHFLOW
7.6	NOTES TO THE FINANCIAL STATEMENTS



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EY Ford Rhodes  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

UAN: + 9221 111 11 39 37 (EYFR)  
Tel: +9221 3565 0007-11  
Fax: +9221 3568 1965  
ey.khi@pk.ey.com  
ey.com/pk

# INDEPENDENT AUDITOR'S REPORT

## To the members of TPL Insurance Limited

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the annexed financial statements, which comprise the statement of financial position as at 31 December 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the 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 statement of cash flows together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Company's affairs as at 31 December 2018 and of the total comprehensive income, the changes in equity and its cash flows for the year then ended.

#### Basis for Opinion

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

#### Key Audit Matters

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

Following are the Key Audit Matters:

S. #	Key Audit Matter(s)	How the matter was addressed in our audit
1	Liabilities in respect of Insurance contracts	
	<p>The liabilities in respect of insurance contracts issued as of 31 December 2018 amounts to Rs.136.343 million (note 22 to the financial statement), which represent 10% of the Company's total liabilities. We considered adequacy of insurance liabilities as a key audit matter due to significant judgments involved in estimating the liabilities and use of experts in this regard.</p> <p>(Refer to note 3.4 and 35 to the financial statements for relevant disclosures).</p>	<p>Our key audit procedures included the following:</p> <ul style="list-style-type: none"> <li>- We assessed the controls over recording and settlement of claims in respect insurance business and performed tests of such controls to check their effectiveness in relation to the year under audit.</li> <li>- In respect of adequacy of insurance contract liabilities (including IBNR and premium deficiency reserve) which are measured on the basis of undiscounted value of expected future payments, we reviewed historical loss experience and other factors considered by the management expert in developing the expectations of future claim liabilities based on the contract issued at the reporting date. We checked that the methodology used by the management's expert in estimation claims liabilities is in accordance with the prescribed methodology. As part of our testing we also considered the competence and objectivity of the experts used by the management for this purpose.</li> <li>- For insurance claims we also evaluated the management estimates regarding cost of claims settlements by considering reports of independent surveyors and the estimates regarding salvage values of insured assets;</li> <li>- We performed subsequent review to identify any significant claims reported post year end which pertain to the financial year under audit; and</li> <li>- We assessed the adequacy of disclosures made in respect of insurance contract liabilities in accordance with the approved accounting standards as applicable in Pakistan.</li> </ul>
2	Qard-e-Hasna Receivable from Participants' Takaful Fund (PTF)	
	<p>The SECP Takaful Rules, 2012 require that in case, admissible assets of PTF are not sufficient to cover its liabilities, the deficit shall be funded by way of actual transfer of funds as Qard-e-Hasna (interest free loan) from Operators' Fund to the PTF. As at 31 December 2018, the Company has provided Qard-e-Hasna of Rs. 246.9 million (note 1.3 to the financial statements) from Operator's Fund to PTF.</p>	<p>Our key audit procedures included the following:</p> <ul style="list-style-type: none"> <li>- We reviewed the overall financial projections prepared by the management for the PTF including key assumptions underlying such projections such as expected growth in premiums and reduction in claims over future periods;</li> </ul>



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S. #	Key Audit Matter(s)	How the matter was addressed in our audit
2	Qard-e-Hasna Receivable from Participants' Takaful Fund (PTF)	
	<p>The recoverability of Qard-e-Hasna from PTF depends on the surplus / profitability of PTF. For this purpose, the management of the Company has prepared financial projections of PTF to assess impairment, if any, in respect of Qard-e-Hasna receivable (refer note 1.3 to the financial statements).</p> <p>We focused on this area due to the significance of the receivable to the financial statements as well as the involvement of management estimates.</p>	<ul style="list-style-type: none"> <li>- We obtained an understanding of the rationale and basis used by the management in respect of key assumptions and estimates used in developing the financial projections; and</li> <li>- We performed sensitivity analysis by applying appropriate hair-cuts on the key assumptions and evaluated the impact on the results shown by the projections; and We considered the appropriateness of the related disclosures in the financial statements.</li> </ul>
3	Impairment of equity / mutual fund investments	
	<p>As disclosed in note 7 to the financial statements of the Company for the year ended 31 December 2018, the Company holds investments in listed equity securities and mutual funds amounting to Rs. 250.569 million classified under the available for sale category.</p> <p>Due to sharp decline in market prices during the current year, the Company has recognized an aggregate impairment charge of Rs. 39.537 million on such portfolio of investments.</p> <p>We have identified the impairment of equity investments as a key audit matter due to its significant impact on the financial statements and the management judgements that may be required in making the assessments about the impairment of financial assets.</p> <p>(Refer to note 7 and 3.10.2.3 to the financial statements for relevant disclosures).</p>	<p>Our key procedures included the following;</p> <ul style="list-style-type: none"> <li>- We reviewed the appropriateness of the accounting policies and practices followed by the Company to recognize impairment of equity investments on the basis of the requirements of the financial reporting standards.</li> <li>- We obtained an understanding of the procedures applied by the Company to identify impairments in the equity and mutual fund portfolio and observed the applications of such procedures.</li> <li>- We evaluated management's assessment of the indicators for impairment and compared the quoted values of equity investments and net asset values of mutual funds with their cost to check that the Company's policy for impairment is consistently applied and impairment charge is appropriately recognized.</li> <li>- We checked the valuations of equity investments on the basis of quoted market prices at the Pakistan Stock Exchange Limited and valuation of mutual funds based on net assets values as at 31 December 2018.</li> <li>- We also assessed the adequacy of the overall disclosures in the financial statements in respect of the equity investment portfolio in accordance with the requirements of the financial reporting framework as applicable to the Company.</li> </ul>

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

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

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

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

## Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

## Report on Other Legal and Regulatory Requirements

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

- a) Proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);
- b) The statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (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 company's business; and;
- d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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



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Chartered Accountants  
Karachi  
Date: 21 February 2019

# STATEMENT OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2018

	Note	31 December 2018	31 December 2017
		(Rupees)	
<b>ASSETS</b>			
Property and equipment	5	120,491,630	79,476,151
Intangible assets	6	9,107,599	11,913,934
<b>Investments</b>			
Equity securities and mutual fund units	7	250,569,554	620,003,489
Government Securities	8	192,555,107	99,457,402
Debt securities	9	30,000,000	-
Term deposits	10	200,000,000	350,000,000
Loans and other receivables	11	348,807,642	274,370,944
Insurance / reinsurance receivables	12	147,146,207	258,493,866
Reinsurance recoveries against outstanding claims		10,529,385	21,515,947
Salvage recoveries accrued		57,187,621	40,201,885
Deferred commission expense	24	91,084,451	61,621,674
Deferred taxation	13	31,981,982	21,237,574
Taxation - payment less provision		13,721,203	-
Prepayments	14	225,089,727	193,241,458
Cash and bank balances	15	153,052,811	133,592,489
		<b>1,881,324,921</b>	<b>2,165,126,813</b>
<b>Total assets of General Takaful Operations</b>			
- Operator's Fund	1.3 & 2.1.2	370,022,394	335,497,378
<b>Total assets</b>		<b>2,251,347,315</b>	<b>2,500,624,191</b>

# STATEMENT OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2018

	Note	31 December 2018	31 December 2017
		(Rupees)	
<b>EQUITIES AND LIABILITIES</b>			
Ordinary share capital	16	938,662,610	755,158,990
Share premium - net of share issuance cost	17	8,033,837	138,676,334
Unappropriated profits	17	16,898,950	253,917,563
Available-for-sale reserve	17	(26,697,564)	(26,446,916)
<b>Total Equity</b>		<b>936,897,833</b>	<b>1,121,305,971</b>
<b>Liabilities</b>			
<b>Underwriting Provisions</b>			
Outstanding claims including IBNR	22	136,343,591	129,515,223
Unearned premium reserves	21	636,445,691	671,873,202
Unearned reinsurance commission	24	19,506,278	4,358,320
Premium received in advance		4,629,066	2,779,624
Insurance / reinsurance payables	18	122,268,570	114,673,701
Other creditors and accruals	19	226,217,448	219,116,925
Taxation - provision less payment		-	2,733,398
<b>Total Liabilities</b>		<b>1,145,410,644</b>	<b>1,145,050,392</b>
<b>Total equity and liabilities</b>		<b>2,082,308,477</b>	<b>2,266,356,363</b>
<b>Total liabilities of General Takaful Operations</b>			
- Operator's Fund	2.1.2	169,038,838	234,267,828
<b>Total equity and liabilities</b>		<b>2,251,347,315</b>	<b>2,500,624,191</b>
Contingencies and commitment	20		

The annexed notes from 1 to 41 form an integral part of these financial statements.

Director

Director

Chief Financial Officer

Chief Executive Officer

Chairman

# STATEMENT OF COMPREHENSIVE INCOME

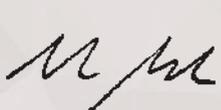
## FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	31 December 2018	31 December 2017
		(Rupees)	
Net insurance premium	21	1,264,044,832	1,299,464,809
Net insurance claims	22	(485,917,776)	(502,047,755)
Net commission expense	24	(135,022,253)	(113,925,515)
Insurance claims and commission expense		(620,940,029)	(615,973,270)
Management expenses	25	(486,702,936)	(516,993,546)
Underwriting results		156,401,867	166,497,993
Investment income [includes impairment on available-for-sale investment of Rs.38.5 million (2017:0.1 million) ]	26	1,251,849	15,155,075
Other income	27	214,240,502	156,194,800
Other expenses	28	(243,565,387)	(221,243,903)
Results of operating activities		128,328,831	116,603,965
Financial charges		(1,642,832)	(769,430)
Profit before tax from General Insurance Operations		126,685,999	115,834,535
(Loss) / profit before tax from Window Takaful Operations	2.1.2	(112,174,894)	47,528,202
Profit before tax for the year		14,511,105	163,362,737
Income tax expense	29	(10,936,073)	(58,336,124)
Profit after tax		3,575,032	105,026,613
Other comprehensive income:			
Unrealised loss on available-for-sale investments during the year - net		(25,906,737)	(57,637,470)
Less: net (gain) / loss transferred to profit and loss on disposal / redemption / Impairment of investment		26,633,415	17,041,792
		726,678	(40,595,678)
Related tax impact		(977,326)	11,881,947
Other comprehensive loss for the year		(250,648)	(28,713,731)
Total comprehensive income for the year		3,324,384	76,312,882
Earning (after tax) per share - Rupees	30	0.04	1.12

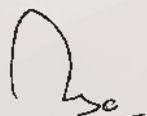
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Director



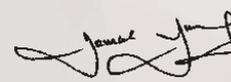
Director



Chief Financial Officer



Chief Executive Officer



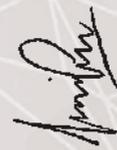
Chairman

# STATEMENT OF CHANGE IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2018

	Reserves							Total
	Share capital		Capital reserve		Revenue reserves			
	Share premium	Share issuance cost	Net share premium	Unappropriated profit	Available-for-sale reserve	Total	Total	
Balance as at January 1, 2017	147,579,495	(8,903,161)	138,676,334	148,890,951	2,266,815	151,157,766	1,044,993,090	
Net profit for the year	-	-	-	105,026,612	-	105,026,612	105,026,612	
Change in fair value of available for sale investments	-	-	-	-	(28,713,731)	(28,713,731)	(28,713,731)	
Total comprehensive income for the period	-	-	-	105,026,612	(28,713,731)	76,312,881	76,312,881	
Balance as at December 31, 2017	147,579,495	(8,903,161)	138,676,334	253,917,563	(26,446,916)	227,470,647	1,121,305,971	
Balance as at January 1, 2018	147,579,495	(8,903,161)	138,676,334	253,917,563	(26,446,916)	227,470,647	1,121,305,971	
Net loss for the year	-	-	-	3,575,032	-	3,575,032	3,575,032	
Change in fair value of available for sale investments	-	-	-	-	(250,648)	(250,648)	(250,648)	
Total comprehensive income / (loss) for the year	-	-	-	3,575,032	(250,648)	3,324,384	3,324,384	
Bonus shares issued during the year	(130,642,497)	-	(130,642,497)	(52,861,123)	-	(52,861,123)	-	
Cash dividend paid during the year	-	-	-	(187,732,522)	-	(187,732,522)	(187,732,522)	
Balance as at December 31, 2018	16,936,998	(8,903,161)	8,033,837	16,898,950	(26,697,564)	(9,798,614)	936,897,833	

The annexed notes from 1 to 41 form an integral part of these financial statements.



Director



Director



Chief Financial Officer



Chief Executive Officer



Chairman

# STATEMENT OF CASH FLOW

## FOR THE YEAR ENDED 31 DECEMBER 2018

	31 December 2018	31 December 2017
	(Rupees)	
Operating cash flow		
(a) Underwriting activities		
Insurance premium received	1,463,352,471	1,409,000,782
Reinsurance premium paid	(175,696,280)	(53,421,605)
Claims paid	(753,019,694)	(730,722,483)
Reinsurance and other recoveries received	267,931,112	209,829,170
Commission paid	(188,036,678)	(113,506,039)
Commission received	34,680,982	12,700,277
Management and other expenses paid	(430,814,443)	(591,779,410)
Net cash flow from underwriting activities	218,397,470	142,100,692
(b) Other operating activities		
Income tax paid	(38,135,082)	(50,929,709)
Other operating payments	(153,217,804)	(119,971,732)
Loans advanced	(4,960,221)	(3,469,683)
Loan repayment received	3,156,546	1,593,588
Net cash flow from other operating activities	(193,156,561)	(172,777,536)
Total cash flow from all operating activities	25,240,908	(30,676,844)
Investment activities		
Profit / return received	42,649,633	41,099,943
Dividend received	-	60,000
Payment for investments	(403,351,950)	(900,665,306)
Proceeds from investments	481,638,651	251,958,350
Fixed capital expenditure	(93,490,978)	(44,360,204)
Proceeds from sale of property, plant and equipment-	3,017,000	273,528,397
Total Cash flow from investing activities	30,462,356	(378,378,820)

# STATEMENT OF CASH FLOW

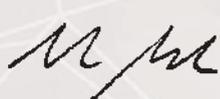
## FOR THE YEAR ENDED 31 DECEMBER 2018

	31 December 2018	31 December 2017
	(Rupees)	
Financing activities		
Cash Dividend Paid	(184,600,108)	-
Financial charges paid	(1,642,832)	(769,430)
Total cashflow from financing activities	(186,242,940)	(769,430)
Net cash flow from all activities	(130,539,676)	(409,825,095)
Cash and cash equivalents at beginning of year	483,592,489	893,417,583
Cash and cash equivalents at end of year	353,052,813	483,592,488
Reconciliation to profit and loss account		
Operating cash flows	25,240,908	(30,676,844)
Depreciation expense	(17,719,123)	(32,696,599)
Income tax paid	38,135,082	50,929,709
Financial charges expense	(1,642,832)	(769,430)
Profit / (loss) on disposal of Property, plant and equipment	656,976	(523,756)
Provision for impairment	(39,155,868)	
Return on government securities	9,539,309	(25,906,039)
Profit on disposal of investments	11,888,592	19,460,965
Profit on term deposit	18,979,816	21,656,372
Dividend income	-	60,000
Share of (loss) / profit from Window Takaful Operations		
- Operator's Fund	(112,174,894)	47,528,202
Provision for taxation	(10,936,073)	(58,336,124)
Decrease in assets other than cash	86,332,759	203,471,252
Increase in liabilities other than running finance	(5,569,620)	(89,171,096)
Profit after taxation	3,575,032	105,026,612

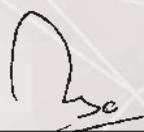
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Director



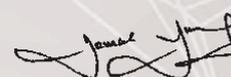
Director



Chief Financial Officer



Chief Executive Officer



Chairman

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

### 1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 TPL Insurance Limited (the Company) was incorporated in Pakistan in 1992 as a public limited company under the Companies Ordinance, 1984 (now Companies Act, 2017) to carry on general insurance business. The Company was allowed to work as Window Takaful Operator on 04 September 2014 by Securities and Exchange Commission of Pakistan (SECP) under SECP Takaful Rules, 2012 to carry on General Window Takaful Operations in Pakistan. The Company is listed at Pakistan Stock Exchange Limited. The principal office of the Company is located at 12th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near KPT Interchange Flyover, Karachi, Pakistan. The Company is owned 94.23% by TPL Corp Limited.

1.2 The Company operates through the following locations in Pakistan;

Locations	Address
Head Office	11th & 12th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near KPT Interchange, Karachi Postal Code: 74900.
Lahore Branch	51-M, Quaid-e-Azam Industrial Estate, Kot Lakhpat, Lahore.
Islamabad Branch	55-B, 10th Floor (South), ISE Towers, Jinnah Avenue, Blue Area, Islamabad.
Faisalabad Branch	P-6161, West Canal Road, adjacent to Toyota Faisalabad Motors & behind HBL Canal Road Br, Faisalabad.
Multan Branch	Haider Street, Shalimar Colony, Northern Bypass-Boson Road, Multan.
Hyderabad Branch	A-8/9, District Council Complex, Hyderabad.

1.3 The total assets of Operator Fund of Window Takaful Operation include an amount of Rs. 246.9 million (2017: 199.0 million ) being Qard-e-Hasna receivable from Participant Takaful Fund of WTO. In accordance with the Takaful Rules, 2012, if at any point in time, assets in Participant Takaful Fund are not sufficient to cover its liabilities, the deficit shall be funded by way of an interest free loan (Qard-e-Hasna) from Operator Fund. In the event of future surplus in the Participant Takaful Fund to which a Qard-e-Hasna has been made, the Qard-e-Hasna shall be repaid prior to distribution of surplus to participants.

The Company has prepared financial projections of Participant Takaful Fund and based on such financial projections believes that the Participant Takaful Fund would be able to repay Qard-e-Hasna to Operator's Fund. The financial projections are based on various assumptions including expected growth in premiums and reduction in claims over future periods.

### 2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the format prescribed under Insurance Rules, 2017.

#### 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 comprise of:

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

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

2.1.2 In terms of the requirements of the Takaful Rules 2012, read with SECP Circular 25 of 2015 dated 09 July 2015, the assets, liabilities and profit and loss of the Operator's Fund of the General Takaful Operations of the Company have been presented as a single line item in the balance sheet and profit and loss account of the Company respectively.

2.1.3 Further, 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 on the historical cost basis except for certain investment which are carried at fair value.

2.3 Functional and presentation currency

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

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

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

Standard or Interpretation

- IFRS 2 - Share-based Payments - Classification and Measurement of Share-based Payments Transactions (Amendments)
- IFRS 4 - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - (Amendments)
- IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

Improvements to Accounting Standards Issued by the IASB in December 2016

- IAS 28 - Investments in Associates and Joint Ventures: Clarification that measuring investments at fair value through profit or loss is an investment-by-investment choice

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

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

The following standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned there against:

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

Standard or Interpretation	Effective date (annual periods beginning)
- IFRS 3 - Definition of a Business (Amendments)	January 01, 2020
- IFRS 9 - Financial Instruments: Classification and Measurement	July 01, 2018
- IFRS 9 - Prepayment Features with Negative Compensation - (Amendments)	January 01, 2019
- IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
- IFRS 15 - Revenue from Contracts with Customers	July 01, 2018
- IFRS 16 - Leases	January 01, 2019
- IFRIC 23 - Uncertainty over Income Tax Treatments	January 01, 2019
- IAS 1/ IAS 8 - Definition of Material (Amendments)	January 01, 2020
- IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)	January 01, 2019
- IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments)	January 01, 2019

The above standards, amendments and interpretations are not expected to have any material impact on the Company's financial statements in the period of initial application. Except for IFRS 16 and IFRS 9 for which the company is currently evaluating the impact on the financial statements.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2019. The company expects that such improvements to the standards will not have any impact on the company financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

### Standards

- IFRS 14 - Regulatory Deferral Accounts
- IFRS 17 - Insurance Contracts

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Insurance contracts

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

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

"The Company underwrites non-life insurance contracts that can be categorised into Fire and Property Damage, Marine, Aviation and Transport, Health, Motor and Miscellaneous contracts. Contracts may be concluded for a fixed term of one year, for less than one year and in some cases for more than one year. However, most of the contracts are for twelve months duration. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) of a facultative nature are included within the individual category of insurance contracts, other than those which fall under Treaty. The insurance risk involved in these contracts is similar to the contracts undertaken by the Company as insurer.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

Fire and Property insurance contracts mainly compensate the customers for damage suffered to their property. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Marine, Aviation and Transport class of business provides coverage against loss and damage to goods in transit by any means of conveyance, physical loss or damage to aircraft, ships and liabilities to third parties and passengers arising from their use.

Motor insurance covers physical loss or damage to the vehicle and liabilities to third parties as provided under the requirements of the Motor Vehicle Ordinance, 1965.

All other insurances like cash in hand, cash in transit, personal accident, travel are included under Miscellaneous Insurance cover.

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

These contracts are made with group companies, corporate clients and individuals residing or located in Pakistan.

### 3.2 Premium

Premium income under a policy is recognized, evenly over the period of insurance from the date of issuance of the policy till the date of its expiry.

Administrative surcharge is recognised as income at the time policies are written.

Revenue from premiums is determined after taking into account the unearned portion of premium by applying 1/24th method as prescribed by the Insurance Rules, 2017. The unearned portion of premium income is recognised as liability.

Premium due but unpaid 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 receivable is impaired, the Company reduces the carrying amount of the receivable accordingly and recognizes it as impairment loss.

### 3.3 Reinsurance contracts

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 and are classified in same categories of insurance contracts for the purpose of these financial statements. The Company recognises the entitled benefits under the contract as various reinsurance assets. 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 contract are not offset against expenses or income from related insurance assets.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

The deferred portion of reinsurance premium ceded is recognised as a prepayment which is calculated by using 1/24th method as prescribed by the Insurance Rules, 2017.

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

### 3.4 Claims expense

Insurance claims include all claims incurred 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, and any adjustments to claims outstanding from previous years.

The Company recognises liability in respect of all claims incurred upto the balance sheet date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract.

The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs. Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates.

The provision for claims incurred but not reported (IBNR) is made at the balance sheet date. In accordance with SECP circular no. 9 of 2016, the Company takes actuarial advice for the determination of IBNR claims. Provision for IBNR claims have been determined by analyzing the lag between the incurrence and reporting of motor and health business claims. For Fire and Marine businesses, as the Company has started these businesses recently, no historical data is available, therefore, industry wide-data has been used to calculate provision of IBNR claims. For Travel business, in absence of credible industry wide-data, an average of all other classes has been used to determine provision for IBNR claims.

### 3.5 Reinsurance recoveries against outstanding claims

Claims recoveries against outstanding claims from the reinsurer and salvage 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.

### 3.6 Commission

Commission expense incurred in obtaining and recording policies is deferred and recognised in profit and loss account as an expense in accordance with the pattern of recognition of premium revenue.

Commission income from reinsurers is recognised at the time of issuance of the underlying insurance policy. These are deferred and recognised as liability and recognised in the profit and loss account as revenue in accordance with the pattern of recognition of the reinsurance premiums.

### 3.7 Premium deficiency reserve

The Company is required as per Insurance Rules, 2017 and IFRS-4, to maintain a provision in respect of premium deficiency for the class of business where the unearned premium reserve is not adequate to meet the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the balance sheet date. The charge for premium deficiency reserve is recorded as an expense in the profit and loss account.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

For this purpose, loss ratios for each class are estimated based on historical claim development. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. If these ratios are adverse, premium deficiency is determined. Further actuarial valuation has been carried out to determine the amount of premium deficiency reserve in respect of Health insurance as required by SRO 16 (I) / 2012 issued by Securities and Exchange Commission of Pakistan on 9 January 2012.

### 3.8 Staff retirement benefits

The Company operates an funded contributory provident fund (defined contribution plan) for all permanent employees. Equal contributions are made by the Company and the employees at the rate 8.33% of basic salary, to the fund.

### 3.9 Taxation

#### 3.9.1 Current

Provision for current taxation is based on 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 year for such years.

#### 3.9.2 Deferred

Deferred tax is accounted for using the balance sheet liability method, in respect of temporary differences arising at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recognised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is utilized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the profit and loss account except in the case of items credited or charged to equity in which case it is included in equity.

### 3.10 Investments

#### 3.10.1 Recognition

All investments are initially recognised at cost, being the fair value of the consideration given and include transaction costs except for held for trading investments in which case transaction costs are charged to the profit and loss account. All purchase and sale of investments that require delivery within the required time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investments. These are recognised and classified as follows:

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

- Investment at fair value through profit and loss (held for trading)
- Available for sale
- Held to maturity
- Investment in Subsidiary Company
- Investment in Associates

### 3.10.2 Measurement

#### 3.10.2.1 Investment at fair value through profit or loss (held for trading)

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

Subsequent to initial recognition these are remeasured 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.

#### 3.10.2.2 Available for sale

Available for Sale investments are those non-derivative instruments / contracts that are designated as available for sale or are not classified in any other category.

At the time of acquisition, investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale.

Subsequent to initial measurement, these are remeasured at fair value. Surplus / (deficit) on revaluation from one reporting date to other is taken to other comprehensive income in the statement of comprehensive income. On derecognition or impairment of available-for-sale investments, the cumulative gain or loss previously reported in other comprehensive income is transferred to profit and loss for period within statement of comprehensive income.

These are reviewed for impairment at year end. The Company considers that available-for-sale equity investments and mutual funds are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. The Company considers that a decline of 30% in the market value of any scrip below its cost shall constitute as a significant decline and where market value remains below the cost for a period of one year shall constitute as a prolonged decline. Any losses arising from impairment in values are charged to the profit and loss account.

#### 3.10.2.3 Held-to-maturity

At the time of acquisition, investments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held-to-maturity.

Subsequently, these are measured at amortised cost less provision for impairment in value, if any. Amortised cost is calculated by taking into account any discount or premium on acquisition by using the effective yield method.

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

These are reviewed for impairment at year end and any losses arising from impairment in values are charged to the profit and loss account.

#### 3.10.2.4 Investment in Subsidiary and Associate

Subsidiary is an entity in which the Company directly or indirectly controls, beneficially owns or holds more than fifty percent of its voting securities or otherwise has power to elect and appoint more than fifty percent of its directors.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

Investments in associates are initially recognised at cost and the carrying amounts are increased or decreased to recognise the Company's share of the profit or loss of the associates after the date of acquisition, less impairment losses, if any.

Distributions received from associates reduce the carrying amount of the investment. Adjustments to the carrying amounts are also made for changes in the Company's proportionate interest in the associates arising from changes in the associates' equity that have not been recognised in the associates' profit or loss. The Company's share of those changes is recognised directly in equity of the Company.

Gain / (loss) on sale of above investments, if any, are recognised in the period of sale. The carrying amount of the investment is tested for impairment, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount and loss, if any is recognised in the profit and loss account.

### 3.11 Management expenses

Underwriting expenses have been allocated to various classes of business on a basis deemed equitable by the management. Expenses not attributable to the underwriting business are charged as administrative expenses.

### 3.12 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 future for the goods and / or 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 and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current estimate.

### 3.13 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand, stamps in hand and deposits with banks (except for the deposit placed with statutory requirement) net off short term running finance.

### 3.14 Sundry receivable

These are recognised at cost, which is the fair value of the consideration given. However, an assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognised for the difference between the recoverable amount and the carrying amount.

### 3.15 Fixed assets

#### 3.15.1 Tangible assets - owned

These are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged to income over the useful life of the asset on a systematic basis applying the straight line method at the rates specified in note 5.1 to the financial statements. Depreciation is charged on additions from the month of acquisition and no depreciation is charged in the month of disposal. An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gain and loss on disposal of fixed assets is included in income currently.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

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

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and assets so replaced, if any, are retired. Gain or loss on disposal of fixed asset is included in income currently.

### 3.15.2 Tangible assets - leased

Assets subject to finance lease are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligation under the lease less financial charges allocated to future period are shown as a liability.

These financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

Leased assets are depreciated on a straight line basis at the same rate as Company's owned assets as disclosed in note 5.1 to the financial statements. Depreciation is charged on additions from the month of acquisition, and no depreciation is charged in the month of disposal.

### 3.15.3 Intangible assets - owned

These are stated at cost less accumulated amortisation and impairment, if any. Amortisation is charged to income over the useful life of the asset on a systematic basis applying the straight line method at the rates specified in note 6 to the financial statements. Amortisation is calculated from the month the assets are available for use. While on disposal, no amortisation is charged in the month in which the assets are disposed off. Software development costs are only capitalised to the extent that future economic benefits are expected to be derived by the Company.

### 3.15.4 Capital work-in-progress

Capital work-in-progress is stated at cost less any impairment in value.

### 3.16 Operating lease

Operating lease payments are recognised as an expense in the profit and loss account over the lease term.

### 3.17 Impairment

The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

Provisions for impairment are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Changes in the provisions are recognised as income or expense.

### 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. Financial assets are de-recognised when the contractual right to future cash flows from the asset expire or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liabilities is recognised in the profit and loss account of the current year.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

Financial instruments carried on the balance sheet include bank deposits, investments, premium due but unpaid, premium received in advance, amount due from other insurers / reinsurers, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, advances deposits and prepayments provision for outstanding claims, amount due to other insurers / reinsurers, accrued expenses, other creditors and accruals, short term running finance and obligation under finance lease. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

### 3.19 Off setting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet, if the Company has a legally enforceable right to set-off and the Company intends either to settle the assets and liabilities on a net basis or to realise the asset and settle the liability simultaneously.

### 3.20 Foreign currency translations

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

### 3.21 Revenue recognition

#### 3.21.1 Premium

The revenue recognition policy for premiums is given under note 3.2.

#### 3.21.2 Commission from reinsurers

The revenue recognition policy for commission from reinsurer is given under note 3.6.

#### 3.21.3 Dividend income

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

#### 3.21.4 Gain / loss on sale / redemption of investments

Gain / loss on sale / redemption of investments is taken to profit and loss account in the year of sale / redemption.

#### 3.21.5 Income on held to maturity investment

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

#### 3.21.6 Profit on bank accounts and deposits

Profit on bank accounts and deposits is recognised on accrual basis.

### 3.22 Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The Company presents segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the SECP (Insurance) Rules, 2017 as the primary reporting format.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

The Company has five primary business segments for reporting purposes namely, fire and property, marine, health, motor and miscellaneous. The nature and business activities of these segments are disclosed in note no. 3.1.

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

### 3.23 Dividend declaration and reserve appropriation

Dividend declaration and reserve appropriations are recognized when approved.

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the 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. The areas involving a higher degree of judgment or complexity, or areas where assumption and estimates are significant to the financial statements, or judgments was exercised in application of accounting policies, are as follows:

Classification of Insurance Contracts (note 3.1)

Provision for unearned premium (note 3.2)

Provision for outstanding claims including IBNR (note 3.4)

Premium deficiency reserve (note 3.7)

Provision for current and deferred tax (note 3.9)

Classification of investments and impairment (note 3.10)

Useful lives and residual value of assets and methods of depreciation (note 3.15)

Provision for impairment (note 3.17)

		31 December 2018	31 December 2017
	Note	(Rupees)	
5.	PROPERTY AND EQUIPMENT		
	Operating Assets	112,939,895	58,046,793
	Capital work-in-progress	7,551,735	21,429,358
		<u>120,491,630</u>	<u>79,476,151</u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

## 5.1 Operating Assets

2018

	Cost			Accumulated Depreciation		Written Down Value		Depreciation Rate %
	As at 1 January 2018	Additions	Disposals / Write-offs*	As at 31 December 2018	Charge for the Year	As at 31 January 2018	As at 31 December 2018	
<b>Owned</b>				(Rupees)				
Leasehold Improvements	27,946,025	-	-	8,356,164	2,794,602	-	11,150,766	10
Computer equipments	32,981,321	4,781,144	(1,900,000)	20,694,703	6,992,675	(369,444)	19,806,965	33.33
Furniture and fixtures	18,742,797	6,142,783	(7,510,969)	4,993,870	2,719,794	(7,510,969)	17,171,916	10
Office equipments	21,308,340	377,562	(372,300)	15,931,497	3,047,348	(196,682)	12,970,884	20
Motor vehicles	18,859,223	74,637,754	(5,382,105)	88,919,023	13,131,697	(2,098,333)	21,451,447	20
	119,837,706	85,939,243	(4,922,300)	186,033,621	28,686,116	(2,664,459)	73,093,726	
	-	-	(14,821,028)	-	-	(14,718,844)	-	

2017

	Cost			Accumulated Depreciation		Written Down Value		Depreciation Rate %
	As at 1 January 2017	Additions	Disposals / Write-offs*	As at 31 December 2017	Charge for the Year	As at 31 January 2017	As at 31 December 2017	
<b>Owned</b>				(Rupees)				
Leasehold Improvements	27,946,025	-	-	5,561,559	2,794,605	-	8,356,164	10
Computer equipments	23,894,170	9,087,151	-	15,140,785	5,553,918	-	20,694,703	33.33
Furniture and fixtures	15,719,297	3,023,500	-	3,370,178	1,623,692	-	4,993,870	10
Office equipments	23,273,674	31,000	(1,996,334)	13,060,493	3,799,992	(1,460,346)	15,400,139	20
Tracking devices	777,363,174	-	(777,363,174)	482,496,335	21,374,442	(503,870,777)	-	16.67
Motor vehicles	18,105,223	800,000	(46,000)	18,859,223	2,984,391	(22,237)	12,346,037	20
	886,301,563	12,941,651	(779,405,508)	529,013,233	38,131,040	(505,353,360)	61,790,913	
	-	-	-	-	-	-	-	

## 5.1.1 Disposal of operating assets

	Cost			Accumulated Depreciation		Net gain (loss)		Mode of disposals
	As at 31 December 2017	Additions	Disposals / Write-offs*	As at 31 December 2017	Charge for the Year	As at 31 January 2018	As at 31 December 2018	
<b>Computers and Related Accessories</b>				(Rupees)				
Projector	1,900,000	-	(369,444)	1,530,556	900,000	(630,556)	900,000	Negotiation
<b>Office Equipment</b>								
Mobile Phones	372,300	-	(196,682)	175,618	-	(175,618)	-	Company Policy
<b>Motor Vehicles</b>								
Toyota Corolla GII	1,250,000	-	(791,667)	458,333	778,667	778,667	1,237,000	Negotiation
Honda Civic	1,400,000	-	(1,306,667)	93,333	786,667	786,667	880,000	Negotiation
	4,922,300	-	(2,664,459)	2,257,840	759,160	759,160	3,017,000	

5.1.2 Fully depreciated assets amounts to Rs. 12.7187 million (purchase price) at year end (2017: 31.554 million).

5.1.3 Capital Work-in-Progress includes advances to supplier for various IT related equipment and services.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

### 7. INVESTMENT IN EQUITY SECURITIES AND MUTUAL FUNDS

	2018				2017			
	Cost	Impairment / Provision	Revaluation surplus/(deficit)	Carrying Value	Cost	Impairment / Provision	Revaluation surplus/(deficit)	Carrying Value
Available-for-sale Listed shares								
TPPL Properties Limited (3% holding)	100,000,000	-	(20,519,200)	79,480,800	100,000,000	-	(4,960,000)	95,040,000
Others								
Listed shares								
Business Industrial Insurance Company Limited	251,260	(251,260)	-	-	251,260	(251,260)	-	-
Bank of Punjab Limited	357,727	(294,024)	28,837	92,540	357,727	(294,024)	-	63,703
Hub Power Company Limited	357,000	-	500,900	857,900	357,000	-	553,000	910,000
Bank of Khyber	162,975	-	33,800	196,775	162,975	-	42,158	205,133
Summit Bank Limited	514,765	(501,645)	-	13,120	514,765	(470,445)	-	44,320
	1,643,727	(1,046,929)	563,537	1,160,335	1,643,727	(1,015,729)	595,158	1,223,156
Mutual funds								
AKD Aggressive Income	-	-	-	-	101,258,483	-	1,655,064	102,913,547
AKD Opportunity	95,312,797	(21,192,841)	-	74,119,956	95,312,797	-	(14,162,374)	81,150,423
Askari High Yield Scheme	-	-	-	-	100,000,000	-	369,396	100,369,396
Alfalah GHP Income Multiplier	-	-	-	-	2,245,206	-	51,315	2,296,521
Alfalah GHP Stock Fund	68,825,591	-	(17,646,477)	51,179,114	68,825,591	-	(11,603,296)	57,222,295
Faysal Asset Allocation	44,970,104	(13,948,969)	-	31,021,135	44,970,104	-	(9,758,347)	35,211,757
Faysal Money Market	-	-	-	-	25,000,000	-	356,445	25,356,445
First Habib Cash Fund	-	-	-	-	50,000,000	-	170,325	50,170,325
First Habib Stock Fund	-	-	-	-	499,999	-	290,444	790,443
UBL Cash Fund	-	-	-	-	50,428,710	-	887,469	51,316,179
UBL Growth & Income	16,957,212	(3,348,998)	-	13,608,214	2,206,252	-	40,942	2,247,194
UBL Stock Advantage	226,065,704	(38,490,808)	(17,646,477)	169,928,419	16,957,212	-	(2,261,404)	14,695,808
	327,709,431	(39,537,737)	(37,602,140)	250,569,554	659,348,081	(1,015,729)	(38,328,863)	620,003,489

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

8.	INVESTMENT IN GOVERNMENT SECURITIES		31 December 2018	31 December 2017
		Note	(Rupees)	
	Held to maturity			
	Treasury Bills	8.1	98,374,678	-
	Pakistan Investment Bonds (PIBs)	8.2	94,180,429	99,457,402
			<u>192,555,107</u>	<u>99,457,402</u>

8.1 This represents three month treasury bills having face value of Rs. 100 million [2017: Nil]. These carry mark-up of 10.25% and will mature on 28 February 2019.

8.2 This represents five and ten years Pakistan Investment Bonds having face value of Rs. 95 million (market value of Rs. 91.2409 million) [2017: Rs. 100 million (market value of Rs. 106.402 million)]. These carry mark-up ranging from 7.75% to 12% (2017: 8.75% to 12%) per annum and will mature between 03 September 2019 to 19 July 2022. These have been deposited with the State Bank of Pakistan (SBP) as statutory deposit in accordance with the requirements of Section 29 of the Insurance Ordinance 2000 and circular No. 15 of 2008 dated 7 July 2008 issued by the Securities and Exchange Commission of Pakistan.

### 9. INVESTMENT IN DEBT SECURITIES

Available for sale

Note	2018				2017				
	Cost	Impairment / Provision	Revaluation surplus/ (deficit)	Carrying Value	Cost	Impairment / Provision	Revaluation surplus/ (deficit)	Carrying Value	
	(Rupees)								
Sukuk	9.1	30,000,000	-	-	30,000,000	-	-	-	-

9.1 These are issued by Dubai Islamic Bank Pakistan Limited and carry mark-up of 12.27% per annum.

### 10. TERM DEPOSITS

		31 December 2018	31 December 2017
	Note	(Rupees)	
Deposits maturing within 12 months	10.1	<u>200,000,000</u>	<u>350,000,000</u>

10.1 These carry profit rate ranging from 9.0% to 10.0% per annum (2017: 5.6% to 6.4% per annum) and have maturities upto 10 July 2019.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

11.	LOANS AND OTHER RECEIVABLES	Note	31 December 2018	31 December 2017
			(Rupees)	
	Considered good			
	Advance to a related party	11.1	200,000,000	200,000,000
	Receivable from related parties		76,950,470	35,811,391
	Deposit for medical and travel assistance		-	1,942,392
	Deposit for hospital enlistment	11.2	5,290,000	5,290,000
	Accrued investment income		6,361,552	9,237,328
	Loans to employees	11.3	4,075,915	2,272,240
	Placement with a company	11.4	25,000,000	-
	Advance salaries		558,923	431,920
	Receivable in respect of sublet of offices		-	884,936
	Receivable from Participant's Takaful Fund		18,706,960	14,608,836
	Advance Lease Rentals		7,600,000	-
	Security Deposit		3,932,734	3,657,846
	Other receivable		331,088	234,055
			<u>348,807,642</u>	<u>274,370,944</u>
	Considered doubtful			
	Margin deposit placed against purchase of shares - unsecured		8,500,000	8,500,000
	Receivable in respect of sublet of offices		884,936	-
	Provision against doubtful debt		(9,384,936)	(8,500,000)
			<u>-</u>	<u>-</u>
			<u>348,807,642</u>	<u>274,370,944</u>

- 11.1 This represents advance to a related party. A special resolution of the shareholders authorising the Company to extend advance upto Rs.200 million was passed in Annual General Meeting of the Company held on 19 April 2018. The balance carries interest at the rate of 1 year KIBOR + 3.5% with a floor of 10% per annum.
- 11.2 This represent a refundable deposit placed for various hospital enlistments for services to the policy holders.
- 11.3 These loans were given to employees for domestic purposes and are secured against provident fund balances of employees. These loans carry a mark-up rate ranging from 0% - 5% (2017: 0% - 5%) per annum, and are maturing at various dates until February 2021.
- 11.4 This represents placement with Pearl Securities Limited and carries mark up at the rate of 8% per annum and will mature by 10 July 2019.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

12.	INSURANCE / REINSURANCE RECEIVABLES - Unsecured	Note	31 December 2018	(Rupees)	31 December 2017
	Due from insurance contract holders Considered good		147,146,207		258,493,866
	Considered doubtful		18,578,198		18,592,413
	Less: provision for impairment of receivables from Insurance contract holders		(18,578,198)		(18,592,413)
			-		-
			147,146,207		258,493,866
	Due from other insurers / reinsurers Considered doubtful		2,754,393		2,754,393
	Less: provision for impairment of due from other insurers / reinsurers		(2,754,393)		(2,754,393)
			-		-
			<u>147,146,207</u>		<u>258,493,866</u>
13.	DEFERRED TAXATION - net				
	Deferred debits arising in respect of Provision for doubtful debts / deposits		8,618,042		8,954,042
	Provision for IBNR		1,174,500		2,680,855
	Unrealized loss on available for sale investments		22,066,955		11,881,947
	Deferred credits arising in respect of Accelerated depreciation		122,485		(2,279,270)
			<u>31,981,982</u>		<u>21,237,574</u>
13.1	Reconciliation of deferred tax				
	Opening balance		21,237,574		(2,390,402)
	Reversal for the year		10,744,408		23,627,976
	Closing balance		<u>31,981,982</u>		<u>21,237,574</u>
14.	PREPAYMENTS				
	Prepaid				
	- annual monitoring and other charges	14.1	123,902,899		141,497,116
	- rent		1,967,181		13,041,972
	- maintenance charges	14.2	2,066,724		1,878,840
	- reinsurance premium ceded		92,793,761		31,040,660
	- subscription		2,728,464		2,905,875
	- others		1,630,698		2,876,995
			<u>225,089,727</u>		<u>193,241,458</u>
14.1	This includes prepaid annual monitoring charges amounting to Rs. 114.432 million (2017: Rs. 130.301 million) paid to TPL Trakker Limited (Associated company) against the tracking services provided to the insurance policy holders of the Company.				

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

14.2 This represents maintenance charges paid to Centrepont Management Services (Private) Limited (a related party) for the principal office space of the Company.

15.	CASH AND BANK BALANCES	Note	31 December	31 December
			2018	2017
			(Rupees)	
	Cash and cash equivalent			
	- Cash in hand		30,866	54,995
	- Policy and Revenue stamps, Bond papers etc.		395,843	387,500
	Cash at bank			
	- Current accounts		61,997,987	35,776,137
	- Profit and loss sharing accounts	15.1	90,628,115	97,373,857
			152,626,102	133,149,994
			<u>153,052,811</u>	<u>133,592,489</u>

15.1 These accounts carry mark-up at a rate between 4.75% to 7.00% (2017: 3.5% to 5.5%) per annum.

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

Cash and cash equivalent	153,052,811	133,592,489
Term deposit receipts	200,000,000	350,000,000
	<u>353,052,811</u>	<u>483,592,489</u>

### 16. SHARE CAPITAL

#### 16.1 Authorized Capital

31 December	31 December		31 December	31 December
2018	2017		2018	2017
Number of Shares			(Rupees)	
<u>150,000,000</u>	<u>150,000,000</u>	Ordinary shares of Rs.10 each	<u>1,500,000,000</u>	<u>1,500,000,000</u>

#### 16.2 Issued, Subscribed and paid-up share capital

75,515,899	75,515,899	Ordinary shares of Rs. 10 each at the beginning of the year	755,158,990	755,158,990
18,350,362	-	Bonus Shares issued during the year	183,503,620	-
<u>93,866,261</u>	<u>75,515,899</u>	Ordinary shares of Rs. 10 each at the end of the year	<u>938,662,610</u>	<u>755,158,990</u>

16.3 As at 31 December 2018 shares held by related parties are as follows:

	2018		2017	
	Number of Shares	Holding	Number of Shares	Holding
TPL Corp Limited	87,375,960	93.09%	70,615,397	93.51%
TPL Holdings (Private) Limited	1,076,990	1.15%	547,114	0.72%
Directors	126,781	0.14%	222,501	0.29%
	<u>88,579,731</u>	<u>94.38%</u>	<u>71,385,012</u>	<u>94.52%</u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

17.	RESERVES	Note	31 December 2018	(Rupees)	31 December 2017
	Capital reserves				
	Share premium		16,936,998		147,579,495
	Share issuance cost		(8,903,161)		(8,903,161)
	Net share premium		8,033,837		138,676,334
	Revenue reserves				
	Unappropriated profit		16,898,950		253,917,563
	Available for sale reserve	17.1	(26,697,564)		(26,446,916)
			(9,798,614)		227,470,647
			<u>(1,764,777)</u>		<u>366,146,981</u>
17.1	Available for Sale Reserve				
	Unrealised loss on available-for-sale investment		(37,602,140)		(38,328,863)
	Related deferred tax		10,904,576		11,881,947
			<u>(26,697,564)</u>		<u>(26,446,916)</u>
18.	INSURANCE / REINSURANCE PAYABLES				
	Due to other insurers / reinsurers		<u>122,268,570</u>		<u>114,673,701</u>
19.	OTHER CREDITORS AND ACCRUALS				
	Commission payable		31,850,865		35,869,489
	Creditors	19.1 and 19.2	23,547,998		19,782,687
	Federal Insurance Fee		1,052,708		1,209,945
	Federal Excise Duty (FED) - net		14,499,288		11,715,050
	Margin deposit from customers		4,208,313		3,525,000
	Unearned Rentals from Window Takaful Operations	19.3	65,707,498		61,044,166
	Unearned service income		5,843,734		7,606,309
	Withholding tax payable		3,968,503		3,775,895
	Advance tax on premium		5,691,084		26,774,972
	Accrued expenses		61,782,699		44,696,309
	Dividend payable		3,132,414		-
	Payable to provident fund		4,770,815		2,976,126
	Others		161,529		140,976
			<u>226,217,448</u>		<u>219,116,925</u>

19.1 This includes outstanding claims in respect of which cheques aggregating to Rs. 0.996 million (2017: Rs. 7.458 million) have been issued by the Company for claim settlement but the same have not been encashed by the claimant.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

The following is the ageing as required by SECP circular 11 of 2014 dated 19 May 2014:

	31 December 2018	31 December 2017
	(Rupees)	
- More than 6 months	996,188	7,458,174
- 1 to 6 months (included in provision for outstanding claims)	13,443,432	15,059,831
	<u>14,439,620</u>	<u>22,518,005</u>

Claims not encashed	AGE-WISE BREAKUP					TOTAL
	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months	
2018	13,443,432	492,886	503,302	-	-	14,439,620
2017	15,059,831	2,738,939	3,794,882	515,967	408,386	22,518,005

19.2 This includes Rs. 0.660 million (2017: Rs. 1.812 million) payable to Centre Point Management Services (Private) Limited (related party).

19.3 Represents rentals received from Window Takaful Operations (WTO) - Participant Takaful Fund for tracking devices installed in vehicles insured by the WTO.

## 20. CONTINGENCIES AND COMMITMENT

### 20.1 Contingencies

20.1.1 In respect of matter of carry forward of Minimum Tax paid in the year of loss, Sindh High Court (SHC) through an order dated May 07, 2013 (now reported as 2013 PTD 420) has held that Minimum Tax paid in the year of loss is not eligible for adjustment in future years. In the opinion of SHC, only the 'excess' of Minimum Tax over Normal Tax (which must not be zero) can only be carried forward in future years. Therefore, where there is no tax payable, interalia, due to brought forward tax losses, minimum tax could not be carried forward for adjustment with future tax liability. The matter is currently pending before the Supreme Court for final decision.

The Company adjusted minimum tax amounting to Rs. 10.73 million against its income tax liability in prior years. The Company, based on its tax advisor's opinion, is confident that the ultimate outcome in this regard would be favourable. Hence, no provision in this respect has been made in these financial statements.

20.1.2 Federal Government, through Finance Act 2017, has imposed a tax on undistributed profits at the rate of 7.5% of profit before tax, in case the Company does not distribute at least 40% of its profit after tax to its shareholders either through cash dividend or issuance of bonus shares.

The legislation requires tax to be paid for Tax Year 2017 and onwards. In respect of Tax Year 2017 (Financial Year 2016) the Company did not make distribution to its shareholders. The Company has filed a constitutional petition in the High Court of Sindh challenging the tax on undistributed reserves.

The constitutional petition is pending in the High Court of Sindh and the Company has been granted stay order by the Court. The Company believes based on the opinion of its legal counsel, that outcome of this would be in its favour and accordingly, no provision for taxation on undistributed reserve amounted to Rs. 11.162 million has been made in these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

20.1.3 During the year, FBR has issued order under section 122(5A) demanding income tax of Rs. 53 million in respect of Tax Year 2017. The Company has filed appeal before Commissioner Inland Revenue (Appeal), which is pending adjudication. The Company is confident that the order issued by the Assessing Officer is not in accordance with the applicable law and therefore, no provision for any potential liability has been made in these financial statements.

### 20.2 Ijarah commitments

The Company has entered into various non-cancellable operating lease agreements. The lease term is five years.

The future minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2018	31 December 2017
	(Rupees)	
No later than 1 year	8,402,748	-
Later than 1 year and no later than 5 years	27,634,797	-
	<u>36,037,545</u>	<u>-</u>

### 21. NET INSURANCE PREMIUM

Written net premium	1,350,155,369	1,383,696,653
Add: Unearned premium reserve opening	671,873,202	699,873,641
Less: Unearned premium reserve closing	(636,445,691)	(671,873,202)
Premium earned	<u>1,385,582,880</u>	<u>1,411,697,092</u>
Less: Reinsurance premium ceded	183,291,149	113,391,973
Add: Prepaid reinsurance premium opening	31,040,660	29,880,970
Less: Prepaid reinsurance premium closing	(92,793,761)	(31,040,661)
Reinsurance expense	<u>(121,538,048)</u>	<u>(112,232,282)</u>
Net insurance Premium	<u>1,264,044,832</u>	<u>1,299,464,809</u>

### 22. NET INSURANCE CLAIMS EXPENSE

Claims paid/ payable	753,019,694	730,722,483
Add: Outstanding claims including IBNR closing	136,343,591	129,515,223
Less: Outstanding claims including IBNR opening	(129,515,223)	(126,585,842)
Claims expense	<u>759,848,062</u>	<u>733,651,864</u>
Less: Reinsurance and other recoveries received	267,931,113	209,829,170
Add: Reinsurance and other recoveries in respect of outstanding claims net of impairment - closing	67,717,006	61,717,833
Less: Reinsurance and other recoveries in respect of outstanding claims net of impairment - opening	(61,717,833)	(39,942,894)
Reinsurance and other recoveries revenue	<u>(273,930,286)</u>	<u>(231,604,109)</u>
Net insurance claims expense	<u>485,917,776</u>	<u>502,047,755</u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

## 23. Claim Development

Claim Development table is included in note 35.1.8 to the financial statements.

24. NET COMMISSION EXPENSE	Note	31 December 2018	31 December 2017
		(Rupees)	
Commissions paid or payable		184,018,054	127,593,711
Add: Deferred commission - opening		61,621,674	60,865,415
Less: Deferred commission - closing		(91,084,451)	(61,621,674)
Commission expense		<u>154,555,277</u>	<u>126,837,452</u>
Less: Commission from reinsurers			
Commission received or receivable		34,680,982	12,700,277
Add: Deferred commission - opening		4,358,320	4,569,980
Less: Deferred commission - closing		(19,506,278)	(4,358,320)
Commission from reinsurance		19,533,024	12,911,937
Net Commission expense		<u><u>135,022,253</u></u>	<u><u>113,925,515</u></u>

## 25. MANAGEMENT EXPENSES

Employee benefit costs	25.1	148,331,836	143,472,768
Annual Monitoring fee		142,131,533	152,730,348
Travelling expenses		5,738,688	26,557,047
Travelling incentives		29,004,458	12,575,317
Advertisement and marketing		26,762,078	47,815,004
Printing and Stationary		7,395,679	5,908,419
Rent, rates and taxes		37,674,247	37,376,266
Outsourcing Expenses - Call Centre Services		12,225,435	4,869,022
Communication		4,518,487	6,133,158
Utilities - Electricity and Water		6,839,408	8,036,979
Vehicle running expenses		8,675,215	9,245,882
Repair and Maintenance		31,704,590	22,044,459
Depreciation - Trakker units		-	4,755,859
Depreciation - Other		16,140,148	10,595,471
Amortization expense		1,578,975	726,687
Annual Supervision Fee SECP		4,109,053	3,270,914
Bad and doubtful debts		-	18,592,414
Insurance		3,856,730	1,795,443
Others		16,376	492,089
		<u><u>486,702,936</u></u>	<u><u>516,993,546</u></u>

25.1 This includes Rs. 135.124 million being salaries and wages (2017: Rs. 134.849) and Rs. 13.153 million (2017: Rs. 8.624 million) being contribution to employees' provident fund.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

26. INVESTMENT INCOME	31 December 2018	31 December 2017
	(Rupees)	
Dividend and markup income		
Dividend Income	-	60,000
Return on debt securities	9,539,309	10,596,718
Return on Term Deposits	18,979,816	21,656,372
	<u>28,519,125</u>	<u>32,313,090</u>
Net realized gains / (losses) on investments		
- Available-for-sale		
Realized gains		
- Equity Securities	-	823,050
- Mutual Funds	11,888,592	8,041,197
	<u>11,888,592</u>	<u>8,864,247</u>
Loss on disposal/redemption of mutual funds	-	(25,906,039)
	<u>11,888,592</u>	<u>(17,041,792)</u>
Total investment income	<u>40,407,717</u>	<u>15,271,298</u>
Impairment in value of available-for-sale securities		
- Equity Securities	-	(98,829)
- Mutual Funds	(38,522,008)	-
Less: Investment related expenses	(633,860)	(17,394)
	<u>1,251,849</u>	<u>15,155,075</u>
27. OTHER INCOME		
Interest on advance to associated company	41,697,886	5,037,596
Tracker rental from Window Takaful Operations	144,426,668	122,341,667
Income from sublet of office premises	-	1,062,365
Income from other services	18,409,362	20,288,464
Income from savings accounts	5,895,436	6,949,250
Gain sale of fixed assets	934,778	-
Others	2,876,371	515,458
	<u>214,240,502</u>	<u>156,194,800</u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

## 28. OTHER EXPENSES

	Note	31 December 2018	31 December 2017
		(Rupees)	
Employee benefit costs		31,075,610	14,954,356
Annual Monitoring fee		144,426,667	122,341,667
Legal and professional charges		10,634,752	16,096,027
Auditors' remuneration	28.1	1,123,245	1,626,112
Registration, subscription and association		1,896,013	4,089,750
Donations	28.2	10,663,574	14,407,367
Communication		1,177,141	1,739,033
IT Related Cost		8,131,642	15,264,242
Travelling and conveyance		10,387,210	2,204,741
Utilities		1,461,412	858,652
Depreciation - Trakker		-	16,618,583
Vehicle running expenses		1,853,679	987,808
Loss on disposal of fixed assets		-	523,754
Lease Rentals		3,997,186	-
Bad Debt Expense		884,936	-
Service fee of co-insurer		4,917,235	-
Others		10,935,085	9,531,811
		<u>243,565,387</u>	<u>221,243,903</u>
<b>28.1 AUDITOR'S REMUNERATION</b>			
Audit fee		440,000	400,000
Review of financial statements		250,000	350,000
Special certifications		256,335	725,000
Out-of-pocket expenses		176,910	151,112
		<u>1,123,245</u>	<u>1,626,112</u>
<b>28.2 DONATIONS</b>			
None of the directors, sponsor shareholders, key management personnel and their spouses had any interest in the Donee.			

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	31 December 2018	31 December 2017
		(Rupees)	
29.	TAXATION		
	For the year		
	Current	22,657,808	64,412,083
	Deferred	(11,721,735)	(11,746,029)
		10,936,073	52,666,054
	For the prior years		
	Current	-	5,670,070
	Deferred	-	-
		10,936,073	58,336,124
29.1	The Relationship between tax expense and accounting profit is not produced as the tax charge is based on minimum tax on turnover.		
29.2	The tax rate applicable on the Company for Tax Year 2018 is 29% (2017: 30%). The change in tax rate since last year was enacted in Finance Act 2018.		
29.3	Provision for tax made is sufficient to cover the income tax liability for the year ended 31 December 2018. The analysis of tax provision compared to tax assessed for the last three years is as follows:		
	Tax Year	Provision made	Tax Assessed
	Tax Year 2019	22,657,808	Return to be filed
	Tax Year 2018	64,412,083	64,412,083
	Tax Year 2017	41,967,997	41,967,997
30.	EARNINGS PER SHARE - BASIC AND DILUTED		
		31 December 2018	31 December 2017
		(Rupees)	
	Profit after tax for the year	3,575,032	105,026,613
		..... (Number of Shares) .....	
	Weighted average number of ordinary shares of Rs.10 each	93,866,261	93,866,261
		..... (Rupees) .....	
	Earnings per share - basic and diluted	0.04	1.12
30.1	The Company has issued bonus shares during the year and accordingly, the earnings per share for the comparative year has been restated.		

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

### 31. COMPENSATION OF DIRECTORS AND EXECUTIVES

The aggregate amount charged to in the financial statements, including all benefits, to the Chief Executive, Directors and Executives / Key Management Personnel of the Company are as follows:

Note	Chief Executive Officer		Directors		Executives		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	(Rupees)							
Managerial remuneration	13,377,192	11,700,000	-	-	68,159,000	52,580,288	81,536,192	64,280,288
Bonus	-	1,085,000	-	-	852,000	1,625,400	852,000	2,710,400
House rent allowance	6,019,716	5,118,600	-	-	30,576,920	22,692,748	36,596,636	27,811,348
Utilities	1,336,425	1,260,000	-	-	6,810,032	14,692,667	8,146,457	15,952,667
Retirement benefits	1,114,320	982,416	-	-	5,459,079	4,627,489	6,573,399	5,609,905
Relocation allowances	2,491,392	-	-	-	-	-	2,491,392	-
Others	7,887	1,181,400	-	-	15,155,285	5,619,714	15,163,172	6,801,114
Director fee	-	-	3,300,000	800,000	-	-	3,300,000	800,000
	<u>24,346,932</u>	<u>21,327,416</u>	<u>3,300,000</u>	<u>800,000</u>	<u>127,012,316</u>	<u>101,838,306</u>	<u>154,659,248</u>	<u>123,965,722</u>
Number of persons	31.2 <u>2</u>	<u>1</u>	<u>3</u>	<u>2</u>	<u>22</u>	<u>36</u>	<u>27</u>	<u>39</u>

31.1 In addition, the Chief Executive Officer, Directors and Executives are provided with free use of Company maintained cars in accordance with their entitlement.

31.2 During the year, the previous Chief Executive Officer resigned from his position on 31 July 2018 and new Chief Executive Officer was appointed with effect from 31 July 2018.

### 32. TRANSACTIONS WITH RELATED PARTIES

32.1 The related parties comprise Holding Company, associated undertakings, common directorships, employees provident fund, directors and key management personnel. The balances with / due from and transactions with related parties, other than those which have been specifically disclosed elsewhere in the financial statements are as follows:

32.2 Balances and transactions with related parties

	31 December 2018	31 December 2017
	(Rupees)	
TPL Trakker Limited - (associated company)		
Opening balance - receivable	31,369,420	75,450,164
Interest charged during the year	41,697,886	5,037,596
Net expenses charged - group shared costs	(8,079,421)	(94,166,840)
Rent and other services on tracking units	(229,757,907)	(373,729,570)
Payments made on behalf of the associated company	10,255,815	-
Receivable in respect of sale of tracking units installed in advance	-	315,575,224
Net payment made by the Company	<u>223,851,067</u>	<u>103,202,846</u>
Closing balance - receivable	<u>69,336,860</u>	<u>31,369,420</u>
Advance to TPL Trakker Limited - (associated company)		
Opening balance - receivable	200,000,000	-
Advance paid during the year	-	200,000,000
Closing balance - receivable	<u>200,000,000</u>	<u>200,000,000</u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

### 32.2 Balances and transactions with related parties (continued)

This represents advance to a related party. A special resolution of the shareholders authorising the Company to extend advance upto Rs.200 million was passed in Annual General Meeting of the Company held on 19 April, 2018. The balance carries interest at the rate of 1 year KIBOR + 3.5% with a floor of 10% per annum.

	31 December 2018	31 December 2017
	(Rupees)	
TPL Properties Limited- common directorship		
Opening balance - receivable	11,763,149	8,578,400
Advance rent paid during the year	28,471,672	45,014,501
Rent and maintenance expenses during the year	(28,471,672)	(43,991,157)
Other movement during the year	(9,601,744)	-
Expenses incurred by the company	3,054,164	2,161,405
Closing balance - receivable	<u>5,215,569</u>	<u>11,763,149</u>
Virtual World (Private) Limited - common directorship		
Opening accrued outsourcing expenses	644,000	736,000
Services received during the year	19,922,665	7,617,600
Payments made during the year	(10,566,665)	(7,709,600)
Closing accrued outsourcing expenses	<u>10,000,000</u>	<u>644,000</u>
TRG Pakistan Limited		
Opening balance - receivable	884,936	5,050,162
Sublet of office premises	-	1,139,165
Payment received during the year	-	(5,304,391)
Closing balance - receivable	<u>884,936</u>	<u>884,936</u>
Centrepont Management Services (Private) Limited - common directorship		
Opening balance - payable	1,812,001	2,665,969
Maintenance charges expensed during the year	(8,266,896)	(7,868,304)
Maintenance charges paid during the year	8,266,896	7,868,304
Other movement during the year	(1,191,797)	-
Services received during the year	9,795,271	8,071,723
Payments made during the year	(9,755,432)	(8,925,691)
Closing balance - payable	<u>660,043</u>	<u>1,812,001</u>
TPL Security Services (Private) Limited - common directorship		
Opening balance	719,357	-
Expenses incurred by the company	1,726,382	719,357
Services received during the year	(1,184,300)	(1,113,200)
Payments made during the year	672,800	1,113,200
Closing balance - receivable	<u>1,934,239</u>	<u>719,357</u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

## 32.2 Balances and transactions with related parties (continued)

	31 December 2018	31 December 2017
	(Rupees)	
TPL Insurance Limited Employees Provident Fund		
Opening balance - payable	3,323,344	1,173,732
Charge for the year	26,323,170	26,894,660
Contribution made during the year	(24,875,699)	(24,745,048)
Closing balance - payable	<u>4,770,815</u>	<u>3,323,344</u>
TPL Life Insurance Limited - common directorship		
Opening balance - receivable	1,561,209	-
Expenses incurred on behalf of the company	6,216,777	2,882,667
Services received from the company	(10,598,488)	(1,321,458)
Payments made during the year	1,924,394	-
Closing balance - receivable	<u>(896,108)</u>	<u>1,561,209</u>
TPL Maps - common directorship		
Opening balance - receivable	-	-
Expenses incurred on behalf of the company	1,186,671	-
Closing balance - receivable	<u>1,186,671</u>	<u>-</u>
TPL Rupiya - common directorship		
Opening balance - receivable	-	-
Expenses incurred on behalf of the company	43,662	-
Closing balance - receivable	<u>43,662</u>	<u>-</u>
TPL Corp - common directorship		
Opening balance - receivable	-	-
Expenses incurred on behalf of the company	129,577	-
Closing balance - receivable	<u>129,577</u>	<u>-</u>
Window Takaful Operations - Participant Takaful Fund		
Opening balance - receivable / (payable)	14,608,836	5,897,661
Rental and other services charged on Tracking devices during the year	149,090,000	134,530,000
Payments received / (made) by PTF - net	(144,991,876)	(125,818,825)
Closing balance - receivable / (payable)	<u>18,706,960</u>	<u>14,608,836</u>

32.2.1 Remuneration to the key management personnel are in accordance with the terms of their employment. Contribution to the provident fund is in accordance with the Company's staff services rules and other transactions with the related parties are in accordance with the agreed terms.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

## 33. SEGMENT REPORTING

	2018					
	Fire & property damage	Marine, aviation & transport	Motor	Health	Miscellaneous	Aggregate
	(Rupees)					
Gross Written Premium (inclusive of Administrative Surcharge)	58,169,710	48,854,357	1,081,584,371	137,664,710	23,882,220	1,350,155,369
Insurance premium earned	74,961,358	47,563,747	1,142,431,531	100,424,415	20,201,828	1,385,582,880
Insurance premium ceded to reinsurers	(58,872,214)	(20,330,532)	(36,178,845)	-	(6,156,457)	(121,538,048)
Net insurance premium	16,089,144	27,233,215	1,106,252,686	100,424,415	14,045,372	1,264,044,832
Commission income	9,299,582	4,976,059	5,016,961	-	240,422	19,533,024
Net underwriting income	25,388,726	32,209,274	1,111,269,647	100,424,415	14,285,793	1,283,577,856
Insurance claims	(65,002,395)	(26,094,015)	(655,837,175)	(7,431,733)	(5,482,744)	(759,848,063)
Insurance claims recovered from reinsurers	61,527,935	6,641,023	205,639,872	-	121,457	273,930,286
Net Claims	(3,474,460)	(19,452,993)	(450,197,302)	(7,431,733)	(5,361,288)	(485,917,776)
Commission expense	(14,706,717)	(7,547,218)	(80,591,865)	(47,445,751)	(4,263,726)	(154,555,277)
Management expenses	(20,968,971)	(17,610,980)	(389,888,676)	(49,625,265)	(8,609,044)	(486,702,936)
Net insurance claims and expenses	(39,150,148)	(44,611,190)	(920,677,843)	(104,502,749)	(18,234,058)	(1,127,175,989)
Underwriting result	(13,761,422)	(12,401,916)	190,591,804	(4,078,334)	(3,948,264)	156,401,866
Investment income						1,251,849
Other income						214,240,502
Other expenses						(243,565,387)
Results of operating activities						128,328,830
Other charges						(1,642,832)
Profit before tax from General Insurance Operations						126,685,998
Loss before tax from Window Takaful Operations - Operator's Fund						(112,174,894)
Profit before tax for the year						14,511,105
	2017					
	Fire & property damage	Marine, aviation & transport	Motor	Health	Miscellaneous	Aggregate
	(Rupees)					
Gross Written Premium (inclusive of Administrative Surcharge)	70,055,574	34,685,082	1,208,474,689	57,808,070	12,673,238	1,383,696,653
Insurance premium earned	67,230,101	32,668,536	1,230,093,471	72,362,953	9,342,031	1,411,697,092
Insurance premium ceded to reinsurers	(52,718,361)	(23,490,915)	(34,165,582)	(419,719)	(1,437,707)	(112,232,284)
Net insurance premium	14,511,740	9,177,621	1,195,927,889	71,943,234	7,904,324	1,299,464,808
Commission income	8,007,779	4,529,016	-	-	375,141	12,911,936
Net underwriting income	22,519,519	13,706,637	1,195,927,889	71,943,234	8,279,465	1,312,376,744
Insurance claims	(20,222,427)	(10,399,769)	(683,007,742)	(13,814,136)	(6,207,789)	(733,651,863)
Insurance claims recovered from reinsurers	18,869,716	7,013,630	203,340,476	-	2,380,286	231,604,108
Net Claims	(1,352,711)	(3,386,139)	(479,667,266)	(13,814,136)	(3,827,503)	(502,047,755)
Commission expense	(9,739,227)	(6,830,282)	(77,860,585)	(30,385,434)	(2,021,923)	(126,837,451)
Management expenses	(29,581,753)	(14,646,166)	169,038,838	(24,410,107)	(5,351,417)	(516,993,546)
Net insurance claims and expenses	(40,673,691)	(24,862,587)	(388,489,013)	(68,609,677)	(11,200,843)	(1,145,878,752)
Underwriting result	(18,154,172)	(11,155,950)	807,438,876	3,333,557	(2,921,378)	166,497,992
Investment income						15,155,075
Other income						156,194,800
Other expenses						(221,243,903)
Results of operating activities						116,603,964
Other charges						(769,430)
Profit before tax from General Insurance Operations						115,834,534
Profit before tax from Window Takaful Operations - Operator's Fund						47,528,202
Profit before tax for the year						163,362,736

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

## 34. MOVEMENT IN INVESTMENTS

	Held to Maturity	Available for Sale	Total
	(Rupees)		
As at 1 January 2017	817,391,625	2,111,828	819,503,453
Net movement	(367,000,000)	-	(367,000,000)
Additions	-	900,000,000	900,000,000
Disposals (sale and redemption)	-	(243,680,647)	(243,680,647)
Fair value net gains (excluding net realized gains)	-	(38,328,863)	(38,328,863)
(Impairment) / Reversal of Impairment	-	(98,829)	(98,829)
Amortisation of premium / discount	(934,223)	-	(934,223)
As at 31 December 2017	449,457,402	620,003,489	1,069,460,891
Additions	117,920,015	96,842,911	214,762,926
Disposals (sale and redemption)	(175,000,000)	(367,784,768)	(542,784,768)
Fair value net gains (excluding net realized gains)	-	(29,970,070)	(29,970,070)
(Impairment) / Reversal of Impairment	-	(38,522,008)	(38,522,008)
Amortisation of premium / discount	177,690	-	177,690
As at 31 December 2018	392,555,107	280,569,554	673,124,661

## 35. 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.

## 35.1 INSURANCE RISK MANAGEMENT

## 35.1.1 INSURANCE RISK

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

The Company's major insurance contracts are in respect of motor vehicles through issuance of general insurance contracts relating to motor insurance. For these contracts the most significant risks arise from theft, accidents and terrorist activities.

The Company's risk exposure is mitigated by employing a comprehensive framework to identify, assess, manage and monitor risk. This framework includes implementation of underwriting strategies which aim to ensure that the underwritten risks are well diversified in terms of type and amount of the risk. Adequate reinsurance is arranged to mitigate the effect of the potential loss to the Company from individual to large or catastrophic insured events. Further, the Company adopts strict claim review policies including active management and prompt pursuing of the claims and regular detailed review of claim handling procedures and frequent investigation of possible false claims to reduce the insurance risk.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

### 35.1.2 FREQUENCY AND SEVERITY OF CLAIMS

Risk associated with general insurance contracts includes the reasonable possibility of significant loss as well as the frequent occurrence of the insured events. This has been managed by having in place underwriting strategy, reinsurance arrangements and proactive claim handling procedures.

The reinsurance arrangements against major risk exposure include excess of loss, quota share, surplus arrangements and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on Company's net retentions.

### 35.1.3 UNCERTAINTY IN THE ESTIMATION OF FUTURE CLAIM PAYMENTS

Claims on motor 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 contracts respectively, including the event reported after the expiry of the insurance contract term.

An estimated amount of the claim is recorded immediately on the intimation to the Company. The estimation of the amount is based on management judgment or preliminary assessment by the independence surveyor appointed for the purpose. The initial estimates include expected settlement cost of the claims. Provision for IBNR is based on the management's best estimate which takes into account expected future patterns of reporting of claims and the claim actually reported subsequent to the balance sheet date. There are several variable factors which affect the amount and timing of recognized claim liabilities. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from initial recognized amount. Outstanding claims are reviewed on a periodic basis.

### 35.1.4 KEY ASSUMPTIONS

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

The principal assumption underlying the liability estimation of IBNR and Premium Deficiency Reserves 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. During the year, the Company has not changed its assumptions for the insurance contracts.

### 35.1.5 SENSITIVITY ANALYSIS

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

The claim liabilities are sensitive to the incidence of insured events and severity / size of claims. As the Company enters into short term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on profit before tax net of reinsurance. The impact of 10 % increase / decrease in incidence of insured events on profit before tax and shareholder's equity is as follows:

Average claim cost	Underwriting results / profit before tax		Shareholder's equity	
	2018	2017	2018	2017
	..... (Rupees) .....		..... (Rupees) .....	
Fire & property damage	347,446	135,271	246,687	93,337
Marine, aviation & transport	1,945,299	338,614	1,381,162	233,644
Motor business	45,019,730	47,966,727	31,964,008	33,097,041
Health	743,173	1,381,414	527,653	953,175
Miscellaneous	536,129	382,750	380,651	264,098
	<u>48,591,778</u>	<u>50,204,776</u>	<u>34,500,162</u>	<u>34,641,295</u>

### 35.1.6 Concentration of risk

To optimise benefits from the principle of average and law of large numbers, geographical spread of risk is of extreme importance. There are a number of parameters which are significant in assessing the accumulation of risk 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 insured property.

The adequate event limit is a multiple of the treaty capacity or the primary recovery from excess of loss treaty, which is very much in line with the risk management philosophy of the Company.

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

The Company minimises its exposure to significant losses by obtaining reinsurance from a number of reinsurers, who are dispersed over several geographical regions.

### 35.1.7 The concentration of risk by type of contracts based on single risk with maximum exposure is summarised below:

	Gross sum insured		Reinsurance		Net	
	2018	2017	2018	2017	2018	2017
	..... (Rupees) .....					
Fire & property damage	3,844,524,423	4,000,000,000	3,796,467,868	3,900,000,000	48,056,555	100,000,000
Marine, aviation & transport	387,604,800	439,690,241	374,315,493	399,258,955	13,289,307	40,431,286
Motor business	20,000,000	15,000,000	17,000,000	-	3,000,000	15,000,000
Health	40,000	800,000	-	-	40,000	800,000
Miscellaneous	232,000,000	848,000,000	231,000,000	814,080,000	1,000,000	33,920,000

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

## 35.1.8 Claims development tables

The following table shows the development of claims over a period of time on gross basis. For each class of business the uncertainty about the amount and timings of claims payment is usually resolved within a year.

Analysis on gross basis Accident year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
	(Rupees)														
Estimate of ultimate claims cost:															
At end of accident year	2,75,342	5,294,196	9,952,578	11,577,588	32,625,169	47,340,288	48,851,225	83,140,143	469,482,097	703,965,518	681,432,916	738,511,849	709,275,588	728,018,188	728,018,188
One year later	2,769,694	4,688,378	11,729,996	9,282,400	27,008,646	30,393,538	37,511,441	352,886,739	468,385,716	701,532,973	692,344,679	760,148,277	743,492,494	-	743,492,494
Two years later	2,769,694	4,623,878	11,729,891	8,934,574	25,210,318	30,389,381	37,423,966	352,717,003	468,442,371	693,681,008	695,673,822	756,334,159	-	-	756,334,159
Three years later	2,769,694	4,623,878	11,729,891	8,935,940	25,210,318	30,389,381	37,428,166	352,717,003	468,442,371	692,941,803	695,681,957	-	-	-	695,681,957
Four years later	2,769,694	4,623,878	11,729,891	8,955,940	26,075,318	30,389,381	37,428,166	352,717,003	468,442,371	693,689,753	-	-	-	-	693,689,753
Five years later	2,769,694	4,623,878	11,729,891	8,657,940	26,075,318	30,389,381	37,428,166	352,717,003	469,692,371	-	-	-	-	-	469,692,371
Six years later	2,540,949	4,623,878	11,729,891	8,657,940	26,075,318	30,389,381	37,428,166	352,720,503	-	-	-	-	-	-	352,720,503
Seven years later	2,540,949	4,623,878	11,729,891	8,657,940	26,075,318	30,359,381	37,428,166	-	-	-	-	-	-	-	37,428,166
Eight years later	2,540,949	4,623,878	11,729,891	8,657,940	26,075,318	30,359,381	-	-	-	-	-	-	-	-	30,359,381
Nine years later	2,540,949	4,623,878	11,729,891	8,657,940	26,112,818	-	-	-	-	-	-	-	-	-	26,112,818
Ten years later	6,757,711	4,623,878	11,729,891	8,657,940	-	-	-	-	-	-	-	-	-	-	31,772,420
Estimate of cumulative claims	6,757,711	4,623,878	11,729,891	8,657,940	26,112,818	30,539,381	37,428,166	352,720,503	469,692,371	693,689,753	695,681,957	756,334,159	743,492,494	728,018,188	4,564,862,410
Cumulative payments to date	(55,637,11)	(4,623,878)	(11,729,891)	(8,657,940)	(26,112,818)	(30,539,381)	(37,428,166)	(352,720,503)	(469,692,371)	(692,011,003)	(695,689,946)	(754,771,006)	(740,559,944)	(598,515,361)	(4,428,518,818)
Liability for outstanding claims	1,194,000	-	-	-	-	-	-	-	-	1,088,750	32,311	1,623,152	2,992,550	129,502,827	1,136,343,591

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

### 36. FINANCIAL RISK MANAGEMENT

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

#### *Risk management framework*

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

#### 36.1 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 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.

##### 36.1.1 Management of credit risk

The Company's policy is to enter into financial contracts in accordance with the guidelines set by the Board of Directors. Credit risk is managed and controlled by the management of the Company in the following manner:

- Credit rating and / or credit worthiness of the counter party is taken into account along with the financial background so as to minimize the risk of default. Collaterals are obtained wherever appropriate / relevant.
- The risk of counterparty exposure due to failed agreements causing a loss to the Company is mitigated by a periodic review of the credit ratings, financial statements, credit worthiness, etc. on a regular basis and makes provision against those balances considered doubtful of recovery.
- Loans given to employees are deductible from the salary of the employees.
- Cash is held with reputable banks only.

To reduce the credit risk the management continuously reviews and monitors the credit exposure towards the policyholders and other insurers/reinsurers and makes provision against those balances considered doubtful of recovery.

##### 36.1.2 Exposure to credit risk

In summary, compared to the amount included in statement of assets and liabilities, the maximum exposure to credit risk as at 31 December is as follows:

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

	December 2018 Balance as per the financial statements	Maximum exposure	December 2017 Balance as per the financial statements	Maximum exposure
	..... (Rupees) .....			
Investment in government securities	192,555,107	192,555,107	99,457,402	99,457,402
Investment in debt securities	30,000,000	30,000,000	-	-
Term deposits	200,000,000	200,000,000	350,000,000	350,000,000
Loans and other receivables	348,807,642	348,807,642	274,370,944	274,370,944
Insurance / reinsurance receivables	147,146,207	147,146,207	258,493,866	258,493,866
Reinsurance recoveries against outstanding claims	10,529,385	10,529,385	21,515,947	21,515,947
Salvage recoveries accrued	57,187,621	57,187,621	40,201,885	40,201,885
Bank balances	152,626,102	152,626,102	133,149,994	133,149,994
	<u>946,296,957</u>	<u>946,296,957</u>	<u>1,077,732,636</u>	<u>1,077,732,636</u>

### 36.1.3 Past due / impaired assets

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

	2018		2017	
	Gross	Impairment	Gross	Impairment
	..... (Rupees) .....			
0-90 days	111,373,261	-	119,528,975	-
Over 90 days	54,351,144	18,578,198	157,557,304	18,592,413
Total	<u>165,724,405</u>	<u>18,578,198</u>	<u>277,086,279</u>	<u>18,592,413</u>

Age analysis of amount due from other insurers / reinsurers at the reporting date was:

	2018		2017	
	Gross	Impairment	Gross	Impairment
	..... (Rupees) .....			
Upto 1 year	-	-	-	-
1-2 years	-	-	-	-
Over 2 years	2,754,393	2,754,393	2,754,393	2,754,393
Total	<u>2,754,393</u>	<u>2,754,393</u>	<u>2,754,393</u>	<u>2,754,393</u>

Age analysis of reinsurance recoveries against outstanding claims at the reporting date was:

	2018		2017	
	Gross	Impairment	Gross	Impairment
	..... (Rupees) .....			
Up to 1 year	58,935,043	-	61,598,432	-
1-2 years	8,662,563	-	-	-
Over 2 years	119,400	-	119,400	-
Total	<u>67,717,006</u>	<u>-</u>	<u>61,717,832</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

In respect of the aforementioned insurance and reinsurance assets, the Company takes into account its past history / track record of recoveries and financial position of the counterparties while creating provision for impairment. Further, reinsurance recoveries are made when corresponding liabilities are settled.

### 36.1.4 Credit Rating and Collateral

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

Long term Rating	Rating Agency	Amount (in Rupees)	
		2018	2017
AAA	JCR-VIS	14,468,196	15,087,831
AAA	PACRA	1,011,564	821,974
AA+	JCR-VIS	-	7,766,155
AA+	PACRA	42,126,973	29,186,816
AA	PACRA	1,003,042	25,929,681
AA	JCR-VIS	302,323	-
AA-	JCR-VIS	351,432	6,271,763
AA-	PACRA	42,356,128	3,787,270
A+	PACRA	2,428,765	1,175,455
A	JCR-VIS	-	73,932
A	PACRA	243,807	134,769
A-	JCR-VIS	1,520,374	367,914,348
BBB	JCR-VIS	-	25,000,000
BBB-	JCR-VIS	271,736,498	-
		<u>377,549,102</u>	<u>483,149,994</u>

The Company enters into re-insurance / co-insurance arrangements with re-insurers / other insurers having sound credit ratings accorded by reputed credit rating agencies. The Company is required to comply with the requirements of circular no. 32 / 2009 dated October 27, 2009 issued by SECP which requires an insurance company to place at least 80% of their outward treaty cessions with reinsurers rated 'A' or above by Standard & Poors with the balance being placed with entities rated at least 'BBB' by reputable ratings agency. An analysis of all reinsurance assets relating to outward treaty cessions recognised by the rating of the entity from which it is due is as follows:

	Reinsurance recoveries against outstanding claims	Prepaid reinsurance premium ceded	2018	2017
			(Rupees)	
A or above (including PRCL)	<u>10,529,385</u>	<u>92,793,761</u>	<u>103,323,146</u>	<u>52,556,607</u>

### 36.1.5 Concentration of credit risk

Concentration of credit risk arises 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 manages concentration of credit risk through diversification of activities among individuals, groups and industry segments.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

Sector-wise analysis of premium due but unpaid at the reporting date was:

	2018		2017	
	(Rupees)	%	(Rupees)	%
Individuals	37,954,822	26%	69,781,030	27%
Corporate	109,191,385	74%	188,712,836	73%
	<u>147,146,207</u>	<u>100%</u>	<u>258,493,866</u>	<u>100%</u>

### 36.1.6 Settlement risk

The company's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed on sale.

This risk is addressed more or less in accordance with the parameters set out in the credit risk management above.

### 36.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or may face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

#### 36.2.1 Management of liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to fulfil its obligation; monitoring balance sheet liquidity ratios against internal and external requirements and maintaining debt financing plans.

#### 36.2.2 Maturity analysis for financial assets and liabilities

The table below analyses the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to maturity date and represents the undiscounted cash flows. The amounts in the table are the gross nominal undiscounted cash flows (including interest payments).

	2018		
	Carrying amount	Upto one year	More than one year
	..... (Rupees) .....		
Financial assets			
Investments			
Equity securities and mutual fund units	250,569,554	250,569,554	-
Government Securities	192,555,107	98,374,678	94,180,429
Debt securities	30,000,000	30,000,000	-
Term deposits	200,000,000	200,000,000	-
Loans and other receivables	348,807,642	348,807,642	-
Insurance / reinsurance receivables	147,146,207	147,146,207	-
Reinsurance recoveries against outstanding claims	10,529,385	10,529,385	-
Salvage recoveries accrued	57,187,621	57,187,621	-
Cash and bank balances	153,052,811	153,052,811	-
Total assets of General Takaful Operations - Operator's Fund	<u>370,022,394</u>	<u>370,022,394</u>	<u>-</u>
	<u>1,759,870,721</u>	<u>1,665,690,292</u>	<u>94,180,429</u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

	2018		
	Carrying amount	Upto one year	More than one year
	..... (Rupees) .....		
<b>Financial liabilities</b>			
<b>Underwriting Provisions</b>			
Outstanding claims including IBNR	136,343,591	136,343,591	-
Unearned premium reserves	636,445,691	636,445,691	-
Unearned reinsurance commission	19,506,278	19,506,278	-
Premium received in advance	4,629,066	4,629,066	-
Insurance / reinsurance payables	122,268,570	122,268,570	-
Other creditors and accruals	226,217,448	226,217,448	-
<b>Total liabilities of General Takaful Operations - Operator's Fund</b>	<b>169,038,838</b>	<b>169,038,838</b>	<b>-</b>
	<b>1,314,449,482</b>	<b>1,314,449,482</b>	<b>-</b>
	2017		
	Carrying amount	Upto one year	More than one year
	..... (Rupees) .....		
<b>Financial assets</b>			
<b>Investments</b>			
Equity securities and mutual fund units	620,003,489	620,003,489	-
Government Securities	99,457,402	50,391,359	49,066,043
Term deposits	350,000,000	350,000,000	-
Loans and other receivables	274,370,944	274,370,944	-
Insurance / reinsurance receivables	258,493,866	258,493,866	-
Reinsurance recoveries against outstanding claims	21,515,947	21,515,947	-
Salvage recoveries accrued	40,201,885	40,201,885	-
Cash and bank balances	133,592,489	133,592,489	-
<b>Total assets of General Takaful Operations - Operator's Fund</b>	<b>335,497,378</b>	<b>335,497,378</b>	<b>-</b>
	<b>2,133,133,400</b>	<b>2,084,067,357</b>	<b>49,066,043</b>
<b>Financial liabilities</b>			
<b>Underwriting Provisions</b>			
Outstanding claims including IBNR	129,515,223	129,515,223	-
Unearned premium reserves	671,873,202	671,873,202	-
Unearned reinsurance commission	4,358,320	4,358,320	-
Premium received in advance	2,779,624	2,779,624	-
Insurance / reinsurance payables	114,673,701	114,673,701	-
Other creditors and accruals	219,116,925	219,116,925	-
Taxation - provision less payment	2,733,398	2,733,398	-
<b>Total liabilities of General Takaful Operations - Operator's Fund</b>	<b>234,267,828</b>	<b>234,267,828</b>	<b>-</b>
	<b>1,379,318,221</b>	<b>1,379,318,221</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

### 36.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will effect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Company is exposed to interest rate risk, currency risk and other price risk.

#### 36.3.1 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. Interest rate exposure arises from balances held in profit and loss sharing accounts with reputable banks and government securities. The Company limits interest rate risk by monitoring changes in interest rates. Other risk management procedures are the same as those mentioned in the credit risk management.

##### 36.3.1.1 Sensitivity analysis

At the balance sheet date the interest rate profile of the Company's interest-bearing financial instrument are as follows:

	2018	2017	2018	2017
Financial assets	Effective interest rate (in %)		..... (Rupees) .....	
Assets subject to fixed rate				
- Government securities	7.75% - 12.00%	8.75% - 12.00%	192,555,107	99,457,402
- Term deposits	8.00% - 10.00%	5.40% to 6.00%	200,000,000	350,000,000
- Loan to employees	0% to 5.00%	0% to 5.00%	4,075,915	2,272,240
Assets subject of variable rate				
- Debt securities	12.00% to 13.00%	-	30,000,000	-
- Advance to related parties	10.00% to 14.5%	10.00%	259,081,045	231,369,420
- Bank balances	4.75% - 7.00%	3.50% to 5.50%	90,628,115	97,373,857

#### *Fair value sensitivity analysis for fixed rate instruments*

The Company does not account for any fixed rate financial assets at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account and equity of the Company.

#### *Cash flow sensitivity analysis for variable rate instruments*

A hypothetical change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below.

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

	2018		2017	
	Profit and loss 100 bps Increase	Decrease	Profit and loss 100 bps Increase	Decrease
Cash flow sensitivity - Variable rate financial assets	9,062,812	(9,062,812)	9,737,386	(9,737,386)

### 36.3.1.2 Exposure to interest rate risk

A summary of the Company's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date, is as follows:

	2018			Total
	less than 1 year	1 year to 5 years	More than 5 years	
Assets	(Rupees)			
Investment in government securities	118,356,970	74,198,137	-	192,555,107
Investment in debt securities	-	-	30,000,000	30,000,000
Term deposits	200,000,000	-	-	200,000,000
Loans and other receivables	261,373,129	-	-	261,373,129
Bank balances	152,626,102	-	-	152,626,102
Total assets	732,356,201	74,198,137	30,000,000	836,554,338
Liabilities	-	-	-	-
Total interest sensitivity gap	732,356,201	74,198,137	30,000,000	836,554,338
	2017			Total
	less than 1 year	1 year to 5 years	More than 5 years	
Assets	(Rupees)			
Investment in debt securities	50,000,000	49,457,402	-	99,457,402
Term deposits	350,000,000	-	-	350,000,000
Loans and other receivables	238,083,631	-	-	238,083,631
Bank balances	133,592,489	-	-	133,592,489
Total assets	771,676,120	49,457,402	-	821,133,522
Liabilities	-	-	-	-
Total interest sensitivity gap	771,676,120	49,457,402	-	821,133,522

### 36.3.2 Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/ mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Company is exposed to equity price risk since it has investments in quoted equity securities at the balance sheet date.

The Company's strategy is to hold its strategic equity investments for long period of time. Thus, Company's management is not concerned with short term price fluctuations with respect to its strategic investments provided that the underlying business, economic and management characteristics of the investee remain favourable. Company strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity price volatility. Company manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

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

### 36.3.2.1 Sensitivity analysis

The table below summarizes Company's equity price risk as of 31 December 2018 and 2017 and shows the effects of a hypothetical 10% increase / decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse in Company's equity investment portfolio because of the nature of equity markets.

	Hypothetical price change	Estimated fair value after change in prices	Increase / (decrease) in shareholders' equity ..... (Rupees) .....	Increase (decrease) in profit before tax
31 December 2018	10% increase	275,626,509	25,056,955	25,056,955
	10% decrease	(275,626,509)	(25,056,955)	(25,056,955)
31 December 2017	10% increase	682,003,838	62,000,349	62,000,349
	10% decrease	(682,003,838)	(62,000,349)	(62,000,349)

### 36.3.3 Foreign currency risk

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

### 36.4 Capital Management

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

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

### 36.5 Fair value of financial assets and liabilities

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

Following are the assets which are either measured at fair value or for which fair value is only disclosed and is different from their carrying value:

	2018		
	Fair value measurement using		
	Level 1	Level 2	Level 3
	..... (Rupees) .....		
Available-sale-investments (measured at fair value)	250,569,554	30,000,000	-
Held-to-maturity (fair value only disclosed)	-	189,615,593	-
	<u>250,569,554</u>	<u>219,615,593</u>	<u>-</u>
	2017		
	Fair value measurement using		
	Level 1	Level 2	Level 3
	..... (Rupees) .....		
Available-sale-investments (measured at fair value)	620,003,489	-	-
Held-to-maturity (fair value only disclosed)	-	106,402,657	-
	<u>620,003,489</u>	<u>106,402,657</u>	<u>-</u>

### 37. STATEMENT OF SOLVENCY

	31 December 2018	31 December 2017
	..... (Rupees) .....	
Assets		
Property and equipment	120,491,630	79,476,151
Intangible assets	9,107,599	11,913,934
Investments		
Equity securities and mutual fund units	250,569,554	620,003,489
Government securities	192,555,107	99,457,402
Debt securities	30,000,000	-
Term deposits	200,000,000	350,000,000
Loans and other receivables	348,807,642	274,370,944
Insurance/ reinsurance receivable	147,146,207	258,493,867
Reinsurance recoveries against outstanding claims	10,529,385	21,515,947
Salvage recoveries accrued	57,187,621	40,201,886
Deferred commission expense	91,084,451	61,621,674
Deferred taxation	31,981,982	21,237,574
Taxation - Payment less provision	13,721,203	-
Prepayments	225,089,727	193,241,458
Cash and bank deposits	153,052,811	133,592,489
Assets of under takaful / Operations - Operator's Fund	370,022,394	335,497,378
Total Assets (A)	<u>2,251,347,315</u>	<u>2,500,624,193</u>

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

	31 December 2018	31 December 2017
	(Rupees)	
Property and equipment	87,600,106	33,850,745
Intangible assets	9,107,599	11,913,934
Investments		
Equity securities	79,480,800	95,040,000
Loans and other receivables	297,949,514	274,370,944
Insurance/ reinsurance receivable	35,772,946	138,964,892
Deferred taxation	31,981,982	21,237,574
Taxation - Payment less provision	13,721,203	-
Prepayments	-	16,245,351
Total of In-admissible Assets (B)	555,614,150	591,623,439
Total of Admissible Assets (C=A-B)	1,695,733,165	1,909,000,574
Total Liabilities		
Underwriting Provisions		
Outstanding claims including IBNR	136,343,591	129,515,223
Unearned premium reserves	636,445,691	671,873,202
Unearned reinsurance commission	19,506,278	4,358,320
Premium received in advance	4,629,066	2,779,623
Insurance / reinsurance payables	122,268,570	114,673,701
Other creditors and accruals	226,217,448	219,116,925
Taxation - Provision less payment	-	2,733,398
Total liabilities of Takaful Operations - OF	169,038,838	234,267,828
Total Liabilities (D)	1,314,449,482	1,379,318,220
Total Net Admissible Assets (E= C-D)	381,283,683	529,682,533
Minimum Solvency Requirement	(252,808,966)	(259,892,962)
Excess Solvency	128,474,717	269,789,572

### 38. PROVIDENT FUND

The following is based on the unaudited financial statements for the year ended 30 June 2018:

	31 December 2018	31 December 2017
	(Rupees)	
Size of the fund - Net Assets	44,718,337	36,024,169
Cost of investments	38,879,064	28,418,448
Percentage of investments made	88.20%	83.01%
Fair value of investments	39,442,786	29,903,546

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

38.1 The breakup of fair value of investments is as follows:

	2018	2017	2018 ..... (Rupees) .....	2017
Investment In Equity Securities	0.01%	0.01%	3,511	3,512
Investment In Government Securities	23.59%	61.63%	9,303,001	18,430,181
Investment In Unlisted Debt Securities	12.68%	-	5,000,000	-
Investment In Term Deposits	45.64%	-	18,000,000	-
Bank Balances	14.15%	33.17%	5,582,532	9,918,448
Mutual Funds	3.94%	5.19%	1,553,742	1,551,405
Total	100.00%	100.00%	39,442,786	29,903,546

38.2 The above investment / placement of funds in special bank account has been made in accordance with the provision of company Act 2017 and the rules formulated for this purpose.

### 39. CORRESPONDING FIGURES

Corresponding figures have been rearranged wherever necessary, for purposes of comparison. There were no material reclassification to report.

### 40. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on 21 February 2019 by the Board of Directors of the Company.

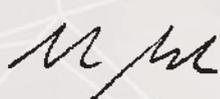
### 41. GENERAL

41.1 Figures have been rounded off to the nearest Rupee.

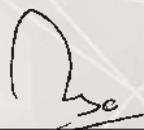
41.2 Total number of employees as at 31 December 2018 are 284 (2017: 259)



Director



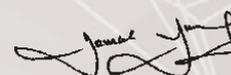
Director



Chief Financial Officer



Chief Executive Officer



Chairman



08

# WINDOW TAKAFUL OPERATIONS

- 8.1 SHARIAH ADVISOR'S REPORT
- 8.2 SHARIAH AUDITOR'S REPORT ON COMPLIANCE
- 8.3 STATEMENT OF COMPLIANCE WITH THE TAKAFUL RULES, 2012 AND SHARIA RULES AND PRINCIPLES
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- 8.9 NOTES TO THE FINANCIAL STATEMENTS

# SHARIAH ADVISOR'S REPORT 2018



الحمد لله رب العالمين والصلاة والسلام على رسوله الكريم

## INTRODUCTION:

Alhamdulillah, TPL Insurance Limited - Window Takaful Operations ("TPLI - WTO") has successfully completed its financial year ended 31st December 2018 with encouraging growth in contributions and number of participants.

I, acknowledge that as Shariah Advisor of the Company it is my responsibility to ensure that the financial arrangements, contracts, policies, operational processes and transactions entered into by the company with its participants and stakeholders are in compliance with the requirements of Shariah rules and in line with Takaful rules 2012. It is the responsibility of the company's management as Wakeel of PTF to ensure that the rules and principles issued by Shariah Advisor and the guidelines set by regulator are complied with and all policies and services being offered by the company are duly approved by the Shariah Advisor.

The Company arranged various internal training sessions for its employees on Takaful conducted by Shariah Compliance Department of the Company and is committed to disseminate regular training sessions. TPLI - WTO maintains all of its deposits in Riba free Banks and Shariah Compliant Mutual Funds as per investment guideline approved by its Shariah Advisor.

The Company has introduced a Shariah Compliant Mechanism to monitor the functions of TPLI-WTO. An effective Shariah compliance function is fundamental in achieving the objectives of Window Takaful Operations to operate as per Shariah principles and hence an experienced Islamic scholar acts as Shariah Compliance Officer. Shariah Compliance Officer ensures and supervise on daily basis that the functions of TPLI-WTO including policy issuance, re takaful arrangements, claim settlements and financial transactions are undertaken as per the applicable regulatory guidelines and instructions issued by the Shariah Advisor.

## SCOPE & OBJECTIVE OF SHARIAH REVIEW:

The scope of the Shariah Review is to evaluate the overall functions of TPLI - WTO in accordance with the Islamic Shariah Principles and guidelines laid by SECP. The objective of the Shariah Review is to determine that appropriate procedures and control mechanism is effectively in place for all major functions such as Policy issuance, Claims Settlements, Re-Takaful Arrangements, Financial transactions of the TPLI - WTO.

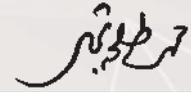
## CONCLUSION:

In my opinion, the overall structure and operations of TPLI - WTO are in accordance with Shariah Principles and Takaful Rules issued by SECP.

To gain further confidence of our participants, we should continuously revitalize our motives, intention and commitment towards promotion of Takaful concept. So as a Shariah Advisor, I am hopeful that the management will put its efforts to promote Takaful by introduction of new business channels and products in Takaful and improve the effectiveness of Takaful operations by introducing segregation of duties, conducting regular Takaful trainings and enhanced reporting mechanism.

The primary responsibility for ensuring Shariah Compliance lies with the management of TPLI-WTO. The services provided were reviewed and operations undertaken by TPLI - WTO during the year ended 31 December 2018 in my opinion, were found overall in conformity with the principles and guidelines of SECP.

Finally, I pray that Allah Ta'ala guide us to the righteous path. Allah Ta'ala knows better.



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Mufti Muhammad Talha Iqbal  
Shariah Advisor

Karachi: 21st February 2019

# INDEPENDENT REASONABLE ASSURANCE REPORT TO THE BOARD OF DIRECTORS ON THE STATEMENT OF MANAGEMENT'S ASSESSMENT OF COMPLIANCE WITH THE TAKAFUL RULES, 2012

## 1. Introduction

We were engaged by the Board of Directors of TPL Insurance Limited (the Operator) to report on the management's assessment of compliance of the Window Takaful Operations (Takaful Operations) of the Operator, as set out in the annexed Statement of Compliance (the Statement) prepared by the management for the year ended 31 December 2018, with the Takaful Rules, 2012, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

## 2. Applicable Criteria

The criteria against which the subject matter information (the Statement) is assessed is the Takaful Rules, 2012.

## 3. Responsibilities of Management

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

## 4. Our Independence and Quality Control

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

The firm applies International Standard on Quality Control 1 "Quality Control for firms that perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

This engagement was conducted by a multidisciplinary team including assurance practitioners and internal Shari'ah experts.

## 5. Our Responsibility and Summary of Work Performed

Our responsibility is to carry out an independent reasonable assurance engagement to express a conclusion as to whether the Statement is prepared in accordance with the applicable criteria, based on our work performed and the evidences obtained.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), 'Assurance Engagements other than audits or reviews of historical financial statements' (ISAE 3000) (Revised) issued by the International Auditing and Assurance Standards Board. ISAE 3000 (Revised) requires that we plan and perform this engagement to obtain reasonable level of assurance about whether the Statement presents fairly the status of compliance of the Takaful Operations with the Takaful Rules 2012, in all material respects.

The procedures selected by us for the engagement depended on our judgment, including the assessment of the, risks of the Operator's material non-compliance with the Takaful Rules 2012, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the Operator's compliance with the Takaful Rules, 2012, in order to design assurance procedures that are appropriate in the circumstances but not for the purpose of expressing a conclusion as to the effectiveness of the Operator's internal control over the Takaful Operations' compliance with the Takaful Rules, 2012. A system of internal control, because of its nature, may not prevent or detect all instances of non-compliance with the Takaful Rules, 2012, and consequently cannot provide absolute assurance that the objective of compliance with the Takaful Rules, 2012 will be met. Further, projection of any evaluation of effectiveness to future periods is subject to the risk that the controls may become inadequate or fail.

We have designed and performed necessary verification procedures on various financial arrangements, contracts, classes of transactions and related policies and procedures based on judgmental and systematic samples with regard to the compliance with Takaful Rules, 2012.

In performing our audit procedures necessary guidance on Shari'ah matters was provided by the internal Shari'ah experts.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## 6. Conclusion

In our opinion, the Statement for the year ended 31 December 2018 present fairly the status of compliance of the Takaful Operations of the Operator with the Takaful Rules, 2012, in all material respects.



Chartered Accountants  
Date: 21st February 2019  
Karachi

## STATEMENT OF COMPLIANCE WITH THE TAKAFUL RULES, 2012 AND SHARIAH RULES AND PRINCIPLES

The financial arrangements, contracts and transactions, entered into by TPL Insurance Limited – Window Takaful Operations (the Operator) for the year ended 31 December 2018 are in compliance with the Takaful Rules, 2012 and the Shariah Rules and Principles determined by the Shariah Advisor of the Operator, (Sharia Rules and Principles).

Further, we confirm that:

- The Operator has developed and implemented all the policies and procedures in accordance with the Takaful Rules, 2012 and rulings of the Shariah Advisor along with a comprehensive mechanism to ensure compliance with such rulings and Takaful Rules, 2012 in their overall operations. Further, the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee / Shariah Advisor and the Board of Directors have been implemented;
- The Operator has imparted trainings / orientations and ensured availability of all manuals / agreements approved by Shariah Advisor / Board of Directors to maintain the adequate level of awareness, capacity and sensitization of the staff, management;
- All the products and policies have been approved by Shariah Advisor and the financial arrangements including investments made, policies, contracts and transactions, entered into by Window Takaful Operations are in accordance with the polices approved by Shariah Advisor;
- The assets and liabilities of Operator are segregated from the TPL Insurance Limited's other assets and liabilities, at all times in accordance with the provisions of the Takaful Rules, 2012.

This has been duly confirmed by the Shariah Advisor of the Operator.



**Muhammad Aminuddin**  
Chief Executive Officer

Date: 21 February, 2019

# INDEPENDENT AUDITOR'S REPORT

## To the members of TPL Insurance Limited - Window Takaful Operations

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the annexed financial statements, which comprise the statements of financial position as at 31 December 2018, the statements of comprehensive income, the statements of changes in fund and the statements of cash flows of TPL Insurance Limited – Window Takaful Operations 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 statements of comprehensive income, the statements of changes in fund and the statements of cash flows together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Operator's affairs as at 31 December 2018 and the results of its takaful operations for the year then ended.

#### Basis for Opinion

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

#### Key Audit Matters

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

Following are the Key Audit Matters:

S. #	Key Audit Matter(s)	How the matter was addressed in our audit
1	<p>Liabilities in respect of Takaful contracts</p> <p>The liabilities in respect of Takaful contracts issued as of 31 December 2018 amounts to Rs.139 million (note 16 to the financial statement), which represent 13% of the Participants' Takaful Fund's (PTF) total liabilities. We considered adequacy of takaful liabilities as a key audit matter due to significant judgments involved in estimating the liabilities and use of experts in this regard.</p> <p>(Refer to note 3.4 and 25 to the financial statements for relevant disclosures).</p>	<p>Our key audit procedures included the following:</p> <ul style="list-style-type: none"> <li>- We assessed the controls over recording and settlement of claims in respect Takaful business and performed tests of such controls to check their effectiveness in relation to the year under audit.</li> <li>- In respect of adequacy of Takaful contract liabilities (including IBNR and premium deficiency reserve) which are measured on the basis of undiscounted value of expected future payments, we reviewed historical loss experience and other factors considered by the management expert in developing the expectations of future claim liabilities based on the contract issued at the reporting date. We checked that the methodology used by the management's expert in estimation claims liabilities is in accordance with the prescribed methodology. As part of our testing we also considered the competence and objectivity of the experts used by the management for this purpose.</li> <li>- For insurance claims we also evaluated the management estimates regarding cost of claims settlements by considering reports of independent surveyors and the estimates regarding salvage values of insured assets;</li> <li>- We performed subsequent review to identify any significant claims reported post year end which pertain to the financial year under audit; and</li> <li>- We assessed the adequacy of disclosures made in respect of takaful contract liabilities in accordance with the approved accounting standards as applicable in Pakistan.</li> </ul>
2	<p>Qard-e-Hasna Receivable from Participants' Takaful Fund (PTF)</p> <p>The SECP Takaful Rules, 2012 require that in case, admissible assets of PTF are not sufficient to cover its liabilities, the deficit shall be funded by way of actual transfer of funds as Qard-e-Hasna (interest free loan) from Operators' Fund to the PTF. As at 31 December 2018, the Operator has provided Qard-e-Hasna of Rs. 246.9 million (note 8 to the financial statements) from Operator's Fund to PTF.</p>	<p>Our key audit procedures included the following:</p> <ul style="list-style-type: none"> <li>- We reviewed the overall financial projections prepared by the management for the PTF including key assumptions underlying such projections such as expected growth in premiums and reduction in claims over future periods;</li> </ul>

S. #	Key Audit Matter(s)	How the matter was addressed in our audit
2	Qard-e-Hasna Receivable from Participants' Takaful Fund (PTF)	
	<p>The recoverability of Qard-e-Hasna from PTF depends on the surplus / profitability of PTF. For this purpose, the management of the Operator has prepared financial projections of PTF to assess impairment, if any, in respect of Qard-e-Hasna receivable (refer note 8.1 to the financial statements). We focused on this area due to the significance of the receivable to the financial statements as well as the involvement of management estimates.</p>	<ul style="list-style-type: none"> <li>- We obtained an understanding of the rationale and basis used by the management in respect of key assumptions and estimates used in developing the financial projections; and</li> <li>- We performed sensitivity analysis by applying appropriate hair-cuts on the key assumptions and evaluated the impact on the results shown by the projections; and We considered the appropriateness of the related disclosures in the financial statements.</li> </ul>
3	Impairment of mutual fund investments	
	<p>As disclosed in note 5 to the financial statements of the Operator for the year ended 31 December 2018, the Operator holds investments in listed mutual funds amounting to Rs. 82.9 million classified under the available for sale category.</p> <p>Due to sharp decline in market prices during the current year, the Operator has recognized an aggregate impairment charge of Rs. 15 million on such portfolio of investments.</p> <p>We have identified the impairment of equity investments as a key audit matter due to its significant impact on the financial statements and the management judgements that may be required in making the assessments about the impairment of financial assets.</p> <p>(Refer to note 3.18 and 5 to the financial statements for relevant disclosures).</p>	<p>Our key procedures included the following;</p> <ul style="list-style-type: none"> <li>- We reviewed the appropriateness of the accounting policies and practices followed by the Operator to recognize impairment of investments on the basis of the requirements of the financial reporting standards.</li> <li>- We obtained an understanding of the procedures applied by the Operator to identify impairments in the equity portfolio and observed the applications of such procedures.</li> <li>- We evaluated management's assessment of the indicators for impairment and compared the net asset values of respective mutual funds with their cost to check that the Operator's policy for impairment is consistently applied and impairment charge is appropriately recognized.</li> <li>- We checked the valuations of investments on the basis of net asset values of respective funds as at 31 December 2018.</li> <li>- We also assessed the adequacy of the overall disclosures in the financial statements in respect of the equity investment portfolio in accordance with the requirements of the financial reporting framework as applicable to the Operator.</li> </ul>

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

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

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

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

## Responsibilities of Management and Board of Directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the 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.

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

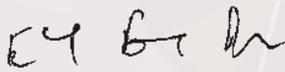
From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes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

## Report on Other Legal and Regulatory Requirements

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

- a) Proper books of account have been kept by the Operator as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);
- b) The statement of financial position, the statements of comprehensive income, the statement of changes in fund and the statements of cash flows 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 Arslan Khalid.



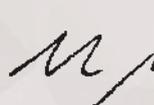
Chartered Accountants  
Karachi

Date: 21 February 2019

# WINDOW TAKAFUL OPERATIONS STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	2018			2017		
		Operators' Fund	Participants' Takaful Fund	Aggregate	Operators' Fund	Participants' Takaful Fund	Aggregate
<b>ASSETS</b>							
<b>Investments</b>							
Mutual Funds	5	-	82,945,792	82,945,792	-	63,856,353	63,856,353
Government Securities	6	-	100,278,988	100,278,988	-	-	-
Debt securities	7	-	20,000,000	20,000,000	-	-	-
Term deposits		-	150,000,000	150,000,000	75,000,000	5,000,000	80,000,000
		-	353,224,780	353,224,780	75,000,000	68,856,353	143,856,353
<b>Other receivables including Qard-e-Hasna to PTF of Rs. 246.9 million (2017 : 199 million)</b>							
		291,265,473	3,057,128	294,322,601	204,908,282	-	204,908,282
Accrued Investment Income		24,310	4,386,460	4,410,770	663,014	-	663,014
Takaful / retakaful receivable	9	-	151,157,841	151,157,841	-	190,121,088	190,121,088
Retakaful recoveries against outstanding claims		-	3,230,000	3,230,000	-	-	-
Salvage recoveries accrued		-	55,827,364	55,827,364	-	40,253,650	40,253,650
Deferred Wakala expense	19	-	120,781,703	120,781,703	-	173,113,525	173,113,525
Deferred commission expense	18	73,685,941	-	73,685,941	43,955,293	-	43,955,293
Receivable from TPL Insurance Limited		-	-	-	14,306,989	-	14,306,989
Prepayments	10	-	100,218,439	100,218,439	-	77,123,012	77,123,012
Bank balances	11	5,046,670	93,824,559	98,871,229	10,970,789	102,674,658	113,645,447
<b>Total assets</b>		<b>370,022,394</b>	<b>885,708,274</b>	<b>1,255,730,668</b>	<b>349,804,367</b>	<b>652,142,286</b>	<b>1,001,946,653</b>
<b>EQUITY AND LIABILITIES</b>							
<b>RESERVES ATTRIBUTABLE TO:</b>							
<b>- OPERATORS' FUND (OF)</b>							
Statutory Fund		50,000,000	-	50,000,000	50,000,000	-	50,000,000
Unappropriated profit		(50,801,948)	-	(50,801,948)	65,536,539	-	65,536,539
		(801,948)	-	(801,948)	115,536,539	-	115,536,539
<b>- WAQF / PARTICIPANT'S TAKAFUL FUND (PTF)</b>							
Ceded money		-	2,000,000	2,000,000	-	2,000,000	2,000,000
Accumulated deficit		-	(173,589,343)	(173,589,343)	-	(193,753,691)	(193,753,691)
Unrealized profit/(loss) on available-for-sale investments		-	1,311,533	1,311,533	-	(9,900,875)	(9,900,875)
Balance of WAQF / PTF		-	(170,277,810)	(170,277,810)	-	(201,654,566)	(201,654,566)
<b>LIABILITIES</b>							
<b>PTF Underwriting provisions</b>							
Outstanding claims (including IBNR)	16	-	139,070,744	139,070,744	-	98,896,694	98,896,694
Unearned contribution reserve	15	-	511,363,901	511,363,901	-	477,955,216	477,955,216
Unearned retakaful commission	18	-	4,727,505	4,727,505	-	1,040,281	1,040,281
Unearned Wakala Fee	19	120,781,703	-	120,781,703	173,113,525	-	173,113,525
Qard-e-Hasna	8	-	246,900,000	246,900,000	-	199,000,000	199,000,000
Contribution received in advance		-	4,066,280	4,066,280	-	1,661,239	1,661,239
Takaful / retakaful payable	12	-	67,060,239	67,060,239	-	44,251,205	44,251,205
Other creditors and accruals	13	17,834,328	64,090,456	81,924,784	30,029,429	16,383,382	46,412,811
Payable to TPL Insurance Limited	14	201,785,504	18,706,959	220,492,463	-	14,608,835	14,608,835
Taxation - payments less provision		30,422,807	-	30,422,807	31,124,874	-	31,124,874
<b>Total Liabilities</b>		<b>370,824,342</b>	<b>1,055,986,084</b>	<b>1,426,810,426</b>	<b>234,267,828</b>	<b>853,796,852</b>	<b>1,088,064,680</b>
<b>Total fund and liabilities</b>		<b>370,022,394</b>	<b>885,708,274</b>	<b>1,255,730,668</b>	<b>349,804,367</b>	<b>652,142,286</b>	<b>1,001,946,653</b>

The annexed notes from 1 to 29 form an integral part of these financial statements.

 Director	 Director	 Chief Financial Officer	 Chief Executive Officer	 Chairman
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# WINDOW TAKAFUL OPERATIONS STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	31 December 2018	31 December 2017
		(Rupees)	
<b>Participants' Takaful Fund</b>			
Net takaful contribution	15	982,560,117	769,318,368
Net takaful claims	16	(479,522,049)	(391,106,896)
Wakala fee	19	(331,943,038)	(328,934,265)
Direct expenses	21	(149,447,500)	(123,341,667)
Underwriting result		21,647,530	(74,064,460)
Investment income [includes impairment on available-for-sale investment of Rs. 15.4 million (2017 : NIL)]		(1,483,182)	4,192,313
Surplus / (deficit) for the year		20,164,348	(69,872,147)
Other comprehensive income :			
- Unrealised gain / (loss) on available-for-sale investments		11,212,408	(9,900,875)
Total comprehensive profit / (loss) for the year		31,376,756	(79,773,022)
<b>Operators' Fund</b>			
Wakala fee	19	331,943,038	328,934,265
Net commission expense	18	(101,047,971)	(46,220,882)
Management expenses	22	(274,161,268)	(196,156,689)
		(43,266,201)	86,556,694
Investment income including net of mudarib's share of loss of Rs. 0.64 million (2017: Profit of Rs. 1.80 million)		1,144,386	8,616,829
		(42,121,815)	95,173,523
Other expenses	23	(70,053,079)	(47,645,321)
(Loss) / profit before taxation		(112,174,894)	47,528,202
Taxation - net		(4,163,593)	(16,771,768)
(Loss) / profit after tax for the year		(116,338,487)	30,756,434
Other comprehensive income		-	-
Total comprehensive income / (loss) for the year		(116,338,487)	30,756,434

The annexed notes from 1 to 29 form an integral part of these financial statements.

Director

Director

Chief Financial Officer

Chief Executive Officer

Chairman

# WINDOW TAKAFUL OPERATIONS STATEMENT OF CHANGES IN FUND FOR THE YEAR ENDED 31 DECEMBER 2018

	Operators' Fund			Total
	Statutory Fund	Accumulated profit	Unrealized gain / (loss) on revaluation of available for sale investments - net of tax	
	------(Rupees)-----			
Balance as at 1 January 2017	50,000,000	34,780,105	-	84,780,105
Net profit for the year	-	30,756,434	-	30,756,434
Balance as at 31 December 2017	50,000,000	65,536,539	-	115,536,539
Balance as at 1 January 2018	50,000,000	65,536,539	-	115,536,539
Net loss for the year	-	(116,338,487)	-	(116,338,487)
Balance as at 31 December 2018	50,000,000	(50,801,948)	-	(801,948)

	Participants' Takaful Fund			Total
	Ceded money	Accumulated profit	Unrealized gain / (loss) on revaluation of available for sale investments - net of tax	
	------(Rupees)-----			
Balance as at 1 January 2017	2,000,000	(123,881,544)	-	(121,881,544)
Deficit for the year	-	(69,872,147)	-	(69,872,147)
Other comprehensive income	-	-	(9,900,875)	(9,900,875)
Balance as at 31 December 2017	2,000,000	(193,753,691)	(9,900,875)	(201,654,566)
Balance as at 1 January 2018	2,000,000	(193,753,691)	(9,900,875)	(201,654,566)
Surplus for the year	-	20,164,348	-	20,164,348
Unrealized gain on revaluations of - available-for-sale investments	-	-	11,212,408	11,212,408
Total comprehensive surplus for the year	-	20,164,348	11,212,408	31,376,756
Balance as at 31 December 2018	2,000,000	(173,589,343)	1,311,533	(170,277,810)

The annexed notes from 1 to 29 form an integral part of these financial statements.

Director

Director

Chief Financial Officer

Chief Executive Officer

Chairman

# WINDOW TAKAFUL OPERATIONS STATEMENT OF CASH FLOW

## FOR THE YEAR ENDED 31 DECEMBER 2018

	Operator's Fund	Participants' Takaful Fund	2018 Aggregate	2017 Aggregate
------(Rupees)-----				
Operating activities				
(a) Takaful activities				
Contributions received	-	1,105,874,429	1,105,874,429	815,977,630
Retakaful contribution paid	-	(38,160,400)	(38,160,400)	858,364
Claims paid	-	(430,948,813)	(430,948,813)	(451,927,158)
Retakaful and other recoveries received	-	77,872,182	77,872,182	87,512,124
Commission paid	(143,311,364)	-	(143,311,364)	(68,780,861)
Wakala fees received	271,022,250	-	271,022,250	439,631,476
Wakala fees paid	-	(271,022,250)	(271,022,250)	(439,631,476)
Mudarib fees received	5,096,164	-	5,096,164	-
Mudarib fees paid	-	(5,096,164)	(5,096,164)	-
Net cash inflow from takaful activities	132,807,050	438,518,984	571,326,034	383,640,099
(b) Other operating activities				
Income tax adjustment / paid	(4,865,660)	-	(4,865,660)	2,332,897
Direct expenses paid	-	(215,607,773)	(215,607,773)	(134,652,798)
Management and other expenses paid	(163,384,248)	-	(163,384,248)	(235,777,104)
Other operating (payments) / receipts	-	-	-	(61,468,395)
Net cash outflow from other operating activities	(168,249,908)	(215,607,773)	(383,857,681)	(429,565,400)
Total cash flow from all operating activities	(35,442,858)	222,911,211	187,468,353	(45,925,301)
Investment activities				
Profit / return received	2,418,739	8,940,416	11,359,154	13,877,056
Investment in Mutual Funds - net	-	(23,322,737)	(23,322,737)	(73,757,228)
Qard-e-Hasna	(47,900,000)	47,900,000	-	-
Payments for purchase of investments	-	(120,278,988)	(120,278,988)	-
Total cash flow from investing activities	(45,481,261)	(86,761,309)	(132,242,571)	(59,880,172)

# WINDOW TAKAFUL OPERATIONS STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2018

	Operator's Fund	Participants' Takaful Fund	2018 Aggregate	2017 Aggregate
------(Rupees)-----				
Net cash flow from all activities	(80,924,119)	136,149,902	55,225,782	(105,805,473)
Cash and cash equivalent at beginning of the year	85,970,789	107,674,658	193,645,447	299,450,920
Cash and cash equivalent at end of the year	5,046,670	243,824,560	248,871,229	193,645,447
Reconciliation to profit and loss account				
Operating cash flows	(35,442,858)	222,911,211	187,468,353	(45,925,301)
Profit on term deposit	2,418,739	8,940,416	11,359,155	13,877,056
Increase in assets other than cash	50,185,018	(45,009,468)	5,175,550	110,368,331
Increase in liabilities	(133,499,386)	(166,677,811)	(300,177,197)	(117,435,799)
Profit / (loss) after taxation	(116,338,487)	20,164,348	(96,174,139)	(39,115,713)
Attributed to:				
Operators' Fund			(116,338,487)	30,756,434
Participants' Takaful Fund			20,164,348	(69,872,147)
			(96,174,139)	(39,115,713)

## Definition of cash

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

The annexed notes from 1 to 29 form an integral part of these financial statements.

Director

Director

Chief Financial Officer

Chief Executive Officer

Chairman

# WINDOW TAKAFUL OPERATIONS NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

## 1. STATUS AND NATURE OF BUSINESS

1.1 TPL Insurance Limited (the Company) was incorporated in Pakistan in 1992 as a public limited company under the Companies Ordinance, 1984 (now Companies Act, 2017) to carry on general insurance business. The Company was allowed to work as Window Takaful Operator on 04 September 2014 by Securities and Exchange Commission of Pakistan (SECP) under SECP Takaful Rules, 2012 to carry on General Window Takaful Operations in Pakistan. The Company is listed at Pakistan Stock Exchange Limited. The principal office of the Operator is located at 12th Floor, Centrepoint, Off Shaheed-e-Millat Expressway, Near KPT Interchange Flyover, Karachi, Pakistan.

1.2 For the purpose of carrying on the takaful business, the Operator formed a Waqf / Participant Takaful Fund (PTF) on 20 August 2014 under the Waqf deed. The Waqf deed governs the relationship of Operator and Participants for management of takaful operations.

## 2. BASIS OF PREPARATION

These financial statements have been prepared in line with the format issued by the SECP through Insurance Rules, 2017, and SECP circular no 25 of 2015 dated 9 July 2015.

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

### 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 comprise of:

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

2.1.2 In terms of the requirements of the Takaful Rules 2012, read with SECP Circular 25 of 2015 dated 09 July 2015, the assets, liabilities and profit and loss of the Operator's Fund of the General Takaful Operations of the Company have been presented as a single line item in the balance sheet and profit and loss account of the Company respectively.

### 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.

### 2.3 Functional and presentation currency

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

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

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

# WINDOW TAKAFUL OPERATIONS NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

## Standard or Interpretation

- IFRS 2 - Share-based Payments - Classification and Measurement of Share-based Payments Transactions (Amendments)
- IFRS 4 - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - (Amendments)
- IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

## Improvements to Accounting Standards Issued by the IASB in December 2016

- IAS 28 - Investments in Associates and Joint Ventures: Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

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

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

2.5.1 The following standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned there against:

Standard, Interpretations and Amendments	Effective date (accounting periods beginning on or after)
- IFRS 3 - Definition of a Business (Amendments)	January 01, 2020
- IFRS 9 - Financial Instruments: Classification and Measurement	July 01, 2018
- IFRS 9 - Prepayment Features with Negative Compensation - (Amendments)	January 01, 2019
- IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
- IFRS 15 - Revenue from Contracts with Customers	July 01, 2018
- IFRS 16 - Leases	January 01, 2019
- IFRIC 23 - Uncertainty over Income Tax Treatments	January 01, 2019
- IAS 1/ IAS 8 - Definition of Material (Amendments)	January 01, 2020
- IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)	January 01, 2019
- IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments)	January 01, 2019

2.5.2 The above standards, amendments and interpretations are not expected to have any material impact on the Company's financial statements in the period of initial application.

2.5.3 In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2019. The operator expects that such improvements to the standards will not have any impact on the operator's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

## Standards

- IFRS 14 - Regulatory Deferral Accounts
- IFRS 17 - Insurance Contracts

# WINDOW TAKAFUL OPERATIONS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 3. SIGNIFICANT ACCOUNTING POLICIES

##### 3.1 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.

A separate Participants Takaful Fund (PTF) is created in which all contribution received under general takaful contribution net off any government levies and administrative surcharge are credited. The role of takaful operator is of the management of the PTF. At the initial stage of the setup of the PTF, the takaful operator makes an initial donation to the PTF. The terms of the takaful contracts are in accordance with the generally accepted principles and norms of insurance business suitably modified with guidance by the Shariah Advisor of the Takaful operator.

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 Operator underwrites non-life takaful contracts that can be categorised into Fire and Property Damage, Marine, Aviation and Transport, Motor and Miscellaneous contracts. Contracts may be concluded for a fixed term of one year, for less than one year and in some cases for more than one year. However, most of the contracts are for twelve months duration. Takaful contracts entered into by the Operator under which the contract holder is another Takaful Operator (inwards retakaful) of a facultative nature are included within the individual category of takaful contracts, other than those which fall under Treaty. The takaful risk involved in these contracts is similar to the contracts undertaken by the Operator as takaful operator.

Fire and Property takaful contracts mainly compensate the customers for damage suffered to their property. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the covered properties in their business activities (business interruption cover).

Marine, Aviation and Transport class of business provides coverage against loss and damage to goods in transit by any means of conveyance, physical loss or damage to aircraft, ships and liabilities to third parties and passengers arising from their use.

Motor takaful covers physical loss or damage to the vehicle and liabilities to third parties as provided under the requirements of the Motor Vehicle Ordinance, 1965.

All other takaful contracts like cash in hand, cash in transit, personal accident, infidelity, public liabilities, health, crop, livestock, travel, bankers and other financial institutions packages, product liabilities, professional indemnity, workers compensation etc. are included under Miscellaneous takaful cover.

##### 3.2 Contribution

Contribution income net off administrative surcharge under a policy is recognised over the period of takaful from the date of inception of the policy to which it relates to its expiry as follows:

Administrative surcharge is recognised as income at the time policies are written in OF.

Contribution income net off administrative surcharge under a policy is recognised after taking into account the unearned portion of premium by applying 1/24th method as prescribed by the Insurance Rules, 2017. The unearned portion of contribution is recognised as liability.

Contribution due but unpaid under takaful 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 receivable is impaired, the Operator reduces the carrying amount of the receivable accordingly and recognizes it as impairment loss.

# WINDOW TAKAFUL OPERATIONS NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

## 3.3 Re-takaful contracts

Re-takaful expense is recognised evenly in the period of indemnity. The portion of retakaful contribution not recognised as an expense is shown as a prepayment which is calculated in the same manner as of unearned contribution.

Rebate from retakaful operators is recognised at the time of issuance of the underlying takaful policy by the Operator. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the retakaful contribution to which it relates. Receivable against claims from the retakaful operators are recognised as an asset at the same time as the claims which gives rise to the right of recovery are recognised as a liability and are measured at the amount expected to be recovered after considering an impairment in relation thereto.

Amount due from other takaful / re-takaful are carried at cost less provision for impairment, if any. Cost represents the fair value of consideration to be received in the future.

Amount due to takaful / re-takaful companies represent the balance due to re-takaful companies.

Re-takaful assets or liabilities are derecognised when the contractual rights are extinguished or expired.

## 3.4 Claims expense

Takaful claims include all claims incurred 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, and any adjustments to claims outstanding from previous years.

The PTF recognises liability in respect of all claims incurred upto the balance sheet date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in a takaful contract.

The provision for claims incurred but not reported (IBNR) is made at the balance sheet date. In accordance with SECP circular no. 9 of 2016, the Operator takes actuarial advice for the determination of IBNR claims. Provision for IBNR claims is estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level.

## 3.5 Retakaful recoveries against outstanding claims

Claims recoveries against outstanding claims from the retakaful operator and salvage 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.

## 3.6 Commission

Commission expense incurred in obtaining and recording policies is deferred and recognised in profit and loss account as an expense in accordance with the pattern of recognition of contribution revenue.

Commission income from retakaful is recognised at the time of issuance of the underlying takaful policy. These are deferred and recognised as liability and recognised in the profit and loss account as revenue in accordance with the pattern of recognition of the retakaful contributions.

# WINDOW TAKAFUL OPERATIONS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 3.7 Contribution deficiency reserve

The PTF is required as per Insurance Rules, 2017 and IFRS-4, 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 retakaful, from claims and other expenses, including retakaful expense, commissions and other underwriting expenses, expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the balance sheet date. The movement in the contribution deficiency reserve is recorded as an expense in the profit and loss account and the same shall be recognised as a liability.

For this purpose, loss ratios for each class are estimated based on historical claim development. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. If these ratios are adverse, contribution deficiency is determined. Further actuarial valuation has been carried out to determine the amount of contribution deficiency reserve in respect of Health insurance as required by SRO 16 (I) / 2012 issued by Securities and Exchange Commission of Pakistan on 9 January 2012.

#### 3.8 Wakala and Mudarib fees

The Takaful operator manages the general takaful operations for the Participants. With effect from 1 January 2018, wakala fee has been reduced to 25% of the gross contribution on all classes of business except health business. No wakala fee is charged on health business. Wakala fee under a policy is recognised, evenly over the period of takaful from the date of issuance of the policy till the date of its expiry.

The Takaful operator also manages the participants' investment as Mudarib and charges 30% of the investment \ deposit income earned by the Participants' Takaful Fund as Mudarib's share.

Administrative surcharge is included in Wakala Fee at the date of inception of policy to which it relates.

#### 3.9 Revenue recognition

##### 3.9.1 Contribution

The revenue recognition policy for contributions is given under note 3.2.

##### 3.9.2 Commission from reinsurers

The revenue recognition policy for commission from retakaful is given under note 3.6.

##### 3.9.3 Dividend income

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

##### 3.9.4 Gain / loss on sale / redemption of investments

Gain / loss on sale / redemption of investments is taken to profit and loss account in the year of sale / redemption.

##### 3.9.5 Income on held to maturity investment

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

##### 3.9.6 Profit on bank accounts and deposits

Profit on bank accounts and deposits is recognised on accrual basis.

# WINDOW TAKAFUL OPERATIONS NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

## 3.10 Management expenses

Underwriting expenses have been allocated to various classes of business on a basis deemed equitable by the management of operator. Expenses not attributable to the underwriting business are charged as administrative expenses.

## 3.11 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.

## 3.12 Qard-e-Hasna

Qard-e-hasna is provided by Operators' Fund to Participants Takaful Fund in case of deficit in PTF. Qard-e-Hasna is recognised at the amount provided to Participant Takaful Fund less impairment, if any.

## 3.13 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 future for the goods and / or services received, whether or not billed to the Operator.

Provisions are recognised when the Operator/PTF has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current estimate.

## 3.14 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand, stamps in hand and deposits with banks (except for the deposit placed with statutory requirement) net off short term running finance.

## 3.15 Sundry receivable

These are recognised at cost, which is the fair value of the consideration given. However, an assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognised for the difference between the recoverable amount and the carrying amount.

## 3.16 Impairment

The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

Provisions for impairment are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Changes in the provisions are recognised as income or expense.

# WINDOW TAKAFUL OPERATIONS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 3.17 Taxation

##### 3.17.1 Current

Provision for current taxation is based on 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 year for such years.

##### 3.17.2 Deferred

Deferred tax is accounted for using the balance sheet liability method, in respect of temporary differences arising at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recognised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is utilized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the profit and loss account except in the case of items credited or charged to equity in which case it is included in equity.

#### 3.18 Investments

##### 3.18.1 Recognition

All investments are initially recognised at cost, being the fair value of the consideration given and include transaction costs except for held for trading investments in which case transaction costs are charged to the profit and loss account. All purchase and sale of investments that require delivery within the required time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investments. These are recognised and classified as follows:

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

##### 3.18.2 Measurement

##### 3.18.2.1 Investment at fair value through profit or loss (held for trading)

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

Subsequent to initial recognition these are remeasured 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.

# WINDOW TAKAFUL OPERATIONS NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

## 3.18.2.2 Available for sale

Available for Sale investments are those non-derivative instruments / contracts that are designated as available for sale or are not classified in any other category.

At the time of acquisition, investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale.

Subsequent to initial measurement, these are remeasured at fair value. Surplus / (deficit) on revaluation from one reporting date to other is taken to other comprehensive income in the statement of comprehensive income. On derecognition or impairment of available-for-sale investments, the cumulative gain or loss previously reported in other comprehensive income is transferred to profit and loss for period within statement of comprehensive income.

These are reviewed for impairment at year end. The Operator considers that available-for-sale equity investments and mutual funds are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. The Operator considers that a decline of 30% in the market value of any scrip below its cost shall constitute as a significant decline and where market value remains below the cost for a period of one year shall constitute as a prolonged decline. Any losses arising from impairment in values are charged to the profit and loss account.

## 3.18.2.3 Held-to-maturity

At the time of acquisition, investments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held-to-maturity.

Subsequently, these are measured at amortised cost less provision for impairment in value, if any. Amortised cost is calculated by taking into account any discount or premium on acquisition by using the effective yield method.

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

These are reviewed for impairment at year end and any losses arising from impairment in values are charged to the profit and loss account.

## 3.19 Staff retirement benefits

The Operator operates funded contributory provident fund (defined contribution plan) for all permanent employees. Equal contributions are made by the Operator and the employees at the rate 8.33% of basic salary, to the fund.

## 3.20 Financial instruments

Financial assets and financial liabilities within the scope of IAS - 39 are recognised at the time when the Operator becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expire or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liabilities is recognised in the profit and loss account of the current year.

Financial instruments carried on the balance sheet include bank deposits, investments, contribution due but unpaid, contribution received in advance, amount due from other takaful / retakaful operator, accrued investment income, retakaful recoveries against outstanding claims, sundry receivables, advances and deposits, provision for outstanding claims, amount due to other takaful / retakaful operators, accrued expenses, other creditors and accruals, short term running finance and obligation under finance lease. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

# WINDOW TAKAFUL OPERATIONS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 3.21 Off setting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet, if the Operator has a legally enforceable right to set-off and the Operator intends either to settle the assets and liabilities on a net basis or to realise the asset and settle the liability simultaneously.

#### 3.22 Foreign currency translations

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

#### 3.23 Operating segments

An operating segment is a component of the Operator that engages in business activities from which it may earn revenues and incur expenses. The Operator presents segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2017 as the primary reporting format.

The Operator has five primary business segments for reporting purposes namely, fire and property, marine, health, motor and miscellaneous. The nature and business activities of these segments are disclosed in note no. 3.1.

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

#### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Operator's accounting policies. The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the 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. The areas involving a higher degree of judgment or complexity, or areas where assumption and estimates are significant to the financial statements, or judgments were exercised in application of accounting policies are as follows:

- Classification of Takaful Contracts (note 3.1)
- Provision for unearned contribution (note 3.2)
- Provision for outstanding claims including IBNR (note 3.4)
- Contribution deficiency reserve (note 3.7)
- Provision for current and deferred tax (note 3.17)
- Provisions (note 3.13)

# WINDOW TAKAFUL OPERATIONS NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

## 5. INVESTMENT IN MUTUAL FUNDS - AVAILABLE-FOR-SALE

	2018				2017			
	Cost	Impairment / Provision	Revaluation surplus/(deficit)	Carrying Value	Cost	Impairment / Provision	Revaluation surplus/(deficit)	Carrying Value
Mutual funds								
MCB Arif Habib AlHamra Islamic Stock Fund	72,079,965	(15,445,707)	-	56,634,258	72,204,234	-	(10,066,333)	62,137,901
MCB Arif Habib AlHamra Islamic Income Fund	-	-	1,311,534	26,311,534	1,552,994	-	165,458	1,718,452
AKD Islamic Income Fund	97,079,965	(15,445,707)	1,311,534	82,945,792	73,757,228	-	(9,900,875)	63,856,353

## 6. INVESTMENT IN GOVERNMENT SECURITIES

Held to maturity - PTF

Government of Pakistan Sukkuk

	31 December 2018	31 December 2017
Note		(Rupees)
6.1	100,278,988	-
	100,278,988	-

6.1 This represents the Sukkuk issued by Government of Pakistan and carries markup rate of 6.1%.

## 7. INVESTMENT IN DEBT SECURITIES - AVAILABLE FOR SALE

PTF	Note	2018				2017			
		Cost	Impairment / Provision	Revaluation surplus/(deficit)	Carrying Value	Cost	Impairment / Provision	Revaluation surplus/(deficit)	Carrying Value
Term Finance Certificates	7.1	20,000,000	-	-	20,000,000	-	-	-	-

7.1 This represents Term Finance Certificates of Dubai Islamic Bank and carry mark-up of 12.27%. PTF holds 4,000 certificates of Rs. 5,000/- each.

# WINDOW TAKAFUL OPERATIONS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2018

## 8. OTHER RECEIVABLES

	Note	2018		
		OF	PTF	Total
		----- (Rupees) -----		
Wakala fee		11,822,563	-	11,822,563
Taxes and Duties receivable		32,542,910	-	32,542,910
Qard e Hasna	8.1	246,900,000	-	246,900,000
Mudarib fee		-	3,057,128	3,057,128
		<u>291,265,473</u>	<u>3,057,128</u>	<u>294,322,601</u>
		----- (Rupees) -----		
		2017		
		OF	PTF	Total
		----- (Rupees) -----		
Wakala fee		3,233,597	-	3,233,597
Qard e Hasna	8.1	199,000,000	-	199,000,000
Mudarib fee		2,674,685	-	2,674,685
		<u>204,908,282</u>	<u>-</u>	<u>204,908,282</u>

8.1	Qard e Hasna	31 December	31 December
		2018	2017
		----- (Rupees) -----	
	Balance as at the beginning of the year	199,000,000	110,000,000
	Qard e Hasna provided during the year	47,900,000	89,000,000
	Balance as at the end of the year	<u>246,900,000</u>	<u>199,000,000</u>

In accordance with the Takaful Rules, 2012, if at any point in time, assets in participant takaful fund are not sufficient to cover its liabilities, the deficit shall be funded by way of an interest free loan (Qard-e-Hasna) from Operator Fund. In the event of future surplus in the Participant Takaful Fund to which a Qard-e-Hasna has been made, the Qard-e-Hasna shall be repaid prior to distribution of surplus to participants.

The Operator has prepared financial projections of Participant Fund and based on such financial projections believes that the Participant Takaful Fund would be able to repay Qard-e-Hasna to Operator's Fund. During the period, the Operator has reduced the Wakala Fee to 25% on all classes of business except health business. No wakala fee is charged on health business with effect from January 01, 2018.

9.	TAKAFUL / RETAKAFUL RECEIVABLE	31 December	31 December
		2018	2017
		----- (Rupees) -----	
	Due from Takaful contract holders		
	Considered good	149,745,680	188,753,806
	Considered doubtful	6,000,000	1,000,000
	Less: Provision for impairment of receivables from takaful contract holders.	(6,000,000)	(1,000,000)
		-	-
	Due from other takaful/ retakaful operators - Considered good	1,412,161	1,367,282
		<u>151,157,841</u>	<u>190,121,088</u>

# WINDOW TAKAFUL OPERATIONS NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

## 10 PREPAYMENTS

	Note	2018		
		OF	PTF	Total
		----- (Rupees) -----		
Prepaid				
- annual monitoring and other charges		-	65,707,498	65,707,498
- retakaful contribution ceded		-	34,510,941	34,510,941
		<u>-</u>	<u>100,218,439</u>	<u>100,218,439</u>
		----- (Rupees) -----		
Prepaid				
- annual monitoring and other charges		-	61,044,166	61,044,166
- retakaful contribution ceded		-	16,078,846	16,078,846
		<u>-</u>	<u>77,123,012</u>	<u>77,123,012</u>

## 11 BANK BALANCES

		2018		
		OF	PTF	Total
		----- (Rupees) -----		
Cash and cash equivalent Current Accounts		-	74,945	74,945
Profit and loss sharing (PLS) accounts	11.1 and 11.2	5,046,670	93,749,614	98,796,284
		<u>5,046,670</u>	<u>93,824,559</u>	<u>98,871,229</u>
		----- (Rupees) -----		
Cash and cash equivalent Current Accounts		-	111,367	111,367
Profit and loss sharing (PLS) accounts	11.1 and 11.2	10,970,789	102,563,291	113,534,080
		<u>10,970,789</u>	<u>102,674,658</u>	<u>113,645,447</u>

### 11.1 Cash and cash equivalents for the purpose of statement of cash flows:

	2018		
	OF	PTF	Total
	----- (Rupees) -----		
Cash and cash equivalent	5,046,670	93,824,559	98,871,229
Term deposit receipts	-	150,000,000	150,000,000
	<u>5,046,670</u>	<u>243,824,559</u>	<u>248,871,229</u>

# WINDOW TAKAFUL OPERATIONS NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

		2017		
		OF	PTF	Total
		----- (Rupees) -----		
		10,970,789	102,674,658	113,645,447
		75,000,000	5,000,000	80,000,000
		<u>85,970,789</u>	<u>107,674,658</u>	<u>193,645,447</u>
11.2	These accounts carry profit at a rate between 4.75% to 7.00% (2017: 3.5% to 5.6%) per annum.			
12.	TAKAFUL/ RETAKAFUL PAYABLE			
			2018	2017
			PTF	PTF
			----- (Rupees) -----	
	Amount due to other takaful / retakaful operator		<u>67,060,239</u>	<u>44,251,205</u>
13.	OTHER CREDITORS AND ACCRUALS			
	Note		2018	
		OF	PTF	Total
		----- (Rupees) -----		
		2,673,420	966,502	3,639,922
		-	11,822,563	11,822,563
		3,057,128	-	3,057,128
		-	892,794	892,794
		-	11,084,491	11,084,491
		4,102,721	-	4,102,721
		-	32,542,910	32,542,910
	13.1 and	5,539,669	3,213,416	8,753,085
	13.2	2,461,390	3,567,780	6,029,170
		<u>17,834,328</u>	<u>64,090,456</u>	<u>81,924,784</u>
			2017	
		OF	PTF	Total
		----- (Rupees) -----		
		1,809,135	643,940	2,453,075
		-	3,233,597	3,233,597
		-	-	-
		-	2,674,685	2,674,685
		-	871,552	871,552
		-	8,959,608	8,959,608
		20,322,690	-	20,322,690
		5,851,113	-	5,851,113
		2,046,491	-	2,046,491
		<u>30,029,429</u>	<u>16,383,382</u>	<u>46,412,811</u>
13.1	This includes Rs. 3.2 million in respect of time barred cheques.			

# WINDOW TAKAFUL OPERATIONS NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

13.2 This includes outstanding claims in respect of which cheques aggregating to Rs. 1.768 million (2017: 2.722 million) have been issued by the Operator for claim settlement but the same have not been encashed by the claimant.

13.3 The following is the ageing as required by SECP circular 11 of 2014 dated 19 May 2014:

	31 December 2018	31 December 2017
	(Rupees)	
- More than 6 months	1,767,917	2,721,835
- 1 to 6 months (included in provision for outstanding claims)	11,225,109	637,584
	<u>12,993,026</u>	<u>3,359,419</u>

Claims not encashed	AGE-WISE BREAKUP				TOTAL
	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	
2018	11,225,109	1,015,031	752,886	-	12,993,026
2017	637,584	1,865,781	513,502	342,552	3,359,419

## 14. PAYABLE TO TPL INSURANCE LIMITED

This represents payable in respect of funds provided by TPL Insurance to meet expenses and to provide Qard-e-Hasna to Participants' Takaful Fund.

	31 December 2018	31 December 2017
	(Rupees)	
<b>15. NET TAKAFUL CONTRIBUTION</b>		
Written gross contribution	1,058,506,141	909,018,216
Add: Unearned contribution reserve opening	477,955,216	353,131,293
Less: Unearned contribution reserve closing	(511,363,901)	(477,955,216)
Contribution earned	1,025,097,456	784,194,293
Less: Retakaful contribution ceded	60,969,434	23,080,933
Add: Prepaid retakaful contribution opening	16,078,846	7,873,838
Less: Prepaid retakaful contribution closing	(34,510,941)	(16,078,846)
Retakaful expense	42,537,339	14,875,925
Net takaful contribution	<u>982,560,117</u>	<u>769,318,368</u>

# WINDOW TAKAFUL OPERATIONS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2018

16. NET TAKAFUL CLAIMS EXPENSE	31 December 2018	31 December 2017
	(Rupees)	
Claims paid or payable	579,415,934	451,927,158
Add: Outstanding claims including IBNR closing	139,070,744	98,896,694
Less: Outstanding claims including IBNR opening	(98,896,694)	(63,703,488)
Claims expense	<u>619,589,984</u>	<u>487,120,364</u>
Less: Retakaful and other recoveries received	121,264,221	87,512,124
Add: Retakaful and other recoveries in respect of outstanding claims net of impairment - closing	59,057,364	40,253,650
Less: Retakaful and other recoveries in respect of outstanding claims net of impairment - opening	(40,253,650)	(31,752,306)
Retakaful and other recoveries revenue	140,067,935	96,013,468
Net takaful claims expense	<u>479,522,049</u>	<u>391,106,896</u>

#### 17. CLAIM DEVELOPMENT TABLE

The following table shows the development of claims over a period of time on gross basis. For each class of business the uncertainty about the amount and timings of claims payment is usually resolved within a year.

Accident year	2014	2015	2016	2017	2018	Total
	(Rupees)					
Estimate of ultimate claims cost:						
At end of accident year	4,674,723	190,721,464	381,323,105	480,355,303	613,435,787	1,670,510,382
One year later	4,674,723	205,217,425	389,247,844	487,410,451	-	1,086,550,443
Two year later	4,611,264	204,057,746	388,529,318	-	-	597,198,328
Three years later	4,611,264	204,298,155	-	-	-	208,909,419
Four years later	4,611,264	-	-	-	-	4,611,264
Estimate of cumulative claims	<u>4,611,264</u>	<u>204,298,155</u>	<u>388,529,318</u>	<u>487,410,451</u>	<u>613,435,787</u>	<u>1,698,284,975</u>
Cumulative payments to date	(4,611,264)	(204,198,155)	(386,489,468)	(485,570,737)	(478,344,607)	(1,559,214,231)
Liability for outstanding claims	<u>-</u>	<u>100,000</u>	<u>2,039,850</u>	<u>1,839,714</u>	<u>135,091,180</u>	<u>139,070,744</u>

18. NET COMMISSION EXPENSE	31 December 2018	31 December 2017
	(Rupees)	
Commissions paid or payable	134,083,835	77,601,437
Add: Deferred commission - opening	43,955,293	13,089,882
Less: Deferred commission - closing	(73,685,941)	(43,955,293)
Commission expense	<u>104,353,187</u>	<u>46,736,026</u>
Less: commission from reinsurers	6,992,440	1,519,741
Commission received or receivable	1,040,281	35,684
Add: Deferred commission - opening	(4,727,505)	(1,040,281)
Less: Deferred commission - closing	3,305,216	515,144
Commission from reinsurance	<u>101,047,971</u>	<u>46,220,882</u>
Net commission expense	<u>101,047,971</u>	<u>46,220,882</u>

# WINDOW TAKAFUL OPERATIONS NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

		31 December 2018	31 December 2017
		(Rupees)	
19.	NET WAKALA FEE		
	Gross Wakala Fee	279,611,216	360,795,273
	Add: Deferred wakala fee - opening	173,113,525	141,252,517
	Less: Deferred wakala fee - closing	(120,781,703)	(173,113,525)
	Net wakala fee	<u>331,943,038</u>	<u>328,934,265</u>

## 20. SEGMENT INFORMATION

		For the year ended 31 December 2018					
		Fire & property damage	Marine	Motor	Health	Miscellaneous	Aggregate
		(Rupees)					
20.1	Participants' Takaful Fund						
	Gross Written Contribution (inclusive of Administrative Surcharge)	27,105,073	10,871,147	976,809,509	43,517,772	202,640	1,058,506,141
	Takaful contribution earned	23,371,217	10,074,354	974,477,566	16,991,920	182,399	1,025,097,456
	Takaful contribution ceded to retakaful operators	(17,202,157)	(6,626,032)	(18,709,150)	-	-	(42,537,339)
	Net takaful contribution	6,169,060	3,448,322	955,768,416	16,991,920	182,399	982,560,117
	Net underwriting income	6,169,060	3,448,322	955,768,416	16,991,920	182,399	982,560,117
	Takaful claims	(6,849,846)	(408,175)	(587,185,839)	(24,911,924)	(234,200)	(619,589,984)
	Retakaful claims and other recoveries	6,157,634	126,540	133,783,761	-	-	140,067,935
	Net Claims	(692,212)	(281,635)	(453,402,078)	(24,911,924)	(234,200)	(479,522,049)
	Wakala expensed during the period	(7,619,657)	(3,009,275)	(320,575,518)	(684,494)	(54,093)	(331,943,038)
	Direct expenses	-	-	(149,447,499)	-	-	(149,447,500)
	Underwriting result	(2,142,809)	157,412	32,343,321	(8,604,498)	(105,894)	21,647,530
	Investment income						(1,483,182)
	Deficit for the period						<u>20,164,348</u>
20.2	Operator's Fund						
	Wakala fee	7,619,657	3,009,275	320,575,518	684,494	54,093	331,943,038
	Commission income	2,445,716	187,684	671,816	-	-	3,305,216
	Commission expense	(2,159,189)	(1,601,598)	(99,074,278)	(1,505,395)	(12,727)	(104,353,187)
	Management expenses	(7,020,423)	(2,815,711)	(253,001,209)	(11,271,439)	(52,485)	(274,161,268)
	Underwriting result	885,761	(1,220,350)	(30,828,153)	(12,092,340)	(11,119)	(43,266,201)
	Investment income						1,144,386
	Other expenses						(70,053,079)
	Loss before taxation						<u>(112,174,894)</u>

# WINDOW TAKAFUL OPERATIONS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2018

		For the year ended 31 December 2017					
		Fire & property damage	Marine	Motor	Health	Miscellaneous	Aggregate
		----- (Rupees) -----					
20.3	Participants' Takaful Fund						
	Gross Written Premium (inclusive of Administrative Surcharge)	16,641,590	1,897,202	887,796,988	2,672,011	10,425	909,018,216
	Insurance premium earned	7,731,114	694,337	773,738,602	2,028,194	2,046	784,194,293
	Insurance premium ceded to reinsurers	(5,394,725)	(445,200)	(9,036,000)	-	-	(14,875,925)
	Net insurance premium	2,336,389	249,137	764,702,602	2,028,194	2,046	769,318,368
	Net underwriting income	2,336,389	249,137	764,702,602	2,028,194	2,046	769,318,368
	Insurance claims	(886,017)	-	(484,186,311)	(2,048,036)	-	(487,120,364)
	Insurance claims recovered from reinsurers	814,838	-	95,198,630	-	-	96,013,468
	Net Claims	(71,179)	-	(388,987,681)	(2,048,036)	-	(391,106,896)
	Wakala expensed during the period	(3,270,536)	(314,888)	(324,534,047)	(813,678)	(1,116)	(328,934,265)
	Direct expenses	-	-	(123,341,667)	-	-	(123,341,667)
	Underwriting result	(1,005,326)	(65,751)	(72,160,793)	(833,520)	930	(74,064,460)
	Investment income						4,192,313
	Deficit for the period						(69,872,147)
20.4	Operator's Fund						
	Wakala fee	3,270,536	314,888	324,534,047	813,678	1,116	328,934,265
	Commission income	515,144	-	-	-	-	515,144
	Commission expense	(528,771)	(99,870)	(46,099,975)	(7,215)	(195)	(46,736,026)
	Management expenses	(3,591,082)	(409,396)	(191,577,368)	(576,592)	(2,250)	(196,156,688)
	Underwriting result	(334,173)	(194,378)	86,856,704	229,871	(1,329)	86,556,695
	Investment income						8,616,828
	Other expenses						(47,645,321)
	Profit before taxation						47,528,202

#### 21. DIRECT EXPENSES

	Note	2018 PTF	2017 PTF
----- (Rupees) -----			
Tracker rental expense and monitoring fee	21.1	144,426,668	122,341,667
Bad and doubtful debts		5,020,832	1,000,000
		<u>149,447,500</u>	<u>123,341,667</u>

21.1 This represents rental expense of trackers installed including tracker monitoring charges.

# WINDOW TAKAFUL OPERATIONS NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

22. MANAGEMENT EXPENSES	Note	2018 OF	2017 OF
----- (Rupees) -----			
Employee benefit costs		115,300,455	81,392,289
Travelling expenses		4,460,765	15,722,491
Travelling incentive to agent		30,619,706	8,314,483
Advertisement and marketing		20,802,546	27,803,784
Printing and Stationary		5,748,768	3,435,666
Rent, rates and taxes		29,284,731	21,733,798
Outsourcing Expenses - Call Centre Services		9,503,005	2,831,271
Communication		3,512,283	3,566,350
Utilities - Electricity and Water		5,316,370	4,673,395
Vehicle running expenses		8,184,260	5,950,753
Repair and Maintenance		24,644,431	12,818,558
Depreciation - Other		12,545,968	6,161,124
Amortization expense		1,227,360	422,558
Insurance		2,997,891	1,044,026
Others		12,729	286,143
		<u>274,161,268</u>	<u>196,156,689</u>
23. OTHER EXPENSES			
Employee benefit costs		24,155,516	8,695,757
Legal and professional charges		8,266,545	9,359,624
Auditors' remuneration		873,115	945,563
Registration, subscription and association		4,667,823	4,280,127
Donations		8,288,949	8,377,691
Communication		915,009	1,011,224
IT Related Cost		6,320,842	8,875,953
Utilities		1,135,976	499,294
Lease Rentals		2,337,515	-
Others		13,091,789	5,600,088
		<u>70,053,079</u>	<u>47,645,321</u>
24. TRANSACTIONS WITH RELATED PARTIES - PTF			
TPL Insurance Limited			
Opening balance - payable		14,608,835	5,897,661
Rental and other services charges		149,090,000	134,530,000
Payments made by PTF - net		(144,991,876)	(125,818,826)
Closing balance - payable		<u>18,706,959</u>	<u>14,608,835</u>
Operator's Fund			
Opening balance - payable (including Qard Hasan)		204,908,282	63,560,087
Wakala fee charged during the year		279,611,216	288,995,419
Qard-e-Hasna provided during the year		47,900,000	80,000,000
Modarib Fee charged during the year		3,998,063	2,479,669
Taxes and other movement		286,764,915	-
Payments made during the year		(530,340,419)	(252,792,885)
Closing balance - payable		<u>292,842,057</u>	<u>182,242,290</u>

# WINDOW TAKAFUL OPERATIONS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 25. MANAGEMENT OF TAKAFUL 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 Company manages them.

##### 25.1 Takaful risk management

##### 25.1.1 Takaful risk

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

The Operator's major takaful contracts are in respect of motor vehicles through issuance of general takaful contracts relating to motor takaful. For these contracts the most significant risks arise from theft, accidents and terrorist activities.

The Operator's risk exposure is mitigated by employing a comprehensive framework to identify, assess, manage and monitor risk. This framework includes implementation of underwriting strategies which aim to ensure that the underwritten risks are well diversified in terms of type and amount of the risk. Adequate retakaful is arranged to mitigate the effect of the potential loss to the PTF from individual to large or catastrophic insured events. Further, the Operator adopts strict claim review policies including active management and prompt pursuing of the claims and regular detailed review of claim handling procedures and frequent investigation of possible false claims to reduce the takaful risk.

##### 25.1.2 Frequency and severity of claims

Risk associated with general takaful contracts includes the reasonable possibility of significant loss as well as the frequent occurrence of the covered events. This has been managed by having in place underwriting strategy, retakaful arrangements and proactive claim handling procedures.

The retakaful arrangements against major risk exposure include excess of loss, quota share, surplus arrangements and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on PTF's net retentions.

##### 25.1.3 Uncertainty in the estimation of future claim payments

Claims on motor takaful contracts are payable on a claim occurrence basis. The PTF is liable for all covered events that occur during the term of the takaful contracts respectively, including the event reported after the expiry of the takaful contract term.

An estimated amount of the claim is recorded immediately on the intimation to the Company. The estimation of the amount is based on management judgement or preliminary assessment by the independence surveyor appointed for the purpose. The initial estimates include expected settlement cost of the claims. Provision for IBNR claims is determined based on actuary advice and is estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level.

There are several variable factors which affect the amount and timing of recognised claim liabilities. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from initial recognised amount. Outstanding claims are reviewed on a periodic basis.

# WINDOW TAKAFUL OPERATIONS NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

## 25.1.4 Key assumptions

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

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Operator, in which case information about the claim event is available. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

The details of estimation of outstanding claims (including IBNR) are given under note 3.4.

## 25.1.5 Sensitivity analysis

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

The claim liabilities are sensitive to the incidence of covered events and severity / size of claims. As the Operator enters into short term takaful contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on profit before tax net of retakaful. The impact of 10 % increase / decrease in incidence of covered events on underwriting results, fund balances as follows:

Average claim cost	PTF			
	Underwriting results		Fund balance	
	2018	2017	2018	2017
	----- (Rupees) -----			
Fire & property damage	69,221	7,118	47,762	4,983
Marine	28,164	-	19,433	-
Motor business	45,340,208	38,898,768	31,284,744	27,229,138
Health	2,491,192	204,804	1,718,922	143,363
Miscellaneous	23,420	-	16,160	-
	<u>47,952,205</u>	<u>39,110,690</u>	<u>33,087,021</u>	<u>27,377,484</u>

## 25.1.6 Concentration of risk

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

# WINDOW TAKAFUL OPERATIONS NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the insured property.

The adequate event limit is a multiple of the treaty capacity or the primary recovery from excess of loss treaty, which is very much in line with the risk management philosophy of the Company.

Retakaful ceded does not relieve the Operator from its obligation towards participants and, as a result the Operator remains liable for the portion of outstanding claims retakaful to the extent that retakaful operator fails to meet the obligation under the retakaful agreements.

The Operator minimises its exposure to significant losses by obtaining retakaful from a number of retakaful, who are dispersed over several geographical regions.

The concentration of risk by type of contracts based on single risk with maximum exposure is summarised below:

	Gross sum covered		Retakaful		Net	
	2018	2017	2018	2017	2018	2017
	----- (Rupees) -----					
Fire & property damage	680,000,000	537,577,163	646,000,000	483,819,447	34,000,000	53,757,716
Marine, aviation & transport	310,159,872	281,439,447	307,058,273	258,924,291	3,101,599	22,515,156
Motor business	15,000,000	15,000,000	10,000,000	-	5,000,000	15,000,000
Health	800,000	800,000	-	-	800,000	800,000
Miscellaneous	5,000,000	100,000	-	-	5,000,000	100,000
	<u>1,010,959,872</u>	<u>834,916,610</u>	<u>963,058,273</u>	<u>742,743,738</u>	<u>47,901,599</u>	<u>92,172,872</u>

## 26. FINANCIAL RISK MANAGEMENT

The Board of Directors of the Operator has overall responsibility for the establishment and oversight of the Company's risk management framework. The Operator has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

### *Risk management framework*

The Operator's risk management policies are established to identify and analyse the risks faced by the Operator, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Operator's activities.

### 26.1 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 monitoring credit exposures by undertaking transactions with a large number of counterparties in various industries and by continually assessing the credit worthiness of counterparties.

### 26.1.1 Management of credit risk

The Operator's policy is to enter into financial contracts in accordance with the guidelines set by the Board of Directors. Credit risk is managed and controlled by the management of the Operator in the following manner

# WINDOW TAKAFUL OPERATIONS NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

- Credit rating and / or credit worthiness of the counter party is taken into account along with the financial background so as to minimize the risk of default. Collaterals are obtained wherever appropriate / relevant.
- The risk of counterparty exposure due to failed agreements causing a loss to the Operator is mitigated by a periodic review of the credit ratings, financial statements, credit worthiness, etc. on a regular basis and makes provision against those balances considered doubtful of recovery.
- Cash is held with reputable banks only.

To reduce the credit risk the management continuously reviews and monitors the credit exposure towards the policyholders and other insurers/reinsurers and makes provision against those balances considered doubtful of recovery.

## 26.1.2 Exposure to credit risk

In summary, compared to the amount included in statement of assets and liabilities, the maximum exposure to credit risk as at 31 December is as follows:

	OF		PTF	
	Balance as per the financial statement	Maximum exposure	Balance as per the financial statement	Maximum exposure
2018	----- (Rupees) -----			
Investment in:				
Government Securities	-	-	100,278,988	100,278,988
Debt Securities	-	-	20,000,000	20,000,000
Term deposits	-	-	150,000,000	150,000,000
Other receivables including				
Qard-e-Hasna to PTF	291,265,473	291,265,473	3,057,128	3,057,128
Takaful/ retakful receivable	-	-	151,157,841	151,157,841
Salvage recoveries accrued	-	-	55,827,364	55,827,364
Bank balances	5,046,670	5,046,670	93,824,559	93,824,559
	<u>296,312,143</u>	<u>296,312,143</u>	<u>574,145,880</u>	<u>574,145,880</u>

	OF		PTF	
	Balance as per the financial statement	Maximum exposure	Balance as per the financial statement	Maximum exposure
2017	----- (Rupees) -----			
Term deposits	75,000,000	75,000,000	5,000,000	5,000,000
Other receivables including				
Qard-e-Hasna to PTF	204,908,282	204,908,282	-	-
Takaful/ retakful receivable	-	-	190,121,088	190,121,088
Salvage recoveries accrued	-	-	40,253,650	40,253,650
Receivable from				
TPL Insurance Limited	14,306,989	14,306,989	-	-
Bank balances	10,970,789	10,970,789	102,674,658	102,674,658
	<u>305,186,060</u>	<u>305,186,060</u>	<u>338,049,396</u>	<u>338,049,396</u>

# WINDOW TAKAFUL OPERATIONS NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

## 26.1.3 Past due / impaired assets

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

	PTF	
	2018	2017
	----- (Rupees) -----	
0-90 days	103,396,551	147,510,151
Over 90 days	47,761,290	42,610,937
<b>Total</b>	<b>151,157,841</b>	<b>190,121,088</b>

The above balance is considered good and is not impaired.

## 26.1.4 Credit Rating and Collateral

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

Rating	Rating Agency	OF	
		2018	2017
		----- Rupees) -----	
Long term			
AA+	PACRA	1,376,293	75,000,000
AA+	JCR-VIS	2,712,050	-
AA	JCR-VIS	-	9,538,812
A+	JCR-VIS	958,327	-
A	PACRA	-	916,791
A-	JCR-VIS	-	515,186
		<b>5,046,670</b>	<b>85,970,789</b>

Rating	Rating Agency	PTF	
		2018	2017
		----- Rupees) -----	
Long term			
AA+	PACRA	74,945	5,000,000
AA+	JCR-VIS	50,868,287	-
AA	JCR-VIS	-	17,753,026
AA-	JCR-VIS	23,999,670	38,005,079
A+	PACRA	18,688,630	46,805,186
A+	JCR-VIS	-	111,367
A-	JCR-VIS	150,193,027	-
		<b>243,824,559</b>	<b>107,674,658</b>

The Operator enters into re-takaful / co-takaful arrangements with re-takaful / other takaful operators 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 October 27, 2009 issued by SECP which requires an insurance company to place at least 80% of their outward treaty cessions with reinsurers rated 'A' or above by Standard & Poors with the balance being placed with entities rated at least 'BBB' by reputable ratings agency. An analysis of re-takaful assets relating to outward treaty cessions recognised by the rating of the entity from which it is relates is as follows:

# WINDOW TAKAFUL OPERATIONS NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

	Rating	PTF	
		2018	2017
		----- (Rupees) -----	
Prepaid re-takaful ceded	A or above (including PRCL)	34,510,941	16,078,846

## 26.1.5 Concentration of credit risk

Concentration of credit risk arises 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 Operator manages concentration of credit risk through diversification of activities among individuals, groups and industry segments.

Sector-wise analysis of contribution due but unpaid at the reporting date was:

	PTF 2018		PTF 2017	
	(Rupees)	%	(Rupees)	%
Individuals	13,648,710	9%	15,006,457	8%
Corporate	137,509,131	91%	175,114,631	92%
	<u>151,157,841</u>	<u>100%</u>	<u>190,121,088</u>	<u>100%</u>

## 26.1.6 Settlement risk

The Operator's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed on sale.

This risk is addressed more or less in accordance with the parameters set out in the credit risk management above.

## 26.2 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 may face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

### 26.2.1 Management of liquidity risk

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. Due to nature of the business, the Operator maintains flexibility in funding by maintaining committed credit lines available. The Operator's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to fulfil its obligation; monitoring balance sheet liquidity ratios against internal and external requirements and maintaining debt financing plans.

### 26.2.2 Maturity analysis of assets and liabilities

The table below analyses the Operator's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to maturity date and represents the undiscounted cash flows. The amounts in the table are the gross nominal undiscounted cash flows (including profit payments).

# WINDOW TAKAFUL OPERATIONS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2018

	OF		
	2018		
Carrying amount	Upto one year	More than one year	
----- (Rupees) -----			
<b>ASSETS</b>			
Other receivables including Qard-e-Hasna to PTF	291,265,473	143,125,473	148,140,000
Accrued Investment Income	24,310	24,310	-
Deferred commission expense	73,685,941	73,685,941	-
Bank balances	5,046,670	5,046,670	-
<b>Total assets</b>	<b>370,022,394</b>	<b>221,882,394</b>	<b>148,140,000</b>
<b>LIABILITIES</b>			
Unearned Wakala Fee	120,781,703	120,781,703	-
Other creditors and accruals	17,834,328	17,834,328	-
Payable to TPL Insurance Limited	201,785,504	201,785,504	-
Taxation - payments less provision	30,422,807	30,422,807	-
<b>Total Liabilities</b>	<b>370,824,342</b>	<b>370,824,342</b>	<b>-</b>

	OF		
	2017		
Carrying amount	Upto one year	More than one year	
----- (Rupees) -----			
<b>ASSETS</b>			
Investments			
Term deposits	75,000,000	75,000,000	-
Other receivables including Qard-e-Hasna to PTF	204,908,282	45,708,282	159,200,000
Accrued Investment Income	663,014	663,014	-
Deferred commission expense	43,955,293	43,955,293	-
Receivable from TPL Insurance Limited	14,306,989	14,306,989	-
Bank balances	10,970,789	10,970,789	-
<b>Total assets</b>	<b>349,804,367</b>	<b>190,604,367</b>	<b>159,200,000</b>
<b>LIABILITIES</b>			
Unearned Wakala Fee	173,113,525	173,113,525	-
Other creditors and accruals	30,029,429	30,029,429	-
Taxation - payments less provision	31,124,874	31,124,874	-
<b>Total Liabilities</b>	<b>234,267,828</b>	<b>234,149,932</b>	<b>-</b>

# WINDOW TAKAFUL OPERATIONS NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

	PTF		
	2018		
	Carrying amount	Upto one year	More than one year
	(Rupees)		
<b>ASSETS</b>			
Investments			
Mutual Funds	82,945,792	82,945,792	-
Government Securities	100,278,988	100,278,988	-
Debt securities	20,000,000	20,000,000	-
Term deposits	150,000,000	150,000,000	-
Other receivables including			
Qard-e-Hasna to PTF	3,057,128	3,057,128	-
Accrued Investment Income	4,386,460	4,386,460	-
Takaful/ retakaful receivable	151,157,841	151,157,841	-
Retakaful recoveries against outstanding claims	3,230,000	3,230,000	-
Salvage recoveries accrued	55,827,364	55,827,364	-
Deferred Wakala expense	120,781,703	120,781,703	-
Prepayments	100,218,439	100,218,439	-
Bank balances	93,824,559	93,824,559	-
<b>Total assets</b>	<b>885,708,274</b>	<b>885,708,274</b>	<b>-</b>
<b>LIABILITIES</b>			
PTF Underwriting provisions			
Outstanding claims (including IBNR)	139,070,744	139,070,744	-
Unearned contribution reserve	511,363,901	511,363,901	-
Unearned retakaful commission	4,727,505	4,727,505	-
Qard-e-Hasna	246,900,000	98,760,000	148,140,000
Contribution received in advance	4,066,280	4,066,280	-
Takaful / retakaful payable	67,060,239	67,060,239	-
Other creditors and accruals	64,090,456	64,090,456	-
Payable to TPL Insurance Limited	18,706,959	18,706,959	-
<b>Total Liabilities</b>	<b>1,055,986,084</b>	<b>907,846,084</b>	<b>148,140,000</b>

	PTF		
	2017		
	Carrying amount	Upto one year	More than one year
	(Rupees)		
<b>ASSETS</b>			
Investments			
Mutual Funds	63,856,353	63,856,353	-
Term deposits	5,000,000	5,000,000	-
Amounts due from other takaful / retakaful operators	190,121,088	190,121,088	-
Salvage recoveries accrued	40,253,650	40,253,650	-
Deferred Wakala expense	173,113,525	173,113,525	-
Prepayments	77,123,012	77,123,012	-
Bank balances	102,674,658	102,674,658	-
<b>Total assets</b>	<b>652,142,286</b>	<b>652,142,286</b>	<b>-</b>

# WINDOW TAKAFUL OPERATIONS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2018

	PTF			
	Carrying amount	2017		
		Upto one year	More than one year	
	----- (Rupees) -----			
<b>LIABILITIES</b>				
PTF Underwriting provisions				
Outstanding claims (including IBNR)	98,896,694	98,896,694		-
Unearned contribution reserve	477,955,216	477,955,216		-
Unearned retakaful commission	1,040,281	1,040,281		-
Qard-e-Hasna	199,000,000	39,800,000		159,200,000
Contribution received in advance	1,661,239	1,661,239		-
Takaful / retakaful payable	44,251,205	44,251,205		-
Other creditors and accruals	16,383,382	16,383,382		-
Payable to TPL Insurance Limited	14,608,835	14,608,835		-
<b>Total Liabilities</b>	<b>853,796,852</b>	<b>694,596,852</b>		<b>159,200,000</b>

#### 26.3 Market risk

Market risk is the risk that changes in market prices, such as profit rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will effect the Operator's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Operator is exposed to profit rate risk, currency risk and other price risk.

#### 26.3.1 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. Profit rate exposure arises from balances held in profit and loss sharing accounts with reputable banks and government securities. The Operator limits profit rate risk by monitoring changes in profit rates. Other risk management procedures are the same as those mentioned in the credit risk management.

#### 26.3.1.1 Sensitivity analysis

At the balance sheet date the profit rate profile of the Operator's profit-bearing financial instrument are as follows:

	OF			
	2018	2017	2018	2017
Financial assets	Effective profit rate (in %)		(Rupees)	
Assets subject to fixed rate				
- Bank deposits	-	5.50% to 5.75%	-	75,000,000
Assets subject to variable rate				
- Bank balances	5.00% to 7.00%	3.50% to 5.00%	5,046,670	10,970,789

# WINDOW TAKAFUL OPERATIONS NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Financial assets	PTF			
	2018	2017	2018	2017
	Effective interest rate (in %)		(Rupees)	
Assets subject to fixed rate				
- Government Securities	6.00% to 6.50%	-	100,278,988	-
- Term deposits	9.00% to 9.50%	5.50% to 5.75%	150,000,000	5,000,000
Assets subject to variable rate				
- Debt Securities	12.00% - 13.00%	-	20,000,000	-
- Bank balances	5.00% to 7.50%	3.50% to 5.60%	93,824,559	102,563,291

Fair value sensitivity analysis for fixed rate instruments:

The Operator does not account for any fixed rate financial assets at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account and Fund of the Operator.

Cash flow sensitivity analysis for variable rate instruments:

The Operator is exposed to cash flow profit rate risk in respect of its balances with profit and loss sharing account with banks. A hypothetical change of 100 basis points in profit rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below.

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

	2018		2017	
	Profit and loss 100 bps		Profit and loss 100 bps	
	Increase	Decrease	Increase	Decrease
	----- (Rupees) -----		----- (Rupees) -----	
	OF			
Cash flow sensitivity	2,000,000	(2,000,000)	1,097,079	(1,097,079)
	PTF			
Cash flow sensitivity	9,382,456	(9,382,456)	10,256,329	(10,256,329)

## 26.3.1.2 Exposure to interest rate risk

A summary of the Operator's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date, is as follows:

	Mark-up / return (%)	OF			
		2018			
		less than 1 year	1 year to 5 years	More than 5 years	Total
		----- (Rupees) -----			
Assets					
Term Deposits	-	-	-	-	-
Cash and bank deposits	5.00% to 7.00%	5,046,670	-	-	5,046,670
Total assets		5,046,670	-	-	5,046,670
Liabilities					
Total interest sensitivity gap		5,046,670	-	-	5,046,670

# WINDOW TAKAFUL OPERATIONS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2018

	Mark-up / return (%)	OF			Total
		less than 1 year	1 year to 5 years	More than 5 years	
2017					
(Rupees)					
Assets					
Term Deposits	3.50% - 5.75%	75,000,000	-	-	75,000,000
Cash and bank deposits	3.50% - 5.75%	10,970,789	-	-	10,970,789
Total assets		85,970,789	-	-	85,970,789
Liabilities		-	-	-	-
Total interest sensitivity gap		85,970,789	-	-	85,970,789

	Mark-up / return (%)	PTF			Total
		less than 1 year	1 year to 5 years	More than 5 years	
2018					
(Rupees)					
Assets					
Investment in: Government Securities	6.00% to 6.50%	100,278,988	-	-	100,278,988
Debt Securities	12.00% - 13.00%	20,000,000	-	-	20,000,000
Term Deposits	9.00% to 9.50%	150,000,000	-	-	150,000,000
Bank deposits	5.00% - 9.50%	93,824,559	-	-	93,824,559
Total assets		364,103,547	-	-	364,103,547
Liabilities		-	-	-	-
Total interest sensitivity gap		364,103,547	-	-	364,103,547

	Mark-up / return (%)	PTF			Total
		less than 1 year	1 year to 5 years	More than 5 years	
2017					
(Rupees)					
Assets					
Term Deposits	3.50% - 5.75%	5,000,000	-	-	5,000,000
Bank deposits	3.50% - 5.75%	102,674,286	-	-	102,674,286
Total assets		107,674,286	-	-	107,674,286
Liabilities		-	-	-	-
Total interest sensitivity gap		107,674,286	-	-	107,674,286

#### 26.3.2 Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/ mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. the Operator is not exposed to any price risk at the balance sheet date as it has no financial instrument that is linked to market price.

#### 26.3.3 Foreign currency risk

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

# WINDOW TAKAFUL OPERATIONS NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

## 26.4 Fund management

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

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

## 27. STATEMENT OF SOLVENCY

	31 December 2018	31 December 2017
	(Rupees)	
Assets		
Investments		
Mutual Funds	82,945,792	63,856,353
Government Securities	100,278,988	-
Debt Securities	20,000,000	-
Term deposits	150,000,000	5,000,000
Other Receivable	3,057,128	-
Accrued investment income	4,386,460	-
Takaful/ retakaful receivable	151,157,841	190,121,088
Retakaful recoveries against outstanding claims	3,230,000	-
Salvage recoveries accrued	55,827,364	40,253,650
Deferred Wakala expense	120,781,703	173,113,525
Accrued investment income	-	-
Prepayments	100,218,439	77,123,012
Bank balances	93,824,559	102,674,658
<b>Total assets (A)</b>	<b>885,708,274</b>	<b>652,142,286</b>
In-admissible assets as per following clauses of section 32(2) of the Insurance Ordinance, 2000		
Mutual Funds	11,929,325	38,126,701
Takaful / retakaful receivable	36,924,654	42,610,937
<b>Total of In-admissible Assets (B)</b>	<b>48,853,979</b>	<b>80,737,638</b>
<b>Total of admissible Assets (C=A-B)</b>	<b>836,854,295</b>	<b>571,404,648</b>
Total liabilities including Qard-e-Hasna	1,055,986,084	853,796,852
Net deficit as at 31 December	(219,131,789)	(282,392,204)
Deficit already financed by Qard-e-Hasna	246,900,000	199,000,000
	<b>27,768,211</b>	<b>(83,392,204)</b>

## 28. GENERAL

28.1 Figures have been rounded off to the nearest Rupee.

## 29. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorised for issue on 21 February 2019 by the Board of Directors of the Operator.

Director

Director

Chief Financial Officer

Chief Executive Officer

Chairman

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09

# ANNUAL GENERAL MEETING

- 9.1 NOTICE OF ANNUAL GENERAL MEETING
- 9.2 STATEMENT OF MATERIAL FACTS
- 9.3 PROXY FORM

## 9.1 - NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting ("AGM") of the members of TPL Insurance Limited ("Company") will be held on Wednesday, April 24, 2019 at 11:00 a.m., at Avari Towers Hotel Fatima Jinnah Road Karachi, to transact following business:

### ORDINARY BUSINESS

1. To approve the minutes of the Annual General Meeting held on April 19, 2018.
2. To receive, consider and adopt Annual Audited Financial Statements of the Company together with the Chairman's Review Report, Directors' and Auditors' reports thereon for the year ended December 31, 2018.
3. To appoint Auditors for the year ending December 31, 2019 and fix their remuneration. Messrs EY Ford Rhodes., Chartered Accountants, retire and being eligible have offered themselves for re-appointment.
4. To consider and approve the interim cash dividend paid at Rs. 2 per share i.e. 20%.
5. To consider and approve the interim dividend by way of bonus shares issued at 13%.

### SPECIAL BUSINESS:

6. **Investment in the Associated Company**

To consider and, if thought fit, pass resolution pursuant to Section 199 of the Companies Act, 2017 for increase in amount of advance to TPL Trakker Limited to PKR. 300 Million to guarantee supply of tracking services and to pass the following resolution as Special Resolution, with or without modification:

*"RESOLVED THAT pursuant to Section 199 of the Companies Act 2017, the advance of Rs. 300 Million to the Associated Company, TPL Trakker Limited be and is hereby approved."*

*FURTHER RESOLVED that the, Chief Executive Officer, and the Company Secretary of the Company, be and are hereby authorized to singly take all steps necessary, as may be required in respect of the aforementioned advance and all other matters incidental and / or ancillary thereto".*

### ANY OTHER BUSINESS:

7. To consider any other business with the permission of Chairman.

By Order of the Board

Danish Qazi  
Company Secretary

Dated: April 3, 2019

Notes:

- 1) The Share Transfer Books of the Company will be closed from April 16, 2019 to April 24, 2019 (both days inclusive).
- 2) A Member entitled to attend and vote at the AGM is entitled to appoint another person as proxy to attend and vote instead of him. The Proxy Forms, in order to be effective, must be received at the Registrar of the Company M/s THK Associates (Pvt.) Ltd, 1st Floor, 40-C, Block-6, P.E.C.H.S, KARACHI-75400., not less than 48 hours before the Meeting.
- 3) For identification, CDC account holders should present the participant’s National Identity Card, and CDC Account Number and in case of proxy must enclose an attested copy of his/her CNIC. The representatives of corporate bodies should bring attested copy of Board of Directors Resolution/ Power of Attorney and/or all such documents as are required under Circular No. 1 dated 26 January 2000 issued by Securities & Exchange Commission of Pakistan for this purpose.
- 4) Members are requested to timely notify any change in their addresses and provide copies of their CNIC /NTN (if not provided earlier) to Company’s Registrar / Share Transfer Agent, M/s. THK Associates (Pvt.) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S, Karachi-75400.
- 5) The Company shall provide video conference facility to its members for attending the General Meeting at places other than the town in which general meeting is taking place after considering the geographical dispersal of its members: provided that if members, collectively holding 10% or more shareholding residing at a geographical location, provide their consent to participate in the meeting through video conference at least 10 days prior to date of the meeting, the Company shall arrange video conference facility in that city subject to availability of such facility in that city.

The Company will intimate members regarding venue of video-link facility at least 5 days before the date of the AGM along with complete information necessary to enable them to access the facility.

In this regard, please fill the following form and submit to registered address of the Company 10 days before holding of the AGM:-

<p>I/We, _____ of _____ being a member of TPL Insurance Limited,</p> <p>holder of _____ Ordinary shares as per Register Folio No. _____ hereby opt for video</p> <p>conference facility at _____.</p> <p style="text-align: right; margin-top: 20px;">_____</p> <p style="text-align: right; margin-top: 5px;">Signature of member</p>
--

- 6) Members are requested to immediately notify the change, if any, in their registered address/contact numbers to the Share Registrar on the following address:

THK Associates (Pvt) Limited,  
 1st Floor, 40-C, Block-6,  
 P.E.C.H.S, Karachi-75400.

## 9.2 - STATEMENT OF MATERIAL FACTS UNDER SECTION 134 OF THE COMPANIES ACT, 2017

This statement set out the material facts concerning the Special Business to be transacted at the Annual General Meeting of the Company to be held on Wednesday April 24, 2019.

### Agenda Item No. 6

#### Authorization of increase in advance to TPL Trakker Limited

TPL Insurance Limited (the Company) is desirous to renew the advance to TPL Trakker Limited which was subject to a maximum amount of Rs. 200 million initially approved by the Board of Directors on August 15, 2017 and increase the said amount to Rs. 300 million. The outstanding balance of advance to TPL Trakker Limited as at December 31, 2018 amounts to Rs. 200 million. Markup will be charged at a rate equivalent of 1 year KIBOR + 3.5% subject to a floor of 10% of the outstanding principal balance.

The above renewal and increase in amount of advance to Rs. 300 million has been approved by the Board of Directors of the Company in their meeting held on February 21, 2019.

The information required to be annexed to the Notice by Notification No. SRO 27(I)/2012 dated 16th January 2012 is set out below:

Name along with the basis of relationship of the associated company / undertaking;	TPL Trakker Limited, an associated company with a common directorship: Mr. Ali Jameel is Director of the Company and TPL Insurance Limited).													
Amount of loans or advances	Up to Rs.300 million													
Purpose of loans or advances and benefits likely to accrue to the investing company and its members from such loans or advances;	For uninterrupted supply of tracking units and its monitoring services to the company.													
In case any loan has already been granted, the complete details thereof	Advances on account of rentals of tracking units.													
Financial position of the associated company	<p>The extracts of the unaudited balance sheet and profit and loss account of the associated company as at and for the period ended 31st December 2018 is as follows:</p> <table border="1"> <thead> <tr> <th>Balance Sheet</th> <th>Rupees</th> </tr> </thead> <tbody> <tr> <td>Non-current assets</td> <td>2,212,773,954</td> </tr> <tr> <td>Other assets</td> <td>2,619,499,014</td> </tr> <tr> <td><b>Total Assets</b></td> <td><b>4,832,272,969</b></td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td><b>Total Liabilities</b></td> <td><b>3,544,260,692</b></td> </tr> </tbody> </table>		Balance Sheet	Rupees	Non-current assets	2,212,773,954	Other assets	2,619,499,014	<b>Total Assets</b>	<b>4,832,272,969</b>			<b>Total Liabilities</b>	<b>3,544,260,692</b>
Balance Sheet	Rupees													
Non-current assets	2,212,773,954													
Other assets	2,619,499,014													
<b>Total Assets</b>	<b>4,832,272,969</b>													
<b>Total Liabilities</b>	<b>3,544,260,692</b>													

	Balance Sheet	Rupees
	Represented by:	
	Paid up capital	929,262,525
	Unappropriated profit / (losses)	130,781,144
	Surplus on Revaluation of Fixed Assets	227,968,607
	<b>Equity</b>	<b>1,288,012,276</b>
	<b>Profit and Loss</b>	
	Profit before interest and taxation	142,940,658
	Financial charges	121,758,577
	Profit before taxation	21,182,081
	Taxation	17,339,738
	<b>Profit after taxation</b>	<b>3,842,343</b>
Average borrowing cost of the investing company or in case of absence of borrowing the KIBOR (Karachi Inter Bank Offered Rate) for the relevant period	1 year KIBOR+3.5% with Floor of 10%	
Rate of interest, mark up, profit, fees or commission etc. to be charged;	1 year KIBOR+3.5% with Floor of 10%	
Sources of funds from where loans or advances will be given	Own funds	
Where loans or advances are being granted using borrowed funds: a) justification for granting loan or advance out of borrowed funds; b) detail of guarantees / assets pledged for obtaining such funds, if any; and c) repayment schedules of borrowing of the investing company	Not applicable.	
Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any;	The advance is unsecured.	

Earnings per Share of investee company for the past 3 years	June 2018: Rs. 1.61 per share June 2017: Rs. 0.26 per share June 2016: Rs. 0.28 per share
Break-up Value Per Share of the investee company for the past 3 years	June 2018: Rs. 19.92 per share June 2017: Rs. 14.68 per share June 2016: Rs. 13.55 per share
In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs; and	Not applicable
If the loans or advances carry conversion feature i.e. it is convertible into securities, this fact along with complete detail including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable;	Not applicable.
Repayment schedule and terms of loans or advances to be given to the investee company	The advance shall be set off with the monthly rental expenses over the period as per the invoicing by the investee company.
Salient feature of all agreements entered or to be entered with its associated company/undertaking with regards to proposed investment	The Company has entered into cost sharing agreement with TPL Trakker Limited to obtain synergies.
Interest, direct or indirect, of directors, sponsors, majority shareholders and their relatives, if any, in the associated company/undertaking or the transaction under consideration	Mr. Ali Jameel, the Director of the Company, is also a Director of TPL Trakker Limited.
Any other important details necessary for the members to understand the transaction; and	These have been explained above.
In case of investment in a project of an associated company / undertaking that has not commenced operations, in addition to the information referred to above, the following further information is also required: a) a description of the project and its history since conceptualization; b) starting date and expected date of completion; c) time by which such project shall become commercially operational; d) expected return on total capital employed in the project; and e) funds invested or to be invested by the promoters distinguishing between cash and non-cash amounts;	Not applicable.

## 9.3 - PROXY FORM

PROXY FORM

I/We \_\_\_\_\_, of \_\_\_\_\_  
 being a member of TPL Insurance Limited hereby appoint, \_\_\_\_\_ of \_\_\_\_\_  
 or failing him \_\_\_\_\_ of \_\_\_\_\_ as my proxy to vote for me and on my behalf  
 at the Annual General Meeting of the Company to be held on the 24th Day of April, 2019 and at any adjournment thereof.

Signed the \_\_\_\_\_ day of \_\_\_\_\_ 2019.

- Signature \_\_\_\_\_  
 Name \_\_\_\_\_  
 Address \_\_\_\_\_  
 CNIC or \_\_\_\_\_  
 Passport No. \_\_\_\_\_

Signature



Revenue  
Stamp

- Signature \_\_\_\_\_  
 Name \_\_\_\_\_  
 Address \_\_\_\_\_  
 CNIC or \_\_\_\_\_  
 Passport No. \_\_\_\_\_

(Signature should agree with  
specimen signature  
registered with the Company)

Share holders Folio No. \_\_\_\_\_  
 and/or CDC Participant ID \_\_\_\_\_  
 No. and Sub Account No. \_\_\_\_\_



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# GLOSSARY

## GLOSSARY

S.No	Term	Designation
1	Actuary	An actuary is a professional who assesses and manages the risks of financial investments, insurance policies and other potentially risky ventures.
2	Actuarial Valuations	A determination by an actuary at a special date of the value of a insurance Company's assets and its liabilities.
3	Amortization	The process of allocating the cost of an intangible asset over a period of time. It also refers to the repayment of loan principal over time.
4	Authorized Share Capital	The maximum value of share that a Company can legally issue.
5	Book Value	The value of an asset as entered in a company's books.
6	Capital Reserves	Any reserve not regarded free for distribution by way of dividends.
7	Cedant	Client of a reinsurance company.
8	Combined Ratio	Percentage ratio of the sum of net claims plus management expenses and net commission to net earned premiums. It corresponds to the sum of the loss ratio, commission ratio and the expense ratio.
9	Commission	Remuneration to an intermediary for services such as selling and servicing an insurer's products.
10	Claims	The amount payable under a contract of insurance arising from occurrence of an insured event
11	Claims Incurred	The aggregate of all claims paid during the accounting period together with attributable claims handling expenses, where appropriate, adjusted by the gross claims reserve at the beginning and end of the accounting period.
12	Corporate Social Responsibility	Is a process with the aim to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, and all other members of the public who may also be considered as stakeholders.
13	CPEC	The China-Pakistan Economic Corridor (OPEC) is a collection of infrastructure projects currently under construction throughout Pakistan.
14	Deferred Commission	Expenses which vary with and are primarily related to the acquisition of new insurance contracts and renewal of existing contracts, which are deferred as they relate to the period of risk subsequent to the Balance Sheet data.
15	Deferred Tax	An accounting concept (also known as future income taxes), meaning a future tax liability or asset in respect of taxable temporary differences.
16	Depreciation	Is the systematic allocation of the cost of an asset over its useful life.
17	Doubtful debts	Is a debt where circumstances have rendered its ultimate recovery uncertain.
18	Earnings per share	Amounts for profit or loss attributable to ordinary shareholders of the entity.
19	Fair Value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing business partners in an arm's length transaction.
20	General Insurance	All kind of Insurance except Life Insurance. i.e., Fire. Marine. Motor and Other Insurance.
21	General Takaful	Protection to participants for losses arising from perils such accident, fire, flood, liability and burglary.
22	Gross contribution	It is the payment of an amount by a participant to the Takaful Participant Fund, whether direct, through intermediaries for the purpose of mutual protection and assistance.
23	Gross Written Premium	Premium which an insurer is contractually entitled to receive from the insured in relation to contracts of insurance
24	Impairment	The amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.
25	Incurred but not reported (IBNR)	Claim incurred but not reported to the insurer until the financial statements reporting date.
26	Insurance Contracts	A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder for a specified uncertain future event.
27	Intangibles	An identifiable non-monetary asset without physical substance.

S.No	Term	Designation
28	Internal Control	An accounting procedure or system designed to promote efficiency or assure the implementation of a policy or safeguard assets or avoid fraud and error etc.
29	KIBOR (Karachi Interbank Offered Rate)	Interbank lending / borrowing rates quoted by the banks
30	Loss Ratio	Percentage ratio of claims expenses to net premium.
31	Market Share	The portion of a market controlled by a particular company or product.
32	Market Value	The highest estimated price that a buyer would pay and a seller would accept for an item in an open and competitive market
33	MIS	Management Information System.
34	Mutual fund	A type of professionally managed investment fund that pools money from many investors to purchase securities
35	National Exchequer	The account into which tax funds and other public funds are deposited.
36	Net Asset Value	The value of Total Assets less Current Liabilities.
37	Net Contributions	Gross Contributions less all re-takaful contributions payable.
38	Net Premium Revenue	Gross written premium less Reinsurance expense.
39	None-life Insurance	Non-Life Insurance and General Insurance have the identical meaning.
40	Outstanding Claims	A type of technical reserve or accounting provision in the Financial Statements of an Insurer to provide for the future liability or claims.
41	Paid up Capital	The amount of money a company has received from shareholders in exchange for shares of stock.
42	Pakistan Investment Bonds	Long term instruments issued by the Government of Pakistan.
43	Participant's Takaful Fund (PTF) Waqf Fund	An account to credit a portion of contribution from the participant for the purpose of Tabarru'.
44	Premium	Amount that has to be paid by the insured for the cover provided by the Insurer.
45	Proxy	Power of Attorney by which the Shareholder transfers the voting rights to another shareholder.
46	Qard-e-Hasna	Interest Free Loan from Takaful Operator to the Takaful Participant Fund in order to meet any shortfall in the Fund.
47	Quoted	Being listed on a Stock Exchange.
48	Registered Office	The registered office is an address which is registered with the government registrar as the official address of a company.
49	Reinsurance	A method of insurance arranged by insurers to share the exposure of risks accepted.
50	Re-Tekaful	The arrangement under which a part of the risk is shared between the companies originally issuing the policy (the takaful operator] to another Takaful company (Re-Takeful) known as the re-takaful
51	Reinsurance Commission	Commission received or receivable in respect of premium paid or payable tea reinsurer.
52	Reinsurance Premium	The premium payable to the reinsurer in respect of reinsurance contract.
53	Related Party	Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.
54	Retrocession	Transfer of risk from a reinsurer to another reinsurer.
55	Revenue Reserves	Reserve that is normally regarded as available for distribution through the profit and loss account, including general reserves and other specific reserves created out of profit and unappropriated profit.
56	Risk	Condition in which there is a possibility of loss.
57	Risk Management	Includes analyzing all exposures to gauge the likelihood of loss and choosing options to better manage or minimize loss.

S.No	Term	Designation
58	Statutory levies	Fee charged (levied) by a government on a product, income, or activity.
59	Strategic Objectives	A broadly defined objective that an organisation must achieve to make its strategy succeed.
60	Subsequent Event	Are events concerning conditions which arose after the balance sheet date, but which may be of such materiality that their disclosure is required to ensure that the financial statements are not misleading.
61	Takaful	An Islamic concept of insurance.
62	Tekeful Operator	A legal entity, who underwrites, administers and manages the Takaful program on behalf of the participants.
63	Takaful Policy	The agreement entered into between the operator and the participant(s) for the purposes of Takaful arrangements.
64	Tangibles	An asset whose value depends on particular physical properties.
65	Underwriting Profit	This is the profit generated purely from the General Insurance business without taking into account the investment income and other nontechnical income and expenses.
66	Unearned Premium	It represents the portion of premium already entered in the accounts as due but which relates to a period of risk subsequent to the Balance Sheet date.
67	Wakala	Islamic terminology for agent-principal relationship, where a person nominates another to act on his behalf.

## مستقبل کی پیش بینی

کمپنی اپنے کاروباری شعبہ جات میں ترقی کے ساتھ ڈیجیٹل نیشن اقدامات میں سرمایہ کاری کے ذریعے مارکیٹ میں اپنی رسائی پر توجہ مرکوز کئے ہوئے ہے۔ اس کے ساتھ نان موٹر شعبے میں داخل ہونے سے توسیع کے فوائد سے کمپنی کی مستقبل کی پوزیشن مضبوط ہوگی۔ ہم سمجھتے ہیں کہ معاشی طور پر غیر یقینی صورتحال اور ادائیگیوں کا توازن مستقبل قریب میں بہتر ہونے کا امکان ہے۔ ہم مطمئن ہیں کہ حکومت کی جانب سے بیرونی سرمایہ کاری بڑھانے اور جی ڈی پی میں اضافے کے اقدامات معاشی استحکام کے ساتھ انشورنس میں ترقی کا سبب بنیں گے۔ تاہم ڈسکاؤنٹ ریٹ میں اضافے اور گارڈیوں کی بڑھتی ہوئی قیمتیں انشورنس کی ترقی پر اثر انداز ہو سکتے ہیں لیکن کمپنی کو اطمینان ہے کہ پروڈکٹ کی ترقی، ذرائع میں وسعت اور ڈیجیٹل نیشن اقدامات سے مارکیٹ شیئر میں اضافہ ہوگا۔ دوسری جانب اسٹاک مارکیٹ میں بھی متوقع استحکام سے سرمایہ کاری کے منافع بڑھنے کی امید ہے۔

## اظہار تشکر

ہم کمپنی کے حصص یافتگان کا، ان کے ہم پر کئے جانے والے اعتماد کا شکریہ ادا کرتے ہیں۔ ہم پاکستان اسٹاک ایکسچینج، فیڈرل بورڈ آف ریونیو، صوبائی ریونیو اتھارٹیز، سینٹرل ڈپازٹری کمپنی اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے گاہے بگاہے فراہم کی جانے والی معاونت اور راہنمائی پر ان کا بھی شکریہ ادا کرتے ہیں۔ ہم اپنے ملازمین، اسٹریٹیجک شرکاء، ڈائریکٹرز، مینجمنٹ اور صارفین کا بھی ادارے کے کارپوریٹ مقاصد کی تکمیل میں ساتھ دینے پر شکریہ ادا کرتے ہیں۔

از طرف اور بورڈ آف ڈائریکٹرز کی جانب سے،



محمد امین الدین  
چیف ایگزیکٹو آفیسر

## کوڈ آف کنڈکٹ (کاروباری ضابطہ)

کمپنی اس بات کو یقینی بناتی ہے کہ تمام امور کو شفاف انداز میں کسی بھی رعایت کے بغیر کاروبار کے اصولوں کے مطابق ہی انجام دیا جائے۔

## پیٹرن آف شیئرز ہولڈنگ

کمپنی میں پیٹرن آف شیئرز ہولڈنگ سے متعلق اسٹیٹمنٹ برائے 31 دسمبر 2018 درج ذیل ہے۔

شیئرز ہولڈنگ کا تناسب	موجودہ شیئرز کی تعداد	شیئرز ہولڈرز کی نوعیت
94.23%	88,452,950	آہائی کمپنی: TPL کارپوریشن لمیٹڈ
0.14%	126,781	ڈائریکٹرز
0.48%	454,290	مینیجنگل فنڈ
4.22%	3,965,691	عوام الناس (مقامی)
0.19%	171,272	عوام الناس (بیرون ملک)
0.74%	695,277	دیگر
100%	93,866,261	کل

## کمپنی کے شیئرز میں کاروبار

کمپنی کے شیئرز میں ڈائریکٹرز، چیف ایگزیکٹو، چیف فنانشل آفیسر، کمپنی سیکریٹری اور ہیڈ آف انٹرنل آڈٹ، دیگر ملازمین اور ان کی شریک حیات اور بچوں کی کسی بھی تجارت کو پیٹرن آف شیئرز ہولڈنگ میں درج کیا گیا ہے۔

## بورڈ کے اجلاس

سال 2018 کے دوران بورڈ آف ڈائریکٹرز کے 6 اجلاس ہوئے۔ ڈائریکٹرز کی حاضری درج ذیل ہے:

اجلاس میں حاضری	ڈائریکٹرز کا نام
3	جناب جمیل یوسف
6	جناب علی جمیل
5	جناب رانا اسد امین**
1	جناب بلاال بن ظفر*
6	جناب وقار ملک
6	جناب سید نادر شاہ
2	جناب سعد ثار*
2	جناب محمد امین الدین**

\* دوران سال مستعفی ہو گئے

\*\* دوران سال خالی ہونے والی اسامی پر کی گئی۔

- کمپنی کی جانب سے باقاعدہ طور پر اکاؤنٹس کی بکس برقرار رکھی گئی ہیں۔
- مالیاتی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں پر باقاعدگی سے عمل درآمد کیا جاتا ہے اور اکاؤنٹنگ تخمینے مناسب اور محتاط انداز کی بنیاد پر لگائے جاتے ہیں۔ ماسوائے ان پالیسیوں کے جو کہ مالیاتی گوشواروں میں ظاہر کی گئی ہیں۔
- مالیاتی گوشواروں کی تیاری پاکستان میں لاگو انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈز، انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز اور دیگر ریگولیشنز (بشمول شریعہ اصول و ضوابط) کے تحت کی جاتی ہے اور اس سے کسی طرح کے انحراف کو باقاعدہ واضح کیا گیا ہے۔
- انٹرنل کنٹرول کا سسٹم بہترین ہے اور اس پر موثر انداز میں عمل درآمد اور نگرانی کی جاتی ہے۔
- کمپنی کی بنیادیں مضبوط ہیں اور کمپنی کے استحکام اور آگے بڑھنے کی صلاحیت پر کسی بھی شک و شبہ کی کوئی گنجائش نہیں۔
- کمپنی کی طرف سے کارپوریٹ گورننس پر بہترین انداز میں عمل درآمد کی گئی ہے اور اس سے کسی طرح کا بھی انحراف دیکھنے میں نہیں آیا۔
- گزشتہ 6 سالوں کی اہم انتظامی اور مالیاتی تفصیلات کا خلاصہ اس سالانہ رپورٹ میں شامل کیا گیا ہے۔
- گزشتہ سال کے کاروباری نتائج سے مناسب انحراف کو اس رپورٹ میں واضح کیا گیا ہے۔
- ٹیکسز، ڈیوٹیز، لیویز اور چارجز سے متعلق قانونی ادائیگیوں میں بقایہ جات کا رو بار کے عمومی طریقہ کار کے مطابق ہیں۔
- بورڈ نے اپنے ڈائریکٹرز کی ٹریڈنگ کو یقینی بنایا ہے، کمپنی کے تین ڈائریکٹرز نے ڈائریکٹرز ٹریڈنگ پروگرام میں شرکت کی ہے۔
- 30 جون 2018 کے مطابق پراویڈنٹ فنڈ کے آڈٹ شدہ مالیاتی گوشواروں کی بنیاد پر پراویڈنٹ فنڈ میں سرمایہ کاریوں کی مقدار 38.9 ملین روپے (2017 میں 28.4 ملین روپے) ہے۔

## ڈائریکٹرز کا مشاہرہ

بورڈ آف ڈائریکٹرز کی کمیٹی 2017 کی تعمیل میں ڈائریکٹرز کے مشاہرے کے لیے شفاف طریقہ کار اور مجوزہ پالیسی اپنائی ہے۔ ڈائریکٹرز کے مشاہرے کی تفصیل مالیاتی گوشواروں کے نوٹس میں درج کر دی گئی ہے۔

## انشورنس آرڈیننس 2000

انشورنس آرڈیننس 2000 کی تعمیل میں مطلوب اور بعد ازاں تشکیل پانے والے اصولوں کی روشنی میں، ڈائریکٹرز تصدیق کرتے ہیں کہ:

- ان کے اپنے خیال اور یقین کی حد تک، کمپنی کے سالانہ قانونی اکاؤنٹس کی تیاری اس اسٹیٹمنٹ کے ساتھ منسلک فارمی صورت میں، انشورنس آرڈیننس 2000 کی تعمیل اور بعد ازاں تشکیل پانے والے اصولوں کے تحت کی گئی ہے۔
- کمپنی نے دوران سال ہر موقع پر آرڈیننس کی شرائط اور متعلقہ اصولوں پر عمل درآمد کی ہے۔ جس میں ادا شدہ سرمایے، قرض داری اور ری انشورنس کے انتظامات میں بھی ان شرائط و اصولوں کی پاسداری کی گئی ہے۔ اس کے ساتھ اسٹیٹمنٹ کی تاریخ کے مطابق بھی، کمپنی نے آرڈیننس کی شرائط اور دیگر اصولوں کی پاسداری کو یقینی بنایا ہے۔

(روپے بلین میں)

2013	2014	2015	2016	2017	2018	بیلنس شیٹ
153.2	49.9	101.4	1,056.7	1,213.3	1,026.3	سرمایہ کاریاں
169.1	313.5	384.7	357.3	58.0	112.9	فکسڈ اثاثہ جات
19.1	4.8	-	-	21.4	7.6	زیر تعمیر سرمایہ
108.4	89.8	753.5	240.8	247.2	251.9	کیش اور بینک ڈپازٹ
625.7	844.8	988.8	1,017.8	1,419.8	1,412.4	دیگر اثاثہ جات
1,075.5	1,302.8	2,228.4	2,672.6	2,959.7	2,811.1	کل اثاثے
568.0	756.0	969.9	1,247.9	1,383.6	1,447.5	انڈر رائٹنگ واجبات
68.7	80.1	315.4	377.7	462.8	423.4	دیگر واجبات
636.7	836.1	1,285.3	1,625.6	1,846.4	1,870.9	کل واجبات

## آڈیٹرز

کمپنی کے موجودہ آڈیٹرز میسرز EY فورڈر ہوڈز، چارڈا کاؤنٹنس، ریٹائر ہو رہے ہیں اور قابلیت کی بنیاد پر خود کو دوبارہ انتخاب کے لئے پیش کیا ہے۔ بورڈ نے ریٹائر ہونے والے آڈیٹرز کو 31 دسمبر 2019 کو ختم ہونے والے سال کے لئے دوبارہ منتخب کرنے کی تجویز دی ہے، جن کی فیس باہمی رضامندی سے طے کی جائے گی۔

## منسلک فریق سے متعلق لین دین

منسلک فریق سے متعلق لین دین بورڈ کی آڈٹ کمیٹی کے سامنے رکھی گئیں اور بورڈ کی جانب سے منظور کی گئیں۔ یہ لین دین انٹرنیشنل فنانشل رپورٹس اسٹینڈرڈز اور کنینیز ایکٹ 2017 کے مطابق تھیں۔

## کارپوریٹ سماجی بہبود

کمپنی کی انتظامیہ معاشرے کی بہبود کے لیے کاموں میں بھرپور دلچسپی لیتی ہے اور ایک مستحکم ترقی کے لیے اقدامات کے ساتھ ماحولیاتی، بہتری سے خوشحالی کے امور پر زور دیتی ہے۔ سال 2018 کے دوران کمپنی نے سماجی مسائل کے حل کے لیے انتظامات اور منصوبہ بندیوں پر قابل ذکر وسائل خرچ کئے جن میں تعلیمی معیار کے فقدان، صحت اور رہن جمن کی خراب حالت اور عوام کی معاشی بہتری جیسے امور شامل ہیں اس میں کسی بھی تعصب، رنگ نسل اور فرقہ پرستی سے بالاتر ہو کر کام کیا گیا۔ مجموعی طور پر ہماری کاوشوں کے پیش نظر، ہم معاشرے میں قابل ذکر مثبت اثرات کے لیے کوشاں رہ کر تبدیلی کا نشان بننا چاہتے ہیں۔

## کارپوریٹ اور فنانشل رپورٹنگ فریم ورک سے متعلق اسٹیٹمنٹ

یکورٹیر اینڈ ایچ جی کمیشن آف پاکستان کی جانب سے تجویز کردہ کوڈ آف کارپوریٹ گورننس پر عمل درآمد کے تحت مطلوب، بورڈ اپنی کارپوریٹ ذمہ داریوں سے واقف ہے، ڈائریکٹرز درج ذیل امور بیان کرتے ہوئے بحسرت ہیں:

• انتظامیہ کی جانب سے تیار کردہ کمپنی کے مالیاتی گوشوارے، کمپنی کے معاملات، آپریشن کے نتائج، کیش فلو اور ایکویٹی میں تبدیلیوں کی شفاف صورتحال پیش کر رہے ہیں۔

## روایتی بزنس کی بیلنس شیٹ (Conventional)

(روپے بلین میں)

2013	2014	2015	2016	2017	2018	بیلنس شیٹ
452.3	452.3	893.8	893.8	893.8	946.7	اداشدہ شیئر کیپٹل
-13.5	12.4	45.7	148.9	253.9	16.9	مجموعی (نقصانات) / غیر اداشدہ منافع
0.0	0.0	1.6	2.3	(26.4)	(26.7)	فروخت کے لیے موجود سرمایہ کارپوں کی دوبارہ ویلیو پر غیر حاصل شدہ منافع (نقصان)
438.8	464.8	941.2	1,045.0	1,121.3	936.9	ٹوٹل ایکویٹی
153.2	49.9	727.0	821.8	1,069.5	673.1	سرمایہ کاریاں
169.1	308.7	384.7	361.2	79.4	122.1	فلسفہ اثاثہ جات
19.1	4.8	0.0	0.0	21.4	7.5	زیر تعمیر سرمایہ
108.4	9.0	16.6	176.4	133.6	153.0	کیش اور بینک ڈپازٹ
625.8	815.9	551.6	602.0	861.2	925.6	دیگر اثاثہ جات
-	81.4	190.7	318.9	335.5	370.0	جزل ہیکائل آپریشن کے کل اثاثہ جات - آپریٹنگ
1,075.5	1,269.8	1,870.6	2,280.2	2,500.6	2,251.3	کل اثاثے
568.0	695.9	693.9	831.0	805.7	792.2	انڈر رائٹنگ واجبات
68.7	81.6	129.9	226.1	339.3	353.1	دیگر واجبات
-	27.5	105.7	178.1	234.3	166.0	جزل ہیکائل آپریشن کے کل واجبات - آپریٹنگ
636.7	805.0	929.4	1,235.2	1,379.3	1,314.4	کل واجبات

## مشترکہ بیلنس شیٹ

(شرکت داران کا کل فنڈ کی بیلنس شیٹ کے ساتھ)

(روپے بلین میں)

2013	2014	2015	2016	2017	2018	بیلنس شیٹ
452.3	452.3	893.8	893.8	893.8	946.7	اداشدہ شیئر کیپٹل
(13.5)	14.4	47.7	150.9	255.9	18.9	مجموعی (نقصانات) / غیر اداشدہ منافع
-	-	1.6	2.3	(36.4)	(25.4)	فروخت کے لیے موجود سرمایہ کارپوں کی دوبارہ ویلیو پر غیر حاصل شدہ منافع (نقصان)
438.8	466.7	943.1	1,047.0	1,113.3	940.2	ٹوٹل ایکویٹی

## کریڈٹ ریٹنگ

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے کمپنی کی 'A+' (سنگل اے پلس) کریڈٹ ریٹنگ مستحکم جائزے کے ساتھ برقرار رکھی ہے۔

## گزشتہ 6 سال کے لیے اہم مالیاتی معلومات

روایتی بزنس کی آمدنی کا گوشوارہ

(روپے بلین میں)

2013	2014	2015	2016	2017	2018	نفع اور نقصان
869.9	1,156.0	1,171.3	1,370.2	1,383.7	1,350.1	حاصل کردہ مجموعی پربہیم
733.5	1,042.9	1,129.3	1,204.4	1,299.5	1,264.0	پربہیم کی خالص آمدنی
(619.9)	(965.1)	(1,074.4)	(1,153.7)	(1,133.0)	(1,107.6)	انڈر رائٹنگ کے اخراجات
113.6	77.8	54.9	50.7	166.5	156.4	انڈر رائٹنگ نتائج
74.3	93.1	140.5	181.5	171.3	215.5	سرمایہ کاری سے آمدنی اور دیگر آمدنی
(109.6)	(135.2)	(160.1)	(118.9)	(222.0)	(245.2)	دیگر اخراجات
78.4	35.7	35.2	113.3	115.8	126.7	جزل انشورنس آپریشن سے قبل از ٹیکس منافع
-	3.2	10.4	35.5	47.5	(112.2)	سال کے لیے قبل از ٹیکس منافع (نقصان)
78.4	38.9	45.6	148.8	163.3	14.5	بعد از ٹیکس منافع (نقصان)
51.5	25.9	33.3	103.2	105.0	3.6	وڈو کٹ آف آپریشن سے قبل از ٹیکس منافع

## مشترکہ آمدنی کا گوشوارہ

(شرکت داروں کا نفع اور نقصان کے اکاؤنٹ کے ساتھ)

(روپے بلین میں)

2013	2014	2015	2016	2017	2018	
869.9	1,220.8	1,635.5	2,054.5	2,292.7	2,408.7	حاصل کردہ مجموعی پربہیم
733.5	1,056.4	1,419.2	1,750.5	2,068.8	2,246.6	پربہیم کی خالص آمدنی
(619.9)	(956.6)	(1,419.8)	(1,634.3)	(1,831.9)	(1,967.4)	انڈر رائٹنگ کے اخراجات
113.6	99.8	(0.6)	116.2	236.9	279.2	انڈر رائٹنگ نتائج
74.3	92.7	142.8	106.8	60.9	70.7	سرمایہ کاری سے آمدنی اور دیگر آمدنی
(109.6)	(155.5)	(160.1)	(141.0)	(204.3)	(315.3)	دیگر اخراجات
78.4	37.0	(7.5)	82.0	93.5	34.6	قبل از ٹیکس منافع (نقصان)
51.5	24.0	(19.9)	36.4	35.2	23.7	بعد از ٹیکس منافع (نقصان)

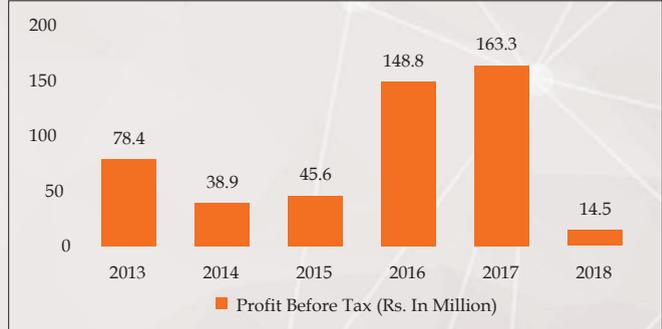
## ونڈونکافل آپریشنز

کمپنی کے ونڈونکافل آپریشنز (WTO) نے 2018 کے دوران ایک ارب کا سنگ میل عبور کر لیا ہے اور حاصل کئے گئے کنٹری بیوشن کی رقم 1,058.5 ملین روپے بنتی ہے (2017 میں 909.0 ملین روپے) اس سے سال بہ سال ترقی کی شرح 16.4% بنتی ہے۔ آپریٹنگ فنڈ اور شراکت دارنکافل فنڈ کے مشترکہ اثاثہ جات کی رقم 1,249.6 ملین روپے ہے (2017 میں 1,001.9 ملین روپے)۔ کمپنی نے موڈونکافل مارکیٹ میں اپنی دوسری پوزیشن برقرار رکھی۔

دوران سال، بجلی بار ہمارے شراکت دارنکافل فنڈ نے 20.2 ملین روپے کا سرپلس کمایا (2017 میں 69.9 ملین روپے کا نقصان ہوا)۔ یہ کامیابی مربوط انڈر رائٹنگ اور وکال فیس میں کمی کے نتیجے میں حاصل کی گئی۔ یہ امید کی جاتی ہے کہ شراکت دارنکافل فنڈ کا منافع آئندہ سالوں میں مزید بڑھے گا اور کمپنی فنڈ میں فراہم کردہ قرض حسنہ کی شکل میں واپس لینے میں کامیاب ہوگی۔

## مالیاتی جائزہ منافع کی شرح اور ترقی

کمپنی نے 14.5 ملین روپے (2017 میں 163.4 ملین روپے) قبل از محصول منافع حاصل کیا ہے، اس میں آپریٹنگ فنڈ میں 112.2 ملین روپے نقصان شامل ہے (2017 میں 47.5 ملین روپے فائدہ ہوا تھا)۔ شراکت دارنکافل فنڈ سے ملنے والا سرپلس 20.1 ملین روپے (2017 میں 69.9 ملین روپے کا نقصان) SECP کے 2015 میں جاری سرکلر 25 کی تعمیل میں کمپنی کے منافع میں شامل نہیں کیا گیا۔ قبل از محصول اور بعد از محصول کی بنیاد پر ہر ایک شیئر پر منافع بالترتیب 0.15 اور 0.04 روپے بنتا ہے (2017 میں 1.74 اور 1.12 روپے تھا)۔



دوران سال منافع میں کمی کے اسباب میں بزنس کے نان موٹوشیے میں توسیع کے لیے کی جانے والی سرمایہ کاری، کمپنی کی جانب سے ڈیٹیکھنڈلائزیشن کے لیے اٹھائے گئے اقدامات، شراکت دارنکافل فنڈ پر وکال فیس میں کمی شامل ہیں۔

تاہم ان اقدامات سے کمپنی کے منافع پر کچھ عرصے کے لیے منفی اثرات سامنے آئیں گے لیکن ہمیں یقین ہے کہ ان اقدامات سے آنے والے سالوں میں مستحکم اور منافع بخش ترقی حاصل ہونا ناگزیر ہے۔

## سرمایہ کاری

31 دسمبر 2018 کے مطابق کمپنی کی جانب سے کی جانے والی سرمایہ کاری (بشمول شراکت دار کے تکافل فنڈ سے کی جانے والی سرمایہ کاریاں) 1,026.3 ملین روپے (2017 میں 1,188.4 ملین روپے) بنتی ہے۔ یہ خاص طور پر ٹرم ڈپازٹ میں 350 ملین (2017 میں 405.0 ملین روپے)، گورنمنٹ سیکورٹیز میں 292.8 ملین روپے (2017 میں 99.5 ملین روپے)، کارپوریٹ سکوک میں 50 ملین روپے (2017 میں کچھ نہیں) اور میچونکل فنڈز اور شیئر سرمایہ کاری 333.5 ملین روپے (2017 میں 683.9 ملین روپے) بنتی ہیں۔ ان سرمایہ کاریوں کی مجموعی مارکیٹ ویلیو 1,023.4 ملین روپے (2017 میں 1,195.2 ملین روپے) بنتی ہے۔

## کیش اور بینک بیلنس

کمپنی کے کیش اور بینک بیلنس 153.0 ملین روپے (2017 میں 133.6 ملین روپے) ہیں۔ اس کے ساتھ شراکت دار کے تکافل فنڈ میں کیش اور بینک بیلنس 93.8 ملین روپے (2017 میں 102.7 ملین روپے) ہیں۔

## منافع منقسمہ

بورڈ آف ڈائریکٹرز نے سال کے لیے بالترتیب 20% اور 13% کے حساب سے عبوری منافع منقسمہ اور بونس شیئرز دینے کا اعلان کیا ہے، اس طرح سال کے لیے ادائیگی 33% یا 3.3 روپے ہر ایک شیئر بنتی ہے (2017 میں 10% بونس شیئر)۔ بورڈ آف ڈائریکٹرز 31 دسمبر 2018 کو ختم شدہ مالیاتی سال کے لیے کوئی بھی حتمی منافع منقسمہ دینے کی تجویز نہیں دیتے۔

## ڈائریکٹرز رپورٹ

TPL انشورنس لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے، میں 31 دسمبر، 2018 کو ختم ہونے والے سال کے لیے کمپنی کی سالانہ رپورٹ آپ کے گوش گزار کرتے ہوئے خوشی محسوس کر رہا ہوں۔

### کاروبار کا جائزہ

#### مجموعی طور پر حاصل شدہ پربیم

دوران سال کمپنی 5% ترقی کے ساتھ 2,409 ملین روپے کا مجموعی حاصل شدہ پربیم حاصل کرنے میں کامیاب رہی۔ پربیم میں کمپنی کے ونڈو ونگائل آپریشن کے حاصل ہونے والا کنٹری بیوشن شامل ہے جس کی مقدار 1,058.5 ملین روپے بنتی ہے (2017 میں 909.0 ملین روپے)۔ کم آمدنی کا سبب خاص طور پر موٹرانشورنس کاروبار ہے جسے زیر جائزہ سال کے دوران غیر معمولی چیلنجز کا سامنا رہا۔ سب سے پہلے کمپنی کو نان فاکٹر کا مسئلہ درپیش رہا جس کے تحت یکم جولائی 2018 سے حکومتی دستاویزات میں ٹیکس ادا کرنے کے درجہ کے بغیر کسی بھی فرد کو گاڑی خریدنے کی اجازت نہیں تھی جبکہ سال 2018 میں ہی اسٹیٹ بینک آف پاکستان نے اپنے بنیادی شرح سود میں 400 bps سے اضافہ کر کے 10% تک اضافہ کر دیا۔ ان دونوں عوامل کے سبب نئی گاڑیوں کی طلب میں کمی واقع ہوئی، نتیجے میں سال 2018 میں گاڑیوں کی انشورنس پرمیٹی اثرات مرتب ہوئے۔ جو کہ اب بھی کمپنی کا سب سے بڑا کاروباری شعبہ ہے۔ مجموعی طور پر کمپنی نے موٹر مارکیٹ میں اپنی تیسری پوزیشن اور اپنی صنعت میں پانچویں پوزیشن برقرار رکھی (31 دسمبر 2017 کو ختم ہونے والے سال کے لیے حاصل کردہ خالص پربیم کی بنیاد پر)۔

2018 کے دوران کمپنی نے نان موٹرسٹیٹ میں اضافے کی کوشش جاری رکھی اور سال کے لیے مجموعی حاصل شدہ پربیم 351 ملین روپے تک پہنچ گیا (2017 میں 197 ملین روپے)۔ اس طرح نان موٹر کاروبار کا حصہ 2017 کے 9% سے بڑھ کر اس سال 15% تک پہنچ گیا۔

سال	مجموعی حاصل کردہ پربیم (ملین روپے)	اضافہ
2013	869.9	23%
2014	1,220.8	40%
2015	1,635.5	34%
2016	2,054.5	26%
2017	2,292.7	12%
2018	2,408.7	5%

کمپنی مختلف قسم کے پروگرامز پر کام کر رہی ہے، جس میں نان موٹرانشورنس کے شعبے میں اعلیٰ معیاری ترقی کے لیے کوشاں ہے جبکہ ڈیجیٹل صارفین تک مزید رسائی اور خدمات کے معیار میں مزید بہتری کے لیے ڈیجیٹل اقدامات پر سرگرم ہے۔ 2018 کے دوران ہم نے کسٹمر ایپ کے ذریعے کلیم آپریشنز کو کامیابی کے ساتھ ڈیجیٹلائز کیا جس کی بدولت کلیم داخل کرنے میں سہولت اور سروے رپورٹس کو براہ راست ہمارے کلیم پروسیجر سسٹم میں درج کرنے کے ساتھ پیپر کے بغیر اس مرحلے کی ڈیجیٹل اور کلیم کے تصفیہ کے دوران میں کمی لانے کے امور شامل ہیں۔ اس حوالے دیگر متعلقہ امور کو بھی اسی انداز سے ڈیجیٹلائز کرنے کا کام جاری ہے۔ اس کے ساتھ ہم اپنے کسٹمر ایپ کے فیچرز کو بڑھا رہے ہیں تاکہ پالیسی کا آسان حصول، کلیم درج کرنا، گاڑیوں کو پینچنے والے نقصان کا خود کار سروے، انڈورسمنٹ کی درخواست اور پالیسیوں کا اجراء سہولت انداز میں ممکن ہو۔ ان اقدامات کے نتیجے میں ہمیں امید ہے کہ ڈیجیٹل صارفین کے ساتھ ہمارے ڈیجیٹل تعلق میں اضافہ ہوگا اور اس طرح 2019 میں کمپنی کی آگے بڑھنے کی صلاحیت میں اضافہ ہوگا۔

### کلیمز کا جائزہ

سالانہ کلیمز کا پیمانہ	
سال	حاصل شدہ پربیم کی فیصد
2013	43%
2014	50%
2015	47%
2016	46%
2017	43%
2018	43%

2018 میں کمپنی نے موٹر انداز میں وینڈر منیجمنٹ کے نتیجے میں مجموعی طور پر کلیم سائز میں 10% کمی کی جو روپے کی قدر میں 30% کمی کے باوجود ہے۔ نتیجتاً دوران سال کلیم کی شرح 43% برقرار رکھی گئی۔

اب تک کمرشل بزنس میں کوئی قابل ذکر کلیم کا پیمانہ برداشت نہیں کرنا پڑا کیونکہ انڈر رائٹنگ کا نظام اور خطرے سے بچاؤ کے اقدامات مربوط ہیں۔ کمپنی نے ماہرین کی ایک ٹیم تیار کر رکھی ہے جو خطرات پر قابو پانے کی موثر منیجمنٹ کرتی ہے اور اس بات کو یقینی بناتی ہے کہ کلیم کے اخراجات کا عمل موثر طریقے سے انجام دیا جائے۔

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**CORPORATE OFFICE**

12th Floor, Centrepoint, Off Shaheed-e-Millat Expressway,  
Adjacent KPT Interchange, Karachi - 74900  
UAN: (+92)-21-111-000-301

Email: [info@tplinsurance.com](mailto:info@tplinsurance.com), Website: [tplinsurance.com](http://tplinsurance.com)

