AA

BY JCR-VIS

ANNUAL REPORT 2018

SECURITY GENERAL
INSURANCE COMPANY LTD.

(Window Takaful Operations)

GROWTH WITH STRENGTH STRATEGIES AND VALUE

CONTENTS

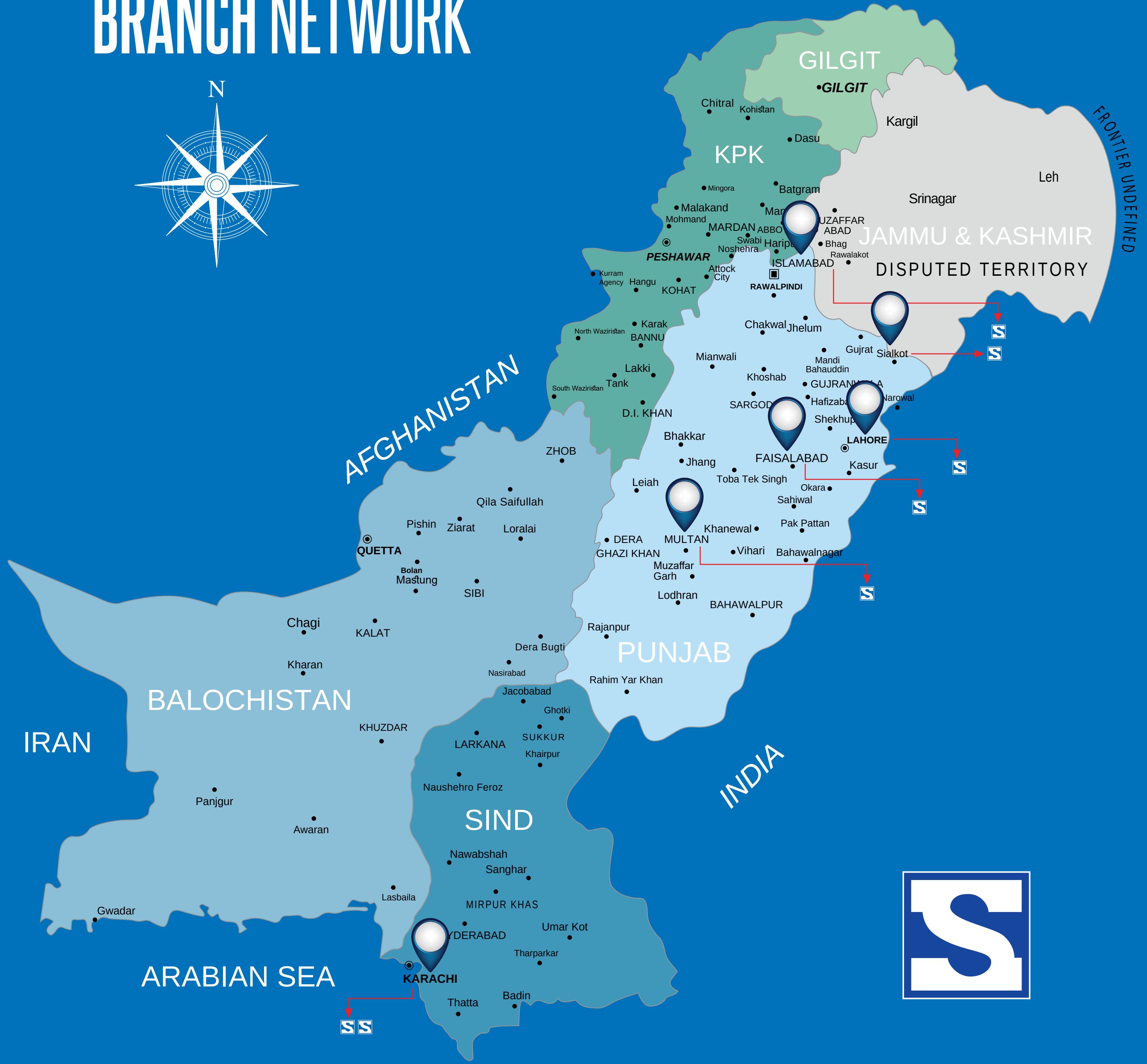
For All Our
Progress and Success
There's Still to do.

AA
Rated by: JCR-VIS

HIGHLIGHTS
Rupees in Million

2,516	GROSS PREMIUM WRITTEN
600	NET PREMIUM
83	NET CLAIMS
7	NET COMMISSION
215	MANAGEMENT EXPENSES
995	INVESTMENT INCOME
294	UNDERWRITING RESULTS
1,292	PROFIT BEFORE TAX
854	PROFIT AFTER TAX

BRANCH NETWORK



CORPORATE BRANCH:
9-B, 3rd Floor, LDA Flats, Lawrance Road, Lahore.

FAISALABAD BRANCH:
2nd Floor, Regency Plaza, New Civil Lines, Faisalabad.

NEW MULTAN BRANCH:
Business City Plaza, Bosan Road, Multan.

ISLAMABAD BRANCH:
Office No. 2, 2nd Floor Vip Square, I-8 Markaz, Islamabad.

KARACHI CITY BRANCH:
House No. 84-P, Ghazali Road Block No. 2,
P.E.C.H.S Karachi.

KARACHI MAIN BRANCH:
1st Floor, Karachi Chamber, Hasrat Mohani Road,
Off. I.I. Chundrigar Road, Karachi.

SIALKOT BRANCH:
Office No. 1 & 2, First Floor, Kashmir Centre,
Kutchery Road, Sialkot.

MISSION STATEMENT

SGI to become a leader in insurance through innovation, competitive advantage, customers' satisfaction and stakeholders' confidence.

QUALITY POLICY & OBJECTIVES

We aspire to be the lead insurance company and achieve global recognition through quality products, high quality service and superior risk underwriting capability.

To achieve Market dominance through:

- Increasing market share
- Large & more diversified business portfolio
- Greater market outreach

To achieve customer satisfaction through:

- Innovative products
- High quality & timely customer service
- Prompt payment of claims
- Provide adequate protection to clients and pass on to clients greater benefits
- through more cost effective insurance with less risk exposure

To achieve superior risk underwriting capacity:

- Through innovative underwriting techniques & practices
- Disciplined risk management & judicious underwriting
- Through hiring/retaining highly qualified & expereienced underwriters & adequate
- in house training / exposure

To achieve stakeholders' confidence & continuously improve performance:

- By enhanced efficiency through optimum utilization of resources
- Through increased premium growth & earnings to enhance the return to shareholders.
- Enhance job satisfaction & employee creativity and provide employees with opportunities for personal & career development


CORE VALUES

INSURER FINANCIAL STRENGTH RATING

'AA'

JCR-VIS

BOARD OF DIRECTORS

Mian Hassan Mansha
Chairman

"By adopting best practices and measures we are ensuring consistent growth in market share for Security General Insurance Company Limited"

Farrukh Aleem
Chief Executive Officer

Inayat Ullah Niazi
Director

Mahmood Akhtar
Director

Khalid Mahmood Chohan
Company Secretary

Badar ul Hassan
Director

Muhammad Azam
Director

CEO MESSAGE

To our policy holders and valued customers,

"We are here to help our valued customers to achieve financial security. We know that when we serve you well, we're helping you create a secure future - a projection that is your to write and is unique to you."

First of all, thanks to Allah Almighty for the successful completion of 2018, though it was bit challenging startup in the beginning but later on with the support of Directors and marketing staff we were able to successfully mark the market and met our internal/external targets as well as maintained "AA" rating.

We incessantly focusing to upgrade our resources to meet cutthroat competition in local and foreign markets. For further progress and growth we equipped ourselves internally to meet the dynamic requirements of our clients according to our policies and procedures and for this purpose we continually aim to shape, anticipate and understand the market.

In the end thanks to all of our valued customers for their trust they endow with us.

Farrukh Aleem
C.E.O

COMPANY INFORMATION

Board of Directors

Mian Hassan Mansha
Chairman
Mahmood Akhtar
Director
Badar ul Hassan
Director
Farrukh Aleem
CEO
Inayat Ullah Niazi
Director
Muhammad Azam
Director

Management

Farrukh Aleem
CEO
Hafiz Khuram Shahzad
CFO
Khalid Mahmood Chohan
Company Secretary

Audit Committee

Mian Hassan Mansha
Chairman
Inayat Ullah Niazi
Member
Badar ul Hassan
Member

External Auditors

A.F. Ferguson & Co.
Chartered Accountants

Internal Auditors

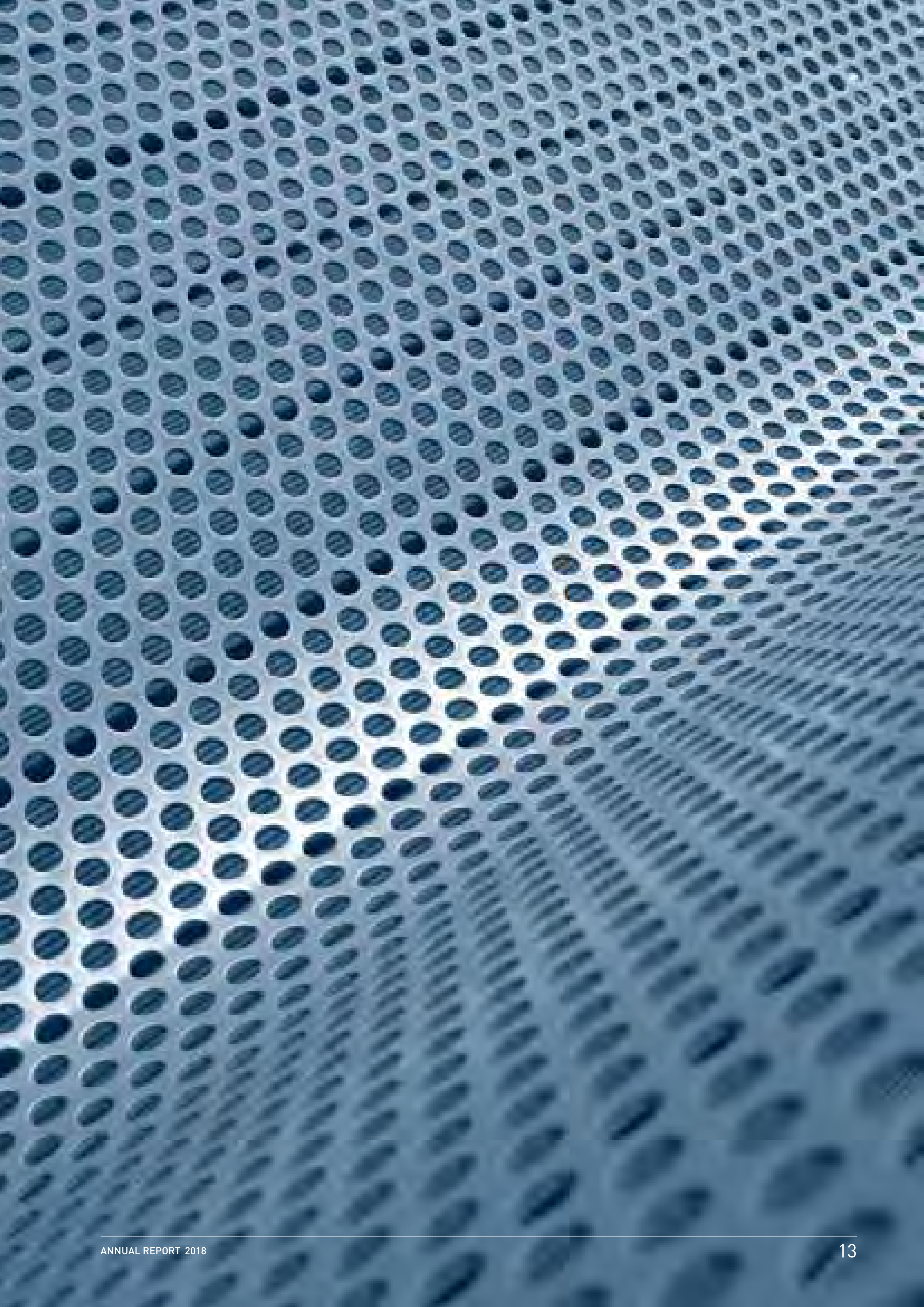
Ahsan & Ahsan
Chartered Accountants

Lawyers

Hamid Law Associates

Head Office

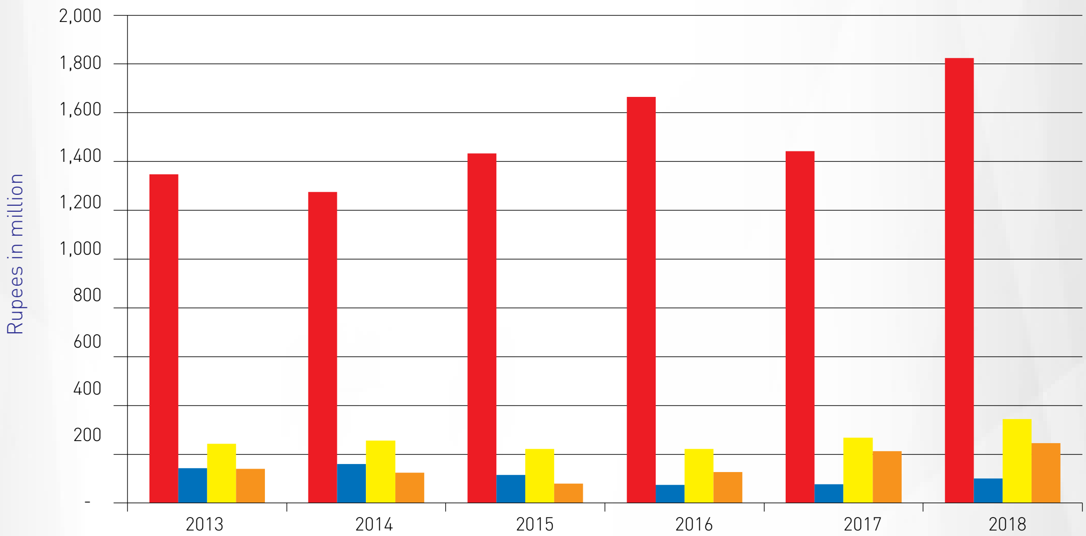
SGI House, 18 C / E1,
Gulberg III, Lahore.
Tel: 92-42-35775024-29
Fax: 92-42-35775030
E-mail: sgi@sgicl.com
Web: www.sgicl.com



KEY FINANCIAL DATA

Description	2018	2017	2016	2015	2014	2013
			Rupees in Million			
Gross Premium	2,516	2,000	2,087	1,851	1,816	1,872
Profit after Tax	854	825	800	914	897	760
Profit before Tax	1,292	1,278	1,186	1,094	971	826
Investment Income	995	1,083	1,017	996	799	739
Underwriting Income	294	310	271	200	174	177
Net Revenue	600	503	446	441	524	368
Net Claims	83	94	75	125	232	97
Paid up Capital	681	681	681	681	681	681
Authorized Share Capital	1,000	1,000	1,000	1,000	1,000	1,000
Underwriting Reserve	2,261	2,152	1,853	1,931	1,395	1,250
Investements	14,015	17,044	16,790	14,352	18,333	15,079
Fixed Assets	124	117	107	107	120	110
Retained Profit	9,877	9,364	8,881	8,423	7,812	7,225

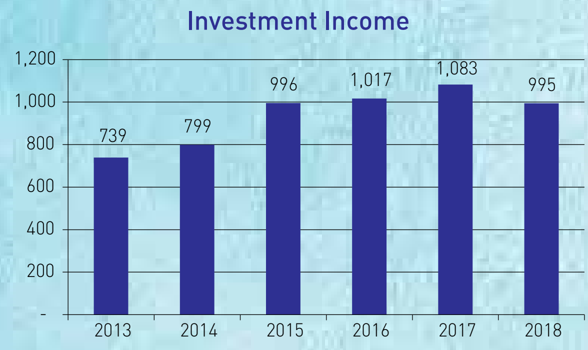
DEPARTMENT WISE GROSS PREMIUM

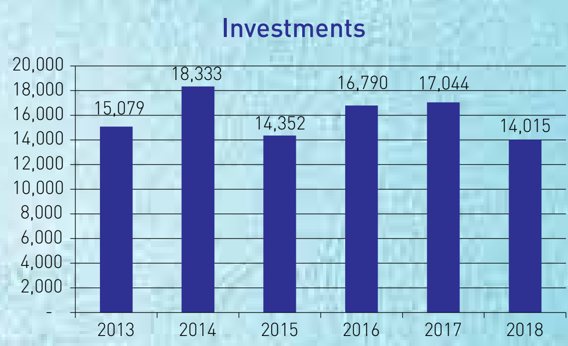


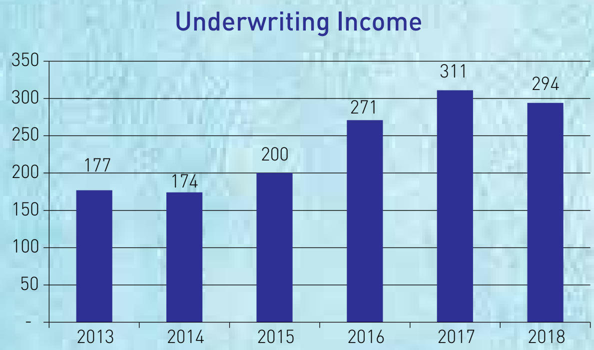
	2013	2014	2015	2016	2017	2018
FIRE & PROPERTY DAMAGE	1,347,039,083	1,274,925,183	1,433,504,124	1,664,597,343	1,442,116,868	1,824,624,646
MARINE, AVIATION & TRANSPORT	143,095,390	160,250,641	115,468,744	74,319,232	77,409,428	101,220,334
MOTOR	242,333,499	256,417,556	221,940,854	221,403,965	268,003,619	344,453,390
OTHER INCLUDING MISCELLANEOUS	139,893,014	124,150,857	79,825,677	126,818,592	212,728,241	245,870,808
TOTAL	1,872,360,986	1,815,744,237	1,850,739,399	2,087,139,132	2,000,258,156	2,516,169,178

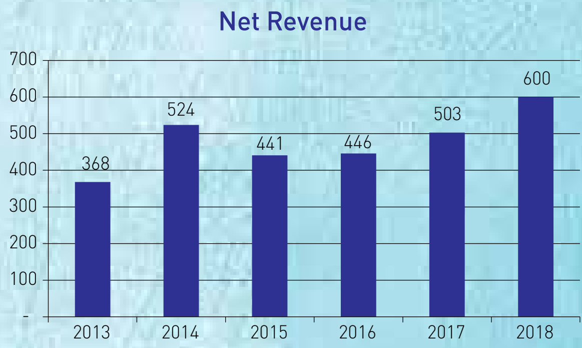
KEY FINANCIAL DATA

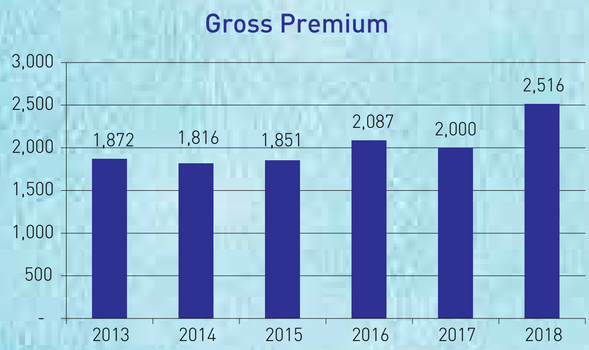
GRAPHICAL HIGHLIGHTS

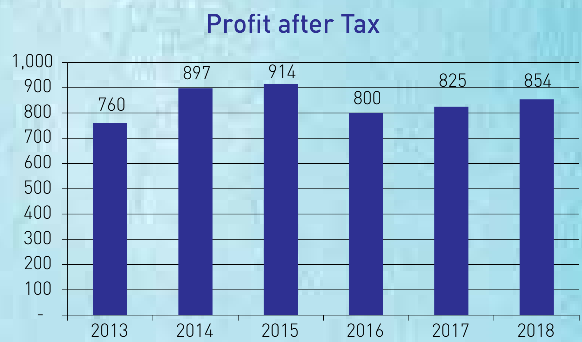


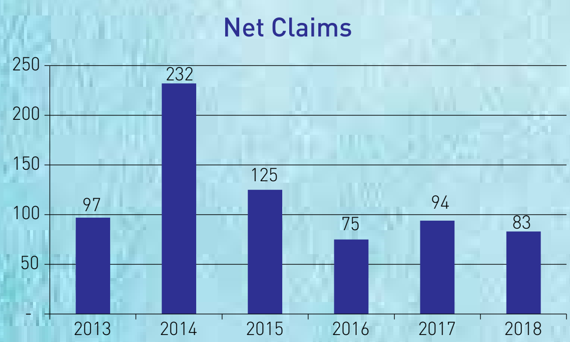












FIRE & ALLIED PERLIS INSURANCE

Fire is among those four natural elements which is beyond human control once engulfed and results to sever aftermath. Naturally we can take physical measures to control and financially we can take insurance cover to recover the financial loss.

Fire insurance gives the insured the requisite financial protection against assets acquired during his/her lifetime so that in the event of any misfortune the insured would be put in the same financial position he/she enjoyed just before the loss due to fire and lightning only.

There are two (2) main potential buyers of fire insurance

- the individual
- the entity (organization).

The Individuals need Fire Insurance as protection against his/her property including buildings, household goods and personal effects. The Organization including Commercial and Industrial entity could insure its buildings, plant, machinery and equipment, stock of raw materials, finished goods and profits.

Fire & Allied Perils: Adding to the above mentioned cover, this type of policy covers a number of additional perils which may differ from one policy to another but most usually include the following perils:

- Explosions
- Riot & Strike
- Malicious Damage
- Earthquake (Fire & Shock)
- Atmospheric disturbance
- Aircraft Damage
- Impact Damage

Additional Coverages:

1. **Burglary/Theft:**
   In market, it has been practiced that losses due to burglary & theft are endorse under fire policy

2. **Business Interruption (BI)**
   It is also known as Consequential Loss/Loss of Profit Insurance, any business loss that incurred due to fire covered under this policy, insurer pay certain amount till indemnity period define in policy.

MARINE CARGO INSURANCE

Lloyd's Coffee House was the first marine insurance market. It became the meeting place for parties in the shipping industry wishing to insure cargoes and ships, and those willing to underwrite such ventures. These informal beginnings led to the establishment of the insurance market Lloyd's of London and several related shipping and insurance businesses.

Under Marine Insurance Act 1906, Marine Insurance covers the loss or damage to:

- Hull Insurance: Water vessel- Hull & Machinery
- Aviation Insurance: Aero planes
- Cargo Insurance: Goods in transit by sea, air and by rail/road

The Clauses used for by Sea Shipments:

- Institute Cargo Clauses (A) – Covers all except general exclusions OR
- Institute Cargo Clauses (B) - Restricted cover than ICC (A) OR
- Institute Cargo Clauses (C) - Restricted cover than ICC (B)

The Clause used for by Air Shipments:

- Institute Cargo Clauses Air – Covers all except general exclusions

The Clauses used for Inland Transit/Rail/Road:

- Road/Rail Cargo Clauses (A) - Covers all except general exclusions OR
- Road/Rail Cargo Clauses (B) - Restricted cover than R/R (A)

War & Strike cover available in addition to above basic covers:

- Institute War Clauses (Cargo) on payment of additional premium
- Institute Strike Clauses (Cargo) on payment of additional premium
- Road/Rail Strike Clauses (Cargo) on payment of additional premium

Marine Perils

Perils of sea: Storms, lightning, snow, ice-burgs, fog, tides, rocks, sandbanks, volcanic eruption, heavy weather, Fire, explosion, Vessel Stranded, Sunk, burnt, Collision or contact of vessel, Theft, Willful Misconduct of assured, Malicious Damage, General average sacrifice, Jettison, washing overboard, Piracy and Rovers.

MOTOR INSURANCE

Motor insurance protects your vehicle against losses arising from unforeseen risks. It basically covers financial losses arising from accidents, theft and other natural calamities. Motor insurance is a contract for an automobile in which the insurance company agrees to pay for your financial loss resulting from a said specified event.

Motor Insurance is very important because too many road accidents reported on road on daily basis and fatalities in road accidents are moving up. Considering the high number and the poor state of roads, Motor insurance is a necessary requirement. By law, Motor Insurance is mandatory. Motor Insurance provides financial cover not only to you but also covers damages to third party (people travelling with you). Motor Insurance also protects you from losses arising from natural calamities like cyclone, earthquake etc.

Motor insurance covers is available for;

1. Private Motor vehicles
2. Commercial Motor vehicles

Private Motor Vehicles – Comprehensive motor covers your car and third party damages up to some extent.

Commercial Motor vehicles – offers comprehensive cover for all commercial vehicles like ambulances, carriage vans, trucks, prime movers etc.

ENGINEERING & MISCELLANEOUS INSURANCE

Engineering insurance refers to the insurance that provides economic safeguard to the risks faced by the ongoing construction project, installation project, and machines and equipment in project operation. Product categories: Depending on the project, it can be divided into construction project all risks insurance and installation project all risks insurance; depending on the attribute of the object, it can be divided into project all risks insurance, and machinery breakdown insurance.

Miscellaneous Insurance refers to contracts of insurance other than these of Life, Fire and Marine insurance. This branch of insurance is of recent origin and it covers a variety of risks.

1. Personal Accident Insurance - This means insurance for individuals or groups of person against any personal accident or illness. The risk insured in personal accident insurance is the bodily injury resulting solely and directly from accident caused by violent, external and visible means.

2. Liability Insurance - Just as a person can insure himself against the risk of death and personal injury, or damage, determination or destruction of property, there can also be an insurance against the risk of incurring liability to third parties. The risk of liability arising out of the use of property, comes under the category commonly called "liability insurance". It includes -

i. Public Liability Insurance: That is, insurance against a liability imposed by law. For example, a house owner may obtain an insurance against his liability to invitees or licensees, arising from body injury or damage to property.

ii. Professional Negligence Insurance: These policies give professional indemnity cover to accountants, solicitors, lawyers, from any loss or injury due to any negligence in the conduct of their professional duties.

iii. Employer's Liability Insurance: The liability of an employer under the modern labor laws, has considerably extended and the employers are tempted to take out insurances against such liabilities. For examples, when the employees retire, substantial amount become immediately payable by way of gratuity, commuted pension, leave salary, compensation, etc. and also the uncommuted pension becomes payable in future. Employers often take insurance policies which assure payment of such amounts, as and when these becomes payable.

iv. Guarantee Insurance: The main types of policies included in guarantee insurance are a) insurance for performance of contract, policies, the guarantor / underwriter insures the promisee or employer against the loss arising by non-performance by the promisor or the dishonesty of the employee.

Fidelity policies are the most common type of guarantee policies, taken under contracts of employment where the employee has an opportunity to be dishonest. Such policies cover the risk of losses arising by theft or embezzlement of money or securities, or by fraud, on the part of employees.

Money Policies – We insure "cash" either in transit or premises, two wide range of covers available

- Cash in Transit (CIT) - cash is insured while transit between designated locations.
- Cash in Safe (CIS) – cash is insured whilst in safe.

BONDS INSURANCE

Bid Bonds

Bid Bonds are required in connection with the submission of tenders for contracts with private/public owner. The subject is to guarantee that the bidder (Contractor), if awarded the contract, will enter into the contract and furnish the Prescribed Performance Bond. If the contractor is afterwards unable to enter into the contract and to furnish the required Performance Bond, the insurance company is liable to pay the bond amount to the owner.

Mobilization Adavance Bond

Mobilization Advance Bond is required in cases where the oblige (owner) is pre-financing a contract; he may secure the repayment of the advance by means of a bond called Mobilization Advance Bond. The amount guaranteed should decrease in accordance with the portions of work performed. By this bond, the Insurance Company guaranteed the owner correct utilization of advance. In case contractor fails to fulfill their obligation and commit default the insurance company will pay the amount to the owner which is outstanding at that time.

Performance Bond

Performance bond is required of a contract (After accepting Bid and awarding of contract) to guarantee the full and the due performance of the contract according to plan and specifications. In case the contractor fails, to perform the contract in accordance with the terms and conditions of the contract, the insurance company will be liable to pay the bond amount to the owner on demand.

Supply Bonds

Supply bonds are similar in intent to performance bonds. They are issued for contracts to supply materials, goods, machinery at a specified time and place.

CROPS INSURANCE

Crop insurance is purchased by agricultural producers, including farmers, ranchers, and others to protect themselves against either the loss of their crops due to natural disasters, such as hail, drought, and floods, or the loss of revenue due to declines in the prices of agricultural commodities. The two general categories of crop insurance are called crop-yield insurance and crop-revenue insurance.

Farming is no easy task. It is one of the riskiest enterprises in the world, defined by uncontrollable conditions that are unlike any other profession. Bad weather, blight, insects, natural disasters, price fluctuations, and global subsidization all make it hard to make a living as a farmer.

That's where crop insurance comes in. It's basically no different than auto insurance or homeowner's insurance. Banks require farmers to purchase it, just as they require insurance from homebuyers, but because of the risks unique to agriculture, it can be cost prohibitive. Without a strong infrastructure and investment, crop insurance would be too costly for most farmers to afford or for most private-sector insurance companies to widely provide.

In Pakistan, Government is offering incentives for farmers by offering loan from various private and government banks, in this capacity banks as well as farmers possess this insurance for any unfortunate event(s).

This insurance is very helpful for farmers to have financial safeguard in case of calamity

HOME INSURANCE

Home Owner's Insurance:
Homeowners insurance provides you with financial protection in the event of a disaster or accident involving your home.

A standard homeowner's insurance policy insures your home's structure (house,) and your belongings in the event of a destructive event, such as a fire.

In addition, homeowner's insurance policies are generally "package policies", this means that the coverage includes not only damage to your property, but also your liability—that is, legal responsibility—for any injuries and property damage to others caused by you or members of your family.

The most common forms of household insurance are:
Home insurance – covers financial losses associated with damage or loss of a property you own.

Contents insurance – covers financial losses caused by the loss, theft or damage of your possessions. In addition to home insurance. A policy may be issue in combination of both.

Tenant's insurance – a low-cost contents policy for tenants that provides limited cover for events such as fire and theft.

Landlord's insurance – covers the risks associated with renting out a property.

LIVE STOCK INSURANCE

Cattle and livestock are the bread and butter for millions of farmers in Pakistan and all across the world. With this regard the insurance policy covers animals such as cows, buffaloes, bullocks, sheep and goats owned by the different individuals and which are used for commercial and for personal purposes against the risk of permanent total disablement or death due to accident and/or any diseases which the animal may contract during the policy period.

The policy covers death caused by: Accident inclusive of fire, lighting, flood, storm, hurricane, earthquake, cyclone, tornado etc. Diseases contracted or occurring during the period of the policy.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that Annual General Meeting of the Shareholders of Security General Insurance Company Limited ("the Company") will be held on April 30, 2019 (Tuesday) at 3:00 p.m. at SGI House, 18-C/E-1, Gulberg III, Lahore, to transact the following business: -

1. To receive, approve and adopt the audited accounts of the Company for the year ended December 31, 2018 together with the Directors' and Auditors' reports thereon.

2. To approve Final Cash Dividend @ 25% (i.e. Rs. 2.50 Per Share) for the year 2018, as recommended by the Board, in addition to 25% interim dividend already paid.

3. To appoint Statutory Auditors of the Company for the year 2019 and fix their remuneration.

4. Special Business:.

To consider and if deemed fit, to pass the following resolutions as Special Resolutions, with or without modification, addition(s) or deletion(s):

"Resolved that approval of the members of Security General Insurance Company Limited (the "Company") be and is hereby accorded in terms of Section 199 and other applicable provisions of the Companies Act, 2017, and the Company be and is hereby authorized to further invest up to PKR 200 Million (Rupees Two Hundred Million Only) from time to time in Nishat Hotels and Properties Limited ("NHPL"), an associated company, for subscribing at Par, fully paid up 20,000,000 ordinary shares of PKR 10 each of NHPL, as may be offered to the Company by NHPL pursuant to further issue of capital."

"Resolved Further that this resolution shall be valid for a period of three (3) years starting from the date of approval by members and the Chief Executive Officer and/or Chief Financial Officer and/or Company Secretary of the Company be and are hereby singly empowered and authorized to do all acts, matters, deeds and things, take any or all necessary actions including signing and execution of agreement(s) and to complete all legal formalities as may be necessary or incidental expedient for the purpose of implementing the aforesaid resolutions."

"Resolved Further that the Company be and is hereby authorized to dispose of through any mode, a part or all of equity investments made by the Company from time to time and to dispose of and/or decline a part or all of its entitlement of right shares as and when offered by the investee companies in which the Company has made equity investment and the Chief Executive Officer and/or Chief Financial Officer and/or Company Secretary be and are hereby authorized singly to take the decision of divestment and/or declining of right shares entitlement as and when they deemed it appropriate and necessary in the best interest of the Company and its Shareholders."

Statement under Section 134(3) of the Companies Act, 2017 concerning special business is annexed to the notice of meeting circulated to the members of the Company.

By order of the Board

(KHALID MAHMOOD CHOHAN)
COMPANY SECRETARY

Lahore
March 21, 2019

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

1. The Share Transfer Books of the Company will remain closed for entitlement of 25% Final Cash Dividend (i.e Rs. 2.50 per share) from 24-04-2019 to 30-04-2019 (both days inclusive). Transfers received in order at SGI House, 18-C/E-1, Gulberg III, Lahore, upto 1:00 p.m. on 23-04-2019 will be considered in time for entitlement of 25% Final Cash Dividend and attending of Annual General Meeting.

2. A member eligible to attend and vote at this meeting may appoint another member his / her proxy to attend and vote instead of him/her. Proxies in order to be effective must reach the Company's Registered Office not less than 48 hours before the time for holding the meeting..

3. Shareholders are requested to immediately notify the change in address, if any.

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company to be held on April 30, 2019.

Nishat Hotels and Properties Limited (NHPL) was incorporated on 04 October 2007 as a public company limited by shares. Its authorized share capital is Rs. 10,000,000,000/- (Rupees Ten Billion Only) divided into 1,000,000,000 (One Billion) ordinary shares of PKR 10 each. The principal activity of the company is to own, manage, establish and operate shopping malls, hotels and banquet halls. For the intended purpose, NHPL has acquired Hotel site of 119 Kanals, 6 Marlas and 73 SFT of Commercial Land situated at Trade and Finance Block, Johar Town, Lahore, from Lahore Development Authority (LDA) – Urban Development Wing and constructed Emporium Mall which is fully operational since July 2016. Hotel has been opened since May 2017 and 198 rooms are fully operational. The Building has a covered area of 2.742 Million Square Feet comprising the following building components:

- 4 star hotel having 198 fully equipped rooms
- Banquet halls
- Shopping Mall with following features:
  - o Retail outlets
  - o Food courts
  - o Cineplex
  - o Hyper Star
  - o Fun Factory
  - o Two basements with parking bays for cars and motorcycles.

Since NHPL is now fully operational, equity investment is mainly needed by NHPL to repay the long term finances obtained from financial institutions and to meet other working capital requirements.

The directors of the Company certify / undertake that the investment is being made after due diligence. The duly signed recommendation of the due diligence report and directors undertaking/certificate shall be made available to the members for inspection at the meeting.

Security General Insurance Company Limited ("the Company) already had equity investment of 71,062,000 shares of Rs. 10/- each and expects significant dividends in future which will eventually enhance the return on investment of the shareholders of the Company, therefore the Directors of the Company have proposed to invest further Rs. 200,000,000 by subscribing at Par, fully paid up 20,000,000 ordinary shares of PKR 10 each of NHPL as and when offered by NHPL.

NOTICE OF ANNUAL GENERAL MEETING

NHPL is not a member of the Company. Its sponsors/directors are directors/members of the Company. They have no interest except their directorship and to the extent of their shareholding in the Company which is as follows:

Name	% of Shareholding
Mian Raza Mansha	11.95
Mian Umer Mansha	13.30
Mian Hassan Mansha	13.30
Mr. Muhammad Azam	0.00
Mr. I.U. Niazi	0.00

Information Under Regulation 3 of The Companies' (Investment in Associated Companies or Associated Undertakings) Regulations, 2017.

Equity Investment:

<table>
<tr><td colspan="4">(a) Disclosure for all types of investments:</td></tr>
<tr><td colspan="4">(A) Disclosure regarding associated company</td></tr>
<tr><td>(i)</td><td colspan="2">Name of Associated Company or Associated Undertaking</td><td>Nishat Hotels and Properties Limited ("NHPL")</td></tr>
<tr><td>(ii)</td><td colspan="2">Basis of Relationship</td><td></td></tr>
<tr><td>(iii)</td><td colspan="2">Earnings / (Loss) per share for the last three years</td><td><table><tr><th>30-Jun-18</th><th>30-Jun-17</th><th>30-Jun-16</th></tr><tr><td>(0.96)</td><td>(0.23)</td><td>(0.11)</td></tr></table></td></tr>
<tr><td>(iv)</td><td colspan="2">Break-up value per share, based on last audited financial statements</td><td>Rs 8.64 as per audited financial statements of 30th June, 2018.</td></tr>
<tr><td>(v)</td><td colspan="2">Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements</td><td><table><tr><th colspan="2">30-Jun-18
(Rupees)</th></tr><tr><td>Total asset</td><td>27,317,220,647</td></tr><tr><td>Total liabilities</td><td>19,397,420,016</td></tr><tr><td>Total equity</td><td>7,919,800,631</td></tr><tr><td>Net profit/(loss)</td><td>(370,773,072)</td></tr></table></td></tr>
<tr><td>(vi)</td><td colspan="2">In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely</td><td>N/A</td></tr>
<tr><td></td><td>I</td><td>Description of the project and its history since conceptualization</td><td></td></tr>
<tr><td></td><td>II</td><td>Starting date and expected date of completion of work</td><td></td></tr>
<tr><td></td><td>III</td><td>Time by which such project shall become commercially operational</td><td></td></tr>
<tr><td></td><td>IV</td><td>Expected time by which the project shall start paying return on investment</td><td></td></tr>
<tr><td></td><td>V</td><td>Funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts</td><td></td></tr>
</table>

NOTICE OF ANNUAL GENERAL MEETING

(B) General Disclosures:			
(i)	Maximum amount of investment to be made		Rs. 200,000,000 (Rupees Two Hundred Million Only)
(ii)	Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment		To earn dividend income and / or capital gains which will enhance the profitability of Security General Insurance Company Limited and add to the shareholders' value of the members of the investing Company. The investment in NHPL will be for long term.
(iii)	Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds:		The investment will be made from company's available funds.
	(I)	Justification for investment through borrowings	NA
	(II)	Detail of Collateral, guarantees provided and assets pledged for obtaining such funds	NA
	(III)	Cost of benefit analysis	NA
(iv)	Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment		NA
(v)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration		The interest, direct or indirect in the associated company and the transaction under consideration is detailed as under: The directors of Security General Insurance Company Limited (SGI), their relatives and associated companies holding shares of Nishat Hotels and Properties Limited (NHPL) are interested to the extent of their shareholding as under:- **Directors:** **% of Shareholding** Mian Hassan Mansha 21.71 Mr. Muhammad Azam 0.00 Mr. I.U. Niazi 0.00 **Relatives:** Mian Raza Mansha 21.50 Mian Umer Mansha 21.72 Both brothers of Mian Hassan Mansha. **Associated Companies** Nishat Mills Limited 7.40

NOTICE OF ANNUAL GENERAL MEETING

		The directors of NHPL are interested in SGI to the extent of their shareholding as under:- **Name** — **% of Shareholding** Mian Raza Mansha — 11.90 Mian Umer Mansha — 13.30 Mian Hassan Mansha — 13.30 Mr. Muhammad Azam — 0.00 Mr. I.U. Niazi — 0.00 The associated Companies holding shares of NHPL are interested in SGI to the extent of their shareholding as follows: **Name** — **% of Shareholding** Nishat Mills Limited — 15.02
(vi)	In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs	The Company has invested in 71.062 million shares with Rs.10/- per share face value in NHPL. Since NHPL's ordinary shares are not listed, an independent valuer engaged by the company has estimated a fair value of Rs 14.47 per ordinary share as at December 31, 2018 through a valuation technique based on discounted cash flow analysis of NHPL.
(vii)	Any other important details necessary for the members to understand the transaction	None
(b) Additional disclosure regarding Equity Investment		
(i)	Maximum price at which securities will be acquired	Par value of Rs. 10/- per Share
(ii)	In case the purchase price is higher than market value in case of listed securities and fair value in case of unlisted securities, justification thereof	NA
(iii)	Maximum number of securities to be acquired	20,000,000 Shares of Rs. 10/- each.
(iv)	Number of securities and percentage thereof held before and after the proposed investment	No. of Shares — %age Before — 71,062,000 — 7.40 After — 91,062,000 — 7.40
(v)	Current and preceding twelve weeks' weighted average market price where investment is proposed to be made in listed securities	N/A
(vi)	Fair value determined in terms of sub-regulation (1) regulation 5 for investments in unlisted securities	The fair value of the share determined in terms of Regulation 5(1) is Rs. 14.47 per share based on discounted cash flows using "Free Cash Flow to the Company" at discount rate of 12.54% with 4% terminal growth rate. (Copy of fair valuation report issued by HBL Ijaz Tabussam & Co., Chartered Accountants, is available at Registered Office of the Company and can be inspected in working hours up to April 29, 2019).

NOTICE OF ANNUAL GENERAL MEETING

Statement Under Rule 4(2) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017

Name of Investee Company	D. G. Khan Cement Co. Ltd.	Nishat Hotels and Properties Ltd.		Adamjee Insurance Co. Ltd.	Nishat Mills Ltd.
Total Investment Approved:	PKR 500,000,000 (Rupees Five Hundred Million Only) by way of purchase of shares was approved by members in EOGM held on October 31, 2015 for the period of three (3) years.	PKR 500,000,000 (Rupees Five Hundred Million Only) by way of purchase of shares was approved by members in EOGM held on May 16, 2016 for the period of three (3) years.	PKR 500,000,000 (PKR Five Hundred Million Only) in Nishat Hotels and Properties Limited in the form of working capital loan was approved by members in EOGM held on December 17, 2016 for the period of three (3) years.	PKR Rs. 1,218,750,000 (Rupees One Billion Two Hundred Eighteen Million Seven Hundred Fifty Thousand Only) by way of purchase of shares was approved by members in EOGM held on December 17, 2016 for the period of three (3) years.	PKR 500,000,000 (Rupees Five Hundred Million Only) by way of purchase of shares was approved by members in EOGM held on May 16, 2016 for the period of three (3) years
Amount of Investment Made to date:	Rs. 19.516 Million	Rs. 210.62 Million	Nil	Rs. 356.37 Million	Nil
Reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time:	Partial investment has been made in investee company. Further investment was not made depending on market conditions and aproval of shareholders has also been expired on October 30, 2018.	Partial investment has been made in investee company. Further investment will be made depending on market conditions at appropriate time. There is no deviation from the approved timeline.	No Loan has been extended after the approval because funds request has not yet been made by the investee company. There is no deviation from the approved timeline.	Partial investment has been made in investee company. Further investment will be made depending on market conditions at appropriate time. There is no deviation from the approved timeline.	No investment has been made yet: investments will be made depending on market conditions at appropriate time. There is no deviation from the approved timeline.
Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company:	At the time of approval, as per then available latest financial statements for the year ended June 30, 2015, the basic Earnings per Share was Rs. 17.40 and Break-up Value per Share was Rs.142.19. As per Latest available financial statements for the period year ended 31 December 2018, the Basic Earnings per share is Rs. 3.98 and Break-up Value per Share is Rs. 170.	At the time of approval, as per then available latest financial statements for the year ended June 30, 2016, the basic Loss per Share was Rs. (0.05) and Break-up Value per Share was Rs. 9.87. As per Latest available financial statements for period ended 31 December 2018, the Basic Loss per share is Rs. (0.39) and Break-up Value per Share is Rs. 8.25.	At the time of approval, as per then available latest financial statements for the year ended June 30, 2016, the basic Loss per Share was Rs. (0.05) and Break-up Value per Share was Rs. 9.87. As per Latest available financial statements for period ended 31 December 2018, the Basic Loss per share is Rs. (0.39) and Break-up Value per Share is Rs. 8.25.	At the time of approval, as per then available latest financial statements for the period ended September 30, 2016, the basic Earnings per Share was Rs. 8.11 and Break-up Value per Share was Rs.49.81. As per Latest available financial statements for period ended 31 December 2018, the Basic Earnings per share is Rs. 3.54 and Break-up Value per Share is Rs. 56.18.	At the time of approval, as per then available latest financial statements for the year ended June 30, 2015, the basic Earnings per Share was Rs. 11.62 and Break-up Value per Share was Rs. 215.56. As per Latest available financial statements for period ended 31 December 2018, the Basic Earnings per share is Rs. 9.0 and Break-up Value per Share is Rs. 199.49.

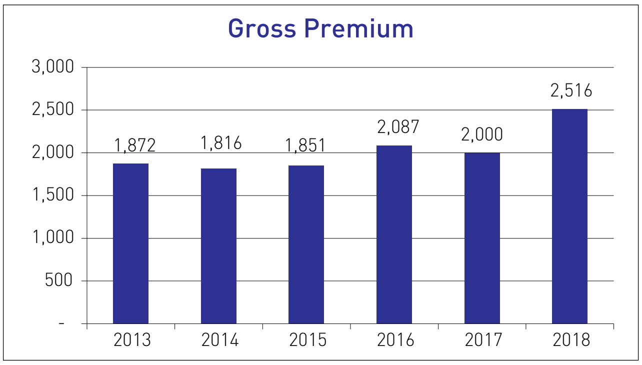
DIRECTORS' REPORT TO THE MEMBERS

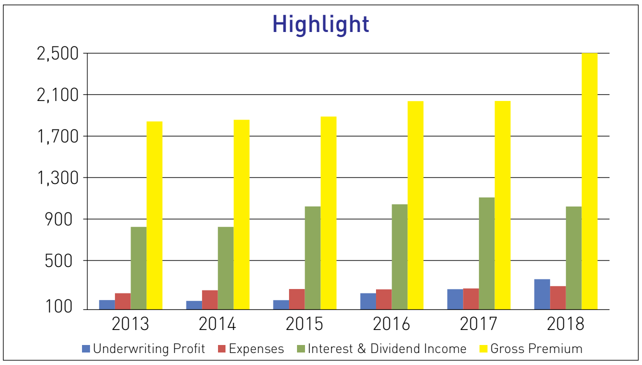
On behalf of the Board of Directors of Security General Insurance Company Limited, I am pleased to present the 23rd annual report of your company for the year ended December 31, 2018.

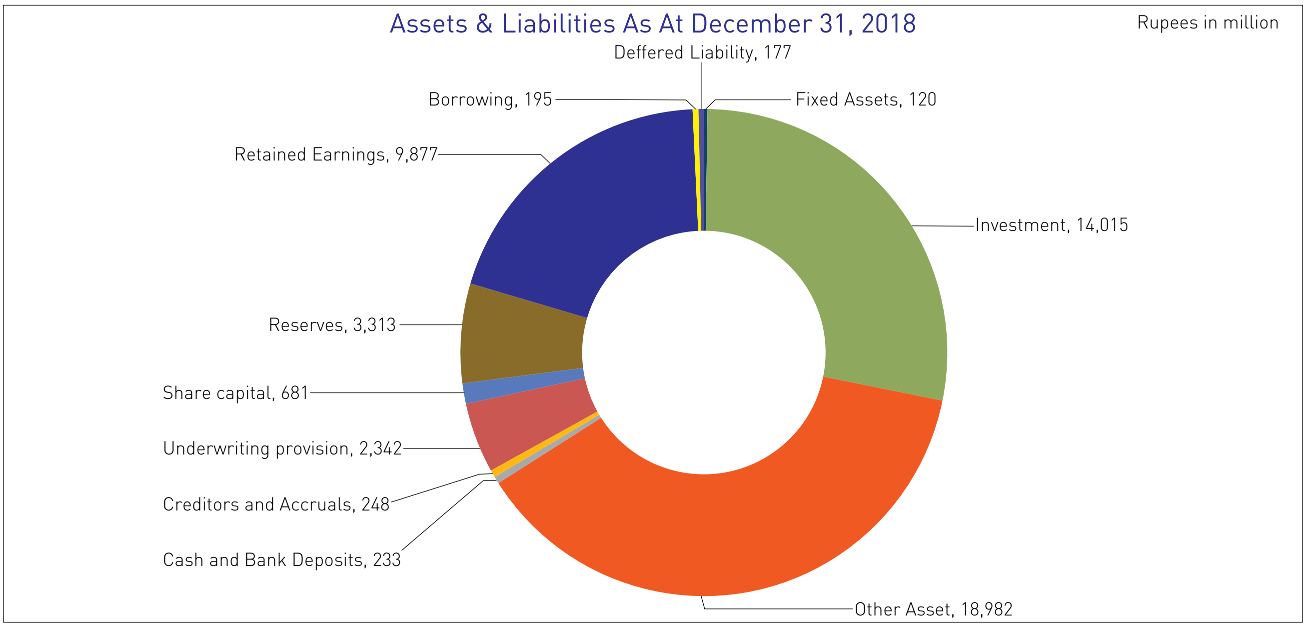
COMPANY'S PERFORMANCE DURING 2018:

SGI underwrote a gross premium of Rs.2.5 billion during the year 2018.

	Dec, 2018	Dec, 2017	Increase/ Decrease
	Rupees in Million		%
Gross Premium & Contribution written	2,516	2,013	25
Net Premium	600	503	19
Net Commission	7	19	(63)
Net Claims	83	94	(12)
Profit from underwriting business	294	198	48
Other income (not attributable to Investment activities)	28	16	75
Investment income	995	1,083	(8)
Financial charges	9	5	80
Profit before tax	1,292	1,278	1
Profit after tax	854	825	4





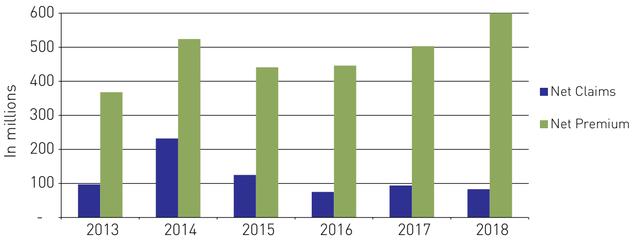


DIRECTORS' REPORT TO THE MEMBERS

UNDERWRITING ACTIVITY:

SGI underwrote a gross premium of Rs. 2.5 billion during the year 2018. Underwriting profit for the year stands at Rs. 294 million (2017: Rs. 198 million). Underwriting profit bears a percentage of 49% to the net premium revenue.

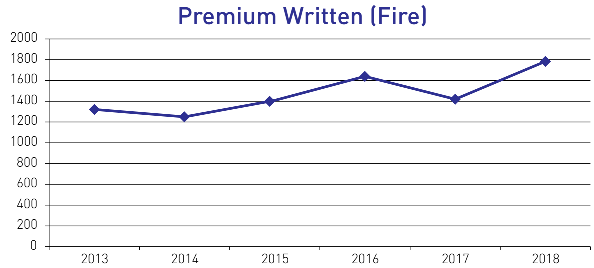
Net Losses/Net Premium



FIRE & PROPERTY DAMAGE:

Premium written in Fire business has increased as compared to same period during last year by 25%. The underwriting profit from fire business for period ended December 31st 2018 is 52%. Fire and property portfolio represent 72% of the total underwriting portfolio of SGI.

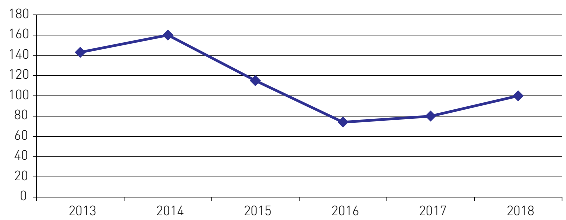
Premium Written (Fire)



MARINE AVIATION AND TRANSPORT BUSINESS:

Premium written in Marine business has increased as compared to same period during last year by 25%. The underwriting profit from Marine business for period ended December 31st 2018 is 75%. Marine portfolio represents 4% of the total underwriting portfolio of SGI.

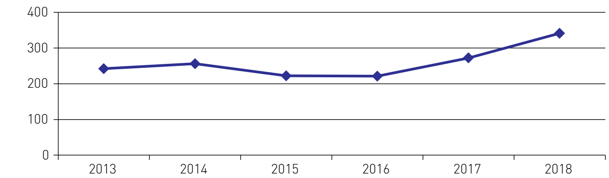
Premium Written (Marine)



MOTOR:

The gross premium from motor business has increased from Rs. 271 million during the period ended December 31st 2017 to Rs. 341 million during the period ended December 31st 2018. The profitability from the motor business for the period ended December 31st 2018 is 43%.

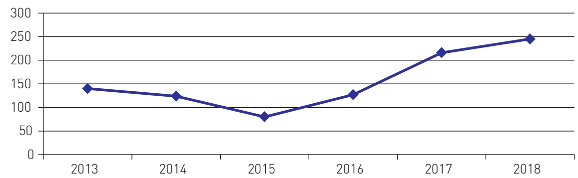
Premium Written (Motor)



MISCELLENOUS:

The gross premium from miscellaneous business is increased from Rs. 216 million for the Year ended December 31st 2017 to Rs. 245 million for the year ended December 31st 2018. The underwriting profit from miscellaneous business for the year ended December 31st 2018 is 33%.

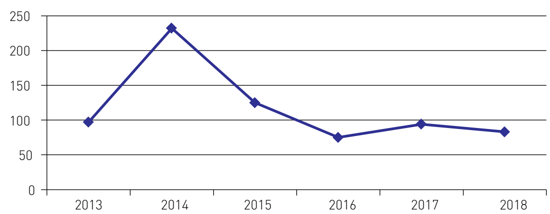
Premium Written (Misc.)



CLAIMS:

The overall claims expenses has decreased from Rs. 94 million during the period ended December 31st 2017 to Rs. 83 million during the period ended December 31st 2018. Net Claims are 14% of premium (2017: 19%).

Net Claims



DIRECTORS' REPORT TO THE MEMBERS

INVESTMENT:

The market value of our investment portfolio decreased from Rs. 17 billion to Rs. 14 billion on the December 31st 2018 the Company earned dividend of Rs. 984 million from its investment portfolio (2017:1,044 million). .

CASH FLOW:

As of December 31st 2018 the net cash flow generated from underwriting activities is negative.

EARNING PER SHARE:

Earnings per share has increased from Rs. 12.12 during the period ended December 31st 2017 to Rs. 12.54 during the period ended December 31st 2018.

APPROPRIATIONS:

Directors, in their meeting held on March 21, 2019, have recommended a 25% cash dividend. This is in addition to 25% interim cash dividend paid on the basis of half yearly results for 2018.

CREDIT RATING:

JCR-VIS Credit Rating Company Ltd., has maintained the Insurer Financial Strength (IFS) Rating of SGI at 'AA'

BOARD AUDIT COMMITTEE:

As required under the code of corporate governance for insurance companies, the board audit committee reviewed the results of all four quarter for the year. Following persons have remained its members during the year:

Name of Member	Category
Mian Hassan Mansha	Chairman
Mr. Inayat Ullah Niazi	Member
Mr. Badar Ul Hassan	Member

STATUTORY AUDIT:

The auditors have expressed an unqualified opinion on the financial statement of the Company for the year 2018.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK:

In Compliance with the financial reporting framework of the code of corporate governance the directors confirm the following:

- The Financial statements together with the notes thereon have been drawn up in conformity with the Companies Act 2017, the Insurance Ordinance 2000, the Insurance Rule 2017, the insurance Accounting Regulations 2017 and Takaful rules 2012. These statements present fairly the company's state of affair, results of its operations, cash flow and changes in equity.
- Proper books of accounts have been maintained by the company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The international accounting standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no significant doubt upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance.
- Key operating and financial data of last six years is available in the annual report.
- All applicable statutory payments on account of taxes, duties etc were regularly and timely deposited in the Government treasury.
- Value of investment of Provident Fund as at 31st December 2018 stands at Rs.32.4 million and fair value of plan assets of Gratuity fund as at December 31st 2018, stands at Rs.30.3 million.

DIRECTORS' REPORT TO THE MEMBERS

- During the year under review Six Board Meetings were held and the attendance is as follows:

Name of Member	No. of Meetings
Mian Hassan Mansha (Chairman)	6
Muhammad Azam	5
Mr. Mahmood Akhtar	6
Mr. Inayat Ullah Niazi	5
Mr. Badar ul Hassan	5
Mr. Farrukh Aleem (CEO)	6

- The aggregate shares held by the Associated Companies are:

  1. Nishat Mills Limited 10,226,244

- The pattern of shareholding is given on page 39 of this report.

There are no material changes /commitments between the year end and the date of signing of this report except those mentioned in appropriations.

FUTURE OUTLOOK 2019:

Pakistan's economy outlooks for 2019 is looking slightly weaker due to current macroeconomic difficulties are being faced. However, we also observe some healthy indicators including increase in government interest in infrastructure projects, improvement in energy sector and beginning of second phase of CPEC which mainly revolves around industrialization.

Keeping in view of the above factors we are quite hopeful to maintain our growth rate above the industry average by focusing more closely on the markets and customers segments where we have a competitive edge, and can offer a superior value proposition to our customers.

During the year company had got license of window takaful operations from SECP and started its operations. Takaful business is growing and getting its due position in the industry. This will help us to attract new segment of the customers which will ultimately contribute in our profitable growth in the years to come. In 2019, we expect increase in inflation and interest rates further, so we will adopt a balance strategy to get benefit from increase in interest rates as well as to exploit opportunities in equity market.

ACKNOWLEDGEMENTS:

The loyalty of our patron clients has enabled us to maintain and improve our market share a period of time. We are grateful to them for reposing their confidence in us. We acknowledge the support of our shares holders which allows us to improve our sound position in the market. Thanks are due to our reinsurance brokers for their professional assistance and reinsurers for their valued support. Our gratitude and appreciation is also due to SECP for their guidance and cooperation. We acknowledge the professionalism and hard work of our developments officers, staff members and Executives who helped the Company to achieve its goals.

On behalf of Board of Directors

FARRUKH ALEEM
CEO

MAHMOOD AKHTAR
DIRECTOR

Lahore
March 21, 2019

ڈائریکٹرز کی اراکین کو رپورٹ

فیوچر آوٹ لک 2019

2019 میں پاکستان کی معیشت موجودہ اقتصادی مشکلات کی وجہ سے کمزور نظر آرہی ہے تاہم ہم حکومت کی ترجیحات سے کچھ صحت مند اشارے نوٹ کر رہے ہیں۔ جیسا کہ بنیادی ڈھانچہ میں حکومتی دلچسپی، توانائی کے شعبہ میں بہتری اورCPEC کے دوسرے مرحلے کا آغاز جو کہ صنعت سازی کے گرد گھومتا ہے۔

مندرجہ عوامل کو دیکھتے ہوے ہم بہت پرُامید ہیں کہ ہم اپنی ترقی کی شرح کو برقرار رکھیں گے بوجہ مارکیٹ پر زیادہ توجہ مرکوز کر کے اور مختلف قسم کے گاہکوں پر جہاں ہم مقابلہ کر کے اپنے گاہکوں کو اعلی خدمات پیش کر سکتے ہیں۔

اس سال کمپنی نےSECP سے ونڈو تکافل کا لائسنس حاصل کیا اور کام کا آغاز ہو گیا ہے تکافل کا کاروبار صنعت میں اپنی ایک حیثیت رکھتا ہے اور یہ ہمارے گاہکوں کو اپنی طرف متوجہ کرے گا جوکہ آنے والے سالوں میں بالاخر ہماری منافع بخش ترقی میں مدد کرے گا۔

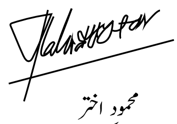
2019 میں ہم افراط زر اور سود کی شرح میں اضافہ کی توقع رکھتے ہیں۔ لہذا ہم سود کی شرح سے فائدہ اٹھانے کے لیے متوازن حکمت عملی اختیار کریں گے اور ساتھ ساتھ بازارحصص میں بھی فائدہ اٹھائیں گے۔

اظہار تشکر

ہمارے مخلص سرپرست کلائنٹ نے ہمیں اس قابل کیا ہے کہ ہم وقت کے ساتھ ساتھ اپنے مارکیٹ شئیر میں اضافہ کر سکیں۔ ہم ان کے شکر گزار ہیں کہ انہوں نے ہم پر اعتماد کیا۔ ہم اپنے شئیر ہولڈرز کے بھی ممنون ہیں کہ ان کی بھر پور معا ونت سے ہم اس قابل ہوئے کہ مارکیٹ میں اپنی مستحکم پوزیشن کو برقرار رکھ سکیں۔ ہم اپنے ری انشورر کی قابل قدر معا ونت اور ری انشورنس بروکرز کی پیشہ وارانہ مہارت پر بھی ان کے شکر گزار ہیں۔ ہم ایس ای سی پی (SECP) کے تعاون اور رہنمائی پر بھی ان کے بےحد مشکور ہیں۔ ہم اپنے ڈویلپمنٹ آفیسرز ، اسٹاف ممبرز ، اور ایگزیکٹوز کی انتھک محنت اور پیشہ وارانہ کاوشوں کی بھی تعریف کرتے ہیں جن کی مدد سے ہم اپنے اہداف مکمل کر سکے۔

بورڈ آف ڈائریکٹرز کی جانب سے

فرخ علیم
سی ای او



محمود اختر
ڈائریکٹر

لاہور
مارچ 21, 2019

ڈائریکٹرز کی اراکین کو رپورٹ

سرمایاکاری

اختتام سال 31 دسمبر 2017 میں ہمارے سرمایاکاری کے پورٹ فولیو کی قدر میں 17 ارب روپے سے 14 ارب روپے کی کمی ہوئی ہے کمپنی نے حصص کا منافع (ڈیویڈنڈ انکم) 984 ملین روپے اپنی سرمایاکاری کے پورٹ فولیو سے کمایا (2017: 1044 ملین روپے) ہے۔

کیش فلو

سال 31 دسمبر 2017 پر خالص کیش فلو جو کہ انڈر رائٹنگ عمل سے پیدا کی گئی منفی ہے۔

فی حصص آمدنی

فی حصص آمدنی میں اضافہ دیکھنے میں آیا ہے دوران سال31 دسمبر2017 میں یہ 12.12 سےاختتام سال31 دسمبر 2018 میں12.54 روپے ہے۔

منافع اور فوائد کا مختص کرنا

21مارچ 2018 کو جو میٹنگ منعقد ہوئی ۔ اس میں ڈائریکٹرز نے 25% نقد منافع برائے حصص کی سفارش کی ہے ۔ یہ حصص کا منافع جو کہ نصف سال 2018 میں25 فیصد ادا کیا گیا اس کے علاوہ ہے۔

کریڈٹ ریٹنگ

JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے سیکورٹی جنرل انشورنس کی مالیاتی طاقت کواپ گریڈ کر کے 'AA' کر دیا ہے۔

بورڈ آڈٹ کمیٹی

جیسا کہ انشورنس کمپنی کے کوڈ آف کارپوریٹ گورنر کی ضرورت کے تحت بورڈ آف آڈٹ کمیٹی نے سال کے چاروں سماہی مالیاتی نتائج کا جائزہ لیا ۔ دوران سال مندرجہ ذیل افراد اس کے ممبر رہے۔

ممبرز کے نام	کیٹیگری
میاں حسن منشا	چیئرمین
جناب عنایت اللہ نیازی	ممبر
جناب بدر الحسن	ممبر

سٹیچوٹری آڈٹ

آڈیٹر نے کمپنی کی سال 2018 کی مالیاتی رپورٹ کو (unqualified) بیان کیا ہے

کارپوریٹ اور فنانشل رپورٹنگ فریم ورک

کوڈ آف کارپوریٹ اور فنانشل رپورٹنگ فریم ورک کے مطابق مالیاتی رپورٹ کے ضمن میں

ڈائریکٹرز مندرجہ ذیل کی تصدیق کرتے ہیں۔

- مالیاتی گوشوارے جو کہ انشورنس آرڈیننس 2000، کمپنی ایکٹ 2017، انشورنس رولز 2017، انشورنس اکاؤنٹنگ ریگولیشن 2017 اور تکافل رولز 2012 کے مطابق تیار کیے ہیں اور یہ گوشوارے کاروباری معاملات ، آپریشن ، نقد بہاؤ اور ایکوئٹی میں تبدیلی کی عکاسی کرتے ہیں۔
- کمپنی کے اکاؤنٹس باقاعدہ طور پر منعقد کیے گئے ہیں۔
- مالیاتی گوشوارے ترتیب دیتے ہوئے مناسب اکاؤنٹنگ پالیسیوں کو ملحوظ خاطر رکھا گیا ہے ۔ مالیاتی گوشوارے اور اکاؤنٹنگ تخمینے مناسب اور محتاط فیصلوں پر مبنی ہیں۔
- پاکستان میں لاگو بین الاقوامی اکاؤنٹنگ کے معیارات کی مالیاتی گوشوارے کی تیاری میں پیروی کی گئی ہے۔ اور اگر کوئی اس میں تبدیلی ہے تو مناسب طور پر بیان کی گئی ہے۔
- داخلی کنڑول کا نظام مستحکم طور پر ترتیب دیا گیا ہے۔ اور مؤثر طور پر عملدرآمد کے ساتھ اسکی نگرانی بھی کی جاتی ہے۔
- کاروبار کو جاری رکھنے میں کمپنی کی صلاحیت شکوک وشبہات سے بالاتر ہے۔
- کارپوریٹ گورننس کے طریقہ کار سے کوئی قابل اثر انداز انکشافات نہیں کیا گیا۔
- گزشتہ چھ سال کے لیے نمایاں آپریٹنگ اور مالیاتی اعداد و شمار سالانہ رپورٹ میں دستیاب ہے۔
- تمام لاگو قانونی ادائیگیاں جو کہ بحساب ٹیکس، ڈیوٹیز وغیرہ باقاعدگی اور وقت کے ساتھ سرکاری خزانہ میں ادا کی گئی ہیں۔
- پروویڈنٹ فنڈ کی سرمایاکاری کی مالیت 31 دسمبر 2018 پر 32.4 ملین روپے پر ہے اور گریجوٹی فنڈ کے اثاثوں کی منصفانہ مالیت31دسمبر 2018 پر 30.3 ملین روپے ہے۔
- زیر جائزہ سال کے دوران چھ بورڈ میٹنگ منعقد ہوئیں حاضری کی پوزیشن مندرجہ ذیل ہے۔

ممبرز کے نام	میٹنگز کی تعداد
میاں حسن منشاء (چیئرمین)	6
جناب محمود اختر	6
جناب عنایت اللہ نیازی	5
جناب بدر الحسن	5
جناب محمد اعظم	5
جناب فرخ علیم (چیف ایگزیکٹوآفیسر)	6

ایسوسی ایٹ کمپنیز کے حصص درج ذیل ہے۔

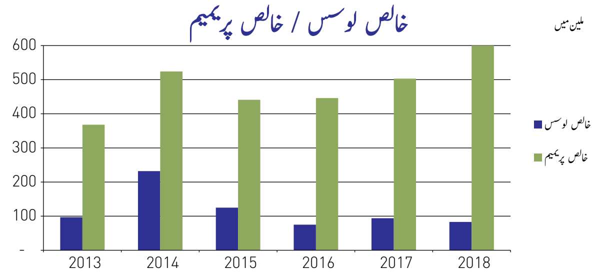
نشاط ملز لمیٹڈ	10,226,244

- پیٹرن آف شیئر ہولڈنگ رپورٹ کے صفہ نمبر39 پر دیا گیا ہے۔
- اختتام سال اور اس رپورٹ کے دستخط ہونے کے دوران کوئی موثر تبدیلی یا وعدہ نہیں ہے ماسوائے ان کے جو Appropriation میں ہے۔

ڈائریکٹرز کی اراکین کو رپورٹ

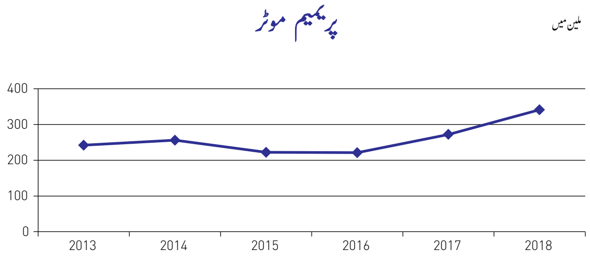
انڈر رائٹنگ عمل

سیکورٹی جنرل نے دوران سال 2018 میں مجموعی پریمیم 2.5 ارب روپے کیا ہے۔ منافع انڈر رائٹنگ برائے سال 2018 میں 294 ارب روپے ہے . (2017 میں198 ملین روپے) منافع برائے انڈر رائٹنگ بلحاظ خالص پریمیم آمدنی کا 49 فیصد ہے۔



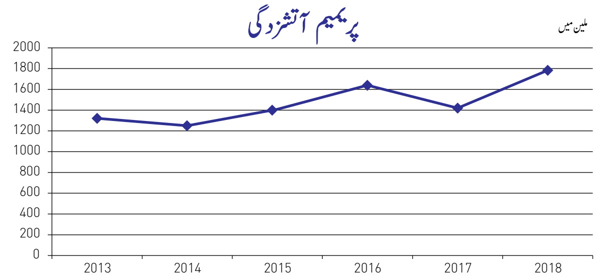
موٹر

موٹر کے مجموعی پریمیم میں دوران سال 31 دسمبر 2017 سے اختتام سال 31 دسمبر 2018 تک271 ملین روپے سے 341 ملین روپے کا اضافہ ہوا ہے۔ موٹر کے کاروبار کا انڈر رائٹنگ منافع % 43 ہے۔



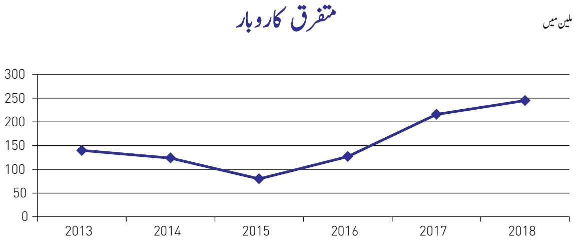
آتشزدگی اور جائیداد

آتشزدگی کے شعبے میں 25 فیصد اضافہ دیکھنے میں آیا ہے۔ بلحاظ 2017 کے اسی دورانیہ کے منافع آتشزدگی کے شعبہ میں اختتام سال 31 دسمبر 2018 پر 52 فیصد ہے ۔ یہ شعبہ سیکورٹی جنرل کے72 فیصد مجموعی پریمیم کی نمائندگی کرتا ہے۔



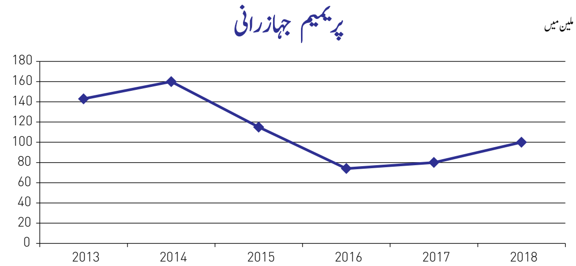
متفرق

متفرق کاروبار کے مجموعی پریمیم میں اضافہ 216 ملین اختتام سال 31 دسمبر 2017 سے 245 ملین اختتام سال 31 دسمبر 2018 ہوا ہے۔ جو کہ اختتام سال 31 دسمبر 2018 پر انڈر رائٹنگ منافع 33 فیصد ہے۔



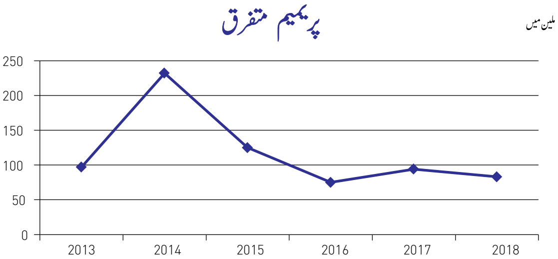
جہاز رانی ، ہوا بازی اور نقل و حمل

موازنہ برائے پچھلے سال کے جہاز رانی میں 25 فیصد اضافہ دیکھنے میں آیا ہے۔ جہاز رانی کا انڈر رائٹنگ منافع اختتام سال 31 دسمبر 2018 میں 75 فیصد رہا۔ سیکورٹی جنرل کے جہاز رانی کا کاروبار مجموعی پریمیم کے 4 فیصد کی نمائندگی کرتا ہے



کلیمز

اختتام سال 31 دسمبر 2017 میں نیٹ کلیمز کا خرچہ 94 ملین روپے رہا ، جو کہ کم ہو کر اختتام سال 31دسمبر 2018 پر 83 ملین روپے ہو گیا ، خالص کلیمز 14 فیصد ہے۔ بلحاظ خالص پریمیم آمدنی کے (2017 میں 19 فیصد) ہے۔



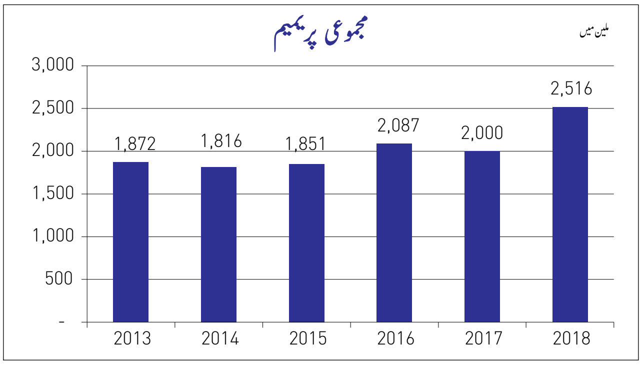
ڈائریکٹرز کی اراکین کو رپورٹ

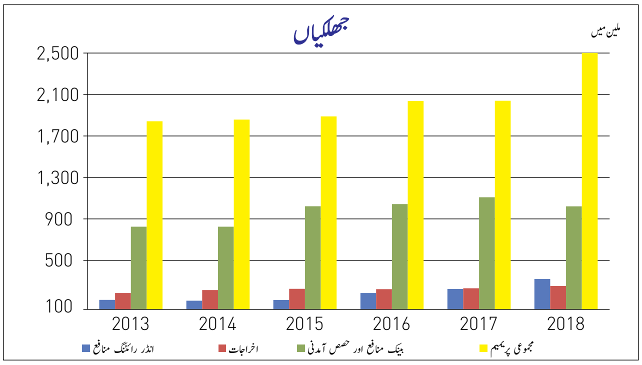
سیکورٹی جنرل انشورنس کمپنی کے بورڈ آف ڈائریکٹر کی جانب سے تیئسوی سالانہ رپورٹ برائے اختتام سال 31 دسمبر 2018 پیش کرتے ہوئے مجھے خوشی ہو رہی ہے

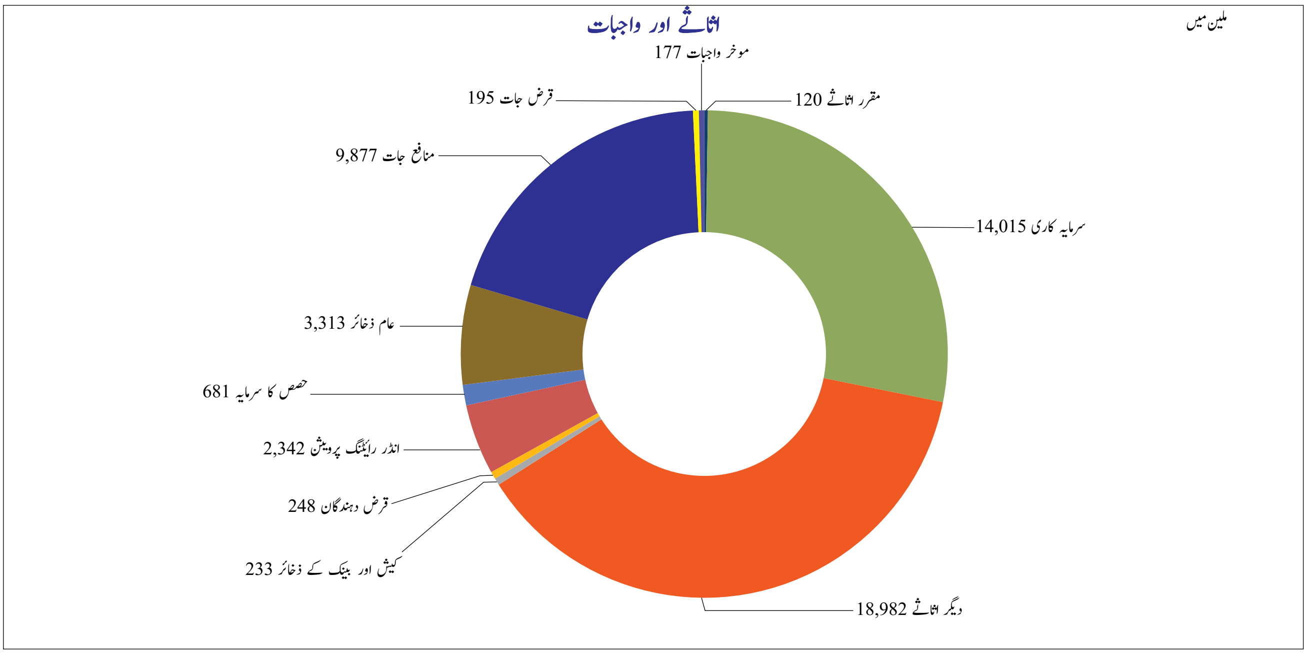
کمپنی کی کارکردگی دوران سال 2018

سیکورٹی جنرل انشورنس نے دوارن سال مجموعی پریمیم 2.5ارب روپے تحریر کیا ہے۔

	دسمبر 2018	دسمبر 2017	کمی / اضافہ
	روپیہ ملین		%
مجموعی پریمیم	2,516	2,013	25
خالص پریمیم آمدنی	600	503	19
خالص کمیشن	7	19	(63)
خالص کلیمز	83	94	(12)
منافع انڈر رائٹنگ کاروبار	294	198	48
دوسری آمدنی (سرمایا کاری کی سرگرمیوں سے منسوب نہیں)	28	16	75
سرمایا کاری آمدنی	995	1,083	(8)
مالیاتی خرچہ	9	5	80
قبل از ٹیکس منافع	1,292	1,278	1
بعد از ٹیکس منافع	854	825	4







DISCLOSURE OF CATEGORIES OF SHAREHOLDING

as at December 31, 2018

Description	No of Shareholders	Shares Held	Percentage
Directors, CEO & their spouse minor childern			
Mian Hassan Mansha (Director)	1	9,049,371	13.30
Mr. Muhammad Azam (Director)	1	500	-
Mr. Inayat Ullah Niazi (Director)	1	500	-
Mr. Badar ul Hassan (Director)	1	500	-
Mr. Mehmood Akhtar (Director)	1	500	-
Associated companies, Undertakings & Related parties"			
Nishat Mills Ltd.	1	10,226,244	15.02
NIT and ICP	-		
Public Sector Companies & Corporations	-		
Executives	-		
"Banks, Development Financial Institutions,	1	12,401,871	18.22
Non-Banking Financial Institution.			
Insurance Companies	2	10,138,412	14.90
Modarabas and Mutual Funds"	-		
General Public			
a. Local	-		
b. Foreign	-		
Others			
a - Joint stock companies	2	15,668,819	4.50
b - All others (Individuals)	6	10,575,783	34.06
Total	17	68,062,500	100.00

SHAREHOLDERS HOLDING FIVE PERCENT OR MORE VOTING INTEREST

as at December 31, 2018

	Name of Shareholder	Shares Held	Percentage
1	Allied Bank Limited	12,401,871	18.22
2	Nishat Mills Limited	10,226,244	15.02
3	Adamjee Insurance Co. Ltd	9,681,374	14.22
4	Mrs. Naz Mansha	5,101,740	7.50
5	Mian Hassan Mansha	9,049,371	13.30
6	Mian Umer Mansha	9,049,371	13.30
7	Mian Raza Mansha	8,133,467	11.95
Associated Company:-			
	Nishat Mills Limited	10,226,244	15.02

PATTERN OF SHARE HOLDING
as at December 31, 2018

	Shareholding		
Number of Shareholders	From	To	Total Shares Held
6	1	500	3,000
1	455001	460000	457,038
1	640001	645000	643,667
1	915001	920000	915,903
1	2395001	2400000	2,399,454
1	5100001	5105000	5,101,740
1	8130001	8135000	8,133,467
2	9045001	9050000	18,098,742
1	9680001	9685000	9,681,374
1	10225001	10230000	10,226,244
1	12400001	12405000	12,401,871
17			68,062,500

CLASSIFICATION OF SHARES BY CATEGORIES
AS AT DECEMBER 31, 2018

Categories of Members	Numbers	Shares Held	Percentage
Individuals	11	29,853,398	43.86
Investment Companies	0	0	0.00
Insurance Companies	2	10,138,412	14.90
Joint Stock Companies	3	15,668,819	23.02
Financial Institutions	1	12,401,871	18.22
Modaraba Companies	0	0	0.00
Foreign Investors	0	0	0.00
Others	0	0	0.00
Total	17	68,062,500	100.00

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMEBRS OF SECUIRTY GENERAL INSURANCE COMPANY LIMITED
REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2016

We have reviewed the enclosed Statement of Compliance with Code of Corporate Governance for Insurers, 2016 ('the Code') prepared by the Board of Directors of Security General Insurance Company Limited ('the Company') for the year ended Decmeber 31, 2018 to comply with the Code issued by the Securities and Exchange Commission of Pakistan applicable to non-listed insurance companies.

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.

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

A.F. Ferguson & Co.
Chartered Accountants
Name of Engagement Partner : Muhammad Masood

Lahore.
Dated: March 21, 2019

STATEMENT OF COMPLIANCE

with the Code of Corporate Governance for Insurers, 2016
For the Year ended December 31, 2018

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

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

1. As the Company is an unlisted company, therefore, it is not mandatory for the Company to have Independent Nonexecutive Director as well as minority interest. At present the Board includes:

Category	Names
Independent Director	Nil
Executive Directors	Mr. Farrukh Aleem
Non Executive Directors	Mr. Hassan Mansha Mr. Inayat Ullah Niazi Mr. Badar Ul Hassan Mr. Muhammad Azam Mr. Mehmood Akhtar

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

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

4. No casual vacancy occurred on the Board during the year.

5. The Company has prepared a "Statement of Ethics and Business Practices" as Code of Conduct and has ensured that appropriate steps have been taken to disseminate 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 Chief Executive Officer (CEO) and the key officers, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman. 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 meetings. The minutes of the meetings were appropriately recorded and circulated.

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

10. All the directors have either attended the orientation course or have been provided appropriate materials/ guidelines in this regard and as such they are aware of their duties and responsibilities.

11. There was no appointment of Chief Financial Officer (CFO) and Corporate Secretary. The Board has revised the remuneration of CFO.

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

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

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

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

16. The Board has formed the following Management Committees:

Underwriting Committee:	
Name of Member	**Category**
Mr. Farrukh Aleem	Chairman
Mr. Inayat Ullah Niazi	Member
Mr. Sajjad Rasool	Member

STATEMENT OF COMPLIANCE

with the Code of Corporate Governance for Insurers, 2016
For the Year ended December 31, 2018

Claims Settlement Committee:	
Name of Member	**Category**
Mr. Farrukh Aleem	Chairman
Mr. Hafiz Khuram Shahzad	Member
Mr. Imran Sohail	Member

Reinsurance and co-insurance Committee:	
Name of Member	**Category**
Mr. Farrukh Aleem	Chairman
Mr. Inayat Ullah Niazi	Member
Mr. Umer Haroon	Member
Mr. Muhammad Haris	Member

Risk Management & Compliance Committee:	
Name of Member	**Category**
Mr. Farrukh Aleem	Chairman
Mr. Inayat Ullah Niazi	Member
Mr. Hafiz Khuram Shahzad	Member

17. The Board has formed the following Board Committees:

Ethics, Human Resource and Remuneration Committee:	
Name of Member	**Category**
Mian Hassan Mansha	Chairman
Mr. Badar Ul Hassan	Member
Mr. Farrukh Aleem	Member

Investment Committee :	
Name of Member	**Category**
Mian Hassan Mansha	Chairman
Mr. Inayat Ullah Niazi	Member
Mr. Farrukh Aleem	Member
Mr. Hafiz Khuram Shahzad	Member

Nomination Committee:	
Name of Member	**Category**
Mian Hassan Mansha	Chairman
Mr. Inayat Ullah Niazi	Member
Mr. Badar Ul Hassan	Member

18. The Board has formed an Audit Committee. It comprises of three members, of whom three are non-executive Directors. The Chairman of the Committee is a non executive director. The composition of audit committee is as follows:

Audit Committee:	
Name of Member	**Category**
Mian Hassan Mansha	Chairman
Mr. Inayat Ullah Niazi	Member
Mr. Badar Ul Hassan	Member

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

20. The Board has outsourced the internal audit function to Ahsan and Ahsan, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and their representatives are involved in the internal audit function on a regular basis.

STATEMENT OF COMPLIANCE

with the Code of Corporate Governance for Insurers, 2016
For the Year ended December 31, 2018

21. The Chief Executive Officer, Chief Financial Officer, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under the Code of Corporate Governance for insurers, 2016. Moreover, the persons heading the underwriting, claim, reinsurance, risk management and grievance function possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000):

Name of the Person	Designation
Mr.Farrukh Aleem	Chief Executive Officer
Mr. Hafiz Khuram Shahzad	Chief Financial Officer
Mr. Muhammad Asim Rauf Khan	Compliance Officer
Mr. Khalid Mahmood Chohan	Company Secretary
Ahsan and Ahsan, Chartered Accountants	Internal Auditors
Mr. Syed Mehmood Ul Hassan	Head of Window Takaful
Mr. Sajjad Rasool	Head of Underwriting
Mr. Imran Sohail	Head of Claims
Mr. Umer Haroon	Head of Reinsurance
Mr. Muhammad Haris	Head of Risk Function
Mr. Shafiq-ur-Rehman	Head of Grievance Function

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 programme 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 insurer 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 insurer has been drawn up in accordance with the provisions of the Code of Corporate Governance for insurers, 2016.

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

26. The Board ensures that the risk management system of the insurer is in place as per the requirements of the Code of Corporate Governance for insurers, 2016.

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

28. The Board ensures that as part of this risk management system, the Company gets itself rated from JCR-VIS which is being used by its risk management function and the respective Committee as a risk monitoring tool. The rating assigned by the said rating agency is AA with stable outlook on December 28, 2018.

29. The Board has set up a grievance function in compliance with the requirement of the Code of Corporate Governance for Insurers, 2016.

30. The Company has not obtained any exemption(s) from the Securities and Exchange Commission of Pakistan in respect of the requirement of the Code.

31. The Board of Directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

32. We confirm that all other material principles contained in the Code have been complied with.

On behalf of Board of Directors

Lahore
March 21, 2019

(FARRUKH ALEEM)
CEO

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

The incharge of the management of the business is Farrukh Aleem, Chief Executive Officer and the report on the affairs of business during the year 2018 signed by him , and approved by the Board of Directors is part of the Annual Report 2018 under the title of "Directors' Report to Members" and

a. In our opinion the annual statutory accounts of Security General Insurance Company Limited set out in the forms attached to the statement have been drawn up in accordance with the Insurance Ordinance, 2000 (Ordinance) and any rules made thereunder,

b. Security General Insurance Company Limited has at all times in the year complied with the provisions of the Ordinance and the rules made thereunder relating to paid-up capital, solvency and re-insurance arrangements; and

c. As at the date of the statement, the Security General Insurance Company Limited continues to be in compliance with the provisions of the Ordinance and the rules made thereunder relating to paid-up capital, solvency and re-insurance arrangements.

Lahore.
Dated: March 21, 2019

Chief Executive Officer	Director	Director	Chairman

Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2018

INDEPENDENT AUDITOR'S REPORT

To the members of Security General Insurance Company Limited
Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

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

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

b) the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XIX 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) 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 Muhammad Masood.

A.F. Ferguson & Co.
Chartered Accountants
Name of Engagement Partner : Muhammad Masood

Lahore.
Dated: April 08, 2019

STATEMENT OF FINANCIAL POSITION

as at December 31, 2018

	Note	2018	2017 (Re-stated)	2016 (Re-stated)
		-----------Rupees in thousand-----------		
ASSETS				
Property and equipment	5	120,118	113,523	104,283
Intangible assets under development	6	4,044	3,726	3,178
Investment property	7	457,948	-	-
Investments				
Equity securities	8	13,940,348	16,968,488	16,715,169
Debt securities	9	74,607	75,032	74,656
Term deposits	10	-	50,000	50,000
Loans and other receivables	11	16,751	11,755	17,024
Insurance/reinsurance receivables	12	2,176,640	1,545,849	1,332,146
Reinsurance recoveries against outstanding claims	25	814,128	971,912	753,612
Salvage recoveries accrued		3,599	2,749	4,963
Deferred commission expense	26	94,261	82,532	65,223
Prepayments	13	1,006,289	771,658	720,743
Cash and bank	14	233,108	644,546	386,533
		18,941,841	21,241,770	20,227,530
Total assets of window takaful operations - Operator's fund	15	54,842	-	-
TOTAL ASSETS		18,996,683	21,241,770	20,227,530
EQUITY AND LIABILITIES				
CAPITAL AND RESERVES ATTRIBUTABLE TO COMPANY'S EQUITY HOLDERS				
Ordinary share capital	16	680,625	680,625	680,625
Reserves	17	3,313,257	5,349,517	5,366,032
Un-appropriated profit		9,876,532	9,364,125	8,880,612
TOTAL EQUITY		13,870,414	15,394,267	14,927,269
LIABILITIES				
UNDERWRITING PROVISIONS				
Outstanding claims including IBNR	25	964,731	1,111,319	893,348
Unearned premium reserves	24	1,296,132	1,041,058	959,221
Unearned reinsurance commission	26	80,758	71,125	52,233
Retirement benefit obligations	18	5,184	4,485	5,017
Deferred taxation	19	1,082,760	2,270,090	2,275,354
Borrowings	20	194,876	-	100,000
Insurance/reinsurance payables	21	1,068,131	1,024,849	777,756
Other creditors and accruals	22	247,650	196,904	178,478
Taxation - provision less payments		177,195	127,673	58,854
TOTAL LIABILITIES		5,117,417	5,847,503	5,300,261
Total liabilities of window takaful operations - Operator's Fund	15	8,852	-	-
TOTAL EQUITY AND LIABILITIES		18,996,683	21,241,770	20,227,530
CONTINGENCIES AND COMMITMENTS	23			

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Executive Officer	Director	Director	Hasan Mansha Chairman

PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2018

	Note	2018	2017
		Rupees in thousand	
Net insurance premium	24	599,589	502,534
Net insurance claims	25	(83,195)	(94,442)
Net commission and other acquisition costs	26	(7,469)	(18,664)
Insurance claims and acquisition expenses		(90,664)	(113,106)
Management expenses	27	(214,628)	(191,662)
UNDERWRITING RESULTS		294,297	197,766
Investment income	28	995,081	1,082,585
Other income	29	27,637	16,330
Other expenses	30	(11,917)	(13,528)
RESULTS OF OPERATING ACTIVITIES		1,305,098	1,283,153
Finance costs	31	(9,253)	(5,034)
Loss from window takaful operations- Operator's Fund	15	(4,010)	-
PROFIT BEFORE TAXATION		1,291,835	1,278,119
Income tax expense	32	(438,007)	(453,396)
PROFIT AFTER TAX		853,828	824,723
Earnings after tax per share - Rupees	33	12.54	12.12

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Executive Officer	Director	Director	Chairman

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2018

	2018	2017
	Rupees in thousand	
		(Re-stated)
PROFIT AFTER TAX	853,828	824,723
OTHER COMPREHENSIVE LOSS FOR THE YEAR:		
Items that may be reclassified subsequently to profit and loss account	-	-
Unrealized loss on available-for-sale investments - net of tax	(2,036,260)	(16,515)
Items that will not be subsequently reclassified to profit and loss account:		
Remeasurement of defined benefit obligation	(1,109)	(898)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	(1,183,541)	807,310

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Executive Officer | Director | Director | Chairman

CASH FLOWS STATEMENT

For the year ended December 31, 2018

		Note	2018	2017
			Rupees in thousand	
	OPERATING CASH FLOWS			
a)	UNDERWRITING ACTIVITIES			
	Insurance premiums received		2,051,269	1,905,328
	Reinsurance premiums paid		(2,030,035)	(1,332,044)
	Claims paid		(471,320)	(407,371)
	Reinsurance and other recoveries received		395,450	316,239
	Commissions paid		(175,893)	(172,807)
	Commissions received		176,697	145,521
	Management expenses paid		(234,680)	(154,861)
	NET CASH (OUTFLOW)/INFLOW FROM UNDERWRITING ACTIVITIES		(288,512)	300,005
	OTHER OPERATING ACTIVITIES			
	Income tax paid		(387,774)	(382,763)
	Other operating payments		-	(9,748)
	Other operating receipts		33,188	-
	NET CASH OUT FLOW FROM OTHER OPERATING ACTIVITIES		(354,586)	(392,511)
	TOTAL CASH OUTFLOW FROM ALL OPERATING ACTIVITIES		(643,098)	(92,506)
	INVESTMENT ACTIVITIES			
	Profit/return received		24,421	26,135
	Dividends received		984,158	1,044,280
	Payments for investments/investment properties		(1,330,424)	(1,472,432)
	Proceeds from investments		666,749	1,176,048
	Fixed capital expenditure		(28,179)	(26,359)
	Proceeds from sale of operating assets		5,007	919
	TOTAL CASH INFLOW FROM INVESTING ACTIVITIES		321,732	748,591
	FINANCING ACTIVITIES			
	Dividends paid		(340,313)	(340,313)
	Interest paid		(8,985)	(7,760)
	TOTAL CASH OUTFLOW FROM FINANCING ACTIVITIES		(349,298)	(348,073)
	NET CASH (OUTFLOW)/INFLOW FROM ALL ACTIVITIES		(670,664)	308,012
	CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		644,546	336,533
	Investments classified to cash and cash equivalent		64,350	-
	CASH AND CASH EQUIVALENTS AT END OF THE YEAR	14.3	38,232	644,546

CASH FLOWS STATEMENT

For the year ended December 31, 2018

	Note	2018	2017
		Rupees in thousand	
Reconciliation to profit and loss account			
Operating cash flows		(643,098)	(92,506)
Depreciation expense		(16,631)	(14,968)
Finance costs		(9,253)	(6,865)
Profit on disposal of operating assets		371	254
Profit on disposal of investments		5,464	11,396
Dividend income		984,316	1,044,280
Other investment income		5,301	9,378
Other income		27,266	16,030
Increase in assets other than cash		760,228	405,862
Increase in liabilities other than borrowings		(3,148)	(483,847)
Increase in provision for unearned premium		(255,074)	(81,838)
Increase in commission income unearned		(9,633)	(18,892)
Increase in commission expense deferred		11,729	17,309
Loss from window takaful operations for the year - Operator's Fund		(4,010)	-
Reversal of impairment in available-for-sale investments		-	19,130
Profit after taxation		853,828	824,723

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Executive Officer | Director | Director | Chairman

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2018

	Attributable to equity holders of the Company				
		Capital Reserve	Revenue Reserve		
	Share Capital	Fair value reserve	General Reserve	Un-appropriated profit	Total capital and reserves
	--------------------Rupees in thousand--------------------				
BALANCE AS ON JANUARY 01, 2017 AS PREVIOUSLY REPORTED	680,625	-	2,000	8,880,612	9,563,237
Net effect of change in accounting policy stated in note 3.1.2	-	5,364,032	-	-	5,364,032
Balance as on January 01, 2017 - (restated)	680,625	5,364,032	2,000	8,880,612	14,927,269
Profit after taxation for the year ended December 31, 2017	-	-	-	824,723	824,723
Other comprehensive loss for the year ended December 31, 2017	-	(16,515)	-	(898)	(17,413)
Total comprehensive (loss)/income for the year ended December 31, 2017	-	(16,515)	-	823,825	807,310
TRANSACTIONS WITH OWNERS, RECOGNISED DIRECTLY IN EQUITY					
Final dividend for the year ended December 31, 2016 at the rate of Rs 2.5 (25%) per share	-	-	-	(170,156)	(170,156)
Interim dividend for half year ended June 30, 2017 at the rate of Rs 2.5 (25%) per share	-	-	-	(170,156)	(170,156)
BALANCE AS ON JANUARY 01, 2018 - (RESTATED)	680,625	5,347,517	2,000	9,364,125	15,394,267
- Profit after taxation for the year ended December 31, 2018	-	-	-	853,828	853,828
- Other comprehensive loss for the year ended December 31, 2018	-	(2,036,260)	-	(1,109)	(2,037,369)
Total comprehensive (loss)/income for the year ended December 31, 2018	-	(2,036,260)	-	852,719	(1,183,541)
TRANSACTIONS WITH OWNERS, RECOGNISED DIRECTLY IN EQUITY					
Final dividend for the year ended December 31, 2017 at the rate of Rs 2.5 (25%) per share	-	-	-	(170,156)	(170,156)
Interim dividend for half year ended June 30, 2018 at the rate of Rs 2.5 (25%) per share	-	-	-	(170,156)	(170,156)
BALANCE AS ON DECEMBER 31, 2018	680,625	3,311,257	2,000	9,876,532	13,870,414

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Executive Officer | Director | Director | Chairman

1 LEGAL STATUS AND NATURE OF BUSINESS

Security General Insurance Company Limited (the 'Company') is a general non-life insurance company which was incorporated as an unquoted public limited company, in Pakistan on May 13, 1996 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Company has 8 branches in Pakistan. The Company is engaged in providing general insurance services in spheres of fire, marine, motor and miscellaneous. The registered office and the principal place of business is situated at SGI House, 18-C, E1, Gulberg III, Lahore.

The Company was granted authorization during the year on May 07, 2018 under Rule 6 of the Takaful Rules, 2012 to undertake Takaful Window Operations in respect of general takaful products by Securities and Exchange Commission of Pakistan ('SECP') and subsequently the Company commenced Window Takaful Operations.

2 BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

2.1 STATEMENT OF COMPLIANCE

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

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

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

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

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

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

2.2 Basis of preparation

SECP through its notification S.R.O. 89(I)/2017 dated February 9, 2017 issued the Insurance Rules, 2017 ("the Rules") for insurance companies which were enforceable with immediate effect. The Rules prescribe the amended format of financial statements for non-life insurance companies. Further, the Rules did not carry forward the exemption in application of International Accounting Standard (IAS) - 39 'Financial Instruments: Recognition and Measurement' in respect of 'available-for-sale' securities. SECP vide letter No.ID/OSM/SGI/2017/12363 dated October 18, 2017 granted specific exemptions to the Company to prepare the financial statements for the year ended December 31, 2017, in accordance with the requirements of the previously applicable SEC (Insurance) Rules, 2002.

In accordance with directives of SECP, with effect from January 1, 2018 the Company has changed its accounting policy in respect of the presentation of the financial statements, measurement of 'available-for-sale' investments and recognition of premium revenue as explained in note 3.1 of these financial statements.

2.3 Basis of measurement

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

2.4 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the Company's functional and presentation currency and all figures in these financial statements have been rounded off to the nearest thousand rupees, except otherwise stated.

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

a) First time adoption of Insurance Rules, 2017 and Insurance Accounting Regulations, 2017

The Rules became applicable to the Company for the first time for the preparation of annual financial statements, as disclosed in note 3.1.1 to these financial statements. Changes prescribed under Annexure - II to the Rules, included a change in the overall presentation of the financial statements of non-life insurance companies, change in nomenclature of the primary statements and included additional disclosures therein as prescribed under the Rules.

b) Standards, interpretations and amendments effective in the current year but are not relevant

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

2.6 Standards, interpretations and amendments to accounting and reporting standards that are not yet effective

There are certain new and amended standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or do not have any significant effect on the Company's operations although they may affect the accounting for future transactions and events upon initial application and are, therefore, not disclosed in these financial statements, except for the following:

a) IFRS 9 - Financial instruments

This standard has been notified by the SECP to be effective for annual periods beginning on or after July 1, 2018. This standard replaces the guidance in IAS 39, 'Financial instruments: Recognition and measurement'. It includes requirements on the classification and measurement of financial assets and liabilities. It also includes an expected credit losses model that replaces the current incurred loss impairment model for financial assets.

The management is in the process of assessing the impact of changes laid down by the standard on its financial statements.

b) IFRS 16 - Leases

This standard has been notified by the SECP to be effective for annual periods beginning on or after January 1, 2019. This standard replaces the current guidance in IAS 17, 'Leases'. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. The new accounting model for lessees may impact negotiations between lessors and lessees.

The management is in the process of assessing the impact of changes laid down by the standard on its financial statements.

c) IFRS 17 - Insurance contracts

This standard has been notified by the IASB to be effective for annual periods beginning on or after January 1, 2022 and yet to be notified by the SECP. The standard provides a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 that was issued in 2005. IFRS 17 applies to all types of insurance contracts as well as to certain guarantees and financial instruments with discretionary participation features. In contrast to the requirements in IFRS 4, which are largely based on grand fathering of previous local accounting policies, IFRS 17 provides a comprehensive and consistent approach to insurance contracts. The core of IFRS 17 is the general model, supplemented by a specific adaption for contracts with direct participation features (the variable fee approach) and a simplified approach (the premium allocation approach) mainly for short-duration contracts.

The main features of the new accounting model for insurance contracts include the measurement of the present value of future cash flows incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows); a contractual service margin equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognized in profit or loss over the service period (coverage period); the presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of insurance services provided during the period; and extensive disclosures to provide information on the recognized amounts from insurance contracts and the nature and extent of risks arising from these contracts.

The management is in the process of assessing the impact of changes laid down by the standard on its financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparation of these financial statements are set out below. Accounting policies relating to Window Takaful Operations are disclosed in a separate financial statements of Window Takaful Operations which have been annexed to these financial statements. These accounting policies have been consistently applied to all the years presented, expect for changes in accounting policies, as mentioned below in note 3.1 to these financial statements.

3.1 Change in accounting policies

3.1.1 Presentation and disclosures required in the financial statements

As per Insurance Rules 2017 ("the Rules"), the presentation and disclosure requirements of the financial statements were changed for insurance companies whose financial year ended on or after March 31, 2017. However, as referred to in note 2.2, the Company was granted specific exemption by the SECP for the financial year ended December 31, 2017. With effect from January 1, 2018 the format prescribed for non-life insurance companies in Annexure II of the Rules has been adopted, and changes to the presentation and disclosures in these financial statements have been applied retrospectively, in accordance with requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'. The significant reclassification changes resulting therefrom are disclosed in note 42 to these financial statements.

Key changes in the prescribed Rules include:

- a change in the sequence and certain classifications of assets / liabilities in the statement of financial position;

- discontinuation of separate statements of premium, claims, expenses and investment income which are now presented on aggregate basis in the notes to the financial statements;

- underwriting results in relation to various classes of business which were previously presented in the profit and loss account are now presented in a separate note 'Segment reporting' to the financial statements; and

- inclusion of various additional disclosures and change in the presentation of existing disclosures.

3.1.2 Basis for measurement of available-for-sale investments

As referred to in note 2.2, the Company has adopted with effect from January 1, 2018, the Rules for the preparation of its financial statements. Investments classified as 'available-for-sale' are now initially measured at cost, being the fair value of consideration given, and at each subsequent reporting date are remeasured at fair market value. Changes in fair market value of 'available-for-sale' investments are recognized in other comprehensive income/(loss) until derecognized or determined to be impaired. Previously, the Company recorded its 'available-for-sale' investments at cost and remeasured them at lower of cost or fair market value (fair market value being taken as lower if the fall is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002.

The change in aforementioned accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated. The effect of the change in accounting policy on the prior period financial statements have been summarized below:

Impact on statement of financial position

	2017		
	As previously reported	Adjustment	After adjustment
	Rupees in thousand		
Assets			
Investments in equity securities	9,329,178	7,639,310	16,968,488
Liabilities			
Deferred taxation	(21,703)	2,291,793	2,270,090
Equity			
Fair value reserve	-	5,347,517	5,347,517

	2016		
	As previously reported	Adjustment	After adjustment
	Rupees in thousand		
Assets			
Investments in equity securities	9,052,266	7,662,903	16,715,169
Liabilities			
Deferred taxation	(23,517)	2,298,871	2,275,354
Equity			
Fair value reserve	-	5,364,032	5,364,032

	2017	2016
	Rupees in thousand	
Impact on statement of comprehensive income		
Decrease in other comprehensive income - net of tax	(16,515)	-
Impact on statement of changes in equity		
(Decrease)/increase in investment fair value reserve - net of tax	(16,515)	5,364,033

There was no impact on the profit and loss account, cash flow statement and basic/diluted earnings per share as a result of the retrospective application of change in accounting policy.

3.13 Basis for recognition of premium

The Insurance Accounting Regulations, 2017, requires the recognition of premium receivable under an insurance policy/cover note as written from the date of attachment of risk to the policy/ cover note. Accordingly, the Company is required to account for cover notes which are effective as at reporting date. In previous years, the Company recognized premium under a policy as written at the time of issuance of policy in accordance with SEC Insurance, Rules, 2002. The change is considered to be a change in accounting policy in accordance with IAS 8 'Accounting policies, Changes in Accounting Estimates and Errors'. The impact of the same is not considered to be material to the financial statements of the Company and accordingly comparatives have not been restated in this regard.

3.14 Adoption of Companies Act, 2017

The Companies Act, 2017 has been effective from May 31, 2017 in place of the repealed Companies Ordinance, 1984. However, as allowed by the SECP vide Circular No. 23/2017 dated October 4, 2017 , the financial statements for the year ended December 31, 2017, were prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

These financial statements have been prepared in accordance with the provisions of and directives issued under the Companies Act, 2017. The change is considered to be a change in accounting policy in accordance with IAS 8 'Accounting policies, Changes in Accounting Estimates and Errors'. The application of the Act, however, does not have any impact in the recognition and measurement of the amounts included in these financial statements.

3.2 Property and equipment

3.2.1 Operating assets

Operating assets except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost of operating assets consists of historical cost and directly attributable cost of bringing the assets to their present location and condition. Depreciation on all operating assets is charged to profit and loss account on reducing balance method at the rates given in note 5.1 to the financial statements so as to write off the cost of operating asset over its estimated useful life. Depreciation on addition to operating assets is charged from the month in which an asset is acquired or capitalized, while no depreciation is charged in the month in which the asset is derecognized or retired from active use. Management judgement and estimates are involved in determining the useful lives of assets that best reflects the expected pattern of consumption of the future economic benefits embodied in the asset by the Company.

Gain and loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense, in the profit and loss account.

The operating assets' residual value and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Company's estimate of the residual value of its operating assets as at December 31, 2018 has not required any adjustment as its impact is considered insignificant.

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

The carrying values of operating assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

3.2.2 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss. All expenditure including borrowing costs connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating assets as and when these are available for use.

3.2.3 Intangible assets

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

3.4 Investment property

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The investment property of the Company comprise of land and buildings. The investment property, except freehold land, are stated at cost less accumulated depreciation and any identified impairment losses. Freehold land is stated at cost less any identified impairment loss.

Depreciation on all investment property is charged to the profit and loss account, by applying the reducing balance method at the rates given in note 7 to write off the cost of investment property over its expected useful life. Depreciation on addition to operating assets is charged from the month in which an asset is acquired or capitalized, whereas no depreciation is charged in the month of disposal.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Company's estimate of the residual values and useful lives of its investment property as at December 31, 2018 has not required any adjustment as its impact is considered insignificant.

The Company assesses at each statement of financial position date whether there is any indication that investment property may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the respective recoverable amount, assets are written down to their recoverable amount and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

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

3.5 Insurance contracts

Insurance contracts are those contracts where the Company has accepted significant insurance risk from the policy holders by agreeing to compensate the policy-holders on the occurrence of a specified uncertain future event i.e. insured event, that adversely affects the policy holders. Significant insurance risk is defined as the possibility of having to pay benefits on the occurrence of an insured event.

The Company underwrites non-life insurance contracts only under four main classes of business i.e. fire and property damage, marine aviation and transport, motor and others including miscellaneous and are issued to corporate and individual clients. The tenure of these insurance contracts depend upon terms of the policies written and vary accordingly.

- Fire and property damage insurance contracts generally cover the policy holders against damages caused by one or more of the following: fire, earthquake, riot and strike, explosion, atmospheric disturbance, flood, burglary, etc. according to the terms and conditions of the policy. 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 insurance contracts generally provide cover against one or more of the following: cargo risk, war risk and damages occurring during transit between the points of origin and final destination according to the terms and conditions of the policy.

- Motor insurance contracts provide indemnity against one or more of the following: total or partial loss of vehicle, third party loss and other comprehensive car coverage, etc. according to the terms and conditions of the policy.

- All other insurances like crop, cash in hand, cash in transit, personal accident, infidelity, public liabilities, livestock, travel, bankers and other financial institutions packages, product liabilities, professional indemnity, mobilization and performance bonds, workers compensation etc. are included under miscellaneous insurance cover.

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

3.6 Deferred commission expense/acquisition cost

Deferred commission expense represents the portion of commission expense relating to the unexpired period of the insurance coverage at the reporting date. The same is amortized systematically, through the profit and loss account, over the reporting periods over which the related premium revenue is recognized. Accordingly, deferred commission expense is also effected by the judgement and estimates involved in the determination of premium revenue.

The Company maintains its provision for deferred commission expense by applying the 1/24th method on fire and property damage, motor and miscellaneous as stipulated in the Insurance Accounting Regulation, 2017 for non life insurance companies. In case of marine, commission expense relating to last month is taken as deferred commission expense, consistent with 1/24th method above.

3.7 Unearned premium reserves

Provision for unearned premium represents the portion of premium written relating to the unexpired period of insurance coverage at the reporting date. The method selected by management involves judgement and estimates regarding the expected pattern of incidence of risk in relation to a particular type of policy. Majority of the insurance contracts entered into by the Company are for a period of 12 months. Policy for recognition of premium revenue is disclosed in note 3.13 to these financial statements.

The Company maintains its provision for unearned premium by applying the 1/24th method on fire and property damage, motor and miscellaneous as stipulated in regulation 24(4)(ii) of the Insurance Accounting Regulations, 2017. However, in case of marine, premium written during last month is taken to the provision for unearned premium.

3.8 Premium deficiency reserve (liability adequacy test)

In order to comply with the requirements of section 34(2)(d) of the Insurance Ordinance, 2000, a premium deficiency reserve is maintained for each operating segment, where the unearned premium liability for any class of business is not adequate to meet the expected future liability, after re-insurance, for claims and other expenses, including reinsurance expense, commissions, and other underwriting expenses, expected to be incurred after the reporting date in respect of the policies in force at the reporting date, in that operating segment. The movement in the premium deficiency reserve is recorded as an expense/income as part of the underwriting results for the year.

An estimate of loss ratios for the expired period is carried out, at each operating segment level, keeping in view historical claim development and experience during the expired period of the contracts. Where ratios are adverse, an assessment is made to determine if it is due to one off claim that are not expected to recur during the remaining period of the policies and expectations of future events that are believed to be reasonable. If determined to be inadequate, a deficiency in premium is recognized in the current reporting period. The loss ratios for the current and prior year are as follows:

	Loss ratios based on current estimated of known claims	
	2018	2017
Fire and property damage	11%	12%
Marine, aviation and transport	28%	27%
Motor	36%	42%
Miscellaneous	45%	41%

The management considers that the unearned premium reserve for all classes of business as at the year end is adequate to meet the expected future liability after reinsurance claims and other expenses, expected to be incurred after the statement of financial position date in respect of policies in those classes of business in force at the statement of financial position date. Hence, no reserve for the same has been made in these financial statements.

3.9 Reinsurance contracts held

The Company enters into reinsurance contracts with reinsurance companies by arranging treaty reinsurance, whereby certain agreed proportion of risks are shared with the participating companies, hence higher underwriting capacity with larger spread becomes available. Depending upon the nature and / or size of the risk at times reinsurance of excess of capacity is also placed on case to case basis under facultative reinsurance arrangement. The Company also accepts facultative reinsurance from other local insurance companies provided the risk meets the underwriting requirements of the Company.

The risks undertaken by the Company under these contracts for each operating segment are stated in note 3.5 to the financial statements.

The benefits to which the Company is entitled under reinsurance contracts held are recognized as reinsurance assets. These assets include reinsurance receivables as well as receivables that are dependent on the expected claims and benefits arising under the related reinsured contracts.

Reinsurance liabilities primarily include premium payable and commission payable (in case of facultative acceptance). Reinsurance assets and liabilities are measured consistently with the terms of the underlying reinsurance contracts.

Reinsurance assets and liabilities are derecognized when the contractual rights are extinguished or expired. Furthermore, reinsurance assets are not offset against related insurance liabilities.

Assets, liabilities and income and expense arising from ceded reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligation to its policyholders.

Premium ceded to reinsurers is recognized as follows:

a) for reinsurance contracts operating on a proportional basis, a liability to the reinsurer is recognized on attachment of the underlying policies reinsured, while an asset is recognized for the unexpired period of reinsurance coverage at the reporting date as prepaid reinsurance premium ceded and the same is expensed over the period of underlying policies; and

b) for reinsurance contracts operating on a non-proportional basis, a liability is recognized on inception of the reinsurance contract, while an asset is recognized for the unexpired period of reinsurance coverage at the reporting date as prepaid reinsurance premium ceded and the same is expensed over the period of indemnity.

3.10 Receivables and payables related to insurance contracts

Insurance/reinsurance receivables and payables are recognized when due and carried at cost less provision for impairment. Cost is the fair value of the consideration to be received/paid in the future for services rendered/received. These include amounts due to and from agents, brokers, insurance contract holders and other insurance companies.

An assessment is made at each reporting date to determine whether there is objective evidence from external as well as internal sources of information that a financial asset or group of assets may be impaired i.e. recoverable amount at the reporting date is less than the earning amount of the asset. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognized, in the profit and loss account, for the difference between the recoverable amount and the carrying amount. Provisions for impairment are reviewed at each reporting date and adjusted to reflect the current best estimates. Changes in the provisions are recognized as income or expense, in the profit and loss account for the period.

3.11 Segment reporting

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

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

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

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

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

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

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

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

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

3.12 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments along with any short term finance borrowing arrangement carried out with banks.

3.13 Revenue recognition

a) Premium income earned

Premium income under an insurance contract is recognized over the period of insurance from the date of the issue of the policy/cover note to which it relates to its expiry as detailed in note 3.7 to the financial statements.

b) Commission income

Commission income from reinsurers is recognized at the time of issuance of the underlying insurance contract by the Company. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit commission, if any, which the Company may be entitled to under the terms of reinsurance, is recognized on accrual basis.

c) Investment income

Following are recognized as investment income:

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

- Gain / loss on sale of investments is taken to the profit and loss account in the year of sale as per settlement date.

d) Dividend income and bonus shares

Dividend income and entitlement of bonus shares are recognized when the right to receive such dividends and bonus shares is established.

e) Rent and other income

Rental and other income is recognized on accrual basis.

f) Administrative surcharge

Administrative surcharge includes documentation and other charges recovered by the Company from insurance contract holders in respect of insurance policies issued, at a rate of 5% of the gross premium, restricted to a maximum of Rs 2,000 in case of all insurance contracts. Administrative surcharge is recognized as revenue at the time of issuance of policy.

For the purpose of these financial statements, administrative surcharge is included in gross premiums written during the year.

3.14 Provisions

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

3.15 Taxation

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

Current tax

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing laws 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 includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the current year for such years.

Deferred tax

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

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to other comprehensive income or equity in which case it is included in other comprehensive income or equity, as applicable.

3.16 Staff retirement benefits

The main features of the schemes operated by the Company for its employees are as follows:

3.16.1 Defined contribution plan

There is an approved contributory provident fund for all permanent employees. Equal monthly contributions are made by the company and employees to the fund, at the rate of 10% of basic salary. Contributions made by the company are recognized as expense. The Company has no further payment obligations once the contributions have been paid. Obligation for contributions to defined contribution plan is recognized as an expense in the profit and loss account as and when incurred.

3.16.2 Defined benefit plan

There is an approved Gratuity Fund for all of its permanent employees. Retirement benefits are payable to staff on resignation, retirement or termination from service, subject to completion of prescribed qualifying period of service under the scheme.

The latest actuarial evaluation was carried out as at December 31, 2018 using the "Projected Unit Credit Method". Amounts arising as a result of 'Remeasurements', representing the actuarial gains and losses and the difference between the actual investment returns and the return implied by the net interest cost are recognized in the statement of financial position immediately, with a charge or credit to 'Other Comprehensive Income' in the periods in which they occur.

3.17 Impairment

An assessment is made at each statement of financial position 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 recognized, in the profit and loss account, for the difference between the recoverable amount and the carrying amount. Provisions for impairment are reviewed at each statement of financial position date and adjusted to reflect the current best estimates. Changes in the provisions are recognized as income or expense.

The carrying amount of non financial assets is reviewed at each statement of financial position date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such asset is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

In the case of reinsurance assets, if an event occurs before or after the statement of financial position date, that gives rise to a reasonable and measurable probability that the amounts recoverable from any of the counter parties to the reinsurance contract are not recoverable, in whole or in part, an impairment loss is charged to profit for the year.

3.18 Dividend distribution

Dividend is recognized as a liability in the period in which it is declared and approved. Appropriations of profit are reflected in the statement of changes in equity in the period in which such appropriations are approved.

3.19 Management expenses

Expenses of management include both directly and indirectly attributable expenses allocated to various classes of business / operating segments on the basis of gross premium written. Management judgement is involved in determining the nature of expenses that are not allocable to the underwriting business and based thereon are classified as other expenses.

Allocation of management expenses effects the underwriting results of the operating segments, as disclosed in relevant note to these financial statements.

3.20 Provision for outstanding claims including Incurred But Not Reported (IBNR)

The Company recognizes a liability in respect of all claims incurred up to the reporting date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract. The liability for claims includes amounts in relation to unpaid reported claims, IBNR and expected claim settlement costs.

Outstanding claims comprise the estimated cost of claims incurred but not settled at the reporting date, whether reported or not. The Company engages an actuary to estimate the IBNR as per the SECP Circular No. 9 of 2016, "SEC guidelines for estimation of Incurred but not Reported claim reserve, 2016".

The Guidelines require that estimation for provision for claims incurred but not reported for each class of business, by using prescribed method "Chain Ladder Method" and other alternate method as allowed under the provisions of the Guidelines. The Chain Ladder 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 to derive an IBNR estimate.

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 outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available.

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

The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and contribution deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of reporting date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

3.21 Reinsurance recoveries against outstanding claims

Reinsurance recoveries against outstanding claims are recognized on occurrence of the related claim liability. These are recorded as an asset and measured at the amount expected to be received.

3.22 Provision for doubtful receivables

Receivables under insurance contracts are recognized when due, at the fair value of the consideration receivable less provision for doubtful debts, if any, provision for impairment of premium receivables is established when the chances of recovery are less. Receivables are also analyzed as per their ageing and accordingly provision is maintained on a systematic basis. The provision is made while taking into consideration of expected recoveries, if any.

3.23 Unearned reinsurance commission

Unearned commission income from the reinsurers represents the portion of income relating to the unexpired period of coverage and is recognized as a liability.

3.24 Creditors and accruals

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

3.25 Loan to employees

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

3.26 Foreign currency translation

Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the reporting date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are included in profit and loss account.

3.27 Financial assets

3.27.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the statement of financial position date, which are classified as non-current assets. Loans and receivables comprise insurance/reinsurance receivables, loans, advances, deposits and other receivables, reinsurance recoveries against outstanding claims and cash and bank balances in the statement of financial position.

b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the statement of financial position date.

c) Held-to-maturity

Investments with fixed maturity, that the management has the intent and ability to hold till maturity are classified as held-to-maturity and are initially recognized at cost being the fair value of consideration given and include transaction costs.

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

In case of fixed income securities redeemable at a given date where the cost is different from the redemption value, such difference is amortized uniformly over the period between the acquisition date and the date of maturity in determining 'cost' at which these investments are stated as per the requirements of the SEC (Insurance) Rules, 2002.

3.27.2 Recognition and measurement

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized on trade-date; the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. For investments having quoted price in active market, the quoted price represents the fair value. In other cases, fair value is measured using appropriate valuation methodology and where fair value cannot be measured reliably, these are carried at cost. Loans and receivables are carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the profit and loss account as part of other income when the Company's right to receive payments is established.

Changes in the fair value of securities classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the profit and loss account as gains and losses from investment securities. Interest on available-for-sale investments calculated using the effective interest method is recognized in the profit and loss account. Dividends on available-for-sale equity instruments are recognized in the profit and loss account when the Company's right to receive payments is established.

The Company assesses at each reporting date whether there is an objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognized in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of insurance/reinsurance receivables and other receivables is described in note 3.22.

3.27.3 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the profit and loss account.

3.27.4 Offsetting of financial assets and liabilities

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

3.28 Borrowings

Loans and borrowings from banks are recorded at the proceeds received. Finance charges are accounted for on an accrual basis and are included in creditors and accruals to the extent of the remaining unpaid amount.

3.29 Share capital

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

3.30 Leases

The Company is the lessee

3.30.1 Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight-line basis over the lease term.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved financial reporting standards, as applicable in Pakistan, 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. Estimates and judgments are continuously evaluated and are based on the historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both periods. The major areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Premium deficiency reserve (liability adequacy test) (note 3.8)

b) Provision for outstanding claims including, incurred but not reported claims (IBNR) (notes 3.20 and 25)

c) Provision for taxation and deferred tax (notes 3.15 ,19 and 32)

d) Provision for doubtful receivables (notes 3.22 and 12)

e) Useful lives of property and equipment and investment property (notes 3.2.1, 3.4, 5 and 7)

f) Defined benefit plan (notes 3.16.2 and 18)

g) Classification of investments and its impairment (notes 3.27.1,8 and 9)

	Note	2018	2017
		Rupees in thousand	
5 PROPERTY AND EQUIPMENT			
Operating assets	5.1	120,118	110,295
Capital work-in-progress - Advance to suppliers		-	3,228
		120,118	113,523

5.1 Operating assets

2018

	Cost			Accumulated depreciation			Written down value as at December 31	Depreciation rate %
	As at January 1	Addition/ (disposals)	As at December 31	As at January 1	Charge for the year/ (disposals)	As at December 31		
	-----------	-----------	-----------	Rupees in thousand	-----------	-----------	-----------	
Freehold land	22,672	-	22,672	-	-	-	22,672	0%
Buildings on freehold land	62,656	-	62,656	40,819	2,184	43,003	19,653	10%
Leasehold improvements	2,561	-	2,561	893	167	1,060	1,501	10%
Furniture and fixtures	9,542	839	10,381	4,363	540	4,903	5,478	10%
Office equipment	15,705	1,380	16,951	10,660	875	11,476	5,475	15%
		(134)			(59)			
Computer equipment	6,432	990	7,422	3,116	585	3,701	3,721	15%
Motor vehicles	94,537	27,879	109,388	43,958	12,280	47,770	61,618	20%
		(13,028)			(8,468)			
	214,105	31,088	232,031	103,809	16,631	111,913	120,118	
		(13,162)			(8,527)			

2017

	Cost			Accumulated depreciation			Written down value as at December 31	Depreciation rate %
	As at January 1	Addition/ (disposals)	As at December 31	As at January 1	Charge for the year/ (disposals)	As at December 31		
	-----------	-----------	-----------	Rupees in thousand	-----------	-----------	-----------	
Freehold land	22,672	-	22,672	-	-	-	22,672	0%
Buildings on freehold land	62,656	-	62,656	38,392	2,426	40,818	21,838	10%
Leasehold improvements	1,696	865	2,561	796	97	893	1,668	10%
Furniture and fixtures	8,597	1,263	9,541	4,016	561	4,364	5,177	10%
		(319)			(213)			
Office equipment	15,287	502	15,706	10,056	882	10,915	4,791	15%
		(83)			(23)			
Computer equipment	6,028	404	6,432	2,558	559	3,117	3,315	15%
Motor vehicles	76,909	19,549	94,537	34,681	10,443	43,703	50,834	20%
		(1,921)			(1,421)			
	193,845	22,583	214,105	90,499	14,968	103,810	110,295	
		(2,323)			(1,657)			

5.1.1 Disposal of operating assets

Particulars of the assets	Particulars of buyer	2018 Cost	Book value	Sale proceeds	Mode of disposal
Vehicles		Rupees in thousand			
Suzuki Swift	Muhammad Asim Khan	1,146	337	337	Company's policy
Suzuki Alto	Nazim Nawaz	984	321	321	Company's policy
Suzuki Alto	Jawad Bakali	665	200	250	Negotiation
Suzuki Swift	Mehmood ul Hassan	1,146	298	298	Company's policy
Suzuki Swift	Imran Sohail	1,107	315	315	Company's policy
Suzuki Alto	Akmal Shahbaz	788	242	242	Company's policy
Toyota Corolla Gli	Asif Shakoor	1,750	525	525	Company's policy
Mitsubishi Wagon	Muhammad Haris	1,270	753	753	Company's policy
Suzuki Mehran	Muhammad Arshad	380	140	260	Company's policy
Suzuki Mehran	Muhammad Aamir Saeed	693	224	250	Company's policy
Corolla Altis	Naveed Hayat Tarar	2,300	1,092	1,093	Company's policy
Honda CD - 70	Rizwan Rafiq	66	10	24	Company's policy
Honda CD-70	Syed Rizwan Gillani	70	18	18	Company's policy
Honda CD-70	Sohail Zaman	73	30	30	Company's policy
Honda CG-125	Naveed Ahmed Khan	69	14	16	Company's policy
Suzuki Alto	Muhammad Amir	520	40	205	Company's policy
		13,027	4,559	4,937	
Office equipment					
Generator	Amjad Hussain	60	21	17	Negotiation
Samsung C7	Insurance claim recovered	35	27	31	Company's policy
Samsung Alpha	Insurance claim recovered	15	11	14	Company's policy
Samsung J5	Insurance claim recovered	15	10	5	Company's policy
Q-Mobile X700	Insurance claim recovered	10	7	3	Company's policy
		135	76	70	
		13,162	4,635	5,007	

5.1.2 The depreciation charge/expense for the year has been allocated to management expenses as disclosed in note 27.

Disposal of operating assets

Particulars of the assets	Particulars of buyer	2017 Cost	Book value	Sale proceeds	Mode of disposal
Vehicles		Rupees in thousand			
Honda CG-125	Syed Ibrar Hussain Shah	97	32	32	Company's Policy
Corolla Altis	Asif Elahi	1,727	437	741	Company's Policy
Honda CG-125	Moin Ud Din	97	32	32	Company's Policy
		1,921	501	805	
Office equipment					
Huawei A-210 Mobile	Insurance claim recovered	9	5	1	Claim recovered
Samsung Note 4	Insurance claim recovered	74	55	18	Claim recovered
		83	60	19	
Furniture and fixtures					
Chairs	Majid Ali	319	105	95	Negotiation
		319	105	95	
Total		2,323	666	919	

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended December 31, 2018

		Note	2018	2017
			Rupees in thousand	
6	INTANGIBLE ASSETS			
	Capital work-in-progress		4,044	3,726

		2018		
		Freehold land	Building	Total
		Rupees in thousand		
7	INVESTMENT PROPERTY			
	Cost			
	As at January 01	-	-	-
	Additions	428,217	30,759	458,976
	As at December 31	428,217	30,759	458,976
	Accumulated depreciation			
	As at January 01	-	-	-
	Charge for the year	-	(1,028)	(1,028)
	As at December 31	-	(1,028)	(1,028)
	Written down value			
	As at January 01	-	-	-
	As at December 31	428,217	29,731	457,948
	Useful life	Nil	10 years	Nil

7.1 The market value of the investment property as per valuation carried out by professional valuer as at the year ended December 31, 2018 is Rs 466.099 million.

7.2 The depreciation charge/expense for the year has been allocated to management expenses as disclosed in note 27.

7.3 The Company had no investment property as at December 31, 2017.

	Note	2018 Cost	2018 Carrying value	2017 Cost	2017 Carrying value
				(Re-stated)	
		Rupees in thousand			
8 INVESTMENTS IN EQUITY SECURITIES					
Available-for-sale					
Related parties					
Listed shares	8.1	201,136	201,136	201,136	201,136
Unlisted shares	8.2	960,620	960,620	710,620	710,620
		1,161,756	1,161,756	911,756	911,756
Unrealized gain on revaluation			356,668		2,224,436
			1,518,424		3,136,192
Others					
Listed shares	8.3	8,363,123	8,363,123	7,912,484	7,912,484
Mutual funds	8.4	460	460	504,937	504,937
		8,363,583	8,363,583	8,417,421	8,417,421
Unrealized gain on revaluation			4,058,341		5,414,875
			12,421,924		13,832,296
Total investments available-for-sale			13,940,348		16,968,488

8.1 Listed shares - related parties

Number of shares		Face value	Company's name	Cost		Market value	
2018	2017			2018	2017	2018	2017
				Rupees in thousand			
6,837,097	6,837,097	10	Lalpir Power Limited Equity held 1.8% (2017: 1.8%)-note 8.1.1	92,720	92,720	112,880	154,040
6,407,796	6,407,796	10	Pakgen Power Limited Equity held 1.72% (2017: 1.72%)-note 8.1.1	88,900	88,900	109,189	141,805
228,500	228,500	10	D.G. Khan Cement Company Limited Equity held 0.05% (2017: 0.05%)	19,516	19,516	18,314	30,555
				201,136	201,136	240,383	326,400

8.1.1 The investments include 500 shares of Pakgen Power Limited and 550 shares of Lalpir Power Limited held in the name of nominee director of the Company.

8.2 Unlisted shares - related parties

Number of shares		Face value	Company's name	Cost		Market value	
2018	2017			2018	2017	2018	2017
				Rupees in thousand			
71,062,000	71,062,000	10	Nishat Hotels and Properties Limited Equity held 7.4% (2017: 7.4%)-note 8.2.1	710,620	710,620	1,028,040	2,809,791
20,000,000	-	10	Hyundai Nishat Motors (Private) Limited Equity held 10% (2017: Nil)	200,000	-	200,000	-
N/A	-	N/A	Hyundai Nishat Motors (Private) Limited Advance against shares-note 8.2.2	50,000	-	50,000	-
				960,620	710,620	1,278,040	2,809,791

8.2.1 This represents investment in the ordinary shares of Nishat Hotels and Properties Limited ('NHPL') a related party (based on common directorship) which is principally engaged in establishing and managing a multi-purpose facility including a shopping mall, hotel and banquet halls in Johar Town, Lahore, by the name of Nishat Emporium. Since NHPL's ordinary shares are not listed, an independent valuer engaged by the Company has estimated a fair value of Rs 14.47 per ordinary share as at December 31, 2018 through a valuation technique based on discounted cash flow analysis of NHPL. Hence, it has been classified under level 3 of fair value hierarchy as further explained in note 38 to these financial statements. The fair value loss of Rs 1,781.751 million is included in the fair value loss recognised during the year in other comprehensive income.

The main level 3 inputs used by the Company are derived and evaluated as follows:

- Discount rate is determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to NHPL.
- Long term growth rate is estimated based on historical performance of NHPL and current market information for similar type of companies.

The significant assumptions used in this valuation technique are as follows:

- Discount rate of 12.37%.
- Long term growth rate of 4% for computation of terminal value.
- Annual growth in costs and revenues is linked to inflation at 5.25% per annum.

Sensitivity analyses

Sensitivity analysis of the significant assumptions used in the valuation technique are as follows:
If the discount rate increases by 1% with all other variables held constant, the fair value as at December 31, 2018 would decrease by Rs 256.451 million.
If the long term growth rate decreases by 1% with all other variables held constant, the fair value as at December 31, 2018 would decrease by Rs 139.084 million.
If inflation decreases by 1% with all other variables held constant, the fair value as at December 31, 2018 would decrease by Rs 14.69 million.

8.2.2 This represents advance amount paid to Hyundai Nishat Motors (Private) Limited against issue of shares. These shares were allotted to the Company subsequent to the year end dated January 19, 2019.

8.3 **Listed shares - others**

Number of shares		Face value	Company's name	Cost		Market value	
2018	2017			2018	2017	2018	2017
				Rupees in thousand			
			Banks				
57,588,876	55,508,176	10	MCB Bank Limited Equity held 4.86% (2017: 4.68%)-note 8.3.1	7,078,664	6,658,246	11,147,479	11,785,496
70,413	70,413	10	United Bank Limited Equity held 0.01% (2017: 0.01%)	11,126	11,126	8,635	13,236
			Insurance Companies				
27,771,587	27,538,587	10	Adamjee Insurance Company Limited. Equity held 7.93% (2017: 7.87%)-note 8.3.2	1,160,299	1,147,317	1,166,962	(1,431,180)
			Electricity				
30,000	30,000	10	Kohinoor Energy Limited Equity held 0.02% (2017: 0.02%)	578	578	1,109	1,215
			Textile				
338,000	-	10	Nishat Chunian Limited Equity held 0.14% (2017: Nil)	17,239	-	16,420	-
			Oil and Gas				
499,999	434,782	10	Pakistan Petroleum Limited Equity held 0.25% (2017: 0.02%)	95,217	95,217	74,830	89,526
				8,363,123	7,912,484	12,415,435	10,458,293

8.3.1 The Company holds 4.68% shareholding in MCB Bank Limited. In order that the Company is not considered as a sponsor of MCB Bank Limited, the Company had filed a writ petition in the Honourable Lahore High Court in 2010, Lahore to declare null and void the State Bank of Pakistan's BPRD Circular No 4 dated May 22, 2008 which requires a person(s) holding 5% or more of sponsor shares, acquired individually or in concert with his family members, group companies, subsidiaries and affiliates / associates, of a bank to be placed in a blocked account with Central Depository Company (CDC). The court has suspended the operation of the impugned circular and reserved its judgment after hearing the case. The management is confident that the outflow of financial resources as a result of the eventual outcome of the above matter is unlikely.

8.3.2 6,050,000 shares (2017: 5,500,000 shares) of Adamjee Insurance Company Limited are pledged with banks.

8.4 Mutual funds - others

Number of units		Face value	Company's name	Cost		Market value	
2018	2017			2018	2017	2018	2017
				Rupees in thousand			
53,565	53,565	100	JS Large Capital Fund	460	460	6,490	7,014
-	3,745,546	100	MCB - Arif Habib Saving and Investment Limited	-	292,536	-	290,685
-	3,929,901	100	MCB Pakistan Sovereign Fund	-	211,941	-	213,944
				460	504,937	6,490	511,643

	Note	2018 Cost	2018 Carrying value	2017 Cost	2017 Carrying value
		Rupees in thousand			
9 INVESTMENTS IN DEBT SECURITIES					
Held to maturity - Government securities					
Pakistan Investment Bonds	9.1	74,607	74,607	75,032	75,032

9.1 This represents carrying amount of government securities placed as statutory deposit with the State Bank of Pakistan ('SBP') in accordance with the requirements of clause (a) of sub-section 2 of section 29 of the Insurance Ordinance, 2000.

	Maturity	Effective yield	2018	2017
			Rupees in thousand	
9.2 Particulars of debt securities are as follows :				
Pakistan Investment Bonds	18-Aug-21	12%	1,984	1,978
Pakistan Investment Bonds	03-Sep-19	12%	4,992	4,981
Pakistan Investment Bonds	22-Jul-20	12%	1,982	1,971
Pakistan Investment Bonds	19-Jul-22	12%	1,969	1,961
Pakistan Investment Bonds	09-Aug-28	9%	63,680	-
Pakistan Investment Bonds	30-Aug-18	12%	-	62,081
Pakistan Investment Bonds	30-Aug-18	12%	-	2,060
			74,607	75,032

	Note	2018	2017
		Rupees in thousand	
10 INVESTMENTS IN TERM DEPOSITS			
Short term deposits		-	50,000
		-	50,000
11 LOANS AND OTHER RECEIVABLES - CONSIDERED GOOD			
Receivable from related parties	11.1	60	-
Accrued investment income		2,971	3,244
Security deposit		3,566	3,281
Loans to employees		931	1,014
Other receivable	11.2	9,223	4,216
		16,751	11,755

11.1 This represents receivable from Hyundai Nishat Motor Private Limited, a related party (due to common directorship).

11.2 These include a receivable from takaful operations amounting to Rs 0.423 million (2017 : Nil).

		Note	2018	2017
			Rupees in thousand	
12	**INSURANCE/REINSURANCE RECEIVABLES**			
	Due from insurance contract holders - unsecured			
	- Considered good		1,056,905	853,946
	- Considered doubtful		57,823	57,823
		12.1	1,114,728	911,769
	Provision for impairment of receivables from insurance contract holders	12.2	(57,823)	(57,823)
			1,056,905	853,946
	Due from other insurer/reinsurer- unsecured			
	- Considered good		1,119,735	691,903
	- Considered doubtful		30,046	24,857
			1,149,781	716,760
	Provision for impairment of receivables from other insurer/ reinsurer	12.3	(30,046)	(24,857)
			1,119,735	691,903
			2,176,640	1,545,849

12.1 This includes amounts due from the following related parties:

	2018	2017
Nishat Mills Limited (due to common directorship)	2,705	672
Nishat Power Limited (due to common directorship)	123,899	94,593
Nishat Hospitality (Pvt.) Limited (due to common directorship)	32	-
Nishat Dairy (Pvt.) Limited (due to common directorship)	23	38
Nishat Hotels and Properties Limited (due to common directorship)	96	1,030
Nishat Linen (Pvt.) Limited (other related party)	62	-
Nishat Paper Product Company Limited (due to common directorship)	469	73
Nishat Agriculture Farming (Pvt.) Limited (due to common directorship)	12	57
Nishat Real Estate Development Company (Pvt.) Limited (due to common directorship)	112	112
Nishat Developers (Pvt.) Limited (due to common directorship)	6	5
D.G. Khan Cement Company Limited (other related party)	42,418	22,173
Pakistan Aviators & Aviation (Pvt.) Limited (due to common directorship)	1	1,818
Pakgen Power Limited (due to common directorship)	337,265	264,803
Lalpir Power Limited (due to common directorship)	325,052	255,473
Nishat Spinning (Pvt.) Limited (due to common directorship)	-	46
	832,153	640,894

Age analysis of the amounts due from related parties is as follows :

	1 year	More than 1 Year	2018	2017
	Rupees in thousand			
Nishat Mills Limited (due to common directorship)	2,787	(82)	2,705	672
Nishat Power Limited (due to common directorship)	123,897	2	123,899	94,593
Nishat Hospitality (Pvt.) Limited (due to common directorship)	42	(9)	33	-
Nishat Dairy (Pvt.) Limited (due to common directorship)	-	23	23	38
Nishat Hotels and Properties Limited (due to common directorship)	15	81	96	1,030
Nishat Linen (Pvt.) Limited (other related party)	1	61	62	-
Nishat Paper Product Company Limited (due to common directorship)	383	86	469	73
Nishat Agriculture Farming (Pvt.) Limited (due to common directorship)	12	-	12	57
Nishat Real Estate Development Company (Pvt.) Limited (due to common directorship)	-	112	112	112
Nishat Developers (Pvt.) Limited (due to common directorship)	-	6	6	5
D.G. Khan Cement Company Limited (other related party)	40,543	1,875	42,418	22,173
Pakistan Aviators & Aviation (Pvt.) Limited (due to common directorship)	-	1	1	1,818
Pakgen Power Limited (due to common directorship)	(559)	337,824	337,265	264,803
Lalpir Power Limited (due to common directorship)	-	325,052	325,052	255,473
Nishat Spinning (Pvt.) Limited (due to common directorship)	-	-	-	46
	167,121	665,032	832,153	640,894

	Note	2018	2017
		Rupees in thousand	
12.2 Provision for doubtful receivables from insurance contract holders			
Opening as at Jan 01		57,823	45,787
Provision made during the year		-	12,036
Balance as at December 31		57,823	57,823

	Note	2018	2017
		Rupees in thousand	
12.3 Provision for doubtful receivables from other insurer/reinsurer			
Opening as at Jan 01		24,857	24,857
Provision made during the year		5,189	-
Balance as at December 31		30,046	24,857
13 PREPAYMENTS			
Prepaid reinsurance premium ceded	13.1	1,003,893	769,414
Prepaid rent		612	433
Others		1,784	1,811
		1,006,289	771,658
13.1 Movement in prepaid reinsurance premium ceded			
As at January 01		769,414	718,577
Reinsurance premium ceded during the year		1,875,705	1,479,894
Reinsurance expense for the year		(1,641,226)	(1,429,057)
As at December 31		1,003,893	769,414
14 CASH AND BANK			
Cash and cash equivalent			
Cash in hand		11	1
Cash at bank			
Current accounts		25,877	38,404
Saving accounts	14.1	142,870	605,791
Deposit with SBP	14.2	64,350	350
		233,097	644,545
		233,108	644,546

14.1 The balance in savings accounts bears mark-up which ranges from 2.39% to 8.65% (2017: 3.75% to 9%) per annum.

14.2 This represents statutory deposit with the SBP in accordance with the requirements of clause (a) of sub-section 2 of section 29 of the Insurance Ordinance, 2000.

14.3 Cash and short term borrowing include the following for the purposes of the cash flow statement:

	Note	2018	2017
		Rupees in thousand	
Cash and cash equivalents		233,108	644,546
Short term borrowings	20	(194,876)	-
		38,232	644,546

15 WINDOW TAKAFUL OPERATIONS

15.1 Operator's Fund

	2018	2017
Assets		
Property and equipment	1,908	-
Loans and other receivables	708	-
Wakala and mudarib fee receivable	3,949	-
Deferred commission expense	3,053	-
Cash and bank	45,224	-
Total assets	54,842	-

	2018	2017
15.2 Total liabilities	8,852	-

15.3 Profit and loss account

	2018	2017
Wakala fee	2,024	-
Other expenses	(869)	-
Management expenses	(4,783)	-
Commission expenses	(1,105)	-
Other income	723	-
Loss for the year	(4,010)	-

16 ORDINARY SHARE CAPITAL

16.1 Authorized share capital

2018	2017		2018	2017
Number of Shares			Rupees in thousand	
100,000,000	100,000,000	Ordinary shares of Rs 10 each	1,000,000	1,000,000

16.2 Issued, subscribed and paid up share capital

2018	2017		2018	2017
68,062,500	68,062,500	Ordinary shares of Rs 10 each fully paid in cash	680,625	680,625

16.2.1 10,226,244 (2017: 10,226,244) ordinary shares of the Company are held by Nishat Mills Limited (the 'Investor', Company being its associate under IAS 28). Nishat Mills Limited is an Investor as per International Accounting Standard ('IAS') 28, 'Investments in Associates and Joint Ventures.

		Note	2018	2017
			Rupees in thousand	
17	**Reserves**			
	Capital reserve			
	Fair value reserve	17.1	3,311,257	5,347,517
	Revenue reserve			
	General reserve		2,000	2,000
			3,313,257	5,349,517

17.1 This represents unrealized gain on re-measurement of available-for-sale investments at fair value and is not available for distribution. This shall be transferred to profit and loss account on de-recognition of investments.

18 Retirement benefit obligations

18.1.1 Salient features

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

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

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

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

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

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

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

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

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

		2018	2017
18.1.2	**Principal actuarial assumptions**		
	Valuation discount rate	13.75%	9.50%
	Valuation discount rate for statement of comprehensive income	13.75%	9.50%
	Salary increase rate - short term	12.75%	8.50%
	Salary increase rate - long term	12.75%	12.75%
	Normal retirement age	60	60
	Withdrawal rate	Moderate	Moderate
	Mortality rate	SLIC 2001-2005	SLIC 2001-2005
	Net salary increase date	01/01/2019	01/01/2018

		Note	2018	2017
			Rupees in thousand	
18.1.3	**The amounts recognized in statement of financial position are as follows:**			
	Reconciliation			
	Present value of defined benefit obligations	18.1.4	35,523	28,448
	Fair value of plan assets	18.1.5	(30,339)	(23,963)
	Net payable to defined benefit plan		5,184	4,485
	Opening balance of payable		9,000	5,017
	Expense recognized		4,074	3,587
	Contributions to the fund during the year		(4,485)	(502)
	Recognition in other comprehensive income - net		1,110	898
	Closing balance of payable		9,699	9,000

		Note	2018	2017
			Rupees in thousand	
18.1.4	**Movement in the present value of defined benefit obligations is as follows;**			
	Present value of obligations as at January 01		28,448	22,427
	Current service cost		3,861	3,348
	Interest cost		2,685	2,131
	Benefits paid		(378)	-
	Actuarial losses from changes in financial assumptions		384	-
	Experience adjustments		523	542
	Present value of defined benefit obligations as at December 31		35,523	28,448
18.1.5	**Movement in the fair value of plan assets is as follows;**			
	Fair value of plan assets as at January 01		23,963	17,411
	Contribution made to the fund during the year		4,485	5,017
	Interest income on plan assets		2,472	1,892
	Benefits paid		(378)	-
	Return on plan assets, excluding interest income		(203)	(356)
	Fair value of plan assets as at December 31		30,339	23,963
18.1.6	**Composition of plan assets**			
	Fair value of investments		25,142	14,716
	Cash at bank		5,197	9,247
	Fair value of plan assets as at December 31		30,339	23,963
18.1.7	**Charge for the year**			
	The following amounts have been charged to the profit and loss account in respect of defined benefit plan:			
	Current service cost		3,861	3,348
	Interest cost on defined benefit obligations		2,685	2,131
	Interest income on plan asset		(2,472)	(1,892)
			4,074	3,587
18.1.8	**Recognition in other comprehensive income**			
	The following amounts have been recognized in other comprehensive income:			
	Experience adjustments		523	542
	Actuarial losses from changes in financial assumptions		384	-
	Return on plan assets, excluding interest income		203	356
			1,110	898

	Discount rate + 100 bps	Discount rate - 100 bps	Salary increase rate + 100 bps	Salary increase rate - 100 bps
	Rupees in thousand			
18.1.9 Sensitivity analysis				
Year end sensitivity analysis (±100 bps) on present value of defined benefit obligations is as follows:				
	31,993	39,631	39,689	31,883

18.1.10 The Company expects to pay Rs 4.83 million in contributions to defined benefit plan during the year ending December 31, 2019.

	2018	2017	2016	2015	2014
	-------------------Rupees in thousand-------------------				
18.1.11 5 year historical data on the deficit of defined benefit plan is as follows:					
Present value of defined benefit obligations	35,523	28,448	22,427	20,635	20,148
Fair value of plan assets	(30,339)	(23,963)	(17,411)	(19,806)	(15,437)
Deficit	5,184	4,485	5,016	829	4,711

18.2 Defined contribution plan - provident fund

The Company has set up a provident fund for its permanent employees and contributions were made by the Company to the Trust in accordance with the requirements of Section 218 of the Companies Act, 2017. The total charge against provident fund for the year ended December 31, 2018 was Rs 2.03 million . The net assets based on unaudited financial statements of Provident Fund as at December 31, 2018 are Rs 35.172 million out of which 92.28% are invested in different financial instruments categories as provided in Section 218 of the Companies Act, 2017 and the rules formulated therein. The above investments out of provident fund have been made in accordance with the requirements of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

	Un-audited			
	2018		2017	
	Rupees in thousand	% of investment	Rupees in thousand	% of investment
Investment in Government securities	19,578	60%	19,608	67%
Bank balances	4,648	15%	3,833	13%
Mutual funds	8,232	25%	5,744	20%
	32,458	100%	29,185	100%

	Note	2018	2017 (Re-stated)
		Number of employees	
18.3 Staff strength			
Number of employees as at December 31		136	140
Average number of employees during the year		136	139
19 DEFERRED TAXATION			
Deferred debits arising in respect of:			
Provision for doubtful receivables - insurance / reinsurance receivables		25,482	24,804
Deferred credits arising due to:			
Accelerated tax depreciation		4,490	3,101
Unrealized gain on remeasurement of investment		1,103,752	2,291,793
		1,108,242	2,294,894
		1,082,760	2,270,090
20 BORROWINGS			
Bank loans:			
Running finance		44,876	-
Short term advance		150,000	-
		194,876	-

20.1 The total running finance facility obtained from Habib Bank Limited ('HBL') under mark-up arrangement aggregates to Rs 300 million (2017: Rs 200 million). Such facility has been obtained at mark-up rate ranging from three months Karachi Inter Bank Offered Rate ('KIBOR') plus fixed spread of 1.50% per annum, payable quarterly, on the balance outstanding. The facility is secured against pledge of 6.05 million shares of Adamjee in favour of HBL as security. The mark-up rate charged during the year on the outstanding balance ranged from 7.66% to 10.38% (2017: 7.57% to 7.65%) per annum. Sub-facility comprises of short term advance has also been utilized under the aforementioned main facility amounting to Rs. 150 million.

21 INSURANCE / REINSURANCE PAYABLE

This represents amounts due to insurers/reinsurers.

		Note	2018	2017
			Rupees in thousand	
22	OTHER CREDITORS AND ACCRUALS			
	Agent commission payable		122,207	112,699
	Federal excise duty / sales tax		9,813	12,804
	Federal insurance fee		675	924
	Accrued expenses		25,342	23,661
	Other tax payable		1,565	2,007
	Cash margin		45,355	12,594
	Leave encashment payable		6,862	6,253
	Provident fund payable	18.2	829	752
	Mark-up accrued on finances under mark-up arrangements		279	12
	Others		34,723	25,198
			247,650	196,904

23 CONTINGENCIES AND COMMITMENTS

23.1 The Company is contingently liable for Rs 7.083 million (2017: Rs 6.448 million) on account of claims lodged against the Company but not acknowledged as debts. The management, based on advice of the legal counsels, is confident that the outcome of the cases is likely to be in favour of the Company.

23.2 Guarantee issued by Habib Metro Bank Limited on behalf of the Company, fixed at GBP 5,000 amounting to Rs 0.828 million (2017: Rs 0.690 million).

23.3 For tax years 2009 and 2011 to 2014, the tax authorities raised an aggregate demand of Rs 664.953 million that primarily pertains to rate of tax on dividend income. The Company had filed appeals before Appellate Tribunal Inland Revenue('ATIR') against the above demands and ATIR decided the case in the favour of the Company. However, the Commissioner Inland Revenue has filed a petition against the order of ATIR in Honorable Lahore High Court and the case is now pending adjudication. The Company has not made any provision in these financial statements against the above demands as the management is confident that the ultimate outcome of the appeals would be in favour of the Company, inter alia on the basis of the advice of the legal counsel and the relevant law and the facts.

		Note	2018	2017
			Rupees in thousand	
24	NET INSURANCE PREMIUM			
	Written gross premium		2,495,889	2,013,428
	Unearned premium reserve opening		1,041,058	959,221
	Unearned premium reserve closing		(1,296,132)	(1,041,058)
	Premium earned		2,240,815	1,931,591
	Reinsurance premium ceded		(1,875,705)	(1,479,894)
	Prepaid reinsurance premium opening		(769,414)	(718,577)
	Prepaid reinsurance premium closing		1,003,893	769,414
	Reinsurance expense		(1,641,226)	(1,429,057)
			599,589	502,534

		Note	2018	2017
			Rupees in thousand	
25	NET INSURANCE CLAIMS			
	Claims paid		470,470	410,321
	Outstanding claims including IBNR-closing	25.1 & 25.2	964,731	1,111,319
	Outstanding claims including IBNR-opening		(1,111,319)	(893,348)
	Claims expense		323,882	628,292
	Reinsurance and other recoveries received		(398,471)	(315,550)
	Reinsurance and other recoveries in respect of outstanding claims - closing		(814,128)	(971,912)
	Reinsurance and other recoveries in respect of outstanding claims - opening		971,912	753,612
	Reinsurance expense		(240,687)	(533,850)
			83,195	94,442

25.1 Claim development note

The following table shows the development of fire, marine, motor and others including miscellaneous claims compared to the last four years. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments.

Accident year	2014	2015	2016	2017	2018
	-------------------Rupees in thousand-------------------				
Estimate of ultimate claims costs:					
At the end of accident year	823,009	1,781,426	421,180	612,367	504,940
One year later	871,258	3,656,854	383,941	510,900	-
Two years later	827,355	3,649,493	366,782	-	-
Three years later	883,803	3,643,705	-	-	-
Four years later	878,361	-	-	-	-
Current estimate of cumulative claims	878,361	3,643,705	366,782	510,900	504,940
Cumulative payments to date	(711,283)	(3,432,396)	(293,908)	(437,009)	(188,262)
Liability recognized in the statement of financial position	167,078	211,309	72,874	73,891	316,678

	Note	2018	2017
		Rupees in thousand	
25.2 This includes amounts due to the following related parties:			
Name			
Nishat Mills Limited (Investor)		2,026	2,026
Nishat Power Limited (due to common directorship)		82,865	42,065
Nishat Hospitality (Pvt.) Limited (due to common directorship)		8	8
Nishat Dairy (Pvt.) Limited (due to common directorship)		20	20
Nishat Hotels and Properties Limited (due to common directorship)		21,220	24,396
Nishat Paper Product Company Limited (due to common directorship)		8	8
D.G. Khan Cement Company Limited (other related party)		4,009	5,686
		110,156	74,209
26 NET COMMISSION EXPENSE			
Commission paid or payable		186,262	165,246
Deferred commission expense - opening		82,532	65,223
Deferred commission expense - closing		(94,261)	(82,532)
Net commission		174,533	147,937
Commission received or recoverable		(176,697)	(148,165)
Unearned reinsurance commission - opening		(71,125)	(52,233)
Unearned reinsurance commission - closing		80,758	71,125
Commission from reinsurers		(167,064)	(129,273)
		7,469	18,664
27 MANAGEMENT EXPENSES			
Employee benefit cost	27.1	131,817	115,244
Travelling expenses		1,992	1,771
Advertisements and sales promotion		6	23
Printing and stationery		3,673	2,908
Depreciation on operating assets	5.1	16,631	14,968
Depreciation on investment property	7.2	1,028	-
Rent, rates and taxes		5,365	4,786
Legal and professional- business related		4,948	5,833

	Note	2018	2017
		Rupees in thousand	
Electricity, gas and water		4,449	3,501
Entertainment		3,656	2,606
Vehicle running expenses		16,204	11,330
Office repairs and maintenance		5,015	3,964
Bank charges		2,562	1,832
Postages, telegrams and telephone		4,083	3,394
Annual supervision fee SECP		3,120	2,715
Provision for doubtful receivables	12.2 &12.3	5,189	12,036
Service charges		3,142	3,289
Miscellaneous		1,748	1,462
		214,628	191,662
27.1 Employee benefit cost			
Salaries, allowances and other benefits		125,709	109,910
Charges for post employment benefit plan- Gratuity		4,074	3,587
Charges for post employment benefit plan- Provident fund		2,034	1,747
		131,817	115,244
28 INVESTMENT INCOME			
Income from equity securities			
Available-for-sale			
Dividend income	28.1	984,316	1,044,280
Income from debt securities			
Held to maturity			
Return on debt securities		6,660	9,377
Net realized gains on investments		990,976	1,053,657
Available-for-sale financial assets			
Realized gains on:			
- Equity securities		5,464	11,396
Total investment income		996,440	1,065,053
Reversal of impairment in value of available-for-sale securities			
- Equity securities		-	19,130
Investment related expenses		(1,359)	(1,598)
		995,081	1,082,585

		Note	2018	2017
			Rupees in thousand	
28.1	**This includes dividend income from the following related parties:**			
	D.G. Khan Cement Company Limited (other related party)		971	1,714
	Pakgen Power Limited (due to common directorship)		7,060	12,816
	Lalpir Power Limited (due to common directorship)		6,837	13,674
			14,868	28,204
29	**OTHER INCOME**			
	Return on bank balances		20,344	16,014
	Gain on sale of operating assets		371	254
	Liabilities written back		6,226	-
	Miscellaneous		696	62
			27,637	16,330
30	**OTHER EXPENSES**			
	Legal and professional fee other than business related		3,600	3,600
	Auditor's remuneration	30.1	2,829	3,450
	Donations		649	-
	Subscription		2,122	4,298
	Insurance expense		2,212	1,728
	Professional charges		100	100
	Others		405	352
			11,917	13,528
30.1	**Auditor's remuneration**			
	Fee for statutory audit		825	750
	Fee for interim review		355	355
	Fee for audit of gratuity fund		64	59
	Special certifications and sundry advisory services		289	303
	Tax services		1,071	1,778
	Out of pocket		225	205
			2,829	3,450
31	**FINANCE COSTS**			
	This represents mark-up on short term borrowings.			

		Note	2018	2017
			Rupees in thousand	
32	**TAXATION**			
	For the year			
	Current		398,492	381,665
	Deferred		711	1,814
			399,203	383,479
	For prior years	32.1	38,804	69,917
	Current		438,007	453,396

32.1 This represents provision for super tax as per the rates specified in Division IIA of Part I of the First Schedule to the Income Tax Ordinance, 2001.

		2018	2017
		%	%
32.2	**Relationship between tax expense and accounting profit**		
	Numerical reconciliation between the average effective tax rate and the applicable tax rate is as follows :		
	Applicable tax rate	29	30
	Effect of:		
	- Prior year tax	2.95	2.78
	- Super tax	1.99	2.69
	- Change in tax rate and others	(0.03)	0.01
	Effective tax rate	33.91	35.48

		2018	2017
		Rupees in thousand	
33	**EARNINGS PER SHARE**		
	Profit (after tax) for the year- Rupees in thousand	853,828	824,723
	Weighted average number of ordinary shares- Number	68,063	68,063
	Earnings per share - (basic / diluted)- Rupees	12.54	12.12

There is no dilutive effect on basic earnings per share.

34 COMPENSATION OF DIRECTORS AND EXECUTIVES

34.1 Aggregate amounts charged in the accounts for remuneration, including all benefits to Chief Executive Officer, Directors and Executives of the Company are as follows:

	Chief Executive		Directors		Executives	
	2018	2017	2018	2017	2018	2017
	-------------------Rupees in thousand-------------------					
Managerial remuneration	4,928	4,400	-	-	22,119	17,752
Leave encashment	616	550	-	-	2,765	2,336
Bonus	1,848	1,650	-	-	8,294	6,775
Charge for defined benefit plan	411	367	-	-	1,843	1,557
Contribution to defined contribution plan	493	440	-	-	2,212	1,775
Rent and house maintenance	1,971	1,760	-	-	8,847	7,101
Utilities	493	440	-	-	2,212	1,775
Medical	79	60	-	-	2,315	1,588
Others	418	341	-	-	3,816	4,539
Total	11,257	10,008	-	-	54,423	45,198
Number of persons	1	1	5	5	27	22

34.2 Executive means an employee, other than the Chief Executive and Directors, whose basic salary exceeds five hundred thousand rupees in a financial year.

34.3 Chief Executive and some of the executives of the Company are provided with Company maintained cars.

35 RELATED PARTY TRANSACTIONS

'The related parties include the Investor, related parties on the basis of common directorship, group companies, key management personnel including directors and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables. Significant related party transactions have been disclosed in respective notes in these financial statements other than the following:

	Note	2018	2017
		Rupees in thousand	
Year end balances			
(i) Post employment benefit plans			
Payable to gratuity fund		5,184	4,485
Payable to provident fund		829	752
		6,013	5,237

	Note	2018	2017
		Rupees in thousand	
(ii) Key management personnel			
Advances against salaries		259	82
Transactions during the year			
(i) Related parties based on common directorship			
Premium underwritten		954,406	737,057
Claims paid		77,704	67,815
Dividends paid		51,141	51,141
Payment in respect of services		755	741
		1,084,006	856,754
(ii) Post employment benefit plans			
Charge in respect of gratuity fund		4,074	3,587
Charge in respect of provident fund		4,988	4,476
Contribution to gratuity fund		4,485	5,017
Contribution to provident fund		10,080	8,958
		23,627	22,038
(iii) Key management personnel			
Employee benefits		27,839	19,364
Asset sold		1,405	-
Dividends paid		45,247	45,247

36 SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing services that are subject to risk and returns that are different from those of other business segments. The Company has identified four (2017: four) primary business segments for reporting purposes in accordance with the requirements of the Insurance Ordinance, 2000, and the Insurance Rules, 2017. These include fire, marine, aviation and transport, motor and miscellaneous class of business/operating segment. As per Insurance Rules, 2017, information for other segments under which business is less than 10%, is classified under miscellaneous class of operating/business segment.

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

	2018				
	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Total
	------------------------------- Rupees in thousand -------------------------------				
Premium receivable (inclusive of federal insurance fee, federal excise duty and administrative surcharge)	2,007,421	113,477	398,524	282,197	2,801,619
Federal excise duty	(186,293)	(12,636)	(53,877)	(34,282)	(287,088)
Federal insurance fee	(11,778)	(998)	(3,434)	(2,431)	(18,641)
Gross written premium (inclusive of administrative surcharge)	1,809,350	99,843	341,213	245,484	2,495,890
Gross direct premium	1,172,048	96,512	336,912	241,866	1,847,338
Facultative inward premium	632,809	-	-	-	632,809
Administrative surcharge	4,493	3,331	4,301	3,618	15,743
	1,809,350	99,843	341,213	245,484	2,495,890
Insurance premium earned	1,594,352	92,713	304,944	248,807	2,240,816
Insurance premium ceded to reinsurers	(1,221,386)	(68,605)	(136,607)	(214,629)	(1,641,227)
Net insurance premium	372,966	24,108	168,337	34,178	599,589
Commission income	84,129	22,725	30,220	29,991	167,065
Net underwriting income	457,095	46,833	198,557	64,169	766,654
Insurance claims	(63,197)	(7,299)	(133,915)	(119,471)	(323,882)
Insurance claims recovered from reinsurers	53,340	7,642	71,101	108,604	240,687
Net claims	(9,857)	343	(62,814)	(10,867)	(83,195)
Commission expense	(99,151)	(20,472)	(33,923)	(20,988)	(174,534)
Management expenses	(155,590)	(8,586)	(29,342)	(21,110)	(214,628)
Net insurance claims and expenses	(264,598)	(28,715)	(126,079)	(52,965)	(472,357)
Underwriting results	192,497	18,118	72,478	11,204	294,297

					2018
					Rupees in thousand
Net investment income					995,081
Other income					27,637
Other expenses					(11,917)
Finance costs					(9,253)
Loss before taxation from window takaful operations - Operator's Fund					(4,010)
Profit before tax					1,291,835
Segment assets - Conventional	2,125,670	85,563	295,003	496,042	3,002,278
Segment assets - Takaful Operator's Fund	5,252	490	1,120	140	7,002
Unallocated assets - Conventional					15,939,562
Unallocated assets - Takaful Operator's Fund					47,840
					18,996,682
Segment liabilities - Conventional	1,612,989	76,356	301,966	517,871	2,509,182
Segment liabilities - Takaful Operator's Fund	6,638	620	1,416	177	8,851
Unallocated liabilities - Conventional					2,608,235
					5,126,268

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2018

	2017				
	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Total
	------------------------------ Rupees in thousand ------------------------------				
Premium receivable (inclusive of federal insurance fee, federal excise duty and administrative surcharge)	1,600,839	91,242	317,391	248,995	2,258,467
Federal excise duty	(145,815)	(10,256)	(42,988)	(30,883)	(229,942)
Federal insurance fee	(9,274)	(802)	(2,726)	(2,296)	(15,098)
Gross written premium (inclusive of administrative surcharge)	1,445,750	80,184	271,677	215,816	2,013,427
Gross direct premium	923,354	77,409	267,867	228,757	1,497,387
Facultative inward premium	518,762	-	136	(16,028)	502,870
Administrative surcharge	3,634	2,775	3,674	3,087	13,170
	1,445,750	80,184	271,677	215,816	2,013,427
Insurance premium earned	1,461,185	80,160	238,836	151,411	1,931,592
Insurance premium ceded to reinsurers	(1,139,500)	(59,252)	(103,276)	(127,030)	(1,429,058)
Net insurance premium	321,685	20,908	135,560	24,381	502,534
Commission income	67,918	20,404	19,943	21,008	129,273
Net underwriting income	389,603	41,312	155,503	45,389	631,807
Insurance claims	(452,624)	(20,297)	(98,556)	(56,815)	(628,292)
Insurance claims recovered from reinsurers	420,870	15,347	50,805	46,828	533,850
Net claims	(31,754)	(4,950)	(47,751)	(9,987)	(94,442)
Commission expense	(88,126)	(17,948)	(26,023)	(15,840)	(147,937)
Management expenses	(137,624)	(7,633)	(25,861)	(20,544)	(191,662)
Net insurance claims and expenses	(257,504)	(30,531)	(99,635)	(46,371)	(434,041)
Underwriting results	132,099	10,781	55,868	(982)	197,766

					2017 Rupees in thousand (Re-stated)
Net investment income					1,082,585
Other income					16,330
Other expenses					(13,528)
Finance costs					(5,034)
Profit before tax					1,278,119
Segment assets - Conventional	2,063,608	64,118	168,453	415,098	2,711,277
Unallocated assets - Conventional					18,530,493
					21,241,770
Segment liabilities - Conventional	1,537,993	57,456	221,999	368,760	2,186,208
Unallocated liabilities - Conventional					3,661,295
					5,847,503

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

36.1 Information about major customers

Included in the net insurance premium is premium from three (2017: three) customers of the Company from the fire and property damage (2017: fire and property damage) segment which represents approximately Rs 696.226 million (2017: Rs 559.558 million) of the Company's total gross premium written. The Company's revenue from other segments is earned from a large mix of customers.

		Held to maturity debt securities	Available-for-sale equity securities (Re-stated)
		Rupees in thousand	
37	**MOVEMENT IN INVESTMENTS**		
	At the beginning of previous year (restated) - January 1, 2017	74,656	16,715,169
	Additions	-	1,472,432
	Disposals (sale & redemptions)	-	(1,214,653)
	Fair value net gains (excluding net realized gains)	-	(23,590)
	Amortization of premium	376	-
	Reversal of impairment	-	19,130
	At end of current year - Dec 31, 2017	75,032	16,968,488
	At beginning of current year (restated) - January 1, 2018	75,032	16,968,488
	Additions	64,000	700,640
	Disposals (sale & redemptions)	(64,000)	(504,477)
	Fair value net gains (excluding net realized gains)	-	(3,224,303)
	Amortization of discount	(425)	-
	At end of current year - December 31, 2018	74,607	13,940,348

38 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13' Fair Value Measurement' requires the Company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

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

- Inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is, derived from prices) (Level 2)

- Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs (Level 3)

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred.

	Note	Carrying value					Fair value			
		Availa-ble-for- sale	Held to maturity	Receivables and other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		--Rupees in thousand--								
As at December 31, 2018										
Financial assets										
Investments										
Equity securities		13,940,348	-	-	-	13,940,348	12,662,308	-	1,278,040	13,940,348
Debt securities		-	74,607	-	-	74,607	-	74,607	-	74,607
Loan and other receivables		-	-	16,751	-	16,751	-	-	-	-
Insurance/reinsurance receivables		-	-	2,176,640	-	2,176,640	-	-	-	-
Reinsurance recoveries againts outstanding claims		-	-	814,128	-	814,128	-	-	-	-
Salvage recoveries accrued		-	-	3,599	-	3,599	-	-	-	-
Cash and bank		-	-	233,108	-	233,108	-	-	-	-
Total assets from Window Takaful Operations - Operator's fund		-	-	54,842	-	54,842	-	-	-	-
		13,940,348	74,607	3,299,068	-	17,314,023	12,662,308	74,607	1,278,040	14,014,955
Financial liabilities										
Outstanding claims (including IBNR)		-	-	-	964,731	964,731	-	-	-	-
Retirement benefit obligation		-	-	-	5,184	5,184	-	-	-	-
Insurance/reinsurance payables		-	-	-	1,068,131	1,068,131	-	-	-	-
Other creditors and accruals		-	-	-	247,650	247,650	-	-	-	-
		-	-	-	2,285,696	2,285,696	-	-	-	-

	Note	Carrying value					Fair value			
		Availa-ble-for- sale	Held to maturity	Receivables and other financial assets	Other finan-cial liabilities	Total	Level 1	Level 2	Level 3	Total
		-Rupees in thousand-								
As at December 31, 2017										
Financial assets										
Investments										
Equity securities		16,968,488	-	-	-	16,968,488	14,158,695	-	2,809,791	16,968,486
Debt securities		-	75,032	-	-	75,032	-	75,032	-	75,032
Term deposits		-	-	50,000	-	50,000	-	-	-	-
Loan and other receivables		-	-	11,755	-	11,755	-	-	-	-
Insurance/reinsurance receivables		-	-	1,545,849	-	1,545,849	-	-	-	-
Reinsurance recoveries againts outstanding claims		-	-	971,912	-	971,912	-	-	-	-
Salvage recoveries accrued		-	-	2,749	-	2,749	-	-	-	-
Cash and bank		-	-	644,546	-	644,546	-	-	-	-
		16,968,488	75,032	3,226,811	-	20,270,331	14,158,695	75,032	2,809,791	17,043,518
Financial liabilities										
Outstanding claims (including IBNR)		-	-	-	1,111,319	1,111,319	-	-	-	-
Retirement benefit obligation		-	-	-	4,485	4,485	-	-	-	-
Insurance/reinsurance payables		-	-	-	1,024,849	1,024,849	-	-	-	-
Other creditors and accruals		-	-	-	196,904	196,904	-	-	-	-
		-	-	-	2,337,557	2,337,557	-	-	-	-

Movement in the above mentioned assets has been disclosed in note 8 to these financial statements and movement in fair value reserve has been disclosed in the statement of changes in equity. There were no transfers between Levels 1 and 2 & Levels 2 and 3 during the year and there were no changes in valuation techniques during the years. Since the ordinary shares of Nishat Hotels and Properties Limited are not listed, an investment advisor engaged by the Company has estimated a fair value of Rs 14.47 per ordinary share as at December 31, 2018 through a valuation technique based on its discounted cash flow analysis. Hyundai Nishat Motor (Private) Limited's ordinary shares are also not listed and since its operations have not commenced as of the reporting date, management assesses the fair value of such investment equal to its cost. The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. Changes in level 2 and 3 fair values are analysed at the end of each reporting period during the annual valuation discussion between the Chief Financial Officer and the investment advisor. As part of this discussion, the investment advisor presents a report that explains the reason for the fair value movements.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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

39 MANAGEMENT OF INSURANCE AND FINANCIAL RISK

39.1 Insurance risk

The risk under any one insurance contract is the probability that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, the risk is random and therefore unpredictable. The principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy aims to minimise insurance risks with a balanced mix and spread of business classes and by observing underwriting guidelines and limits. The Company underwrites mainly fire, marine, motor and other miscellaneous business. These classes of insurance are generally regarded as short term insurance contracts where claims are normally intimated and settled within a short time span. This helps to mitigate the insurance risk.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. For large risks, particularly in property segment of business, risk inspections are carried out before accepting the risks. Similarly, in case of large risks, annual renewals are also preceded by on-site surveys. Where needed, risk mitigation measures are identified and communicated to the clients to improve the risk to an acceptable level.

Reinsurance arrangements in place include treaty and facultative arrangements, on proportional and non-proportional basis and also include catastrophe cover. The effect of such reinsurance arrangements is that the Company may not suffer ultimate net insurance losses beyond the Company's risk appetite in any one year.

The Company's arrangement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor the operations of the Company are substantially dependent upon any single reinsurance contract. The Company obtains reinsurance cover only from companies with sound financial health.

39.1.1 Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like political violence, environmental and economical, atmospheric disturbances, natural disasters, concentration of risks, civil riots etc. The Company manages these risk through the measures described above. The Company has limited its exposure to catastrophic and riot events by use of reinsurance arrangements.

39.1.2 Concentration of insurance risk

The spread of risk is of extreme importance to optimize benefits. There are a number of parameters which are significant in assessing the accumulation of risks with reference to the geographical location. The Company measures concentration of insurance risk by class of business as summarized below:

	Gross aggregate exposure		Maximum reinsurance cover		Net	
	2018	2017	2018	2017	2018	2017
	-------------------Rupees in thousand-------------------					
Fire and property damage	591,755,475	459,962,486	549,617,524	423,717,846	42,137,951	36,244,640
Marine, aviation and transport	61,909,240	52,088,057	48,407,231	39,939,373	13,502,009	12,148,684
Motor	7,777,757	6,539,351	4,920,572	3,806,201	2,857,185	2,733,150
Miscellaneous	47,610,666	11,400,332	43,482,740	10,103,452	4,127,926	1,296,880
	709,053,138	529,990,226	646,428,067	477,566,872	62,625,071	52,423,354

For the analysis of insurance risk concentration in fire, marine, motor and miscellaneous segments, the shared characteristic has been taken as the territory (Pakistan). Cash outflows involved for settlement of incurred insurance liabilities may vary significantly as compared to the total contractual liabilities under insurance contracts. Historical data for such outflows is given below:

	Gross claims paid		Reinsurance recoveries		Net	
	2018	2017	2018	2017	2018	2017
	-------------------Rupees in thousand-------------------					
Fire and property damage	314,035	242,420	301,810	211,271	12,225	31,149
Marine, aviation and transport	12,680	15,178	9,237	11,040	3,443	4,138
Motor	116,791	103,885	62,087	52,146	54,704	51,739
Miscellaneous	26,965	48,837	25,337	41,094	1,628	7,743
	470,471	410,320	398,471	315,551	72,000	94,769

Risk assessment is carried out on a regular basis for the evaluation of physical hazards associated with commercial/industrial/residential occupation of the policy holders. Any one risk shall be defined to never be less than the property contained within an area which is separated from another property by sufficient distance to confine insured damage from uncontrolled fire and explosion under the most adverse conditions to that one area. Details regarding the fire separation/segregation with respect to manufacturing processes, storage, utilities, etc. are extracted from the layout plan of the insured facility. Reference is also made to the standard construction specifications as laid down by IAP (Insurance Association of Pakistan). For instance, the presence of perfect party walls, double fire proof iron doors, physical separation between the buildings within the insured's premises.

Concentration of various insurance risks, with reference to geocoding, are monitored through MIS reports generated from the IT system.

The Company follows a policy of obtaining sufficient reinsurance covers to mitigate the accumulation of risk in case of catastrophic events.

39.1.3 Reinsurance risk

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

In common with other insurance companies, in order to minimize the financial exposure arising from large claims, the Company in the normal course of business, enters into agreements with a panel of reinsurers for reinsurance purposes.

To minimize its exposure to significant losses from reinsurer insolvencies, the Company considers the credit rating of the reinsurers before finalizing treaty agreements with them every year. Furthermore, the Company obtains reinsurance from a number of reinsurers, who are dispersed over several geographical regions, to spread the concentration of its reinsurance risk to different geographical regions.

39.1.4 Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the statement of financial position date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the statement of financial position date. The details of estimation of outstanding claims (including IBNR) are given under note 3.20.

39.1.5 Process used to decide on 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 outcome. Each notified claim is assessed on a separate, case to case basis with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available. Reinsurance recoveries against outstanding claims are recognized on occurrence of the related claim liability. These are recorded as an asset and measured at the amount expected to be received.

The Company engages an actuary to estimate the IBNR as per the SECP Circular No. 9 of 2016, "SEC guidelines for estimation of Incurred but not Reported claim reserve, 2016". The Guidelines require that estimation for provision for claims incurred but not reported for each class of business, by using prescribed Method "Chain Ladder method" and other alternate method as allowed under the provisions of the Guidelines. The Chain Ladder 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 to derive an IBNR estimate.

39.1.6 Changes in assumptions

There have been no changes in assumptions, and the same have been consistently applied.

39.1.7 Sensitivity analysis

The Company believes that the claim liabilities under insurance contracts outstanding at the year end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The Company enters into short term insurance contracts, therefore, it does not assume any significant impact of changes in market conditions on unexpired risks. The risks associated with the insurance contracts are complex and subject to a number of variables which complicate the quantitative sensitivity analysis. However, some results of sensitivity testing are set out below, showing the impact on profit before tax (net of reinsurance) and shareholders' equity:

Particulars	Profit before taxation		Shareholders' equity	
	2018	2017	**2018**	2017
	Rupees in thousand			
Effect of 10% increase in amount of claims:				
Fire and property damage	9,857	3,175	6,998	2,223
Marine, aviation and transport	(343)	495	(244)	347
Motor	62,814	4,775	44,598	3,343
Miscellaneous	10,868	999	7,716	699
	83,196	9,444	59,068	6,612

39.2 Financial risk

Financial risk factors

The Company's activities expose it to a variety of financial risks, including the effects of changes in market interest rates such as KIBOR, credit and liquidity risk associated with various financial assets and liabilities, respectively, and cash flow risk associated with accrued interests in respect of borrowings as referred to in note 20 to the financial statements. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Board of Directors (the Board) has overall responsibility for establishment and oversight of the companies risk management framework. There are management committees for developing and monitoring the risk management policies. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

The Company finances its operations through equity, borrowings and management of working capital. The Company's overall risk management procedures to minimise the potential adverse effects of financial market on the Company's performance are as follows:

(a) Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date, if counter parties failed completely to perform as contracted. The Company's credit risk is primarily attributable to its receivables from other insurers/reinsurers, receivable from customers and its balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

Concentration of credit risk occurs when a number of counter parties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. The Company's credit risk exposure is not significantly different from that reflected in the financial statements. The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted. The management monitors and limits the Company's exposure to credit risk through monitoring of client's exposure and review and conservative estimates of provisions for doubtful assets, if any. The management is of the view that it is not exposed to significant concentration of credit risk as it's financial assets are adequately diversified in entities of sound financial standing, covering various industrial sector segments.

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying amount of financial assets represents the maximum credit exposure, as specified below:

	2018	2017
	Rupees in thousand	
Financial assets		
Cash and bank	233,108	644,546
Investments	14,014,955	17,043,520
Insurance/reinsurance receivables	2,176,640	1,545,849
Accrued investment income	2,971	3,244
Reinsurance recoveries against outstanding claims	814,128	971,912
Loans and other receivables	13,780	8,511
	17,255,582	20,217,582

As of December 31, 2018, premium due but unpaid and amount due from other insurers/reinsurers of Rs 2,176.640 million (2017: Rs 1,545.848 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. An analysis of the age of premiums due but unpaid and amount due from other insurers/reinsurers that are past due but not impaired is as follows:

	2018	2017
	Rupees in thousand	
- Up to one year	1,480,968	1,050,467
- Past one but less than three years	281,163	109,328
- Over three but less than five years	314,047	158,321
- More than five years	100,462	227,733
	2,176,640	1,545,849

The management estimates the recoverability of premium due but unpaid and amounts due from other insurers/reinsurers on the basis of financial position and past history of its customers based on the objective evidence that it shall not receive the amount due from the particular customer. The provision is written off by the Company when it expects that it cannot recover the balance due. Any subsequent repayments in relation to amount written off, are credited directly to profit and loss account.

Reinsurance assets bearing credit risk together with their credit rating are summarized below :

Rating	Amounts due from reinsurers	Reinsurance recoveries against outstanding claims	Other reinsurance assets	2018	2017
	---------------------------- Rupees in thousand				------------------------------
A and above (including Pakistan Reinsurance Company Limited)	432,313	506,382	277,249	1,215,944	1,169,377
A-	3,890	27,996	23,158	55,044	62,158
BBB	1,172	6,589	5,866	13,627	13,899
Others	300,557	273,161	686,354	1,260,072	891,842
	737,932	814,128	992,627	2,544,687	2,137,276

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

	Rating Short term	Rating Long term	Rating Agency	2018 Rupees in thousand	2017 Rupees in thousand
Current and other accounts					
MCB Bank Limited	A1+	AAA	PACRA	80,435	566,349
MCB Islamic Bank Limited	A1	A	PACRA	4,285	22,116
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	6,419	18,325
United Bank Limited	A1+	AAA	JCR-VIS	13,283	14,568
Dubai Islamic Bank Limited	A1	AA-	JCR-VIS	44,960	11,497
Faysal Bank Limited	A1+	AA	JCR-VIS	869	5,357
Bank Alfalah Limited	A1+	AA+	JCR-VIS	4,023	3,091
National Bank of Pakistan	A1+	AAA	JCR-VIS	1,574	1,743
Habib Bank Limited	A1+	AAA	JCR-VIS	421	755
Silk Bank Limited	A2	A-	JCR-VIS	211	211
Summit Bank Limited	A1	A-	JCR-VIS	99	99
Allied Bank Limited	A1+	AA+	PACRA	35	35
JS Bank Limited	A1+	AA-	PACRA	7,351	28
Albaraka Islamic Bank Limited	A1	A+	JCR-VIS	2,663	10
Soneri Bank Limited	A1+	AA-	PACRA	1,891	7
Askari Bank Limited	A1+	AA+	PACRA	5	5
Khushhali Micro Finance Bank Ltd	A1	A+	PACRA	234	-
Deposits with State Bank of Pakistan	Not Applicable			64,350	350
				233,108	644,546

	Rating Short term	Rating Long term	Rating Agency	2018 Rupees in thousand	2017 Rupees in thousand
Deposits maturing within 12 months					
MCB Islamic Bank Limited	A1	A	PACRA	-	50,000
				-	50,000

	Rating	Rating Agency	2018 Rupees in thousand	2017 Rupees in thousand
Mutual Funds				
JS Large Capital Fund	AM2	JCR-VIS	460	460
MCB Arif Habib Asset Allocation Fund	AM2	JCR-VIS	-	292,536
MCB Pakistan Sovereign Fund	AM2	JCR-VIS	-	211,941
			460	504,937

(b) Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. Liquidity risk represents the risk that the Company shall encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the Company's businesses, the Company's finance department maintains flexibility in funding by maintaining availability under committed credit lines. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At December 31, 2018, the Company had Rs 300 million (2017: Rs 200 million) of available borrowing limits from financial institutions and Rs 233.097 million (2017: Rs 644.546 million) of cash and bank balances.

The table below provides the maturity analysis of the Company's liabilities as at statement of financial position date. All liabilities are presented on a contractual cash flow basis except for the provision of outstanding claims (including IBNR), which are presented with their expected cash flows.

	2018			
	Carrying amount	Less than one year	One to five years	More than five years
	----------------Rupees in thousand----------------			
Financial liabilities				
Outstanding claims including IBNR	964,731	964,731	-	-
Insurance/reinsurance payables	1,068,131	1,068,131	-	-
Accrued expenses	25,342	25,342	-	-
Other creditors and accruals	222,308	222,308	-	-
Borrowings	194,876	194,876	-	-
	2,475,388	2,475,388	-	-

	2017			
	Carrying amount	Less than one year	One to five years	More than five years
	----------------Rupees in thousand----------------			
Financial Liabilities				
Outstanding claims i ncluding IBNR	1,111,319	1,111,319	-	-
Insurance/reinsurance payables	1,024,849	1,024,849	-	-
Accrued expenses	23,661	23,661	-	-
Other creditors and accruals	173,243	173,243	-	-
	2,333,072	2,333,072	-	-

(c) Market risk

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

The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in Government securities, equity and mutual funds units. In addition, the Company actively monitors the key factors that affect the underlying value of these securities.

(i) Cash flow and fair value interest rate risk

Interest/yield rate risk arises from the possibility that changes in interest rate will affect the value of financial instruments. Yield risk is the risk of decline in earnings due to adverse movement of the yield rate. The Company is exposed to interest/yield rate risk for certain deposits with the banks.

As the Company has no significant floating interest rate assets, the Company's income is substantially independent of changes in market interest rates.

The Company's interest rate risk arises from short term borrowings. These borrowings issued at variable rates expose the Company to cash flow interest rate risk. The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

	2018	2017	**2018**	2017
	Effective interest rate		Rupees in thousand	
Fixed rate instruments				
Financial assets				
Term deposits	3.1%	3.4%	-	50,000
Bank balances - saving accounts	6.2%	4.0%	142,870	605,791
Investments - Government securities	12.0%	12.0%	75,000	75,000
Total Exposure			217,870	730,791
Financial liabilities				
Variable rate instruments				
Borrowings	9.0%	7.6%	194,876	-
Total Exposure			194,876	-

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates on borrowings, at the statement of financial position date, fluctuate by 1% higher/ lower with all the other variables held constant, profit before taxation for the year would have been lower/higher by Rs 0.093 million (2017: Rs 0.662 million) and shareholders equity would have been lower/higher by Rs 0.061 million (2017: Rs 0.463 million), mainly as a result of higher/ lower interest expense on floating rate borrowings.

(ii) Other price risk

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest 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 similar financial instruments traded in the market.

The Company is exposed to equity securities price risk because of investments held by the Company and classified as available-for-sale. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board. The primary goal of the Company's investment strategy is to maximise investment returns.

The Company's investments in equity of other entities that are publicly traded are included in the Pakistan Stock Exchange

The table below summarises the impact of increases/decreases of the KSE-100 index on the Company's pre-tax profit for the year and on equity. The analysis is based on the assumption that the KSE-100 index had increased/decreased by 10% with all other variables held constant and all the Company's equity investments moved according to the historical correlation with the index:

	Impact on pre-tax profit		Impact on other components of equity	
	2018	2017	2018	2017
Pakistan Stock Exchange Limited	-	-	1,266,319	1,344,110

As at December 31, 2018, the Company had no investments classified as at fair value through profit or loss.

(iii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions with foreign reinsurers. The Company is not exposed to any significant currency risk at the statement of financial position date.

(d) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide return for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company's objective when managing capital are:

- to be in compliance with the paid-up capital requirement set by the SECP. The Company's current paid-up capital is in excess of the limit prescribed by the SECP vide SRO 828(I)2015.

  In addition, the Company is also required to maintain minimum solvency in accordance with the rules and regulations set by the SECP which are fully met by the Company.

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders

- to maintain strong ratings and provide an adequate return to shareholders; and

- to ensure a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Company manages the capital structure in context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debts.

39.2.1 Maturity analysis of financial assets and liabilities

	2018						
	Interest/mark-up bearing			Non-interest/mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
	Rupees in thousand						
Financial assets							
On statement of financial position							
Loans and receivables							
Cash and bank	142,870	-	142,870	90,238	-	90,238	233,108
Insurance/reinsurance receivables	-	-	-	2,176,640	-	2,176,640	2,176,640
Reinsurance recoveries against outstanding claims	-	-	-	814,128	-	814,128	814,128
Loans and other receivables	-	-	-	16,751	-	16,751	16,751
	142,870	-	142,870	3,097,757	-	3,097,757	3,240,627
Available- for- sale							
Investments - Equity securities	-	-	-	-	13,940,348	13,940,348	13,940,348
Held to maturity							
Investments - Debt securities	4,992	69,615	74,607	-	-	-	74,607
	147,862	69,615	217,477	3,097,757	13,940,348	17,038,105	17,255,582
Off statement of financial position	-	-	-	-	-	-	-
Total	147,862	69,615	217,477	3,097,757	13,940,348	17,038,105	17,255,582
Financial liabilities							
On statement of financial position							
Outstanding claims including IBNR	-	-	-	964,731	-	964,731	964,731
Insurance/reinsurance payables	-	-	-	1,068,131	-	1,068,131	1,068,131
Accrued expenses	-	-	-	5,147	-	5,147	5,147
Other creditors and accruals	-	-	-	242,503	-	242,503	242,503
Borrowings	194,876	-	194,876	-	-	-	194,876
	194,876	-	194,876	2,280,512	-	2,280,512	2,475,388
Off statement of financial position							
Guarantees	-	-	-	828	-	828	828
Contingencies	-	-	-	664,960	-	664,960	664,960
	-	-	-	665,788	-	665,788	665,788
Total	194,876	-	194,876	2,946,300	-	2,946,300	3,141,176
On statement of financial position gap	(47,014)	69,615	22,601	817,245	13,940,348	14,757,593	14,780,194
Off statement of financial position gap	-	-	-	(665,788)	-	(665,788)	(665,788)

The effective interest/mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

39.2.1 Maturity analysis of financial assets and liabilities (cont'd)

	2017 (Re-stated)						
	Interest/mark-up bearing			Non-interest/mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
	--------Rupees in thousand--------						
Financial assets							
On statement of financial position							
Loans and receivables							
Cash and bank	605,791	-	605,791	38,755	-	38,755	644,546
Deposits maturing within 12 months	50,000	-	50,000	-	-	-	50,000
Insurance/reinsurance receivables	-	-	-	1,545,849	-	1,545,849	1,545,849
Accrued investment income	-	-	-	3,243	-	3,243	3,243
Reinsurance recoveries against outstanding claims	-	-	-	971,912	-	971,912	971,912
Loans and other receivables	-	-	-	11,755	-	11,755	11,755
	655,791	-	655,791	2,571,514	-	2,571,514	3,227,305
Available- for- sale							
Investments	-	-	-	-	16,968,486	16,968,486	16,968,486
Held to maturity							
Investments	64,141	10,891	75,032	-	-	-	75,032
Off statement of financial position	-	-	-	-	-	-	-
Total	719,932	10,891	730,823	2,571,514	16,968,486	19,540,000	20,270,823
Financial liabilities							
On statement of financial position							
Outstanding claims including IBNR	-	-	-	1,111,319	-	1,111,319	1,111,319
Insurance/reinsurance payables	-	-	-	1,024,849	-	1,024,849	1,024,849
Accrued expenses	-	-	-	5,225	-	5,225	5,225
Other creditors and accruals	-	-	-	191,679	-	191,679	191,679
	-	-	-	2,333,072	-	2,333,072	2,333,072
Off statement of financial position							
Guarantees	-	-	-	690	-	690	690
Contingencies	-	-	-	671,401	-	671,401	671,401
	-	-	-	672,091	-	672,091	672,091
Total	-	-	-	3,005,163	-	3,005,163	3,005,163
On statement of financial position gap	719,932	10,891	730,823	238,442	16,968,486	17,206,928	17,937,751
Off statement of financial position gap	-	-	-	(672,091)	-	(672,091)	(672,091)

The effective interest/mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

40 SUBSEQUENT EVENT- NON ADJUSTING EVENT

The Board of Directors has proposed a final dividend for the year ended December 31, 2018 of Rs 2.5 per share (2017: Rs 2.5 per share), amounting to Rs 170.156 million (2017: Rs 170.156 million) at their meeting held on March 21, 2019 for approval of the members at the Annual General Meeting to be held on April 30, 2019.

41 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on March 21, 2019 by the Board of Directors of the Company.

42 CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified wherever necessary to conform with the revised format of the financial statements prescribed under the Rules as detailed in note 3.1. The effect of these reclassifications are summarized below:

Reclassification from Balance Sheet	Reclassification to Statement of Financial Position	2017
		Rupees in thousand
Fixed assets- tangibles	Property and equipment	113,523
Sundry receivables	Loans and other receivables	8,511
Accrued investment income	Loans and other receivables	3,243
Premiums due but unpaid - unsecured	Insurance/reinsurance receivables	853,946
Amounts due from other insurers/ reinsurers - unsecured	Insurance/reinsurance receivables	691,903
Accrued expenses	Other creditors and accruals	29,914

Reclassification from Profit and Loss Account	Reclassification to Profit and Loss Account	2017
		Rupees in thousand
General and administration expenses	Management expenses	124,317
Income on saving accounts and other deposits	Investment income	16,030

Chief Executive Officer | Director | Director | Chairman

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Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2018

SHARIAH ADVISOR'S REPORT TO THE BOARD OF DIRECTORS

FOR THE YEAR ENDED DECEMBER 31, 2018

الحمد للہ ربِ العالمین والصلاۃ والسلام علی سیدالانبیاء والمرسلین وعلی الہٖ واصحابہٖ اجمعین، وبعد

The year 2018 was the first year of Security General Insurance Company Limited Window Takaful Operation (hereafter referred to as "SGI WTO") By launching Window Takaful Operations on date 05 May 2018. Security General insurance Company Limited has taken a step in the directions given by Securities and Exchange Commission of Pakistan (SECP) to promoting the Islamic Economic System in Pakistan.

Progress of the Year:

During this short period of the year, "SGI WTO" has achieved significant successes, details of which are as follow:

1. SGI (WTO) has implemented a dedicated Takaful administration system which manages all operational aspects of Window Takaful Operations.

2. Under the guidance of undersigned SGI (WTO) developed and offered the number of takaful products of motor, marine, fire and property, and miscelleous for its participants.

Shariah Certification:

Being a Shari'ah Advisor of **Security General Company Limited (Window Takaful Operations)** it is my responsibility to ensure that the participant membership documents, underwriting procedures, Re-Takaful arrangements, and financial activities related to the Participants and stakeholders should be compliant as per Shari'ah rulings.

On the other hand it is the responsibility of "SGI WTO" management to follow the Takaful rules and guidelines set by the Shari'ah Advisor and to take prior approval of Shari'ah Advisor for all policies and services being offered by the "SGI WTO".

As Shari'ah Advisor of "SGI WTO" I confirm that:

- I have carefully reviewed all the product documents of SGI (WTO) including Waqf Deed, PTF Policies, Takaful Policies and Re-Takaful Agreements etc and Alhamdulillah I have found them in accordance with Shari'ah Principles. Further, I confirm that the Takaful Policies issued during the year under review are in accordance with the guidelines of Shari'ah.

- Dedicated Window Takaful Staff of head office, before launching any Takaful Product, take guidance and advice of Shari'ah from the undersigned and always develop the Takaful Products with consultation of Shariah Compliance Officer and in accordance with the guidelines provided by Shari'ah Advisor.

- Segregation of Window Takaful Operations is the essential part of valid Takaful contracts. I am pleased to state that "SGI WTO" has realized criticalities of this issue and from the day one, Alhamdulillah, all the Takaful Funds, Investments, Bank Accounts, Systems and other related issues are kept separate from its conventional insurance business, as per requirement of Shari'ah.

- For the fulfillment of the financial needs of Window Takaful Operations, Shariah Compliant Funds were arranged and the expenses of Takaful including the cede money of Waqf were made with these compliant funds.

- Conducting Training and Development is an imperative for understanding the principles of Takaful and its practical outline. For this purpose "SGI WTO" fulfilled its responsibility and arranged Takaful training for head office staff, as well different branches. I personally felt that participants gained significantly from these training sessions. I hope "SGI WTO" will continue this practice in the future.

- Shariah Compliance review has been conducted and related matters have been discussed and duly resolved.

SHARIAH ADVISOR'S REPORT TO THE BOARD OF DIRECTORS

FOR THE YEAR ENDED DECEMBER 31, 2018

- The Company performed its duties to its level best by following Shariah Guidelines.
- Any cases which were required to be consulted in accordance with the Shariah and Takaful Rules have been discussed and duly resolved. While concluding; I am grateful to the Board of Directors of SGICL, Management, Compliance team and all relevant departments and staff who cooperated with me and provided me every possible support to ensure Shariah practice in our Takaful practice.

In the end; I pray to Allah Almighty that the passion and dedication with which SGICL has launched its Window Takaful Operations; may Allah Almighty grant us success and help us at every step, keep us away from every hindrance and difficulty, and give financial success to Security General Insurance Company Limited , Window Takaful Operations.

"And Allah Knows Best"

Mufti Muhammad Umar.
Shariah Advisor
Window Takaful Operations
SGI Insurance Company Limited.
Date :21 March 2019.

INDEPENDENT AUDITOR'S REPORT

To the members of Security General Insurance Company Limited-Window Takaful Operations
Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

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

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the 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 the 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.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

b) the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in funds and the cash flow statement together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XIX 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 Muhammad Masood.

A.F. Ferguson & Co.
Chartered Accountants
Name of Engagement Partner : Muhammad Masood

Lahore.
Dated: April 08, 2019

STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

	Note	2018		
		Operator's fund	Participants' Takaful Fund	Aggregate
		-----------Rupees in thousand-----------		
ASSETS				
Operating assets	5	1,908	-	1,908
Wakala fee receivable		3,949	-	3,949
Loans and other receivables	6	708	108	816
Takaful/retakaful receivables	7	-	11,544	11,544
Retakaful recoveries against outstanding claims				
		-	518	518
Deferred commission expense	15	3,053	-	3,053
Deferred wakala fee	16	-	5,002	5,002
Prepayments	8	-	13,020	13,020
Cash and bank	9	45,224	4,314	49,538
TOTAL ASSETS		54,842	34,506	89,348
FUNDS AND LIABILITIES				
FUNDS ATTRIBUTABLE TO OPERATOR AND PARTICIPANTS				
OPERATOR'S FUND (OPF):				
Statutory fund		50,000	-	50,000
Accumulated loss		(4,010)	-	(4,010)
		45,990	-	45,990
WAQF/PARTICIPANTS' TAKAFUL FUND (PTF):				
Ceded money		-	550	550
Accumulated deficit		-	(145)	(145)
		-	405	405
LIABILITIES				
UNDERWRITING PROVISIONS				
- Outstanding claims including IBNR	14	-	708	708
- Unearned contribution reserve	13	-	14,293	14,293
- Unearned retakaful reward	17	-	3,545	3,545
Takaful/retakaful payable	10	-	11,178	11,178
Wakala fee payable		-	3,949	3,949
Unearned wakala fee	16	5,002	-	5,002
Other creditors and accruals	11	3,850	428	4,278
TOTAL LIABILITIES		8,852	34,101	42,953
TOTAL EQUITY AND LIABILITIES		54,842	34,506	89,348
Contingencies and commitments	12			

The annexed notes 1 to 28 form an integral part of these financial statements.

Chief Executive Officer	Director	Director	Chairman

STATEMENT OF COMPREHENSIVE INCOME

For The Period From May 7, 2018 To December 31, 2018

	Note	For the period from May 7, 2018 to December 31, 2018
		Rupees in thousand
Participants' revenue account		
Net contribution revenue	13	804
Net claims	14	(307)
Wakala fee	16	(2,024)
Reward on retakaful	17	1,349
Direct expenses	18	(41)
Claims & acquisition expenses		(1,023)
UNDERWRITING DEFICIT		(219)
Other income	20	74
DEFICIT FOR THE PERIOD		(145)
Operator's revenue account		
Wakala fee	16	2,024
Commission expense	15	(1,105)
Management expenses	19	(4,783)
		(3,864)
Other income	20	723
Other expenses	21	(869)
Loss for the period		(4,010)
Other comprehensive income		-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(4,010)

The annexed notes 1 to 28 form an integral part of these financial statements.

Chief Executive Officer	Director	Director	Chairman

CASH FLOWS STATEMENT

For The Period From May 7, 2018 To December 31, 2018

	Note	For the period from May 7, 2018 to December 31, 2018		
		Operator's Fund	Participants' Takaful Fund	Aggregate
		Rupees in thousand		
OPERATING CASH FLOWS				
Takaful activities				
Contributions received		-	10,626	10,626
Retakaful ceded		-	(8,867)	(8,867)
Claims paid		-	(309)	(309)
Retakaful and other recoveries received		-	193	193
Retakaful reward received		-	4,894	4,894
Commission paid		(1,528)	-	(1,528)
Wakala fee received		3,077	-	3,077
Wakala fee paid		-	(3,077)	(3,077)
Other takaful payments		-	(32)	(32)
Other takaful receipts		-	344	344
Net cash inflow from takaful activities		1,549	3,772	5,321
OTHER OPERATING ACTIVITIES				
General and other expenses paid		(4,253)	(8)	(4,261)
Net cash outflow from other operating activities		(4,253)	(8)	(4,261)
Total cash (outflow)/inflow from all operating activities		(2,704)	3,764	1,060
INVESTMENT ACTIVITIES				
Profit recevied		11	-	11
Fixed capital expenditure		(2,083)	-	(2,083)
Total cash outflow from investing activities		(2,072)	-	(2,072)
FINANCING ACTIVITIES				
Contribution to Operator's fund		50,000	-	50,000
Ceded money		-	550	550
Total cash inflow from financing activities		50,000	550	50,550
NET CASH INFLOW FROM ALL ACTIVITIES		45,224	4,314	49,538
Cash and cash equivalents at beginning of the period		-	-	-
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	9	45,224	4,314	49,538
Reconciliation to statement of comprehensive income				
Operating cash flows		(2,704)	3,764	1,060
Depreciation expense		(175)	-	(175)
Return on bank balances		723	74	797
Increase in assets other than cash		6,998	30,117	37,116
Increase in liabilities other than borrowings		(8,852)	(34,100)	(42,953)
Deficit for the period		(4,010)	(145)	(4,155)

The annexed notes 1 to 28 form an integral part of these financial statements.

Chief Executive Officer | **Director** | **Director** | Hasan Mansha **Chairman**

STATEMENT OF CHANGES IN FUNDS

For The Period From May 7, 2018 To December 31, 2018

	Operator's Fund		
	Statutory Fund	Accumulated loss	Total
	Rupees in thousand		
Contribution made during the period	50,000	-	50,000
COMPREHENSIVE LOSS FOR THE PERIOD ENDED DEC 31, 2018			
		-	-
Total comprehensive loss for the period	-	(4,010)	(4,010)
BALANCE AS AT DEC 31, 2018	50,000	(4,010)	45,990

	Participant's Takaful Fund		
	Statutory Fund	Accumulated deficit	Total
	Rupees in thousand		
Contribution received during the period from Operator	550	-	550
Deficit for the period	-	(145)	(145)
BALANCE AS AT DEC 31, 2018	550	(145)	405

The annexed notes 1 to 28 form an integral part of these financial statements.

Chief Executive Officer | Director | Director | Chairman

1 LEGAL STATUS AND NATURE OF BUSINESS

Security General Insurance Company Limited (the 'Operator') has been allowed to undertake Window Takaful Operations (the Operations) on May 7, 2018 by the Securities and Exchange Commission of Pakistan ('SECP') under SECP Takaful Rules, 2012 to carry on General Window Takaful Operations in Pakistan. The registered office of the Operator is situated at SGI House, 18-C, E1, Gulberg III, Lahore. The objects of the Operator include providing general insurance services (in spheres of Fire and property damage, Marine and aviation, Motor and Miscellaneous) and general takaful services.

The Operator was granted authorisation on May 7, 2018 under Rule 6 of the Takaful Rules, 2012 to undertake Window Takaful Operations ("WTO") by the SECP under Takaful Rules, 2012 to carry on general takaful in Pakistan.

The Operator transferred statutory fund of Rs 50 million in a separate bank account for the WTO as per the requirement of Circular 8 of 2014. The Operator has formed a Waqf for Participants' Fund by executing the Waqf deed dated February 27, 2018 and deposited a cede money of Rs 0.55 million. The cede money is required to be invested in Shari'ah compliant remunerative instrument which may be used to acquire immovable Waqf property if Shari'ah and law so warrants. Waqf Deed governs the relationship of Operator and participants for management of takaful operations, investments of participants' funds and investments of the Operator's funds approved by the shari'ah advisor of the Operator. The Operator commenced activities of WTO on May 7, 2018.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

2.1 STATEMENT OF COMPLIANCE

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

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

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

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

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Period From May 7, 2018 To December 31, 2018

2.3 Functional and presentation currency

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

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

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

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

There are certain new and amended standards and interpretations that are mandatory for the Operator's accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or do not have any significant effect on the Operator's operations although they may affect the accounting for future transactions and events upon initial application and are, therefore, not disclosed in these financial statements, except for the following:

a) IFRS 9 - Financial instruments

This standard has been notified by the SECP to be effective for annual periods ending on or after June 30, 2019. This standard replaces the guidance in IAS 39, 'Financial instruments: Recognition and measurement'. It includes requirements on the classification and measurement of financial assets and liabilities. It also includes an expected credit loss model that replaces the current incurred loss impairment model for financial assets.

The management is in the process of assessing the impact of changes laid down by the standard on its financial statements.

b) IFRS 16 - Leases

This standard has been notified by the SECP to be effective for annual periods beginning on or after January 1, 2019. This standard replaces the current guidance in IAS 17, 'Leases'. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. The new accounting model for lessees may impact negotiations between lessors and lessees.

The management is in the process of assessing the impact of changes laid down by the standard on its financial statements.

c) IFRS 17 - Insurance contracts

This standard has been notified by the IASB to be effective for annual periods beginning on or after January 1, 2022 and yet to be notified by the SECP. The standard provides a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 that was issued in 2005. IFRS 17 applies to all types of insurance contracts as well as to certain guarantees and financial instruments with discretionary participation features. In contrast to the requirements in IFRS 4, which are largely based on grand fathering of previous local accounting policies, IFRS 17 provides a comprehensive and consistent approach to insurance contracts. The core of IFRS 17 is the general model, supplemented by a specific adaption for contracts with direct participation features (the variable fee approach) and a simplified approach (the premium allocation approach) mainly for short-duration contracts.

The main features of the new accounting model for insurance contracts include the measurement of the present value of future cash flows incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows); a contractual service margin equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognized in profit or loss over the service period (coverage period); the presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of insurance services provided during the period; and extensive disclosures to provide information on the recognized amounts from insurance contracts and the nature and extent of risks arising from these contracts.

The management is in the process of assessing the impact of changes laid down by the standard on its financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparation of these financial statements are set out below.

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.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Period From May 7, 2018 To December 31, 2018

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

3.1.1 Fire and property and damage

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

3.1.2 Marine, aviation and transport

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

3.13 Motor

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

3.14 Miscellaneous

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

3.2 Contribution

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

3.3 Retakaful ceded

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

3.4 Claims expense

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

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

Outstanding claims comprise the estimated cost of claims incurred but not settled at the reporting date, whether reported or not. The Operator engages an actuary to estimate the IBNR as per the SECP Circular No. 9 of 2016, "SEC guidelines for estimation of Incurred but not Reported claim reserve, 2016".

The Guidelines require that estimation for provision for claims incurred but not reported for each class of business, by using prescribed method "Chain Ladder Method" and other alternate method as allowed under the provisions of the Guidelines. The Chain Ladder 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 to derive an IBNR estimate.

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 outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available.

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

The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and contribution deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of reporting date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

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3.5 Retakaful recoveries against claims

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

3.6 Commission, other acquisition costs and retakaful reward

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

3.7 Contribution deficiency reserve

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

No provision has been made as the unearned contribution reserve for each class of business as at the reporting date is adequate to meet the expected future liability after retakaful from claims and other expenses, expected to be incurred after the reporting date in respect of takaful contracts in force at reporting date.

3.8 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.

3.9 Wakala fee

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

Class	Percentage
Fire and property damage	35.0%
Marine, aviation and transport	40.0%
Motor	35.0%
Miscellaneous	30.0%

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

3.10 Qard-e-Hasan

Qard-e-Hasan is provided by Operator's fund to PTF in case of deficit or to fulfill cash flow requirements.

3.11 Creditors, accruals and provisions

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

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

3.12 Taxation

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

3.13 Cash and cash equivalents

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

3.14 Financial assets

3.14.1 Classification

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

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a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the statement of financial position date, which are classified as non-current assets. Loans and receivables comprise insurance/reinsurance receivables, loans, advances, deposits and other receivables, reinsurance recoveries against outstanding claims and bank balances in the statement of financial position.

b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the statement of financial position date.

c) Held-to-maturity

Investments with fixed maturity, which the management has the intent and ability to hold till maturity are classified as held-to-maturity and are initially recognized at cost being the fair value of consideration given and include transaction costs.

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

In case of fixed income securities redeemable at a given date where the cost is different from the redemption value, such difference is amortized uniformly over the period between the acquisition date and the date of maturity in determining 'cost' at which these investments are stated as per the requirements of the SEC (Insurance) Rules, 2002.

3.14.2 Recognition and measurement

All financial assets are recognized at the time when the Operator becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized on trade-date; the date on which the Operator commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Operator has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. For investments having quoted price in active market, the quoted price represents the fair value. In other cases, fair value is measured using appropriate valuation methodology and where fair value cannot be measured reliably, these are carried at cost. Loans and receivables are carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the profit and loss as part of other income when the Operator's right to receive payments is established.

Changes in the fair value of securities classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the other comprehensive income as gains and losses from investment securities. Interest on available-for-sale investments calculated using the effective interest method is recognized in the profit and loss. Dividends on available-for-sale equity instruments are recognized in the profit and loss when the Operator's right to receive payments is established.

The Operator assesses at each reporting date whether there is an objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognized in the profit and loss. Impairment losses recognized in the profit and loss on equity instruments are not reversed through the profit and loss. Impairment testing of insurance/reinsurance receivables and other receivables is described in note 3.18.

3.14.3 Financial liabilities

All financial liabilities are recognized at the time when the Operator becomes a party to the contractual provisions of the instrument.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the profit and loss.

3.14.4 Offsetting of financial assets and liabilities

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

3.15 Operating assets

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted, if impact on depreciation is significant. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Operator and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss in the period in which they are incurred.

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

3.16 Segment reporting

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

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

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

3.17 Impairment

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

3.18 Provision for doubtful receivables

Receivables under insurance contracts are recognized when due, at the fair value of the consideration receivable less provision for doubtful debts, if any, provision for impairment of premium receivables is established when the chances of recovery are less. Receivables are also analyzed as per their ageing and accordingly provision is maintained on a systematic basis. The provision is made while taking into consideration of expected recoveries, if any.

3.19 Foreign currency transactions and translations

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

3.20 Expenses of management

Expenses of management allocated to the underwriting business represent directly attributable expenses and indirect expenses allocated to the various classes of business on the basis of gross contribution. Expenses not allocable to the underwriting business are charged as administrative expenses.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

i) provision for outstanding claims including IBNR and retakaful recoveries there against (notes 3.4, 3.5 and 14)

ii) contribution deficiency reserve (note 3.7)

iii) useful lives of operating assets (note 3.15 and 5)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Period From May 7, 2018 To December 31, 2018

		Note	2018 Rupees in thousand
5	**OPERATING ASSETS**		
	Vehicle - Operator's Fund	5.1	1,908
	5.1 Cost		
	As at January 1		-
	Additions during the period		2,083
	As at December 31		2,083
	Accumulated depreciation		
	As at January 1		-
	Charge for the period		(175)
	As at December 31		(175)
	Written down value as at December 31		1,908
	Depreciation rate		20%

		Note	2018 Operator's fund	Participants' Takaful Fund	Aggregate
			Rupees in thousand		
6	**LOANS AND OTHER RECEIVABLES**				
	Accrued income		708	74	782
	Receivable from Operator		-	25	25
	Sales tax recoverable		-	9	9
			708	108	816
7	**TAKAFUL/RETAKAFUL RECEIVABLES**				
	Considered good				
	Contribution due from policyholders		-	6,881	6,881
	Amount due from other takaful/retakaful operators		-	4,663	4,663
			-	11,544	11,544
8	**PREPAYMENTS**				
	Prepaid retakaful contribution ceded		-	13,020	13,020
			-	13,020	13,020

		Note	2018		
			Operator's fund	Participants' Takaful Fund	Aggregate
			Rupees in thousand		
9	**Cash and bank**				
	Cash and cash equivalents				
	Cash in hand		110	-	110
	Cash at bank				
	Profit and loss sharing accounts	9.1	45,114	4,314	49,428

9.1 These profit and loss sharing accounts carry profit rates ranging from 2.75% to 5.25% per annum.

		Operator's fund	Participants' Takaful Fund	Aggregate
10	**TAKAFUL/RETAKAFUL PAYABLE**			
	Amount due to cotakaful/retakaful operators	-	11,178	11,178
11	**OTHER CREDITORS AND ACCRUALS**			
	Accrued expenses	716	-	716
	Commission payable	2,630	-	2,630
	Federal excise duty and sales tax	-	394	394
	Federal takaful fee	-	28	28
	Withholding tax payable	27	-	27
	Payable to Security General Insurance Company Limited - Operator	423	-	423
	Payable to Security General Insurance Company Limited - Participation	29	-	29
	Others	25	6	31
		3,850	428	4,278

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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12 CONTINGENCIES AND COMMITMENTS

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

	For the period from May 07, 2018 to December 31, 2018
	Rupees in thousand
13 NET CONTRIBUTION REVENUE	
Written gross contribution	20,280
Unearned contribution reserve - closing	(14,293)
Contribution earned	5,987
Retakaful contribution ceded	(18,203)
Prepaid retakaful contribution ceded - closing	13,020
Retakaful expense	(5,183)
	804
14 NET CLAIMS	
Claims paid	309
Outstanding claims (including IBNR) - closing	708
Claims expense	1,017
Retakaful and other recoveries received	(193)
Retakaful and other recoveries in respect of outstanding claims - closing	(517)
	(710)
	307
15 NET COMMISSION EXPENSE	
Commission paid or payable	4,158
Deferred commission - closing	(3,053)
	1,105

		Note	For the period from May 07, 2018 to December 31, 2018
			Rupees in thousand
16	NET WAKALA FEE		
	Gross wakala fee		7,026
	Deferred wakala fee - closing		(5,002)
			2,024
17	REWARD ON RETAKAFUL		
	Reward on retakaful received		4,894
	Unearned retakaful reward - closing		(3,545)
			1,349
18	DIRECT EXPENSES		
	Service charges		32
	Bank charges		9
			41
19	MANAGEMENT EXPENSES		
	Salaries, allowances and other benefits		2,122
	Shariah advisor fees		935
	Printing and stationery		471
	Computer running expenses		590
	Depreciation	5	175
	Travelling expense		22
	Motor expenses		455
	Others		13
			4,783

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Period From May 7, 2018 To December 31, 2018

		For the period from May 7, 2018 to December 31, 2018		
		Operator's fund	Participants' Takaful Fund	Aggregate
		Rupees in thousand		
20	OTHER INCOME			
	Profit on profit and loss sharing accounts	723	74	797
		723	74	797

		For the period from May 07, 2018 to December 31, 2018
		Rupees in thousand
21	OTHER EXPENSES	
	Auditors' remuneration	319
	Ceded amount to PTF	550
		869

22 SEGMENT REPORTING - PARTICIPANTS' TAKAFUL FUND

	For the period from May 7, 2018 to December 31, 2018				
	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Total
	Rupees in thousand				
Contribution receivable (inclusive of federal excise duty, federal insurance fee and administrative surcharge)	17,748	1,595	3,775	452	23,570
Federal excise duty	(2,320)	(203)	(503)	(61)	(3,087)
Federal insurance fee	(153)	(14)	(32)	(4)	(203)
Gross written contribution (inclusive of administrative surcharge)	15,275	1,378	3,240	387	20,280
Gross direct premium	15,069	1,341	3,147	379	19,936
Administrative surcharge	206	37	93	8	344
	15,275	1,378	3,240	387	20,280
Contribution earned	3,680	1,141	1,019	147	5,987
Retakaful expense	(3,058)	(1,032)	(968)	(125)	(5,183)
Net contribution revenue	622	109	51	22	804
Net rebate on retakaful	873	311	131	34	1,349
Net underwriting income	1,495	420	182	56	2,153
Takaful claims	-	(572)	(445)	-	(1,017)
Retakaful and other recoveries	-	98	612	-	710
Net claims	-	(474)	167	-	(307)
Wakala expense	(1,216)	(442)	(324)	(42)	(2,024)
Direct expense	(30)	(3)	(7)	(1)	(41)
Net claims and expenses	(1,246)	(919)	(164)	(43)	(2,372)
Underwriting surplus/(deficit)	249	(499)	18	13	(219)
Other income					74
Deficit for the period					(145)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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22 SEGMENT REPORTING - OPERATOR'S FUND

	For the period from May 7, 2018 to December 31, 2018				
	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Total
	------------------------------- Rupees in thousand -------------------------------				
Wakala fee	1,216	442	324	42	2,024
Commission expense	(766)	(231)	(94)	(14)	(1,105)
Management expenses	(3,587)	(335)	(765)	(96)	(4,783)
	(3,137)	(124)	(535)	(68)	(3,864)
Other income					723
Other expense					(869)
Loss for the period					(4,010)

Statement of financial position

	2018				
	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Total
	------------------------------- Rupees in thousand -------------------------------				
Segment assets					
- Participants' Takaful Fund	23,211	1,532	4,829	509	30,081
Unallocated assets					
- Participants' Takaful Fund	-	-	-	-	4,425
- Operator's Fund	-	-	-	-	54,842
Consolidated total assets					89,348
Segment liabilities					
- Participants' Takaful Fund	26,129	1,870	2,387	2,978	33,364
Unallocated liabilities					
- Participants' Takaful Fund	-	-	-	-	737
- Operator's Fund	-	-	-	-	8,852
Consolidated total liabilities					42,953

23 MANAGEMENT OF TAKAFUL RISK AND FINANCIAL RISK

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

23.1 Takaful risk management

23.1.1 Takaful risk

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

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

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

(a) Frequency and severity of claims

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

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

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

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

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

In compliance of the regulatory requirement, the retakaful agreements are duly submitted with the SECP on an annual basis.

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

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

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

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

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

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

(c) Process used to decided on assumptions

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

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

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

(d) Changes in assumptions

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

(e) Sensitivity analysis

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

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

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

	2018	
	Underwriting results	Balance of Waqf
	Rupees in thousand	
10% increase in average claim cost		
Marine, aviation and transport	(23)	(23)
Motor	(8)	(8)
	(31)	(31)
10% decrease in average claim cost	23	23
Marine, aviation and transport	8	8
Motor	31	31

Concentration of takaful risk

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

The Operator has certain single takaful contracts, which it considers as risk of high severity but very low frequency. The Operator cedes substantial part of these risks to the retakaful companies on its panel.

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

	2018		
	Gross sum covered	Retakaful cover	Highest net liability
	Rupees in thousand		
Marine, aviation and transport	30,000	24,000	6,000
Motor	17,212	9,732	7,480
	47,212	33,732	13,480

24 FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

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

Risk management framework

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

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

24.1 Credit risk

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

24.1.1 Exposure to credit risk

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

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

	Note	2018 Rupees in thousand
Cash at bank	9	49,428
Takaful/retakaful receivables	7	11,544
Wakala fee receivable		3,949
Retakaful recoveries against outstanding claims		518
Loans and other receivables	6	807
		66,246

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

	2018		
	Short term	Long term	Agency
MCB Islamic Bank Limited	A1	A	PACRA

Contribution due but unpaid

Contribution due but unpaid is mostly recoverable from corporate customers.

Concentration of credit risk

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. Sector-wise analysis of gross "contribution due but unpaid" (before charging of provision for impairment) at the reporting date was:

	2018	
	Rupees in thousand	%
Engineering	509	8%
Food	3,111	45%
Other manufacturing	1,742	25%
Others	1,519	22%
	6,881	100%

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

	2018	
	Gross	Impairment
	Rupees in thousand	
Upto 1 year	6,881	-

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

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

The Operator enters into retakaful arrangements with retakaful companies having sound credit ratings accorded by reputed credit rating agencies. An analysis of all retakaful assets relating to outward treaty cessions recognised by the rating of the entity from which it is due is as follows:

	2018			
	Amount due from retakaful operators	Retakaful recoveries against outstanding claims	Prepaid retakaful contribution ceded	Total
	Rupees in thousand			
A or above	4,577	297	9,124	13,998
BBB	86	-	665	751
Others	-	220	3,231	3,451
	4,663	517	13,020	18,200

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

	2018	
	Gross	Impairment
	Rupees in thousand	
Upto 1 year	4,663	-

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

24.2 Liquidity risk

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

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

	2018			
	Carrying amount	Contractual cash flows	Up to 6 months	Over 6 months to 1 year
	Rupees in thousand			
Financial liabilities-OPF				
Other creditors and accruals	3,823	3,823	3,823	-
Financial liabilities-PTF				
Provision for outstanding claims (including IBNR)	708	708	708	-
Takaful/retakaful payable	11,178	11,178	11,178	-
Wakala fee payable	3,949	3,949	3,949	-
Other creditors and accruals	6	6	6	-
	15,841	15,841	15,841	-
	19,664	19,664	19,664	-

24.3 Market risk

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

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

24.3.1 Profit rate risk

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

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

	2018							
		Profit bearing			Non-profit bearing			
	Profit Rate	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
		-------------------------Rupees in thousand-------------------------						
Financial assets								
Operator's Fund								
Bank balances	2.75% - 5.25%	45,114	-	45,114	-	-	-	45,114
Wakala fee receivable		-	-	-	3,949	-	3,949	3,949
Loans and other receivables		-	-	-	708	-	708	708
		45,114	-	45,114	4,657	-	4,657	49,771
Participants' Takaful Fund								
Bank balances	2.75% - 5.25%	4,314	-	4,314	-	-	-	4,314
Contribution due from policy-holders		-	-	-	6,881	-	6,881	6,881
Amount due from other takaful/ retakaful operators		-	-	-	4,663	-	4,663	4,663
Retakaful recoveries against outstanding claims		-	-	-	518	-	518	518
Loans and other receivables		-	-	-	108	-	108	108
		4,314	-	4,314	12,170	-	12,170	16,484
Financial liabilities								
Operator's Fund								
Other creditors and accruals		-	-	-	3,850	-	3,850	3,850
		-	-	-	3,850	-	3,850	3,850
Participants' Takaful Fund								
Outstanding claims including IBNR		-	-	-	708	-	708	708
Takaful/retakaful payable		-	-	-	11,178	-	11,178	11,178
Wakala fee payable		-	-	-	3,949	-	3,949	3,949
Other creditors and accruals		-	-	-	428	-	428	428
		-	-	-	16,263	-	16,263	16,263

Cash flow sensitivity analysis for variable rate instruments

The Operator is exposed to cash flow profit rate risk in respect of its balances with banks. In case of 100 basis points (bp) increase/decrease in profit rates at period end, assuming that all other variables remain constant, the net income and equity would have been higher/lower approximately by Rs 0.007 million (2017: Nil) in Operator's fund. Similarly, in case of Participants' Takaful Fund the net income and balance of Waqf/PTF would have been higher/lower approximately by Rs 0.001 million (2017: Nil).

24.3.2 Price risk

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

24.4 Fund management

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

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

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		2018 Rupees in thousand
25	**FINANCIAL INSTRUMENTS BY CATEGORIES**	
	Financial assets and financial liabilities	
	Financial assets	
	Loans and receivables - amortised cost	
	Cash and bank	
	Cash and cash equivalents	110
	Cash at bank	49,428
	Current assets - others	
	Wakala fee receivable	3,949
	Loans and other receivables	807
	Takaful/retakaful receivables	11,544
	Retakaful recoveries against outstanding claims	518
		16,818
	FINANCIAL LIABILITIES	
	Amortised cost	
	Provision for outstanding claims including IBNR	708
	Takaful/retakaful payable	11,178
	Wakala fee payable	3,949
	Other creditors and accruals	3,829
		19,664

26 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

27 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Operator on March 21, 2019.

28 CORRESPONDING FIGURES

Being the first financial statements of Security General Insurance Company Limited - Window Takaful Operations, there were no comparative figures to report.

Chief Executive Officer	**Director**	**Director**	Hasan Mansha **Chairman**

NOTES

FORM OF PROXY

Security General Insurance Company Limited

I/We, ____

________of________________________________FOLIO NO. ________________________

being a shareholder of the Security General Insurance Company Limited (The Company) do hereby appoint.

Mr./Miss/Ms. ____

_________of_________________________________FOLIO NO.________________________

__and or failing him/her __________________________________ of _________________________

____

who is/are also a shareholder of the said Company, as my/our proxy in my/our absence and to vote for me/us at the Annual General Meeting of the Company to be held on April 30, 2019 (Tuesday) at 03:00 P.M. at SGI House, 18-C/E-1, Gulberg III, Lahore and at any adjournment thereof in the same manner as I/we myself/ourselves would vote if personally present at such meeting.

As witness my/our hands in this day of_________________ 2019.

Revenue Stamp

Signature ____________________________________

Address ____________________________________

____

CNIC No. ___________________________________

No. of shares held ____________________________

Witness:-

Name ______________________________________

Address ____________________________________

____

CNIC No. ___________________________________

IMPORTANT:

a. This instrument appointing a proxy, duly completed, must be received at the registered Office of the Company at SGI House, 18-C/E-1, Gulberg III, Lahore not later than 48 hours before the time of holding the Annual General Meeting. For Appointing Proxies.
b. Attested copies of the CNIC or the passport of beneficial owners shall be furnished with the proxy form.
c. The proxy shall produce his original CNIC or original passport at the time of the Meeting.
d. In case of corporate entity, the Board's resolution / power of attorney with specimen signature shall be furnished along with proxy form to the Company

پراکسی فارم

سیکورٹی جنرل انشورنس کمپنی لمیٹڈ

میں/ہم ---

کا/کے---

بحیثیت رکن سیکورٹی جنرل انشورنس کمپنی لمیٹڈ فولیو نمبر ------------------------------ بذریعہ ہذا

محترم/محترمہ----------------------------- کا/کی----------------------------فولیو نمبر-----------------------------

یا اسکی غیر موجودگی میں---------------------------------------کا/کے--

جو مذکورہ کمپنی کا حصص دار بھی ہے

کو اپنے /ہمارے ایماء پر 30اپریل 2019بروز منگل سپہر00 .3 بجے بمقام ایس جی آئی ہاوس۱۸سی ای ا گلبرگ ۳ لاہور پر

منعقد ہونے والے سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے ، تقریر اور شرکت کرنے یا کسی بھی التواء کی صورت میں اپنا/ہمارا بطور مختار

(پراکسی)مقرر کرتا ہوں

آج بروز------ بتاریخ-------2019 کو میرے/ہمارے دستخط سے گواہوں کی تصدیق سے جاری ہوا۔

رسیدی ٹکٹ

گواہ

نام :-----------------------------

پتہ :------------------------------

شناختی کارڈ نمبر :---------------------

دستخط :---------------------------

اہم نوٹ

ا۔ پراکسی کی تقرری کے آلات، باقاعدہ مکمل شدہ، کمپنی کے ایس جی آئی، ۱۸۔سی ای ون گلبرگ ۳ لاہور ۴۸ گھنٹے قبل پراکسیز مقرر کرنے کے لیے لازماً وصول ہوجانے چاہئیں۔

ب۔ بینیفشل اونرز کے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقول، پراکسی فارم مختارنامہ کے ہمراہ کمپنی میں جمع کرانا ہو گی۔

ج۔ پراکسی اجلاس کے وقت اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ مہیا کرے گا۔

د۔ بصورت کارپوریٹ اینٹٹی، بورڈ کی قرارداد/مختارنامہ معہ پراکسی ہولڈر کے دستخط پراکسی فارم مختارنامہ کے ہمراہ کمپنی میں جمع کرانا ہوگا۔

INVESTORS' EDUCATION

In pursuance of SRO 924(1)/2015 dated September 9th, 2015 issued by the Securities and Exchange Commission of Pakistan (SECP), the following informational message has been reproduced to educate investors:

TAKAFUL

Window Operations

SGI HOUSE

18-C/E-1, Gulberg-III, Lahore T : (92-42) 35775024-29 F : (92-42) 35775030

E : sgi@sgicl.com, takaful@takafulsgi.com