



**Annual Reports  
2018**

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# Company Information

## Board of Directors

Mr. Irshad Ali Shaban Ali Kassim (Chairman) \*  
Mr. Abu Ahmed \*\*  
Mr. Munawar Ali Kassim\*  
Mr. Muzaffar Ali Shah Bukhari\*  
Mr. Moiz Ali\*\*  
Mr. Haji Ashraf Dhedhi\*\*  
Ms. Nudrat Fatima\*\*  
Mr. Hafiz Muhammad Hassan Saeed\*\*  
Mr. Muhammad Abdul Rasheed\*\*  
Mr. Muhammad Afzal Shehzad\*\*

## Managing Director / CEO

Mr. Moiz Ali

## Board Audit Committee

Mr. Muzaffar Ali Shah Bukhari (Chairman)  
Mr. Abu Ahmed  
Mr. Munawar Ali Kassim

## Board Human Resources & Remuneration Committee

Mr. Munawar Ali Kassim (Chairman)  
Mr. Irshad Ali Shaban Ali Kassim  
Mr. Moiz Ali

## Acting CFO & Company Secretary

Syed Zaigham Raza

## Auditors

Horwath Hussain Chaudhury & Co.  
Chartered Accountants

## Legal Advisor

Jameel Khan & Associates

## Bankers

Habib Metropolitan Bank Limited  
NIB Bank Limited

## Shares Registrar

F.D. Registrar Services (SMC- Pvt) Ltd.  
1705, 17<sup>th</sup> Floor, Saima Trade Tower –A,  
I.I. Chundrigar Road,  
Karachi

## Registered & Head Office

3<sup>rd</sup> Floor, Nadir House, I.I. Chundrigar Road,  
Karachi  
Tel: 021-32410781  
Fax: 021-32410782  
[www.picicinsurance.com](http://www.picicinsurance.com)

(\*Continuing till new board takes  
charges after approval by SECP under  
sound & prudent management)

(\*\* Appointed however not taken  
charge pending approval by SECP  
under sound & prudent management)

## **Vision Statement**

PICIC Insurance shall emerge as the leading insurance and risk management services organization in Pakistan. We are in the business of providing solutions to mitigate insurable risk exposure of our clients. We shall do this on the basis of thorough risk evaluation and product knowledge.

## **Mission Statement**

PICIC Insurance shall fully satisfy the needs and expectations of all its stakeholders:

- We shall put the interest of our clients first and ensure that they make informed decisions with respect to the products and services that we offer them.
- We shall give our employees a congenial work environment and shall give them opportunities for personal growth and development strictly on the basis of merit.
- We shall strive to continually provide above average returns to our shareholders.
- We shall support the development of the communities in which we live and work.

## **Core Values**

### **Integrity**

We make sure that our business interactions and relations with all the stakeholders are delimited with honesty, loyalty and transparency

### **Excellence**

Our commitment is to persistently strive for better and better, while we keep on building upon our achievement.

### **Growth**

We define our growth through nurturing and supplementing growth for our stakeholders.

### **Professionalism**

We have a strong commitment to set high bars of quality service standards for our internal and external clients; this will be supported with the pillars of expertise, steadiness, dedication and business acumen

**PICIC INSURANCE LIMITED**  
**Code of Conduct (Statement of Ethics & Business Practice)**

1. It is the responsibility of all directors, officers and employees of the company to carry out their assigned duties in compliance with all applicable legal requirements and company policies. Beyond compliance with strictly legal aspects involved, all directors, officers and employees are expected to conduct themselves with honesty, integrity and professionalism in the discharge of their assigned responsibilities. Except as otherwise permitted by company policies, all assets of the company shall be used for legitimate business purposes. All directors, officers and employees shall protect the company assets and ensure their efficient use.  
Each director, officer and employee of the company must avoid any activities that could involve, or lead to involvement in any unlawful practice, as well as any actions that may jeopardize or impair the confidence or respect in which the company are held by their customers, regulators and the general public. All directors, officers and employees must comply completely with all applicable law, rules, and regulations.
2. The company policy statement regarding conflicts of interest requires all directors, officers and employees to avoid situations in which their personal interests conflict with the interests of the company. Prior to engaging in any conduct or activity that may result in a conflict of interest; the facts and circumstances of the proposed conduct or activity must be disclosed to the company.
3. Directors, officers, and employees shall not take for themselves personal opportunities that are discovered through the use of the corporate property, information, or position; shall not use corporate property, information or position for personal gain; and shall not compete with the company. All directors, officer, and employees owe a duty to the company to advance the legitimate business interests of the company.
4. Directors, officers, and employees shall endeavor to deal fairly with the company customers, suppliers, competitors, and employees. No one should take unfair advantage through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair dealing practice.
5. Directors, officers, and employees frequently have access to confidential information concerning the company, business and the businesses of customers, agents, policyholders and other employees. Safeguarding confidential information is absolutely essential. Confidential information includes, but is not limited to all non-public information that might be of use to competitors, or harmful to the company or its customers, if disclosed. Directors, officers, and employees shall not disclose confidential information except when disclosure is authorized or legally mandated. Directors, officers, and employees shall not access, or use, confidential information unless it is relevant to the performance of their job and they have proper authorization. Except for information routinely provided to industry bureaus and agencies, vendors or other representatives of the Company, in accordance with the Company policies and procedures, no director, officer, or employee may disclose confidential information of any type to anyone, except person within the company who has a clear business need to know.
6. Accuracy and reliability in the preparation and maintenance of all books and records is not only mandated by law, it is of critical importance to the company decision making process and to the proper discharge of the company legal, financial and reporting obligations. All business records expenses accounts, vouchers, bills, payroll and services records and other reports must be prepared with care and honestly, and maintained in accordance with the company policy.
7. The company is an equal opportunity employer, and does not discriminate against employees or applicants for employment on the basis of race, color, religion, sex , sexual orientation, national origin, age, physical or mental disability. The company complies with all applicable laws and regulations in the hiring, treatment and termination of all employees, and endeavors to maintain a working environment that is conducive to professional growth accomplishment and satisfaction, and free from any type of hostility or harassment.

### **Chairman's Review Report**

I am pleased to present Chairman's Review report as required under section 192 of the Companies Act, 2017.

As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of PICIC Insurance Limited has been carried out. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company.

For the financial year ended December 31, 2018, the Board's overall performance and effectiveness has been assessed as satisfactory, it is based on an evaluation of integral components, including vision, mission and values; engagement in strategic planning; formulation of policies; monitoring the organization's business activities; monitor financial resource management; effective fiscal oversight; equitable treatment of all employees and efficiency in carrying out the Board's business. Improvement is an ongoing process leading to action plans.

The Board of Director of your company received agendas and supporting written material including follow up material including follow up materials in sufficient time prior to the board and its committee meetings. The board meets frequently enough to adequately discharge its responsibilities. The non-executive and independent directors are equally involved in important decisions.

I would like to thank my fellow directors who had carried their responsibilities diligently.

Irshad Ali Shaban Ali Kassim  
Chairman  
Karachi: April 5, 2019

## چیئرمین کی جائزہ رپورٹ

سیکشن 192 آف کمپنیز ایکٹ 2017ء کی ضرورت کے تحت میں چیئرمین کی جائزہ رپورٹ پیش کرنے میں مسرت محسوس کر رہا ہوں۔

کارپوریشن گورننس کے ضابطے کی ضرورت کے لئے پبلک انشورنس لمیٹڈ کے بورڈ کی ایک سالانہ تشخیص رپورٹ تیار کی گئی ہے۔ اس تشخیص کا مقصد اس بات کو یقینی بنانا ہے کہ کمپنی کے مقرر کردہ مقاصد کے مطابق بورڈ کی مجموعی کارکردگی اور اثر انداز ہونے کی صلاحیت کو جانچا جائے اور اسے اجاگر کیا جائے۔

31 دسمبر، 2018ء کے اختتامی مالی سال کے لئے بورڈ کی مجموعی کارکردگی اور اثر انداز ہونے کی صلاحیت کو تسلی بخش قرار دیا گیا ہے، یہ مربوط اجزاء کی تشخیص پر مبنی ہے، جس میں نقطہ نظر، مشن اور اقدار، حکمت عملی کی منصوبہ بندی میں دلچسپی، پالیسیوں کی تشکیل، ادارے کے کاروباری سرگرمیوں کی جانچ، مالی وسائل کے انتظام کی دیکھ بھال، موثر مالی نگرانی، تمام ملازمین کا مناسب علاج اور بورڈ کے کاروبار کو فروغ دینے کی صلاحیت، جاری کارروائی کی منصوبہ بندی کے عمل میں اضافہ کرنا شامل ہے۔

آپ کی کمپنی کے بورڈ کے ڈائریکٹر نے موصول شدہ ایجنڈا اور تحریری مواد کی حمایت کرتے ہوئے بورڈ اور اس کی کمیٹی کے اجلاسوں میں کافی وقت تک وصول شدہ مواد کو اپنانے پر عمل کیا ہے۔ غیر ایگزیکٹو اور خود مختار ڈائریکٹرز مساوی طور پر اہم فیصلوں میں شامل رہے ہیں۔

میں اپنے ساتھی ڈائریکٹرز کا شکریہ ادا کرنا چاہتا ہوں کہ جنہوں نے اپنی ذمہ داریاں پوری مستعدی کے ساتھ سرانجام دی ہیں۔

ارشاد علی شعبان علی قاسم

چیئرمین

کراچی: 5 اپریل 2019

## DIRECTORS' REPORT

The Directors 'of your company are pleased to present the annual report together with the audited financial statements for the year ended December 31, 2018.

### Message from the Chairman

For the financial year ended December 31, 2018, the Board's overall performance and effectiveness has been assessed as satisfactory, it is based on an evaluation of integral components, including vision, mission and values; engagement in strategic planning; monitor financial resource management. Improvement is an ongoing process leading to action plans.

The Company has stopped underwriting and is in the process of merger with Crescent Star Foods (Private) Limited which is pending before The High Court of Sindh. The Board has full confidence that once the merger is completed your company will unfold the Business Plan and strategy after approval from the Board.

### Future Plan

The management in confident that after the merger, the company will have adequate resources to effectively enter a new phase with diversified interests to protect stake holders interest.

### Financial Highlights

The comparative financial highlights of your Company for the year ended December 31, 2018 are as follows:

	2018	2017
	.....Rupees in '000.....	
<b>Gross Premium Written</b>	-	(511)
<b>Net Premium Revenue</b>	-	44,643
<b>Net Claims including IBNR</b>	-	(48,447)
<b>Loss from underwriting business</b>	(10,929)	(10,795)
<b>Investment Income</b>	2,404	2,395
<b>Loss after Taxation</b>	(11,799)	(42,231)
<b>Loss per share (Rupees)</b>	(0.34)	(1.21)

Portfolio mix, in terms of gross premium written in the year 2018 as compared to previous year was as follows:

	2018		2017	
Line of Business	Amount (Rupees in M)	Portfolio Mix (%)	Amount (Rupees in M)	Portfolio Mix (%)
Fire and property	-	-	(5)	(1.0)
Marine, Aviation & transport	-	-	123	24.1
Motor	-	-	(377)	(73.7)
Accident & health	-	-	-	-
Miscellaneous	-	-	(252)	(49.4)
<b>Total</b>	-	-	<b>(511)</b>	<b>100.0</b>

### Insurer Financial Strength Rating

JCR VIS assigned Insurer Financial Strength Rating to the Company of 'BBB+' (Triple B Plus), under 'Rating Watch – Developing' status on account of public notice for its prospective merger with Crescent Star Insurance Limited on April 07, 2016.



## External Audit

The auditors M/s. Horwath Hussain Chaudhury & Co. Chartered Accountants retire at the conclusion of the Annual General Meeting. Being eligible, they have offered themselves for re-appointment. The Board on the recommendation of the Audit Committee has proposed their re-appointment.

Taxation matters are being dealt with tax consultants and there is no likelihood of any adverse demand from tax authorities.

Crescent Star Foods (Pvt.) Limited is in the process of merger with and into the Company which is pending approval by The Sind High Court. Further the Company has applied for surrender of its insurance license after which the Company will no longer remain in the insurance sector and rules and regulation of the Insurance Ordinance such as maintaining solvency etc. will not be applicable on the Company. As stated in the preceding paras the company will unfold the Business Plan and strategy after the merger is approved enabling the company to remain a going concern.

## Statement of Corporate and Financial Reporting Framework

The corporate laws, rules and regulations framed thereunder spell out the overall functions of the Board of Directors of the Company. The Board is fully aware of its corporate responsibilities envisaged under the Code of Corporate Governance, prescribed by the Securities and Exchange Commission of Pakistan and adopted by the Stock Exchanges for all listed companies, and is pleased to certify that:

1. The financial statements, prepared by the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. The Company has maintained proper books of accounts as required under the Companies Ordinance, 1984.
3. The Company has followed consistently appropriate accounting policies in preparation of the financial statements. Changes wherever made, have been adequately disclosed and accounting estimates are on the basis of prudent and reasonable judgment
4. Approved Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure therefrom, if any, has been adequately disclosed.
5. The system of internal control is sound, effectively implemented and monitored. The process of review will continue to strengthen the system for its effective implementation.
6. There are no significant doubts upon the Company's ability to continue as a going concern
7. The Board of Directors does not recommend any Dividend for the year ended December 31, 2018.
8. The Company has followed the best practices of the Code of Corporate Governance and there is no material departure there from.
9. Key operating and financial data for last six years is annexed with the report.
10. All major decisions relating to the investments / disinvestments of funds, changes in the policies are taken by the Investment Committee / Board of directors.
11. Decisions regarding appointment of CEO, CFO & Company Secretary and Head of Internal Audit, and fixing or changing of remuneration are taken and approved by the Board.
12. Outstanding taxes and duties are given in the financial statements.

## Board Meetings and Attendance

During the year under review four meetings were held and attended as follows:

Name	No. of meetings eligible to attend during the tenure	No. of meetings attended
Mr. Irshad Ali Shaban Ali Kassim(Chairman)	4	4
Mr. Abu Ahmed	4	1
Mr. Munawar Ali Kassim	4	4
Mr. Muzaffar Ali Shah Bukhari	4	1
Mr. Moiz Ali (Managing Director / CEO)	4	4

Leave of absence was granted to the directors unable to attend the meeting.

The Board has developed a mechanism to evaluate its own performance by adopting self- evaluation methodology through an agreed questionnaire. The mechanism devised is based on the emerging and leading trends on the functioning of the Board and improving its effectiveness. The evaluation exercise is carried out every year.

Managing Director's performance is monitored and evaluated by the Board against the job description set by the Board.

## Board Committee Meetings

Board has constituted various committees at Board level for effective control and operation.

### Human Resource and Remuneration Committee

During the year 2018, two meetings of Human Resource and Remuneration Committee were held and attendance was as follows:

#### Attendance

Mr. Munawar Ali Kassim (Chairman)	1
Mr. Irshad Ali Shaban Ali Kassim	1
Mr. Moiz Ali	1

### Investment Committee

During the year 2018, three meetings were held and attendance was as follows:

#### Attendance

Mr. Abu Ahmed (Chairman)	1
Mr. Irshad Ali Shaban Ali Kassim	1
Mr. Moiz Ali	1

### Pattern of Shareholding

A statement showing the pattern of shareholding is attached with this report.

### Trading of Company's Share

No trading in the shares of the Company was carried out by the Directors, CEO and Executives (employees with basic salary of Rs.0.5M or above) or their spouses or minor children, if any.

### Compliance with the Code of Corporate Governance

The requirements of the Code set out by the stock exchanges in their listing regulations, relevant for the year ended December 31, 2018, have been duly complied with. A statement to this effect is annexed with this report.

### Code of Conduct

The Board has adopted a statement of Code of Conduct for directors and employees. Acknowledgment for compliance are obtained and held by the Company.

Certificate of the Directors and Principal Officer under Section 46(6) of the Insurance Ordinance, 2000

### We certify that:

- in our opinion the annual statutory accounts of the Company set out in the forms attached to the statements have been drawn up in accordance with the Ordinance and rules made there under;
- the Company has at all times in the year complied with the provisions of the Ordinance and the rules made thereunder relating to paid-up capital, solvency (refer notes to the financial statements note: 1.2) and reinsurance arrangements; and
- as at the date of the statement, the Company continues to be in compliance with the provisions of the Ordinance and the rules made thereunder relating to paid-up-capital, solvency(refer notes to the financial statements note: 1.2) and reinsurance arrangements.

### Acknowledgement

The Board of Directors would like to express its sincere appreciation to the Company's valued clients, reinsurers, brokers, business partners and other stakeholders. The Board would also like to thank the Securities and Exchange Commission of Pakistan, the Stock Exchanges and the Central Depository Company for their continued guidance and support. The Company's accomplishments would not have been possible without the dedication and commitment of the Company's motivated & dedicated employees; they deserve special recognition on behalf of the Board.

**Irshad Ali Shaban Ali Kassim**  
Chairman  
Karachi: April 5, 2019

**Moiz Ali**  
Managing Director / CEO

## ڈائریکٹران کی رپورٹ

آپ کی کمپنی کے ڈائریکٹر اپنی سالانہ رپورٹ کے ساتھ مالیاتی گوشوارے برائے ختمہ سال 31 دسمبر 2018 پیش کرتے ہوئے اظہارِ مسرت کرتے ہیں۔

### چیرمین کا پیغام

مالیاتی سال ختمہ 31 دسمبر 2018 میں بورڈ کی مجموعی کارکردگی اور اثر پذیري اطمینان بخش رہی، جس کی بنیاد منفرد اجزاء کی تشخیص پر تھی جن میں نصب العین، مشن اور اقدار، کلیدی منصوبہ بندی، مالیاتی وسائل کی انتظامی نگرانی، شامل ہیں۔ بہتری ایک ایسا مسلسل عمل ہے جس سے اہداف کے حصول میں معاونت ہوتی ہے۔

کمپنی نے بیرہ کاروبار بند کیا اور کریسٹنٹ اسٹار فوڈز لمیٹڈ کا کمپنی کے ساتھ الحاق کا عمل جاری ہے جو کہ عدالت عالیہ سندھ کے روبروزیر التواء ہے۔ بورڈ پر اعتماد ہے کہ الحاق فیکمل ہوتے ہی آپ کی کمپنی بورڈ کی منظوری سے کاروباری منصوبے اور حکمت عملی مرتب کرے گی۔

### مستقبل کے منصوبے

انتظامیہ پر اعتماد ہے کہ الحاق کے بعد کمپنی کو کافی وسائل دستیاب ہو جائیں گے جس سے وہ موثر انداز میں اپنے مرحلے میں مختلف النوع مفادات کے ساتھ داخل ہوگی جس سے مستقبل میں ان کے مفادات کو تحفظ حاصل ہوگا۔

### مالیاتی جھلکیاں

2017	2018	
		روپے ”000“ میں
(511)	-	تحریری خام پریمیم
44,643	-	خالص پریمیم آمدنی
(48,447)	-	خالص مطالبات بشمول آئی بی این آر
(10,795)	(10,929)	منافع بذریعہ ذمہ نویسی کاروبار
2,395	2,404	سرمایہ کاری سے آمدنی
(42,231)	(11,799)	(خسارہ) بعد از ٹیکس
(1.21)	(0.34)	(خسارہ) فی حصص (روپے)

سال 2018 کے پورٹ فولیوکس بابت تحریری خام پریمیم کا گزشتہ سال کے ساتھ موازنہ درج ذیل ہے:

2017	2018	کارباری نوعیت
رقم (ملین روپے)	رقم (ملین روپے)	پورٹ فولیوکس (%)
رقم (ملین روپے)	رقم (ملین روپے)	پورٹ فولیوکس (%)
(5)	-	آگ اور جائیداد
123	-	سمندری، ہوائی نقل و حمل
(377)	-	گاڑیاں
-	-	حادثہ اور صحت
(252)	-	متفرقات
(511)	-	کل
100.00	-	

## بیمہ کار کے مالیاتی استحکام کی درجہ بندی

جے سی آروی آئی ایس نے بیمہ کار کے مالیاتی استحکام کی درجہ بندی میں پزیر 'Rating Watch - Developing' کے تحت کمپنی کو 'BBB+' تفویض کیا ہے جس کی بنیادی وجہ عوامی نوٹس ذریعے کریسٹ اسٹار انشورنس لمیٹڈ کے امکانی الحاق کا مورخہ اپریل 07، 2016 کا اعلان کیا گیا تھا۔

## بیرونی آڈٹ

موجودہ آڈیٹرز، ہورواتھ حسین چوہدری اینڈ کو، چارٹرڈ اکاؤنٹنٹس آنے والے سالانہ اجلاس عام کے اختتام پر ریٹائر ہو جائیں گے۔ تقرری کی اہلیت ہونے کے باعث، انہوں نے اپنی دوبارہ تقرری کی پیشکش کی ہے۔ بورڈ نے آڈٹ کمیٹی کی تجویز پر ان کی دوبارہ تقرری کی تجویز دی ہے۔

ٹیکس کے معاملات مشارکت کاروں کے ذریعے نمٹائے جا رہے ہیں اور ٹیکس اداروں سے کسی بھی قسم کے ناموافق مطالبے کے امکانات نہیں ہیں۔

کریسٹ اسٹار فوڈز (پرائیویٹ) لمیٹڈ کمپنی کے ساتھ اور اس میں الحاق کا عمل جاری ہے جو کہ عدالت عالیہ سندھ میں زیر التوا ہے۔ مزید یہ کہ کمپنی نے انشورنس لائسنس کی تحلیل کے لئے درخواست دے رکھی ہے جس کے بعد کمپنی کا انشورنس کے شعبہ سے کوئی تعلق نہ رہے گا اور انشورنس آرڈیننس کے تحت لاگو قواعد و ضوابط برائے دیوالیہ وغیرہ کمپنی پر عائد نہیں ہونگے۔ جیسا کہ گزشتہ پیرا گرافس میں بیان کیا گیا ہے کہ الحاق کی منظوری کے بعد کمپنی اپنے چلتے ہوئے ادارے کی حیثیت کو برقرار رکھنے کے لئے اپنے کاروباری منصوبے اور حکمت عملی کو متشف کرے گی۔

## کاروباری اور مالیاتی رپورٹنگ کے طریقہ کاری کے متعلق بیان

ادارتی قوانین، قواعد و ضوابط جو کہ وضع کئے گئے ہیں کمپنی کے بورڈ کے مجموعی افعال میں ان کی عکاسی ہوتی ہے۔ بورڈ اچھے نظم و نسق کے کارباری ضابطوں کے بارے میں مکمل طور پر اپنی ادارتی ذمہ داریوں سے آگاہ ہے جن کی وضاحت سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے کی ہے اور جنہیں اسٹاک ایکسچینج نے درج فہرست کمپنیوں کے لئے اختیار کیا ہے اور بخوشی تصدیق کرتا ہے کہ

- 1- کمپنی کی انتظامیہ کی جانب سے تیار کئے گئے مالیاتی گوشوارے کمپنی کا حالت کار، اس کی سرگرمیوں، امور کے نتائج، حصص میں تبدیلی اور نقد بہاؤ کو منصفانہ طور پر پیش کرتے ہیں۔
- 2- کمپنی کے کھاتوں کی کتابیں کمپنیز آرڈیننس 1984 کے تحت مناسب انداز میں رکھی گئی ہیں۔
- 3- کمپنی کے مالیاتی گوشواروں کی تیاری میں تسلسل کے ساتھ مناسب حساباتی پالیسیاں اختیار کی گئی ہیں۔ جہاں تبدیلیاں ہوئی ہیں ان کو مناسب انداز میں منکشف کیا گیا اور حساباتی تخمینوں کی بنیاد محتاط اور مناسب فیصلوں پر ہے۔
- 4- منظور شدہ رپورٹنگ کے عالمی مالیاتی معیارات (IFRS) جو پاکستان میں نافذ ہیں ان کی مالیاتی گوشواروں کی تیاری میں پیروی کی گئی ہے اور کسی بھی انحراف کو مناسب انداز میں منکشف کیا گیا ہے۔
- 5- اندرونی گرفت کے نظام کو مضبوط طرز پر بنایا گیا ہے اور اس کا موثر طور پر نفاذ کیا گیا ہے اور نگرانی کی جاتی ہے۔ اس کی نظر ثانی کا عمل جاری رہتا ہے تاکہ نظام کو مضبوط کرتے ہوئے موثر انداز میں نافذ کیا جائے۔
- 6- کمپنی کے مسلسل چلتے ہوئے ادارے کی حیثیت میں کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔
- 7- بورڈ آف ڈائریکٹرز نے مختتمہ سال 2018 کے لئے کسی منافع منقسمہ کی سفارش نہیں کی۔
- 8- کمپنی کا باری نظم و نسق کے بہترین طور طریقوں پر عمل پیرا ہے اور ان سے کسی قسم کا کوئی بڑا انحراف نہیں ہوا۔
- 9- گزشتہ چھ سالوں کے مالیاتی اعداد و شمار اس رپورٹ کے ساتھ منسلک ہیں۔
- 10- فنڈز کی سرمایہ کاری / عدم سرمایہ کاری، پالیسیوں میں تبدیلی سے متعلق تمام بڑے فیصلے سرمایہ کاری کمیٹی / بورڈ آف ڈائریکٹرز کرتے ہیں۔
- 11- سی ای او، سی ایف او اور کمپنی سیکریٹری اور ہیڈ انٹرنل آڈٹ کی تقرری اور ان کے معاوضہ کے تعین یا تبدیلی سے متعلق فیصلے بورڈ کی منظوری سے کئے جاتے ہیں۔
- 12- واجب الادا ٹیکس اور ڈیوٹیاں مالیاتی گوشواروں میں منکشف کی گئی ہیں۔

## بورڈ کے اجلاس اور ان میں حاضری

جائزہ سال کے دوران چار اجلاس ہوئے اور ان میں حاضری کی تفصیل درج ذیل ہے:

نام	اجلاسوں کی تعداد جن میں حاضر ہونا ضروری تھا	حاضر اجلاسوں کی تعداد
جناب ارشد علی شعبان علی قاسم (چیئر مین)	4	4
جناب ابوالاحمد	4	1
جناب منور علی قاسم	4	4
جناب مظفر علی شاہ بخاری	4	1
جناب معز علی (مینیجنگ ڈائریکٹر / سی ای او)	4	4

جوڈائریکٹر حاضر نہ ہو سکے انکی رخصت منظور کر لی گئی۔

بورڈ نے ایک ایسا نظام ترتیب دیا ہے جس میں طے شدہ سوالنامے کے ذریعے از خود اپنی کارکردگی کی تشخیص کی جاسکتی ہے۔ یہ نظام اس طرح ترتیب دیا گیا ہے کہ جن سے بورڈ کے افعال میں نئے اور قائدانہ رجحانات کا اظہار ہوتا ہے اور جو اس کی اثر پذیری میں بہتری لاتے ہیں۔ تشخیص کی مشق ہر سال کی جاتی ہے۔

بورڈ کی طے شدہ ملازمتی ذمہ داریوں کے مطابق بورڈ مینجنگ ڈائریکٹر کی کارکردگی کی تشخیص اور نگرانی کرتا ہے۔

### بورڈ کی کمیٹیوں کے اجلاس

بورڈ نے بورڈ کی سطح پر مختلف کمیٹیاں تشکیل دی ہیں تاکہ موثر انداز میں گرفت اور کاروباری افعال جاری رکھے جاسکیں۔

### انسانی وسائل اور معاوضہ کمیٹی

سال 2018 کے دوران انسانی وسائل اور معاوضہ کمیٹی کے دو اجلاس ہوئے اور ان میں حاضری درج ذیل رہی:

حاضری

- |   |                               |
|---|-------------------------------|
| 1 | جناب منور علی قاسم (چیئر مین) |
| 1 | جناب ارشاد علی شعبان علی قاسم |
| 1 | جناب معز علی                  |

### سرمایہ کاری کمیٹی

سال 2018 کے دوران تین اجلاس ہوئے جن میں حاضری درج ذیل رہی:

- |   |                               |
|---|-------------------------------|
| 1 | جناب ابوالاحمد (چیئر مین)     |
| 1 | جناب ارشاد علی شعبان علی قاسم |
| 1 | جناب معز علی                  |

### حصص داری کی ساخت

حصص داری ساخت کا گوشوارہ اس رپورٹ کے ساتھ منسلک ہے۔

## کمپنی کے حصص میں خرید و فروخت

ڈائریکٹران، سی ای او اور ایگزیکٹو (جن ملازمین کی تنخواہ 5 لاکھ یا اس سے زیادہ ہو) یا ان کے شریک حیات یا چھوٹے بچوں نے کمپنی کے حصص میں کوئی خرید و فروخت نہیں کی۔

## کاروباری نظم و نسق کے ضابطوں کی پاسداری

ضابطہ کی مطلوبات جن کا تعین اسٹاک ایکسچینج نے اپنے فہرست سازی کے ضوابط میں کیا ہے، جن کا تعلق تختہ سال 2017 سے تھا، ان کی مکمل پاسداری کی گئی۔ اس حوالے سے ایک بیان اس رپورٹ کے ساتھ منسلک ہے۔

## ضابطہ اخلاق

بورڈ نے ڈائریکٹران اور ملازمین کے لئے ایک ضابطہ اخلاق اختیار کیا ہے۔ کمپنی نے ملازمین کو فراہم کر کے ان کی پاسداری کو یقینی بنایا ہے۔

ڈائریکٹران اور پرنسپل آفیسر کا تصدیق نامہ زیر دفعہ (6) 46 انشورنس آرڈیننس 2000 کے تحت

## ہم تصدیق کرتے ہیں

- (a) ہماری رائے کے مطابق کمپنی کے سالانہ آئینی مالیاتی گوشوارے جو کہ بیانیہ شکل میں منسلک ہیں ان کی تیاری میں آرڈیننس اور دیگر متعلقہ ضوابط کو ملحوظ خاطر رکھا گیا ہے
- (b) کمپنی نے پورے سال ادا شدہ سرمائے، ادائے قرض کی صلاحیت اور دہری بیمہ کاریوں کے اہتمام سے متعلق ضوابط اور آرڈیننس کی دفعات کی مکمل پاسداری کی۔
- (c) بیان کی تاریخ کے وقت، کمپنی نے تسلسل کے ساتھ ادا شدہ سرمائے، ادائے قرض کی صلاحیت اور دہری بیمہ کاریوں کے اہتمام سے متعلق ضوابط اور آرڈیننس کی دفعات کی مکمل پاسداری کی۔

## اعتراف

بورڈ آف ڈائریکٹران اپنی مخلصانہ تہنیت کمپنی کے قابل قدر گاہکوں، دہرے بیمہ کاروں، پروکزر، کاروباری شراکت داروں اور دیگر مستفیدان کو پیش کرتا ہے۔ سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، اسٹاک ایکسچینج اور سینٹرل ڈپازٹری کمپنی کی مسلسل رہنمائی اور تعاون پر بھی بورڈ ان کا شکر گزار ہے۔ کمپنی کو یہ کامیابیوں حاصل نہ ہوتیں اگر کمپنی کے متحرک ملازمین انھک محنت اور جدوجہد نہ کرتے، وہ اس موقع پر خصوصی ستائش کے مستحق ہیں۔

معز علی

مینیجنگ ڈائریکٹر/سی ای او

ارشاد علی شعبان علی قاسم

چیرمین

کراچی، 05 اپریل 2019

## Key Financial Highlights

	2018	2017	2016	2015	2014	2013
	(Rupees in thousand)					
Paid up share Capital	350,000	350,000	350,000	350,000	350,000	350,000
Accumulated (loss)	(365,819)	(354,106)	(311,789)	(290,856)	(285,962)	(121,395)
Investment Income	2,347	2,353	848	614	7,423	12,014
Return on bank balances	57	42	541	2,507	4,744	13,130
Total Assets	67,011	68,604	335,902	607,184	917,184	925,748
Gross Premiums Written	-	(511)	(15,375)	402,532	508,247	657,294
Net Premium Revenue	-	44,643	76,310	220,426	292,698	322,505
(Loss) / Profit from underwriting business	(10,929)	(10,795)	24,998	71,445	(52,580)	37,187
Net Claims	-	48,447	20,209	91,135	213,119	177,558
(Loss) / Profit before Taxation	(8,914)	(41,733)	(24,367)	(9,476)	(130,803)	9,908
Provision for Taxation	(2,885)	(584)	(514)	(357)	(159)	(484)
(Loss) / Profit after Taxation	(11,799)	(42,317)	(24,881)	(9,833)	(130,962)	9,424
(Loss) / earning per share (in Rupees)	(0.34)	(1.21)	(0.71)	(0.28)	(3.74)	0.27



**PICIC INSURANCE LIMITED****Pattern of Shareholding****Information as required under Code of Corporate Governance****As at December 31, 2018**

Shareholder's Category	Number of Shareholders	Number of Shares Held
<b>Mutual Funds</b>		
Asian Stock Fund Ltd	1	6
Safeway Mutual Fund Limited	1	19
Goldeun Arrow Selected Stocks Fund Ltd	1	22
Prudential Stocks Funds Limited	1	35
PICIC Benovelent Fund-2	1	44
<b>Directors, Chief Executive Officer, and their spouse minor children.</b>		
Mr. Irshad Ali Shaban Ali Kassim	1	1,000
Mr. Munawar Ali Kassim	1	1,000
Mr. Muzaffar Ali Shah Bukhari	1	500
<b>Public Sector Companies &amp; Corporations</b>	1	3,895,970
<b>Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Mudaraba and Pension Fund</b>	27	142,363
<b>Shareholder Holding five percent or more voting Rights in the Listed Company</b>		
State Life Insurance Corp. Of Pakistan		3,895,970
Salim Sozer Securities (Pvt) Ltd		2,109,073

**PICIC INSURANCE LIMITED**  
**Pattern of Shareholding**  
**Additional Information**  
**As at December 31, 2018**

Shareholder's Category	Number of Shareholders	Number of Shares	Percentage
<b>Directors, Chief Executive Officer, and their spouse minor children.</b>			
Mr. Irshad Ali Shaban Ali Kassim	1	1,000	0.00
Mr. Munawar Ali Kassim	1	1,000	0.00
Mr. Muzaffar Ali Shah Bukhari	1	500	0.00
<b>Banks Development Financial Institution, Non Banking Financial Institution</b>	14	6,582	0.02
<b>Insurance Companies</b>	7	4,031,491	11.52
<b>Modarabas &amp; Mutual Funds</b>	12	386	0.00
<b>Joint Stock Companies</b>	55	2,434,459	6.96
<b>Share holders holding 10%</b>	1	3,895,970	11.13
<b>Individuals</b>	3,823	28,473,715	81.35
<b>Others</b>	24	50,867	0.15
<b>Total (excluding : share holders holding 10%)</b>	<b>3,938</b>	<b>35,000,000</b>	<b>100</b>

**PICIC INSURANCE LIMITED**
**Pattern of Shareholding as at December 31, 2018**

Number of Shareholders	Shareholding		Number of Shares Held
	From	To	
1,820	1	100	43,811
590	101	500	164,120
269	501	1000	239,146
577	1001	5000	1,633,328
227	5001	10000	1,871,357
95	10001	15000	1,232,773
74	15001	20000	1,366,416
51	20001	25000	1,206,593
38	25001	30000	1,072,400
31	30001	35000	1,032,832
26	35001	40000	1,007,032
12	40001	45000	519,000
20	45001	50000	986,505
11	50001	55000	583,500
11	55001	60000	650,701
9	60001	65000	572,847
4	65001	70000	277,000
5	70001	75000	366,000
3	75001	80000	237,500
2	80001	85000	163,500
5	85001	90000	438,201
3	90001	95000	274,598
10	95001	100000	995,500
2	105001	110000	219,000
1	115001	120000	120,000
3	120001	125000	369,000
2	130001	135000	264,797
1	135001	140000	140,000
1	145001	150000	150,000
1	150001	155000	153,500
1	175001	180000	175,500
1	180001	185000	182,500
1	185001	190000	190,000
3	195001	200000	600,000
1	200001	205000	205,000
1	205001	210000	210,000
1	215001	220000	216,500
1	220001	225000	221,500
1	230001	235000	230,500
1	235001	240000	240,000
2	240001	245000	488,500
1	260001	265000	264,000
1	265001	270000	270,000
1	275001	280000	278,000
1	285001	290000	286,500
1	295001	300000	300,000
1	300001	305000	300,500
1	305001	310000	308,500
1	310001	315000	314,500
1	320001	325000	325,000
1	330001	335000	335,000
1	360001	365000	365,000
1	370001	375000	375,000
2	395001	400000	800,000
1	415001	420000	416,500
1	445001	450000	450,000
1	615001	620000	617,500
1	1675001	1680000	1,678,000
1	2105001	2110000	2,109,073
1	3895001	3900000	3,895,970
<b>3,938</b>			<b>35,000,000</b>

**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 (The Code) for the purpose of establishing a framework of good governance, whereby the insurer is managed in compliance with the best practices of corporate governance and the Code of Corporate Governance, 2012 (CCG 2012) as contained in regulation No. 5.19.24 of rule book of Pakistan Stock Exchange Limited.

PICIC Insurance Limited has applied the principles contained in the Code in the following manner:

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

Category	Names
Independent Director	Mr. Muzaffar Ali Shan Bukhari Ms. Nudrat Fatima*
Executive Director	Mr. Moiz Ali (CEO)
Non-Executive Directors	Mr. Abu Ahmed Mr. Irshad Ali Shaban Ali Kassim Mr. Munawar Ali Kassim Mr. Hafiz Muhammad Hassan Saeed* Mr. Muhammad Abdul Rasheed* Mr. Haji Ashraf Dhedhi* Mr. Afzal Shehzad*  *subject to the sound and prudent approva from SECP

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or being a member of stock exchange has been declared as a defaulter by the stock exchange.
4. Casual vacancies occurring on the Board were filled by the directors within 90 days.
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 it throughout the Company along with its supporting policies and procedures.
6. The Company has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.
8. The meetings of the board were presided over by the Chairman and in his absence, by a director elected by the Board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of 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 control given in the Code.
10. The Company arranged briefing for its directors to appraise them off their duties and responsibilities.
11. There was no new appointment of CFO, Company Secretary and Head of Internal Audit during the year.
12. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
14. The Directors, CEO and executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding.
15. The company has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed the following Management and Board Committees:

Underwriting, Claims, Reinsurance, Coinsurance and Risk Management Committees:

<b>Names</b>	<b>Category</b>
Mr. Irshad Ali Shaban Ali Kassim	Chairman
Mr. Moiz Ali Syed Zaigham Raza	Member Member

Ethics, Human Resource and Remuneration Committee:

<b>Names</b>	<b>Category</b>
Mr. Munawar Ali Kassim	Chairman
Mr. Irshad Ali ShabanAli Kassim Mr. Moiz Ali	Member Member

Investment Committee:

<b>Names</b>	<b>Category</b>
Mr. Abu Ahmed	Chairman
Mr. Irshad Ali Shaban Ali Kassim Mr. Moiz Ali	Member Member

17. The Board has formed an Audit Committee. It presently comprises of three members out of which two are non-executive and the chairman is an independent director. The Composition of the audit committee is as follows:

<b>Names</b>	<b>Category</b>
Mr. Muzaffar Ali Shah Bukhari	Chairman
Mr. Abu Ahmed	Member
Mr. Munawar Ali Kassim	Member

18. The meetings of the committees except Compliance Committee, Ethics, Human Resource and Remuneration Committee and Investment Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by this Code. The terms of references of the Committees have been formed and advised to the Committees for compliance this Code. No meeting of Risk Management & Compliance Committee was conducted as it was formed after the year end.
19. The Chief Executive Officer, Chief Financial Officer, Compliance Officer, Company Secretary and the Head of Internal Audit possess such qualification and experience as is required under this Code. 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):

<b>Name</b>	<b>Designation</b>	<b>Qualification</b>	<b>Experience</b>
Moiz Ali	Managing Director	B.A	52 Years
Syed Zaigham Raza	Acting CFO / Company Secretary	B.Com	30 Years

20. 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 of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of ethics as adopted by the ICAP.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with IFAC guidelines and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. The Board ensures that the investment policy of the company has been drawn up in accordance with the provision of the Code of Corporate Governance for Insurers, 2016.
23. The Board ensures that the risk Management system of the company is in the place as per the requirements of the Code of Corporate Governance for Insurers, 2016.

24. The Board ensures that as part of the risk management system, the Company get itself rated from JCR-VIS which is being used by its management function/department and the respective committee as a risk monitoring tool. The rating assigned by the rating agency on December 22, 2014 is "BBB+".
25. The Company has set up Grievance function in compliance with the requirement of the Code of Corporate Governance for Insurers, 2016.
26. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange.
27. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
28. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
29. The Company has not obtained any exemption from the Securities and Exchange Commission of Pakistan in respect of the requirement of the Code.
30. We confirm that all other material principles enshrined in the Code have been complied.

For and on behalf of the Board of Directors  
**PICIC Insurance Limited**

**Moiz Ali**  
Managing Director / CEO  
Karachi: April 5, 2019

## **INDEPENDENT AUDITOR'S MODIFIED REVIEW REPORT**

**To the members of PICIC Insurance Limited**

**Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 and Code of Corporate Governance for Insurers, 2016 (both herein referred to as 'Regulations') prepared by the Board of Directors of PICIC Insurance Limited (the Company) for the year ended December 31, 2018 in accordance with the requirements of regulation 40 the Listed Companies (Code of Corporate Governance) Regulations, 2017 and provisions of Code of Corporate Governance for Insurers, 2016

The responsibility for compliance with the Regulations 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 Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

Following instances of non-compliance with the requirements of the Regulations were observed which are not stated in the Statement of Compliance:

- i. The Board has not made arrangements to carry out orientation courses on the Code of Corporate Governance for its directors. Furthermore, the directors (excluding exempted directors) have not acquired the mandatory certification of directors training program from the Institutes specified by the SECP.
- ii. The board has not setup an effective internal audit function throughout the year.



- iii. Due to significant reduction of business activity, sizeable number of employees have left the company including Head of Internal Audit.
- iv. The members of Claim committee other than CEO are the same members of the underwriting committee or Reinsurance committee as per the Code of Corporate Governance for the insurer, 2016.
- v. The board has not devised investment policy of the Company as per the requirement of the Code of Corporate Governance for the Insurer, 2016.
- vi. The board has not setup risk management system as per the requirements of the Code of Corporate Governance for insurer 2016.
- vii. The board has not setup Grievance function in compliance with the requirement of the Code of Corporate Governance for the insurer, 2016.

Based on our review, except for the above instances of non-compliance, 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 Regulations as applicable to the Company for the year ended December 31, 2018.

**Horwath Hussain Chaudhury & Co.**  
**Chartered Accountants**

Karachi  
Date: April 5, 2019

## **INDEPENDENT AUDITOR'S REPORT**

**To the members of PICIC Insurance Limited**

**Report on the Audit of the Financial Statements**

### **Qualified Opinion**

We have audited the annexed financial statements of PICIC Insurance Limited, 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 cash flow and the statement of changes in equity 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 except for the matters stated in the basis for qualified opinion paragraph below, 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 statement of cash flows together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017, in the manner so required and respectively give a true and fair view of the state of Company's affairs as at December 31, 2018 and of the loss, total comprehensive loss, the changes in equity and its cash flows for the year then ended.

### **Basis for Qualified Opinion**

- 1) The Company has disclosed in note 14 to the financial statement, the status of various pending cases filed to the taxation authorities. As part of our audit procedure, confirmation to tax advisor was sent. However, no response was received from the tax advisor. Consequently, we were unable to determine whether any adjustments might have found necessary in respect of the related disclosure and balances in the financial statement.
- 2) The Company has incurred a loss after taxation amounting to Rs.11.799 million during the year and its losses has been accumulated to Rs. 365.819 million as at December 31, 2018. Further, the operating cash flows of the Company are also negative since 2011. These circumstances, along with the inability of the Company to meet the minimum solvency requirement and sizeable decline in business activities, indicate the material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and therefore the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The financial statements have been prepared on a going concern basis however, in our opinion, management's use of the going concern assumption in the financial statements is inappropriate.

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 qualified opinion.

### **Emphasis of Matter**

We draw attention to note 1.2 of the financial statements whereby it is disclosed that Company is not meeting the solvency requirement as at December 31, 2018. Our opinion is not qualified in this respect.

### **Key Audit Matter**

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

Following is the key audit matter:

<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p><b>Changes in accounting policies due to introduction of Insurance Rules, 2017 and Insurance Accounting Regulations, 2017</b></p> <p>(Refer notes 5.1.1 to the financial statements)</p> <p>Insurance Rules, 2017 and Insurance Accounting Regulations, 2017 became effective for the first time for the year ended 31 December 2018. These regulations contained a new format of financial statements and changed the presentation basis.</p> <p>Changes prescribed under Annexure - II to the Rules, included a change in the overall presentation of the financial statements of non-life insurance companies and included additional disclosures as prescribed under the Rules.</p> <p>As this change materially affects the presentation and disclosure requirement, this was identified as key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• Evaluated the adequacy and completeness of the disclosures relating to changes in accounting policies and adjustments required in accordance with accounting and reporting standards as applicable in Pakistan;</li> <li>• Evaluated the adequacy and completeness of additional disclosures as required under new accounting regulations;</li> <li>• Considered the process adopted by management to ensure that all required disclosures as required were provided or amended.</li> </ul>

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

### **Report on Other Legal and Regulatory Requirements**

Based on our audit, except for the possible effect of the matter described in the basis for qualified opinion section of our report, 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 statement of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the company's business; and;
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance

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

**Horwath Hussain Chaudhury & Co.**  
**Chartered Accountants**

Karachi  
Date: April 5, 2019

**PICIC INSURANCE LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2018**

		2018	(Restated) 2017	(Restated) 2016
Note		------(Rupees in '000)-----		
<b>ASSETS</b>				
Property and equipment	8	32	697	13,388
Investments - Mutual funds	9	40,339	38,208	36,387
Insurance and reinsurance receivable		-	-	227,055
Deferred taxation	10	-	2,619	2,619
Taxation - payments less provision		26,305	26,300	26,300
Prepayments		-	-	19,995
Deferred commission expenses		-	-	3,494
Sundry and other receivable		-	-	6,168
Cash and bank	11	335	780	496
<b>Total Assets</b>		<u>67,011</u>	<u>68,604</u>	<u>335,902</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves attributable to Company's equity holders</b>				
Ordinary share capital	12	350,000	350,000	350,000
Accumulated loss		<u>(365,819)</u>	<u>(354,020)</u>	<u>(311,789)</u>
<b>Total Equity</b>		<u>(15,819)</u>	<u>(4,020)</u>	<u>38,211</u>
<b>Liabilities</b>				
Underwriting provisions				
Outstanding claims including IBNR		-	-	112,928
Unearned premium reserve		-	-	16,625
Unearned Reinsurance Commission		-	-	4,838
Insurance / Reinsurance Payables		-	-	118,851
Other creditors and accruals	13	82,830	72,624	44,449
<b>Total Liabilities</b>		<u>82,830</u>	<u>72,624</u>	<u>297,691</u>
<b>Total Equity and Liabilities</b>		<u>67,011</u>	<u>68,604</u>	<u>335,902</u>
<b>Contingencies and commitments</b>	14			

The annexed notes from 1 to 34 form an integral part of these financial statements.

Chairman	Director	Director	Chief Executive Officer	Chief Financial Officer
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**PICIC INSURANCE LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

			(Restated)
		2018	2017
	Note	------(Rupees in '000)-----	
Net insurance premium	15	-	44,643
Net insurance claims	16	-	(48,447)
Net commission and other acquisition costs	17	-	(2,334)
Insurance claims and acquisition expenses		-	(50,781)
Management expenses	18	(10,929)	(36,133)
<b>Underwriting results</b>		(10,929)	(42,271)
Investment income	19	2,347	2,353
Other income	20	97	42
Other expenses	21	(429)	(1,771)
<b>Results of operating activities</b>		(8,914)	(41,647)
<b>Loss before taxation</b>		(8,914)	(41,647)
Taxation	22	(2,885)	(584)
<b>Loss after taxation</b>		(11,799)	(42,231)
<b>Loss per share - basic and diluted</b>	23	(0.34)	(1.21)

The annexed notes from 1 to 34 form an integral part of these financial statements.

Chairman	Director	Director	Chief Executive Officer	Chief Financial Officer
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**PICIC INSURANCE LIMTIED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<b>(Restated)</b>	
	<b>2018</b>	<b>2017</b>
	----- (Rupees in '000) -----	
Loss after tax	(11,799)	(42,231)
<b>Other comprehensive loss:</b>		
Other comprehensive loss for the year	-	-
Total comprehensive loss for the year	<u>(11,799)</u>	<u>(42,231)</u>

The annexed notes from 1 to 34 form an integral part of these financial statements.

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Chairman	Director	Director	Chief Executive Officer	Chief Financial Officer



**PICIC INSURANCE LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<b>Share capital</b>	<b>Revenue reserves</b>	
	<b>Issued, subscribed and paid-up share capital</b>	<b>Accumulated loss</b>	<b>Total shareholders' equity</b>
	----- (Rupees in '000) -----		
<b>Balance as at January 01, 2017</b>	350,000	(311,789)	38,211
<b>Total comprehensive loss for the year</b>	-	-	-
Net loss for the year ended December 31, 2017	-	(42,231)	(42,231)
Balance as at December 31, 2017	350,000	(354,020)	(4,020)
<b>Balance as at January 01, 2018</b>	350,000	(354,020)	(4,020)
<b>Total comprehensive loss for the year</b>	-	-	-
Net loss for the year ended December 31, 2018	-	(11,799)	(11,799)
<b>Balance as at December 31, 2018</b>	350,000	(365,819)	(15,819)

The annexed notes from 1 to 34 form an integral part of these financial statements.

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Chairman	Director	Director	Chief Executive Officer	Chief Financial Officer

**PICIC INSURANCE LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<b>2018</b>	<b>2017</b>
	------(Rupees in '000)-----	
<b>Operating cash flows</b>		
<b>(a) Underwriting activities</b>		
Premiums received	-	22,301
Reinsurance premiums paid	-	110,123
Claims paid	-	(104,157)
Commissions paid	-	(51,705)
Commissions received	-	29
Management expenses paid	(478)	28,821
Net cash (outflow) / inflow from underwriting activities	(478)	5,412
<b>(b) Other operating activities</b>		
Income tax paid	(271)	(584)
Other operating payments	-	7,116
Bad Debts against premium due but unpaid	-	(21,079)
Other charges	(14)	(12)
Net cash (outflow) from other operating activities	(285)	(14,559)
<b>Total cash (outflow) from operating activities</b>	(763)	(9,147)
<b>Investment activities</b>		
Profit / return received	57	42
Dividends received	-	2,347
Payments for investments	216	(1,815)
Fixed capital expenditure	5	8,854
Proceeds from sale of property, plant and equipment	40	3
<b>Total cash inflow from investing activities</b>	318	9,431
<b>Net cash (outflow) / inflow from all activities</b>	(445)	284
<b>Cash and cash equivalents at beginning of the year</b>	780	496
<b>Cash and cash equivalents at end of the year</b>	335	780
<b>Reconciliation to profit and loss account</b>		
Operating cash flows	(763)	(9,147)
Depreciation / amortisation expense	(660)	(2,492)
Profit on disposal of fixed assets	40	(1,342)
Net investment Income	2,347	2,353
Return on bank balances	57	42
Decrease in assets other than cash	(2,885)	(237,665)
Decrease in liabilities	(9,935)	170,387
Decrease / Increase in unearned premium	-	35,633
<b>Loss after taxation</b>	(11,799)	(42,231)

The annexed notes from 1 to 34 form an integral part of these financial statements.

Chairman	Director	Director	Chief Executive Officer	Chief Financial Officer
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**PICIC INSURANCE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**1. STATUS AND NATURE OF BUSINESS**

- 1.1.** PICIC Insurance Limited (the Company) was incorporated on April 23, 2004 as a public limited Company under the repealed Companies Ordinance, 1984 (replaced by Companies Act 2017) and registered as a non-life insurance company by the Securities and Exchange Commission of Pakistan (SECP) under the Insurance Ordinance, 2000. It is engaged in providing all classes of non-life insurance business. The Company is listed on the Pakistan Stock Exchange Limited. The registered office of the Company is situated at 3rd Floor, Nadir House, I.I. Chundrigar Road, Karachi.
- 1.2.** In accordance with the requirements of the Insurance Ordinance, 2000 and as mentioned in the Insurance Rules, 2017, the minimum solvency requirement (i.e excess of admissible assets over liabilities) is Rs 150 million. The Company is not meeting the minimum solvency requirement as at December 31, 2018.
- 1.3.** The Company has incurred a loss after taxation of Rs. 11.799 million during the current year and its accumulated losses as at December 31, 2018 amounted to Rs 365.819 million. Also the operating cash flows of the Company are also negative since 2011. These financial statements have been prepared under the going concern basis for the reason stated below (Refer note 1.4)
- 1.4. Merger of Crescent Star Foods (Private) Limited into PICIC Insurance Limited**

During the year ended December 31, 2017, the shareholders of the company have approved in an EOGM dated July 06, 2017 the scheme of merger of PICIC Insurance Limited and Crescent Star Foods (Private) Limited. The intention of the Management is to transfer the Insurance business of the Company to Crescent Star Insurance Limited which assets and liabilities relating to Insurance business has been transferred. Keeping in line with the above intention the management has commenced proceedings for surrendering the Insurance License.

Based on the above mentioned intention and the transfer of operations of Crescent Star Foods (Private) Limited, which is a going concern, to the Company, the management is confident that the company will continue as a going concern.

**2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Act 2017 and Insurance Accounting Regulations, 2017 provisions of and directives issued under the Companies Act 2017, the Insurance Ordinance, 2000 and Insurance Rules, 2017. In case requirements differ, the provisions or directives of the Companies Act 2017, Insurance Ordinance, 2000, Insurance Accounting Regulations 2017 and Insurance Rules, 2017 shall prevail.

**2.2. Accounting Standards, IFRIC Interpretations and amendments which became effective during the year****2.2.1 Standards, amendments and interpretations to the published standards that are relevant to the company and adopted in the current year**

<b>Standard or Interpretation</b>	<b>Effective Date (Annual periods beginning on or after)</b>
IFRS 2 - Classification and Measurement of Share-based Payment Transaction (Amendments to IFRS 2)	January 1, 2018
IFRS 1 and IAS 28 - Annual Improvements to IFRSs 2014-2016	January 1, 2018
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	January 1, 2018
IAS 40 - Transfers of Investment Property (Amendments to IAS 40)	January 1, 2018
Adoption of the above revisions, amendments and interpretations of the standards have no significant effect on the amounts for the year ended December 31, 2018 and 2017.	

**2.2.2 Standards, amendments to published standards and interpretations that are effective but not relevant**

There are certain new standards, amendments to the approved accounting 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 will not have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

**2.2.3 Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Company**

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

<b>Standard or Interpretation</b>	<b>Effective Date (Annual periods beginning on or after)</b>
IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Postponed
IFRS 15 - Revenue from Contracts with Customers	July 1, 2018
IFRS 9 - Financial Instruments	January 1, 2019
IFRS 16 - Leases	January 1, 2019
IFRIC 23 - Uncertainty over Income Tax Treatments	January 1, 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	January 1, 2019
IFRS 9 - Prepayment Features with Negative Compensation (Amendments to IFRS 9)	January 1, 2019
IAS 19 - Plan Amendment, Curtail or Settlement (Amendments to IAS 19)	January 1, 2019
IAS 12/IAS 23/ IFRS 3/ IFRS 11 - Annual Improvements to IFRS Standards 2015-2017 Cycle	January 1, 2019
IAS 1/IAS 8 - Definition of Material (Amendments to IAS 1 and IAS 8)	January 1, 2020

The management anticipates that, except as stated above, adoption of the new standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than presentation and disclosures.

#### **2.2.4 Standards, amendments and interpretations to the published standards that are not yet notified by the Securities and Exchange Commission of Pakistan (SECP)**

Following new standards have been issued by the International Accounting Standards Board (IASB) which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

<b>Standard or Interpretation</b>	<b>Effective Date (Annual periods beginning on or after)</b>
IFRS 1 - First Time Adoption of International Financial Reporting Standards	Not yet notified
IFRS 14 - Regulatory Deferral Accounts	January 1, 2016
IFRS 17 - Insurance Contracts	January 1, 2021
IFRIC 4 - Determining Whether an Arrangement Contains a Lease	Not yet notified
IFRIC 12 - Service Concession Arrangements	Not yet notified

### **3. BASIS OF MEASUREMENT**

These financial statements have been prepared under historical cost convention except for certain investments which are stated at their fair values. Accrual basis of accounting has been used except for cash flow information.

### **4. FUNCTIONAL AND PRESENTATION CURRENCY**

These financial statements are presented in Pakistan Rupees (rounded upto thousand) which is the Company's functional and presentation currency.

### **5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all period presented in these financial statements except for format for preparation of these financial statements as disclosed in note 5.1.1.

#### **5.1 Change in accounting policy**

##### **5.1.1 Adoption of new Insurance Rules, 2017 and Insurance Accounting Regulations, 2017**

The SECP vide SRO 89(1)/2017 dated February 9, 2017, has issued the Insurance Rules, 2017 including the new Insurance Accounting Regulations, 2017 and format for the preparation of the financial statements. The new Insurance Rules are effective for the current period financial statements. In view of the applicability of the rules, the Company has changed its presentation and disclosure format to comply with the requirements of the said rules. The significant changes affecting these financial statements are as follows;

- Changes in the sequence of assets / liabilities in the statement of financial position;
- Discontinuation of separate statements of premium, claims, commission and investment income, which are now presented (on aggregate basis) into the notes of the financial statements (note 15, 16, 17 and 19); and
- Underwriting results in relation to various classes of business which were previously on the face of the profit and loss account are now presented in a separate note (note 25).

##### **5.1.2 Adoption of Companies Act, 2017**

The Act has also brought certain changes with regard to the preparation and presentation of these financial statements under the third and fifth schedule. The disclosure requirements contained in the fifth schedule of the Act have been revised, resulting in elimination of duplicative disclosure with the IFRS disclosure requirements and incorporation of additional amended disclosures.

## 5.2 Property and Equipment

These are stated at cost less accumulated depreciation and accumulated impairment losses if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenditure are charged to the profit and loss account during the financial period in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date. Depreciation is charged on additions from the date the asset is available for use and depreciation on disposals is charged till the date of disposal.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Gains and losses on disposal, if any, of assets are included in profit and loss account.

## 5.3 Insurance contracts

Insurance contracts are those contracts under which the Company as insurer has accepted insurance risk from the insurance contract holders (insured) by agreeing to compensate the insured if a specified uncertain future event (the insured event) adversely affect the insured. Once the contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its tenure, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Insurance contracts are classified into following main categories, depending on the nature and duration of risk and whether or not the terms and conditions are fixed.

- Fire and property;
- Marine, aviation & transport;
- Motor;
- Accident & health; and
- Miscellaneous

These contracts are normally one year insurance contracts except Marine and some contracts of Fire and property, and miscellaneous class. Normally all Marine insurance contracts and some Fire and property contracts are of three months period.

These contracts are provided to all types of customers based on assessment of insurance risk by the Company. Normally personal insurance contracts e.g. vehicle are provided to individual customers, whereas, insurance contracts of fire and property, marine and transport, accident and other commercial line products are provided to commercial organization.

Fire and property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. 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.

Marine Insurance 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.

Motor insurance provides protection against losses incurred as a result of theft, traffic accidents and against third party liability that could be incurred in an accident.

Accident and health insurance contract mainly compensate hospitalisation and outpatient medical coverage to the insured. These contracts are generally one year contracts.

Other types of insurance are classified in miscellaneous category which includes mainly engineering, terrorism, personal accident, worker compensation, travel, products of financial institutions and crop insurance e.t.c.

#### **5.4 Deferred commission expense /Acquisition costs**

Commission incurred in obtaining and recording policies of insurance and re-insurance are deferred and recognised as an asset on acquisition of the related policies. Accordingly, these costs are charged to the profit and loss account as an expense based on the pattern of recognition of related premium revenue.

#### **5.5 Provision for unearned premium**

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage and is recognised as a liability by the Company. This liability is calculated as follows:

- For marine cargo business, as a ratio of unexpired period to the total period of policy applied on the gross premium of the individual policies; and
- For other classes / line of business, by applying 1/24th method as allowed by the Insurance Rules, 2017

#### **5.6 Premium deficiency reserve**

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

For this purpose, loss ratios for each class are estimated on historical claim development. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. Further, actuarial valuation has been carried out to determine the amount of premium deficiency reserve in respect of accident and health insurance.

#### **5.7 Reinsurance contracts held**

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

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

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire.

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

#### **5.8 Receivables and payables related to insurance contracts**

Receivables and payables relating to insurance contracts are recognized when due. These include premiums due but unpaid, premiums received in advance, premiums due and claims payable to insurance contract holders. These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any.

If there is an objective evidence that any premium due but unpaid is impaired, the Company reduces the carrying amount of that insurance receivable and recognizes the loss in profit and loss account.

## 5.10 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' results are reviewed regularly by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Company presents segments 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 process of the Company 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. All the Company's business segments operate in Pakistan only.

Based on its classification of insurance contracts issued, the Company has five primary business segments for reporting purposes namely fire, marine, motor, accident and health and miscellaneous. The nature and business activities of these segments are disclosed in note 5.4.

Assets and liabilities are allocated to particular segments on the basis of premium earned. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities. Depreciation and amortisation are allocated to a particular segment on the basis of net premium earned.

## 5.11 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet 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 investments.

## 5.12 Revenue recognition

- Premium income under a policy is recognised over the period of insurance from the date of inception of the policy to which it relates till its expiry in case of marine cargo business whereas for all other cases of premium income is recognised as a difference between total premium written and provision for unearned premium using 1/24th method as mentioned in note 5.6 to these financial statements.
- Commission income is being taken to the profit and loss account, on a time proportionate basis, in accordance with the pattern of recognition of reinsurance premium to which they relate.
- Administrative surcharge recovered by the Company from policy holders is included in income currently.
- Return on bank balances and government securities is recognised on an accrual basis.
- Dividend income is recognised when the right to receive the dividend is established.
- Gain / loss on sale / redemption of investments is included in the profit and loss account in the period of sale / redemption.
- Income from held to maturity investment is recognised on time proportion basis taking into account the effective yield on the investment. The difference between the redemption and the purchase price of the held to maturity investment is amortised and taken to the profit and loss account over the term of the investment.

## 5.13 Investments

All investments are initially recognized at cost, being the fair value of the consideration given and includes transaction costs except for investments designated at fair value through profit and loss.

### **Held to maturity**

Investments with fixed or determinable payments and fixed maturity, where the Company has positive intent and ability to hold to maturity, are classified as Held-to-Maturity. Subsequently, these are measured at amortized cost using the effective interest method and taking any discount or premium on acquisition.



**Investments at fair value through profit and loss account**

Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price are classified as held-for-trading. Subsequent to initial recognition, these are remeasured at fair value. Gains or losses on investments on remeasurement of these investments are recognized in profit and loss account.

**5.14 Off-setting of financial assets and financial liabilities**

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

**5.15 Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation 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 of the amount can be made. Provisions are regularly reviewed and adjusted to reflect the current estimate.

**5.16 Taxation****Current**

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account rebates and tax credits available, if any.

**Deferred**

Deferred tax is recognised using the balance sheet liability method on all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax losses and unused tax credits to the extent that it is probable that the taxable profits will be available against which these can be utilised.

The carrying amount of the deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

**5.17 Impairment of assets**

The carrying values of the Company's fixed 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 profit and loss account.

**5.18 Dividend distribution**

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved.

**5.19 Management expenses**

Expenses of management have been allocated to various classes of business as deemed equitable by management. Expenses not allocable to the underwriting business are charged under other expenses.

**5.20 Financial instruments**

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of ownership of the asset. Financial liabilities are de-recognised when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liabilities is recognised in the profit and loss account of the current period.

### 5.21 Foreign currencies transactions

Foreign currency transactions are translated into Pakistani Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani 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.

### 5.22 Earnings / loss per share

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

## 6. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of its accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

	<b>Note</b>
Useful life of depreciable assets	5.2
Taxation	5.16
Impairment of assets	5.17

## 7. SUMMARY OF SIGNIFICANT EVENTS

- Adoption of new Insurance Rules, 2017 and Insurance Accounting Regulations, 2017 (Refer note 5.1.1)
- Adoption of Companies Act, 2017 (Refer note 5.1.2)
- During the year, KM Enterprises (Private) Limited an associated Company have disposed of its major shareholding of the Company.

## 8. PROPERTY AND EQUIPMENT

-----2 0 1 8-----										
Description	Cost				Accumulated depreciation / amortisation				Written down value As at December 31, 2018	Rate
	As at January 01, 2018	Additions	Disposals	As at December 31, 2018	As at January 01, 2018	Charge for the year	Disposals	As at December 31, 2018		
	(Rupees in '000)									
-----										
Tangible - Owned										
Furniture and fixtures	71	-	(71)	-	70	-	(70)	-	-	20
Office equipment	929	-	(278)	651	875	22	(278)	619	32	20
Computer equipment	9,766	-	(4,789)	4,977	9,133	629	(4,785)	4,977	-	33.33
Motor vehicles	84	-	-	84	75	9	-	84	-	20
	10,850	-	(5,138)	5,712	10,154	660	(5,133)	5,680	32	
Intangible										
Computer software	5,178	-	(1,178)	4,000	5,178	-	(1,178)	4,000	-	33.33
Total	16,028	-	(6,316)	9,712	15,332	660	(6,311)	9,680	32	
-----2 0 1 7-----										
Description	Cost				Accumulated depreciation / amortisation				Written down value As at December 31, 2017	Rate
	As at January 01, 2017	Additions	Disposals	As at December 31, 2017	As at January 01, 2017	Charge for the year	Disposals	As at December 31, 2017		
	(Rupees in '000)									
-----										
Tangible - Owned										
Furniture and fixtures	13,347	-	(13,276)	71	5,584	787	(6,301)	70	1	20
Office equipment	4,718	-	(3,789)	929	2,555	225	(1,905)	875	54	20
Computer equipment	10,157	-	(391)	9,766	8,339	1,079	(285)	9,133	633	33.33
Motor vehicles	2,385	-	(2,300)	85	743	401	(1,069)	75	10	20
	30,607	-	(19,756)	10,851	17,221	2,492	(9,560)	10,154	697	
Intangible										
Computer software	5,178	-	-	5,178	5,178	-	-	5,178	-	33.33
Total	35,785	-	(19,756)	16,029	22,399	2,492	(9,560)	15,332	697	

8.1 Cost of fully depreciated fixed assets that are still in the Company's use, as at December 31, 2018, (2017: Rs 12.369 million) amounted to Rs 9.602 million .

8.2 Disposals of fixed assets during the year having written down value of more than Rs.50,000 is nil.

Description	Cost	Accumulated depreciation	Carrying Value	Sale Proceed	Mode of disposal	Particulars of buyer
-------------	------	--------------------------	----------------	--------------	------------------	----------------------

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

Furniture and fixtures	10,825	4,733	6,091	4,785	Trade in	Various
Office equipments	2,722	1,132	1,590	1,249	Trade in	Various
Computer equipments	271	197	74	57	Trade in	Various
Vehicles	2,300	1,069	1,231	1,825	Trade in	Mr. Nadeem Akhtar
<b>December 31, 2017</b>	16,118	7,131	8,986	7,916		

		2018	2017
	Note	------(Rupees in '000)-----	
<b>9 INVESTMENTS - MUTUAL FUNDS</b>			
<b>Held-to- maturity</b>			
Matual Fund	9.1	<u>40,339</u>	<u>38,208</u>

- 9.1** These securities are placed with State Bank of Pakistan as statutory deposit in accordance with the requirement of clause (a) of sub section 2 of section 29 of the Insurance Ordinance, 2000.

## **10 DEFERRED TAXATION**

The Company has an aggregate amount of Rs 204.697 million (2017: Rs 185.82 million) in respect of tax losses as at December 31, 2018 and deferred tax assets on such losses amounted to Rs 59.586 million. However, considering the uncertainty regarding the timing and extent of future taxable profits against which such benefits can be utilized, the management has adopted a prudent approach and has not recognized further deferred tax asset and further also have reversed the deferred tax asset already recognised previously.

## **11 CASH AND BANK**

### **Cash and other equivalents**

Cash in hand		14	7
Policy stamps and bond papers in hand		<u>68</u>	<u>68</u>
		82	75

### **Current and other accounts**

Current accounts		-	15
Profit and loss savings accounts	11.1	<u>253</u>	<u>690</u>
		253	705
		<u>253</u>	<u>705</u>
		<u>335</u>	<u>780</u>

- 11.1** It carries mark-up at the rate of 3.75% per annum (2017: 3.75% per annum).

## **12 SHARE CAPITAL**

### **12.1 AUTHORISED SHARE CAPITAL**

2018	2017	2018	2017
(Number of shares)		------(Rupees in '000)-----	
<u>125,000,000</u>	<u>125,000,000</u>	<u>1,250,000</u>	<u>1,250,000</u>

**12.2 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL**

<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
(Number of shares)		------(Rupees in '000)-----	
<u><b>35,000,000</b></u>	<u>35,000,000</u>	<u>350,000</u>	<u>350,000</u>

**13 OTHER CREDITORS AND ACCRUALS**

Unclaimed dividend		195	195
Others	13.1	<u>82,635</u>	<u>72,429</u>
		<u>82,830</u>	<u>72,624</u>

**13.1** This balance represents net amount that is required to settle under the scheme of merger with Crescent Star Insurance Limited (Refer note 1.4)

**14 CONTINGENCIES AND COMMITMENTS****14.1 Contingencies**

The tax assessment of the Company has been finalised upto and including the tax year 2018.

While finalising the tax audit for the tax year 2007, the Taxation Officer had disallowed certain expenses claimed by the Company and increased the tax charge by Rs. 3.128 million. The Company has contested the amended order by filing an appeal before the Commissioner Inland Revenue (Appeals) which has been decided whereby substantial relief has been allowed. However, a second appeal has been filed before the Appellate Tribunal Inland Revenue for the remaining disallowed amount which is pending adjudication.

While finalising the tax audit for the tax year 2008, the Taxation Officer had charged minimum taxation on gross receipts of the Company and increased the tax charge by Rs. 1.51 million. The Company has contested the amended order by filing an appeal before the Commissioner Inland Revenue (Appeals) which is pending adjudication.

The management, based on the advice of its tax advisor, is confident of a favourable outcome in both cases and, accordingly, no provision in this respect has been made in these financial statements.

The tax authorities had filed a writ petition against the Company along with other insurance companies in the High Court of Sindh on alleged default of non-deduction of withholding tax on payments of insurance premium to non-resident reinsurer. The petition has been dismissed by the Court in favor of Insurance Companies. The tax impact of the above amounts to Rs 5.48 million against which no provision has been made in these financial statements, as the Company is confident of a favorable outcome.

		(Restated)	
		2018	2017
Note -----(Rupees in '000)-----			
<b>15</b>	<b>NET INSURANCE PREMIUM</b>		
	Written Gross premium	-	(511)
	Unearned premium reserve opening	-	16,625
	Premium earned	-	16,114
	Reinsurance premium ceded	-	(47,537)
	Prepaid reinsurance premium opening	-	19,008
	Reinsurance expense	-	(28,529)
		-	44,643
<b>16</b>	<b>NET INSURANCE CLAIMS EXPENSE</b>		
	Claim paid	-	104,157
	Outstanding claims including IBNR opening	-	(112,928)
	Claims expense	-	(8,771)
	Reinsurance and others recoveries in respect of outstanding claims opening	-	(57,218)
	Reinsurance and recoveries revenue	-	(57,218)
		-	48,447
<b>17</b>	<b>NET COMMISSION AND OTHER ACQUISITION COST</b>		
	Commission paid or payable	-	3,707
	Deferred commission expense opening	-	3,494
		-	7,201
	Commission received or recoverable	-	(4,867)
	Commission from reinsurers	-	(4,867)
	Net commission	-	2,334

		(Restated)	
		2018	2017
Note -----(Rupees in '000)-----			
<b>18</b>	<b>MANAGEMENT EXPENSES</b>		
	Salaries, allowances and other benefits	4,157	7,703
	Travelling	162	148
	Advertisement	281	170
	Printing and stationery	96	227
	Depreciation	660	2,492
	Rent, rates and taxes	368	1,617
	Legal and professional charges	3,879	717
	Electricity, gas and water	-	237
	Entertainment	35	113
	Vehicle running expenses	276	434
	Office repairs and maintenance	223	1,048
	Bank charges	14	12
	Postage, telegram and telephone	113	136
	Annual Supervision fee SECP	100	-
	Fees, subscription and periodicals	565	-
	Bad and doubtful debts	-	21,079
		<u>10,929</u>	<u>36,133</u>
<b>19</b>	<b>INVESTMENT INCOME</b>		
	<b>Income from debt securities</b>		
	<b>Held to maturity</b>		
	- Return on government securities	2,397	2,409
		<u>2,397</u>	<u>2,409</u>
	Less: Investment related expenses	(50)	(56)
	Investment income	<u>2,347</u>	<u>2,353</u>
<b>20</b>	<b>OTHER INCOME</b>		
	Return on bank balances	57	42
	Gain/(loss) on sale of fixed assets	40	-
		<u>97</u>	<u>42</u>
<b>21</b>	<b>OTHER EXPENSES</b>		
	Auditors' remuneration	21.1 429	429
	loss on sale of fixed assets	-	1,342
		<u>429</u>	<u>1,771</u>

	<b>2018</b>	<b>(Restated) 2017</b>
Note	------(Rupees in '000)-----	

**21.1 Auditors' remuneration**

Audit fee and Regulatory return	250	250
Half yearly review	100	100
CCG	50	50
Out of pocket expenses	29	29
	<u>429</u>	<u>429</u>

	<b>2018</b>	<b>2017</b>
Note	------(Rupees in '000)-----	

**22 TAXATION**

- Current	22.1	266	584
- Deferred		<u>2,619</u>	<u>-</u>
		<u>2,885</u>	<u>584</u>

- 22.1** Current tax charge has only been recorded in respect of dividend income which has been treated as a separate block of income. The numerical reconciliation between the average tax rate and the applicable tax rate has not been presented as the Company has incurred loss during the year and has accumulated losses in respect of prior periods.

**23 LOSS PER SHARE -  
BASIC AND DILUTED**

Loss after tax for the year	<u>(11,799)</u>	<u>(42,231)</u>
	(Number in thousand)	
Weighted average number of Ordinary shares	<u>35,000</u>	<u>35,000</u>
	----- (Rupees) -----	
Loss per share - basic and diluted	<u>(0.34)</u>	<u>(1.21)</u>

- 23.1** No figure for diluted loss per share has been presented as the Company has not issued any instrument which would have an impact on loss per share when exercised.

**24 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES**

	<b>Chief Executive Officer</b>		<b>Directors</b>		<b>Executives</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	-----Rupees in '000-----					
Fees	-	-	210	-	-	-
Managerial remuneration	958	1,926	-	-	1,838	1,993
Utilities	25	35	-	-	-	-
Medical	-	29	-	-	64	36
	<u>983</u>	<u>1,990</u>	<u>210</u>	<u>-</u>	<u>1,902</u>	<u>2,029</u>
Number of persons	<u>1</u>	<u>1</u>	<u>4</u>	<u>4</u>	<u>1</u>	<u>1</u>

Chief Executive Officer has been provided with Company maintained car.

Executive means an employee, other than the chief executive and directors, whose basic salary exceeds twelve hundred thousand rupees in a financial year.



## 25 SEGMENT INFORMATION

For the year ended December 31, 2018						
	Fire and property damage	Marine, aviation and transport	Motor	Accident & health	Miscellaneous	Aggregate
	----- (Rupees in '000) -----					
Gross written premium (inclusive of surcharges)	-	-	-	-	-	-
Insurance premium earned	-	-	-	-	-	-
Insurance premium ceded to reinsurers	-	-	-	-	-	-
Net insurance premium	-	-	-	-	-	-
Commission income	-	-	-	-	-	-
<b>Net underwriting income</b>	-	-	-	-	-	-
Insurance claims	-	-	-	-	-	-
Insurance claims recovered from reinsurers	-	-	-	-	-	-
Net claims	-	-	-	-	-	-
Commission expense	-	-	-	-	-	-
Management expense	-	-	-	-	-	(10,929)
<b>Net insurance claims and expenses</b>	-	-	-	-	-	(10,929)
<b>Underwriting results</b>	-	-	-	-	-	(10,929)
Net investment income						2,347
Other income						97
Other expenses						(429)
<b>Result of operating activities</b>						(8,914)
Finance costs						-
<b>Loss before tax</b>						(8,914)

## For the year ended December 31, 2017

	Fire and property damage	Marine, aviation and transport	Motor	Accident & health	Miscellaneous	Aggregate
	----- (Rupees in '000) -----					
Gross written premium (inclusive of surcharges)	(5)	123	(377)	-	(252)	(511)
Insurance premium earned	(5,995)	322	1,723	4	20,060	16,114
Insurance premium ceded to reinsurers	(16,553)	(10,023)	1,025	-	(2,978)	(28,529)
Net insurance premium	10,558	10,345	698	4	23,038	44,643
Commission income	-	-	-	-	-	-
<b>Net underwriting income</b>	10,558	10,345	698	4	23,038	44,643
Insurance claims	-	-	-	-	-	-
Insurance claims recovered from reinsurers	(11,440)	(13,442)	2,325	21,524	(47,414)	(48,447)
Net claims	(11,440)	(13,442)	2,325	21,524	(47,414)	(48,447)
Commission expense	110	(3,704)	(135)	-	1,395	(2,334)
Management expense	(354)	8,697	(26,658)	-	(17,819)	(36,133)
<b>Net insurance claims and expenses</b>	(11,684)	(8,449)	(24,468)	21,524	(63,838)	(86,914)
<b>Underwriting results</b>	<u>(1,126)</u>	<u>1,896</u>	<u>(23,770)</u>	<u>21,528</u>	<u>(40,800)</u>	<u>(42,271)</u>
Net investment income						2,353
Other income						42
Other expenses						(1,771)
<b>Result of operating activities</b>						<u>(41,647)</u>
Finance costs						-
<b>Loss before tax</b>						<u><u>(41,647)</u></u>

**25.1 Other information - Statement of Assets and Liabilities**

	2018					
	Fire and property	Marine, aviation and transport	Motor	Accident and Health	Miscellaneous	Total
	(Rupees in '000)					
Segment assets	-	-	-	-	-	-
Unallocated assets	-	-	-	-	-	67,011
Consolidated total assets	-	-	-	-	-	67,011
Segment liabilities	-	-	-	-	-	-
Unallocated liabilities	-	-	-	-	-	82,830
Consolidated total liabilities						82,830

  

	2017					
	Fire and property	Marine, aviation and transport	Motor	Accident and Health	Miscellaneous	Total
	(Rupees in '000)					
Segment assets	-	-	-	-	-	-
Unallocated assets	-	-	-	-	-	68,604
Consolidated total assets	-	-	-	-	-	68,604
Segment liabilities	-	-	-	-	-	-
Unallocated liabilities	-	-	-	-	-	72,624
Consolidated total liabilities						72,624

	2018	2017
	------(Rupees in '000)-----	
<b>26 FINANCIAL INSTRUMENTS BY CATEGORY</b>		
<b>Financial assets and financial liabilities</b>		
<b>Financial assets</b>		
<b>Loans and receivables - amortisation</b>		
<b>Cash and bank deposits</b>		
Cash and other equivalents	82	75
Current and other accounts	253	705
Deposits maturing within 12 months	-	-
	335	780
<b>Investments</b>		
-At fair value through profit or loss	40,339	38,208
	40,674	38,988
<b>Financial Liabilities</b>		
<b>Amortised cost</b>		
Unclaimed dividend	195	195
Other creditors and accruals	82,635	72,624
	82,830	72,819

## 27 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

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

The different level by valuation method of financial instruments have been defined as follows:

- 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 or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

	----- 2018 -----	
	------(Rupees in '000)-----	
	Level 1	Total
Financial assets designated at fair value through profit or loss		
- Equity securities	40,339	40,339
	----- 2017 -----	
	------(Rupees in '000)-----	
	Level 1	Total
Financial assets designated at fair value through profit or loss		
- Equity securities	38,208	38,208

**28. RISK MANAGEMENT****28.1 Financial risk****(i) Market risk**

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

**(a) Interest rate risk**

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

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

-----2 0 1 8-----							
Interest Rates	Interest / mark-up bearing			Interest / mark-up bearing			Total
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
----- (Rupees in '000) -----							

**Financial assets**

Cash and bank deposits	3.75%	253	-	253	85	-	85	338
Investments		-	-	-	40,339	-	40,339	40,339
		253	-	253	40,424	-	40,424	40,677

**Financial liabilities**

Other creditors and accruals		-	-	-	82,335	-	82,335	82,335
Unclaimed dividend		-	-	-	195	-	195	195
		-	-	-	82,530	-	82,530	82,530

-----2 0 1 7-----							
Interest Rates	Interest / mark-up bearing			Interest / mark-up bearing			Total
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
----- (Rupees in '000) -----							

**Financial assets**

Cash and bank deposits	3.75%	693	-	693	87	-	87	780
Investments		-	-	-	38,208	-	38,208	38,208
		693	-	693	38,295	-	38,295	38,988

**Financial liabilities**

Other creditors and accruals		-	-	-	72,429	-	72,429	72,429
Unclaimed dividend		-	-	-	195	-	195	195
		-	-	-	72,624	-	72,624	72,624

**(b) Price risk**

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company manages its exposure to such risks by maintaining a diversified portfolio of investments.

**(c) Claims development tables**

The following table shows the development of claims of all classes over a period of time. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments.

	2018	2017	2016 and prior years
Analysis on gross basis Accident year			
Estimate of ultimate claims cost:	-	-	25,084
At end of accident year	-	-	20,308
One year later	-	-	-
Two year later	-	-	20,308
Current estimate of cumulative claims	-	-	(20,308)
Cumulative payments to date	-	-	-
Liability recognised in the balance sheet			

**(ii) Liquidity risk**

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

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

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

	2018			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
	(Rupees in '000)			
Other creditors and accruals	82,140	82,140	10,206	82,140
Unclaimed dividend	195	195	-	195
	82,335	82,335	10,206	82,335

	2017			
	Carrying amount	Contractual cash flow	Up to one year	More than one year
	(Rupees in '000)			
Other creditors and accruals	54,859	54,859	54,859	-
Unclaimed dividend	195	195	195	-
	<u>55,054</u>	<u>55,054</u>	<u>55,054</u>	<u>-</u>

### (iii) Credit risk

Credit risk is the risk which 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. Credit risk also arises in respect of reinsurance contracts as 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 ceded to the extent that the reinsurance operator fails to meet the obligation under the reinsurance arrangements. The Company attempts to control credit risk by monitoring credit exposures and continually assessing the credit worthiness of counterparties. The table below analyses the Company's maximum exposure to credit risk:

	2018	2017
	----- (Rupees in '000) -----	
- Bank deposits*	<u>253</u>	<u>705</u>

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

	Rating		Rating Agency	2018	2017
	Short Term	Long Term		--- (Rupees in '000) ---	
<b>Bank deposits</b>					
NIB Bank Limited	A1+	AA-	PACRA	246	303
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	7	387
Silk Bank Limited	A-2	A-	JCR VIS	-	7
Bank Al Habib Limited	A1+	AA+	PACRA	-	8
				<u>253</u>	<u>705</u>

## 28.2 Capital management

Capital requirements applicable to the Company are set and regulated by the SECP. These requirements are put in place to ensure sufficient paid up capital and solvency margins. The Company manages its capital requirement by assessing its capital structure against the required capital level on a regular basis. Currently, the Company has a paid-up capital of Rs 350 million against the minimum required paid-up capital of Rs 300 million set by the SECP for non-life insurance companies through issue of Circular No. 3 dated April 10, 2007 for the year ended December 31, 2018.

In accordance with the requirements of the Insurance Ordinance, 2000 and as mentioned in the Insurance Rules, 2017 (SECP vide SRO 89(1)/2017 dated February 09, 2017), the minimum solvency requirement (i.e excess of admissible assets over liabilities) is Rs 150 million. The Company is not meeting the minimum solvency requirement as at December 31, 2018.

**29 STATEMENT OF SOLVENCY**

		<b>2 0 1 8</b>
		(Rupees in '000)
<b>ASSETS</b>		
Property and equipment		32
Investments - Mutual fund		40,339
Taxation _ payments less provision		26,305
Cash and bank		335
<b>Total Assets (A)</b>		<b>67,011</b>
<b>In-admissible assets as per following clauses of section 32(2) of the Insurance Ordinance, 2000</b>		
(u)		32
<b>Total of In-admissible assets (B)</b>		<b>32</b>
<b>Total Admissible Assets (C=A-B)</b>		<b>66,979</b>
<b>Total Liabilities</b>		
Underwriting Provisions		
Other Creditors and Accruals		82,530
<b>Total Liabilities (D)</b>		<b>82,530</b>
<b>Total Net Admissible Assets (E=C-D)</b>		<b>(15,551)</b>
<b>Minimum Solvency Requirement (higher of following)</b>		150,000
Method A - U/s 36(3)(a)	150,000	
Method B - U/s 36(3)(b)	-	
Method C - U/s 36(3)(c)	-	
<b>Excess / Deficit in Net Admissible Assets over Minimum Requirements</b>		<b>(165,551)</b>



**30. CORRESPONDING FIGURES**

As referred to in note 5.1.1, the Insurance Accounting Regulations 2017 have become effective from January 1, 2018. These regulations have introduced a single balance sheet, profit and loss account, cash flow, which resulted in additional disclosures and certain changes in the presentation.

Due to change comparative figures can be reconciled to the financial statements for the year ended December 31, 2017 as follows:

**Profit and loss account**

<b>Nature</b>	<b>Note</b>	<b>Reclassification from</b>	<b>Reclassification to</b>	<b>Amount</b>
(Rupees in '000)				
Income	19	Statement of investment income - At fair value through profit or loss	Investment Income	2,353
Income	20	Return on bank balances	Other income - Return on bank balances	42
Income	21	Gain/(loss) on sale of fixed assets	Other expenses - Loss on sale of fixed assets	1,342
Expense	18	Bad debts against premium due but unpaid	Management expenses - Bad and doubtful debts	21,079
Expense	18	General and administrative expenses - Salaries, wages and other benefits	Management expenses - Salaries, allowance and other benefits	6,549
Expense	18	General and administrative expenses - Travelling and conveyance	Management expenses - Travelling expenses	148
Expense	18	General and administrative expenses - Advertisement	Management expenses - Advertisement and sales promotion	170
Expense	18	General and administrative expenses - Printing and stationary	Management expenses - Printing and stationary	220
Expense	18	General and administrative expenses - Depreciation	Management expenses - Depreciation	826
Expense	18	General and administrative expenses - Rent, rates and taxes	Management expenses - Rent, rates and taxes	246
Expense	18	General and administrative expenses - Legal and professional charges	Management expenses - Legal and professional charges	717
Expense	18	General and administrative expenses - Utilities	Management expenses - Electricity, gas and water	80
Expense	18	General and administrative expenses - Entertainment	Management expenses - Entertainment	113
Expense	18	General and administrative expenses - Vehicle running expenses	Management expenses - Vehicle running expenses	218

Nature	Note	Reclassification from	Reclassification to	Amount
(Rupees in '000)				
Expense	18	General and administrative expenses - Repairs and maintenance	Management expenses - Office repairs and maintenance	860
Expense	18	General and administrative expenses - General office expenses	Management expenses - Office repairs and maintenance	106
Expense	18	General and administrative expenses - Computer charges	Management expenses - Office repairs and maintenance	82
Expense	18	General and administrative expenses - Communication	Management expenses - Postages, telegrams and telephone	50
Expense	18	Other charges - Bank charges	Management expenses - Bank charges	12
Expense	18	General and administrative expenses - Auditors' remuneration	Other expenses - Auditors' remuneration	429

**31. SUBSEQUENT EVENTS**

There is no subsequent event effecting the financial statements for the year ended December 31, 2018.

**32. NUMBER OF EMPLOYEES**

The total average number of employees during the year and as at December 31, 2018 and 2017 respectively are as follows:

	2018	2017
	(Number of employees)	
Average number of employees during the year	3	10
Number of employees as at December 31,	3	4

**33. GENERAL**

Figures have been rounded off to the nearest thousands.

**34. DATE OF AUTHORISATION FOR ISSUE**

These financial statements have been approved by the Board of Directors of the Company and are authorised for issue on April 5, 2019.

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 Chairman

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 Director

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 Director

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 Chief Executive Officer

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 Chief Financial Officer

### Notice of Annual General Meeting

Notice is hereby given that the Fifteenth (15<sup>th</sup>) Annual General Meeting of the Company will be held at 2<sup>nd</sup> Floor, Nadir House, I.I. Chundrigar Road, Karachi on Tuesday, April 30, 2019 at 09.00 AM to transact the following business:

#### Ordinary Business

1. To confirm the Minutes of the Annual General Meeting held on April 28, 2018.
2. To receive, consider and adopt the Audited Financial Statements for the year ended December 31, 2018 together with the Chairman's review, Directors' Report and Auditors' Report thereon.
3. To appoint Auditors of the Company for the year ending December 31, 2019 and to fix their remuneration.

#### Other Business

4. Any other matter with the permission of Chair.

Karachi: April 9, 2019

**Moiz Ali**  
Managing Director / CEO

#### Notes:

1. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as a proxy to attend and vote in respect of him. Form of proxy must be deposited at the Company's Registered Office not later than 48 hours before the time appointed for the meeting.
2. CDC Account holders are advised to follow the following guidelines of the Securities and Exchange Commission of Pakistan.

##### A. For attending the meeting:

- (i) In case of individuals, the account holder and or sub-account holder and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- (ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

##### B. For appointing proxies:

- i. In case of individuals, the account holder and or sub-account holder and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
  - ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
  - iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
  - iv. The proxy shall produce his original CNIC or original passport at the time of the meeting.
  - v. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
3. The Share Transfer Books of the Company will be closed from April 24, 2019 to April 30, 2019 (both days inclusive). Transfers received in order by our Share Registrar, F.D. Registrar Services (SMC-Pvt) Limited, 1705, 17<sup>th</sup> Floor, Saima Trade Tower – A; I.I. Chundrigar Road, Karachi, Pakistan at the close of business on April 23, 2019 will be considered in time to attend and vote at the meeting.
  4. Members are requested to notify / submit the following, in case of book entry securities in CDC to respective CDC participants and in case of physical shares, to the Company's Share Registrar, if not earlier provided / notified:-
    - a. Change in their addresses;
    - b. Valid and legible photocopies of Computerized National Identity card (CNIC) for Individuals and National Tax Number (NTN) both for individual & corporate entities; and
    - c. Consent to receive Annual Financial Statements through e-mail. The Securities & Exchange Commission of Pakistan through its Notification SRO 787(1)2014 of September 8, 2014 has allowed companies to circulate Audited Financial Statements along with Notice of Annual General Meeting to its members through e-mail.

Members who wish to avail this facility can give their consent to Company Secretary at email address: [info@picicinsurance.com](mailto:info@picicinsurance.com)
  5. Audited Accounts of the Company for the year ended December 31, 2018 are available on the Company's website: [www.picicinsurance.com](http://www.picicinsurance.com).

**Proxy Form  
Annual General Meeting**

I / We.....  
of.....being a member of PICIC Insurance Limited and holder of  
.....Ordinary shares as per Registered Folio  
No.....and / or CDC Participant  
I.D. No.....Sub-Account No.....CNIC  
No.....or Passport No.....Hereby appoint  
.....of ..... who is also a member of  
the company, Folio No.....or failing him/her..... of  
.....as my/our Proxy in my/our absence to attend, speak and vote for me/us and  
on my/our behalf at the Annual General Meeting of the company to be held on Tuesday, April 30, 2019  
at 9:00 AM at 2<sup>nd</sup> Floor, Nadir House, I.I. Chundrigar Road, Karachi and at any adjournment thereof.

Signed this ..... day of..... 2019

**1. Witness:**

Signature.....

Name.....

Address.....

.....

CNIC or Passport No.....

Revenue  
Stamp

Signature of Shareholder

**2. Witness:**

Signature.....

Name.....

Address.....

.....

CNIC or Passport No.....

**Note:**

1. Proxies in order to be effective must be received at the Registered Office of the company at 3<sup>rd</sup> Floor, Nadir House, I.I. Chundrigar Road, Karachi not later than 48 hour before the meeting.
2. CDC Shareholders and their Proxies are each requested to attach an attested Photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the company.
3. The Shareholders having shares deposited with the Central Depository Company (CDC) are requested to bring their Original Computerized National Identity Card and CDC account number for verification.

## پراکسی فارم

### سالانہ اجلاس عام

میں / ہم ..... پبلک انشورنس لمیٹڈ کے ممبر ..... اور آرڈینری شیئرز (عام  
حصص) کے رجسٹریشن فوئیو نمبر ..... اور / یا سی ڈی سی کا آئی ڈی نمبر ..... سب اکاؤنٹ  
نمبر ..... شناختی کارڈ نمبر ..... یا پاسپورٹ نمبر ..... کا حامل ہوتے ہوئے جناب  
..... کو ..... جو کہ کمپنی کے فوئیو نمبر ..... کے تحت ممبر ہے، ان کو اپنی / اپنے  
غیر حاضری کی صورت میں پراکسی (نمائندہ) مقرر کرتا ہوں / کرتے ہیں۔ اب وہ کمپنی کے سالانہ عام منعقد کردہ اجلاس منگل 30، اپریل 2019 کو بوقت 9:00 بجے صبح،  
سیکنڈ فلور، آئی آئی چندریگر روڈ، کراچی میں ہم / ہماری طرف سے حاضر، بحث و مباحثہ اور ووٹ دے سکتا ہے۔

بتاریخ ..... 2019 کو دستخط کئے۔

1- گواہ:

..... دستخط

..... نام

..... پتہ

..... شناختی کارڈ نمبر

2- گواہ:

..... دستخط

..... نام

..... پتہ

..... شناختی کارڈ نمبر

### نوٹ:

- 1- پراکسیز (نمائندگان) کو موثر ہونے کے لئے کمپنی کے رجسٹرڈ آفس تھرڈ فلور، نادر ہاؤس، آئی آئی چندریگر روڈ سے اجلاس سے 48 گھنٹے پہلے حاصل کرنا لازمی ہے۔
- 2- سی ڈی سی شیئر ہولڈرز (حصص یافتگان) اور ان کے پراکسیز ہر ایک سے درخواست کی جاتی ہے کہ وہ اپنے کمپیوٹر انڈینٹیل شناختی کارڈ یا پاسپورٹ کی فوٹو کاپی اپنے پراکسی فارم (Proxy Form) کو کمپنی میں جمع کروانے سے قبل منسلک کریں۔
- 3- حامل شیئر ہولڈرز نے شیرز کو سینٹرل ڈپازٹری کمپنی (CDC) کے ساتھ ڈپازٹ کئے ہیں ان سے درخواست کی جاتی ہے کہ تصدیق کروانے کے لئے اپنے کمپیوٹر انڈینٹیل شناختی کارڈ اور سی ڈی سی اکاؤنٹ نمبر اپنے ہمراہ ساتھ لائیں۔

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Registered & Head Office

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11 Chundrigar Road, Karachi

Tel: 021-32410781

Fax: 021-32410782

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