

Travel



Health



Marine



Engineering



Motor



Fire



Agriculture



Livestock



# ANNUAL REPORT 2019



**asiaINSURANCE**

We've got **You covered** company Ltd.

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## CHAIRMAN'S MESSAGE



**I**t is of great pleasure for me to announce that your Company has completed yet another successful year, 2019. It's combined gross premium and contribution income increased by Rs. 19.82 million representing 4% increase from previous year. The profit after tax has decreased by Rs. 14.13 million representing 70% decrease from previous year. The profit before tax has decreased by Rs. 10.98 million representing 71% decrease from previous year. I am happy to mention that our journey of progress and accomplishments is continuing despite economic challenges faced by the country in 2019. This continued sustainability and improvement in business and operations of the Company would not have been possible without the untiring hard work

of the field force, back office staff and professional management of the Company. I am confident that the Company's spirited manpower will continue their hard work to increase the market share of your Company to a well-deserved level commensurate with its peers. The new business strategy for 2020 approved by your Board of Directors is aimed at growth and expansion in leaps and bounds. The continued sustainability will be sustained to encourage all stake holders of the Company including its employees, management, shareholders and its valued client. Under the able guidance of its illustrious Board of Directors, the management and staff of Asia Insurance Company will continue to remain committed to their vision, mission and core values. Your Company will continue to capitalize the new opportunities and the development of new products and services to achieve the fulfillment of its insurance potential. In addition to our dedicated staff and management, I would like to also thank Securities and Exchange Commission of Pakistan, State Bank of Pakistan, Members of Pakistan Banking Council, our Auditors, brokers and above all our valued clients for their continued support and confidence in us.

  
**Chairman**



## Our Vision

Asia Insurance Company Limited aims to be an ideal insurance company with a large equity base; to provide more opportunities and options for utilization of funds and to increase profitability through economies of scale, better resource mobilization and reduction in operational cost; to achieve this while providing better service to our clients and stakeholders.

## Our Mission

Provide excellent services by way of best risk management and hassle-free settlement of claims through a nation-wide network of branches manned by a sound and dynamic team to ensure good governance.



## Core Value

Dedication towards customer services, motivated personnel, reward them and enhance their skills, Contribute towards Company's financial goals and focus on achieving results, Commitment towards excellence in quality of work.

## COMPANY INFORMATION

<b>Chairman</b>	Mr. Khalid Rashid (Over 40 Year Experience in Insurance Industry)
<b>Chief Executive</b>	Mr. Ihtsham ul Haq Qureshi (Prince Henrik Medal of Honour by Royal Kingdom of Denmark)
<b>Directors</b>	Mr. Khawaja Suhail Iftikhar (Former General Manager of PIA) Mr. Ihtsham ul Haq Qureshi (Prince Henrik Medal of Honour by Royal Kingdom of Denmark) Mrs. Nosheen Ihtsham Qureshi (Tamgha-e-Imtiaz by Government of Pakistan) Mr. Zain ul Haq Qureshi Mr. Khalid Rashid (Over 40 Year Experience in Insurance Industry) Mr. Hassan Ahmed Khan Mr. Thibaud Ponchon (Nominee Director of InsuResilience Investment Fund SICAV RAIF, Luxembourg)
<b>Audit Committee</b>	Mr. Hassan Ahmed Khan (Chairman) Mr. Khalid Rashid (Member) Mr. Khawaja Suhail Iftikhar (Member) Mr. Thibaud Ponchon (Member) Mr. Iftikhar Ahmed (Secretary)
<b>Legal Advisor</b>	Barister Munawar-us-Salam Cornelius, Lane & Mufti, Advocates and Solicitors, Nawa-e-Waqt Building, 4-Shahra-e-Fatima Jinnah, Lahore.
<b>Sharia Advisor</b>	Mufti Muhammad Akhlaq
<b>Share Registrar</b>	Corplink (Pvt.) Limited, Wings Arcade, 1-K, Model Town, Lahore.
<b>CFO</b>	Mr. Muhammad Ali Raza (ACA)
<b>Company Secretary/ Compliance Officer</b>	Ms. Shazia Hafeez (B.Sc.) (LL.B.)
<b>Internal Auditor</b>	Mr. Iftikhar Ahmed (CICA) (CAF)
<b>Auditors</b>	BDO Ebrahim & Company Chartered Accountants.
<b>Actuary</b>	Anwar Associates

## Management Committees

### Risk Management & Compliance Committee

Mr. Zain ul Haq Qureshi	Chairman
Mr. Shahbaz Hameed	Member
Mr. Muhammad Masood	Member
Ms. Shazia Hafeez	Secretary

### Underwriting committee

Mr. Khalid Rasheed	Chairman
Mr. Zain ul Haq Qureshi	Member
Mr. Mustajab Ahmed	Member
Mr. Amjad Rao	Secretary

### Claim settlement Committee

Mr. Khawaja Suhail Iftikhar	Chairman
Mr. Shahbaz Hameed	Member
Mr. Hassan Ahmad Khan	Member
Mr. Asif Ali Mughal	Secretary

### Reinsurance & Co-insurance Committee

Mr. Khalid Rasheed	Chairman
Mr. Zain ul Haq Qureshi	Member
Mr. Mohammad Ali Raza	Member
Mr. Muhammad Masood	Secretary

## Board Committees

### Ethic, Human Resource & Remuneration Committee

Mr. Hassan Ahmad Khan	Chairman
Mrs. Nosheen Ihtsham	Member
Mr. Ihtisham ul Haq Qureshi	Member
Mr. Shahbaz Hameed	Secretary

### Investment Committee

Mr. Ihtisham ul Haq Qureshi	Chairman
Mr. Zain ul Haq Qureshi	Member
Mrs. Nosheen Ihtsham	Member
Mr. Hassan Ahmed Khan	Member
Mr. Mohammad Ali Raza	Secretary

### Audit Committee

Mr. Hassan Ahmed Khan	Chairman
Mr. Khalid Rashid	Member
Mr. Thibaud Ponchon	Member
Mr. Khawaja Suhail Iftikhar	Member
Mr. Iftikhar Ahmed	Secretary

## MANAGEMENT

<b>Mr. Ihtsham ul Haq Qureshi</b>	Chief Executive Officer
<b>Mr. Zain ul Haq Qureshi</b>	Executive Director
<b>Mr. Muhammad Ali Raza</b>	Chief Financial Officer
<b>Ms. Shazia Hafeez</b>	Company Secretary & Compliance Officer
<b>Mr. Riaz Hussain Shah</b>	Deputy Managing Director
<b>Mr. Shahbaz Hameed</b>	Assistant General Manager HR/Admin & Legal
<b>Mr. Gulfaraz Anis</b>	Assistant General Manager MIS
<b>Mr. M. Amjad Rao</b>	Controller of Branches
<b>Mr. Abdul Hamid</b>	Head of Takaful
<b>Mr. M. Imran Qureshi</b>	Agri & Corporate Head
<b>Dr. Asrar Hussain Ch.</b>	VP Live Stock Projects.
<b>Mr. Muhammad Ahmad Chauhan</b>	Head of Corporate Health
<b>Mr. Iftikhar Ahmad</b>	Head of Internal Audit
<b>Mr. Omer Yousaf</b>	Senior Manager Accounts
<b>Mr. Mustjab Ahmed</b>	Manager Underwriting
<b>Mr. Muhammad Masood</b>	Manager Reinsurance
<b>Mr. Asif Ali Mughal</b>	Manager Claims
<b>Mr. Amjad Hussain</b>	Manager Travel & Recovery
Mr. Asif Masood Bhatti	General Manager South

**Registered & Head Office:**

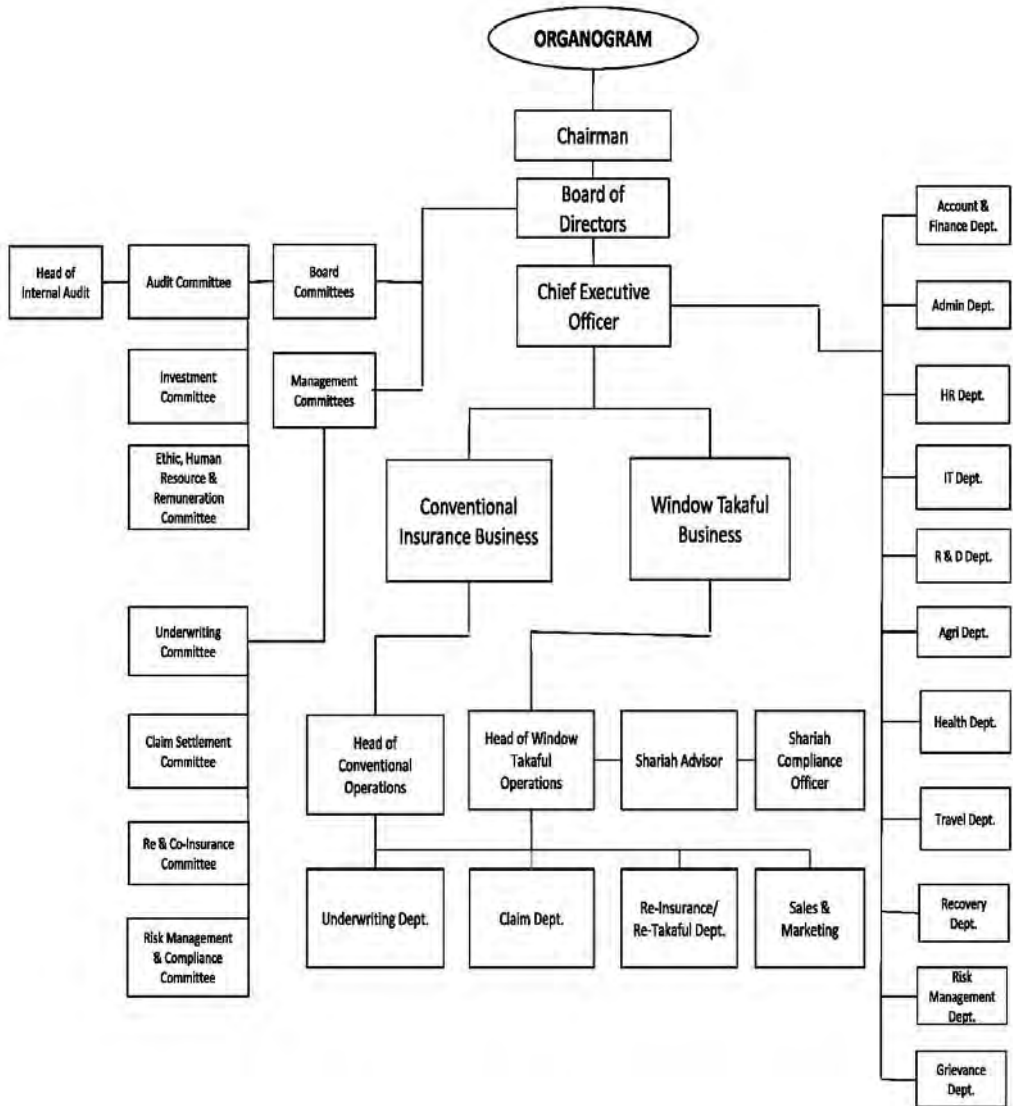
Asia House, 19 C/D Block-L, Gulberg III, Main Ferozpur Road, Lahore, Pakistan.

**Phone:** +92-42-35865575-78

**Fax:** +92-42-35865579

**UAN:** +92-311-111-ASIA (2742)

# ORGANOGRAM





## Statement Of Ethics:

All Directors and staff are required to:

- Act with integrity, dignity and in an ethical manner when dealing with the public, clients and peers.
- Protect the confidentiality of client information at all times except where required by law to disclose it.
- Protect the confidentiality of information relating to the Company both during the course of Directorship or employment (as the case may be) and after its' termination (regardless of reason).
- Obtain written permission from the Company's Compliance Officer (or the Chief Executive Officer in the event that the Compliance Officer is Unavailable) to hold any position (paid or unpaid) with any outside party, firm or organization. For clarity, positions covered include but are not limited to consultant, employee, Director, representative and agent. Directors are exempt from the requirement.
- Maintain accurate records of business transactions related to the Company or its clients.
- Report any business or professional activity that may result in a conflict with or be competitive with the interest of the Company.
- Report any person or activity to the Compliance Officer or their opinion is in violation of this statement.
- Disclose their shareholding in the Company's securities upon agreement and any changes in shareholding within 24 hours of any such change.
- Every Director and employee who has knowledge of confidential material information of the Company's affairs is prohibited from trading in shares of the Company.

## Statement Of Business Practices

- **Uncompromising Integrity:**

Our business is founded on trust and we manage it ethically, lawfully and fairly. It is our objective to conduct business with reputable clients and business partners who are involved in lawful business activities. We do not facilitate money laundering.

- **Clients' Interest:**

Nothing we do is more important than shielding and preserving our clients' lawful interests. We hold responsibilities towards our clients in the highest regard.

- **Entrepreneurship:**

We work hard every day to hire the best people, stimulate them, reward them and endorse them to innovate. We are an equal opportunity employer.

- **Zeal for Performance:**

We contribute towards our Company's financial goals and focus on achieving better results.

- **A Culture of Distinction:**

We measure our performance on every task we undertake not just by the results but also by the quality of our work.

- **A Tradition of Success:**

While we are fair and ethical at all times, we compete fairly with the quality and the price of our innovative products and services, not by offering improper benefits to others. Employees are not permitted to use their jobs to solicit, to demand, accept, obtain or be promised advantages.

## PRODUCTS AND SERVICES

### a. CONVENTIONAL INSURANCE BUSINESS:

- **Motor Insurance**

We offer complete Auto Insurance plans for both individuals and corporate clients, covering theft, snatching, armed hold up, accidental damage, third party liability and terrorism. This is backed up with the liberty to have your vehicle repaired at the workshop of your own choice.

- **Property Insurance**

This covers insurance for factories, offices and homes and coverage against fire/lightning and allied perils like Impact damage, Storms, Earthquakes Rain/Flood damage, Riot & Strike damage, Burglary and Malicious damage.

- **Marine Insurance**

Covers imports exports of consignments, loss or damage of cargo during transit by air, sea and rail/road. It also covers dispatch of finished goods from the insured's factory to anywhere within and outside Pakistan.

- **Agriculture Insurance**

We provide insurance coverage against agriculture loans disbursed by banks, which cover insurance of crops and livestock, as well as farm implements like tractors and harvesters.

- **Travel Insurance**

We provide bank guarantees for travel agents and travel insurance service for our corporate clients, individuals, students and special packages for Hajj and Ummrah tour operators and groups. Our travel insurance policies are approved for travel around the world, including the Schengen States.

- **Miscellaneous Insurance**

We also provide customized insurance solutions for our corporate clients, the covers range from the insurance of engineering projects to electrical equipment and machinery breakdown, contractor all risks, erection all risk, bonds and guarantees.

- **Health Insurance**

We provide health insurance services to corporate employees and their family to safe guard against injuries and accidents in the course of daily life. We are also providing personal accident insurance for individuals and special policy for school going children.

## PRODUCTS AND SERVICES

### b. TAKAFUL BUSINESS:

- **Motor Takaful**

We offer complete Auto Takaful plans for both individuals and corporate clients, covering theft, snatching, armed hold up, accidental damage, third party liability and terrorism. This is backed up with the liberty to have your vehicle repaired at the workshop of your own choice.

- **Property Takaful**

Property Takaful covers factories, offices and homes and provide coverage against fire & lightning and allied perils like Riot & Strike Damage, Malicious Damages, Atmospheric Disturbance, Earthquakes Rain/Flood damage, Burglary, Impact damage, Standard Explosion, Aircraft damage.

- **Marine Takaful**

Covers imports exports of consignments, loss or damage of cargo during transit by air, sea and rail/road. It also covers dispatch of finished goods from the participant's factory to anywhere within and outside Pakistan.

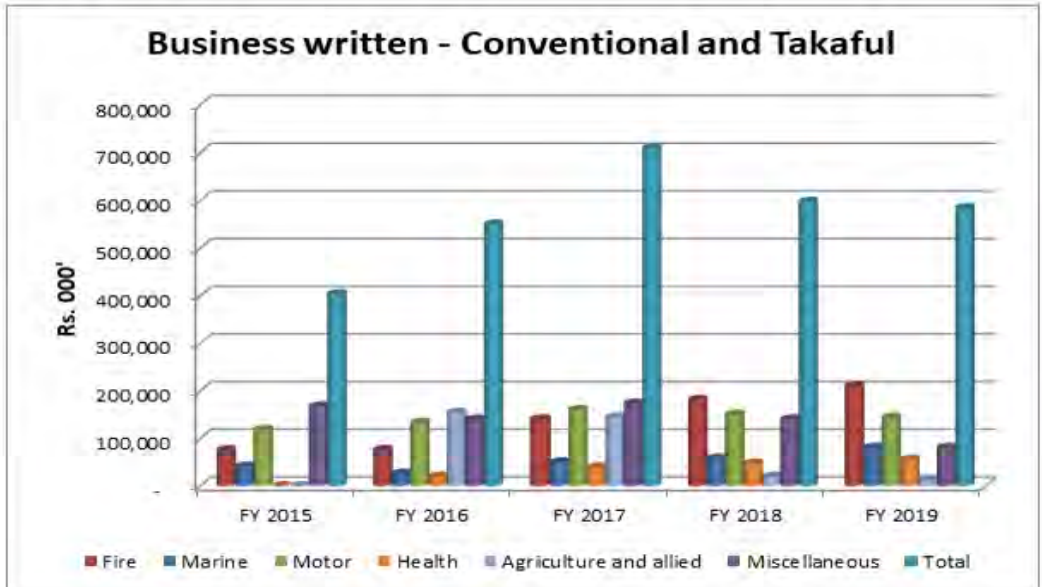
- **Miscellaneous Takaful**

We also provide customized takaful solutions for our corporate clients, the covers range from the takaful of engineering projects to electrical equipment and machinery breakdown, contractor all risks, erection all risk, money takaful, plate glass.

- **Health Takaful**

We provide health takaful services to corporate employees and their family to safe guard against injuries and accidents in the course of daily life. We are also providing personal accident takaful for individuals.

**Financial Highlights - Performance at glance**  
**(Graphical Presentation)**  
 (Rupees in Thousand)



Robust growth of Gross Premium Written continued for the fifth consecutive year. The company's consistent growth stamps the credibility of the Company among its customers and shows the bright future of the Company.



Consistent growth in profitability despite the fact that company has expanded its branch network reflects management's best utilization of resources to generate benefits for all stakeholders specially shareholders.

**Financial Highlights - Performance at glance**  
**(Graphical Presentation)**  
 (Rupees in Thousand)



Healthier increase in total assets over 5 years shows company's prudent policies regarding safety of shareholders' investments along with growth.



Consistent hard work and diligent business strategy adopted by the Company's management resulted in persistent growth in the value of shareholder's wealth.

**Financial Highlights - Performance at glance**  
**(Graphical Presentation)**  
(Rupees in Thousand)

Key operating and financial data for the last six years are as follows:

	2019	2018	2017	2016	2015	2014
<b>Rupees in Thousands</b>						
<b>CONVENTIONAL</b>						
Paidup Capital	603,373	603,373	450,000	450,000	300,000	300,000
Total Assets	1,603,980	1,464,002	1,136,324	1,039,241	952,688	812,950
Equity	975,827	985,919	621,087	543,829	488,142	419,817
Cash and Bank Deposits	202,790	316,248	243,196	116,140	70,721	31,813
Gross Premium	523,656	521,370	659,319	540,234	450,173	304,784
Net Premium Revenue	437,893	480,215	527,728	420,122	347,054	190,975
Gross Claim Paid	170,907	194,584	188,544	124,004	87,142	57,654
Net Claim Expense	131,677	136,964	179,238	95,338	64,193	41,954
Under Writing Profit/(Loss)	(67,990)	(19,527)	(17,495)	15,394	80,341	28,113
Profit/(Loss) Before Tax	4,474	15,457	84,669	73,955	93,261	59,581
Profit/(Loss) After Tax	6,189	20,315	76,795	71,099	68,325	47,513
Investment Income/(Loss)	52,855	10,778	(30,084)	51,676	12,926	33,354
Earnings Per Share(Rs.)	0.10	0.36	1.71	1.58	1.52	1.06
<b>TAKAFUL</b>						
<b>PTF</b>						
Gross Contribution	60,120	42,584	27,579	11,801	-	-
Net Contribution Revenue	17,280	8,433	(1,490)	(6,967)	-	-
Gross Claim Paid	3,815	5,039	2,751	1,585	-	-
Net Claim Expense	12,218	5,662	4,055	1,976	-	-
Under Writing Profit/(Loss)	4,602	2,754	(5,563)	(9,024)	-	-
Investment Income	1,839	-	-	-	-	-
<b>OPF</b>						
Investment Income	1,931	-	79	318	-	-

## NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that 39th Annual General Meeting "AGM" of the members of the Asia Insurance Company Limited (the "Company") shall be held on Friday, the May 29th, 2020, at 2:30 PM at 19 C/D, Block L, Gulberg III, Lahore, to transact the following business:

### ORDINARY BUSINESS:

1. To confirm the minutes of 38th Annual General Meeting held on April 29, 2019.
2. To receive, consider, and adopt the Audited Annual Accounts of the Company for the year ended December 31, 2019 together with Directors' and Auditors' report thereon.
3. To re-appoint M/s BDO Ebrahim & Co., Chartered Accountant as auditors of the Company and fix their remuneration for the year ending December 31, 2020.
4. To consider any other business of the Company with the permission of the Chair.

### SPECIAL BUSINESS

5. To consider and, if through fit, pass the following resolution as Special Resolution with or without modification:

**"RESOLVED THAT** the transaction carried out by the Company with related parties in 2019, wherein majority of directors were interested be and hereby ratified, approved and confirmed."

**"RESOLVED FURTHER THAT** the renewal of Lease Agreements regarding 4th, 5th and 6th Floors of Asia House 19, C/D Block L, Gulberg III, Lahore, with Related Parties wherein majority of directors are interested for the period of three (3) years, starting from April 1, 2020 are hereby approved"

**"RESOLVED FURTHER THAT** Chief Executive and the Secretary of the Company be and is hereby authorized to take necessary steps and execute documents as may be necessary or expedient for the purpose of giving effect to the spirit and intent of above resolutions and take steps necessary for filing of documents with Registrar Concerned"

Lahore  
May 6, 2020

By order of the Board

Shazia Hafeez  
Company Secretary



## NOTES:

1. The financial statements and reports have been placed on the website of the Company [www.asiainsurance.com.pk](http://www.asiainsurance.com.pk)
2. The Share Transfer Books of the Company will remain closed from 23-05-2020 to 29-05-2020 (both days inclusive). Transfers received to our Shares Registrar M/s Corplink (Pvt) Limited, Wings Arcade, 1-K, Model Town, Lahore, by the close of business on 22-05-2020 will be treated as being in time for the purpose and to attend the meeting.
3. A Member entitled to attend and vote at the meeting may appoint another Member as his/her proxy to attend the meeting and vote for him/her. Instruments appointing proxies, in order to be effective, must reach the Registered Office of the Company not less than 48 hours before the meeting, duly signed / notarized certified copy, as the case may be.
4. Shareholders are required to immediately notify the company of any change to their postal addresses.
5. CDC Account Holders are required to follow guidelines provided in Circular 1, dated January 26, 2000 (issued by the Securities and Exchange Commission of Pakistan):

### Attending the Meeting

- i. In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the CDC Regulations, shall authenticate their identity by showing their original CNIC or original passport at the time of attending the meeting.
- ii. In case of corporate entities, the Board of Directors' resolution / power of attorney with specimen signature of the nominee (along with CNIC) shall be produced at the time of the meeting.

### Appointing Proxies

- i. In case of individual, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as provided above.
  - ii. The proxy form shall be witnessed by the 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 (and attested copy of CNIC of nominee) shall be submitted along with proxy form to the Company.
6. 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.
- Change in their addresses

Valid and legible photocopies of CNIC, for individual and NTN both for individual & Corporate entities.

7. The members holding in aggregate 10% or more shareholding residing in the city, can also avail video conference facility under the provisions of section 134 (1) (b) of the Act to participate in the meeting. The consent of such members must reach at the registered office of the Company at least 10 days before the meeting.
8. Pursuant to Notification vide SRO 787, 10/2014 dated September 8, 2014, the Securities and Exchange Commission of Pakistan has directed all the companies to facilitate their members receiving annual financial statements and notice of AGM through electronic mail system. The Company is pleased to offer this facility to its valued members who desire to receive annual financial statements and notices through email in future. In this regard, those members who wish to avail this facility are hereby requested to convey their consent via email on a standard request form which is available on the Company's website.
9. Pursuant to SECP directives vide Circular No.19/2014 dated October 24, 2014 SECP has directed all companies to inform shareholders about changes made in the section 150 of the Income Tax Ordinance, we hereby advise shareholder as under:
  - i. The Government of Pakistan through Finance Act, 2019, effective from July 1, 2019, has made certain amendments in section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:
    - a. for filers of income tax returns: 15 %
    - b. for non-filers of income tax returns: 30 %

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 30%, all the shareholders whose names are not entered into the Active Tax Payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date for payment of the cash dividend otherwise tax on their cash dividend will be deducted @30% instead @15%.

- ii. In the case of shares registered in the name of two or more shareholders, each joint-holder is to be treated individually as either a filer or non-filer and tax be deducted by the Company on the basis of shareholding of each joint - holder as may be notified to the Company in writing. The joint-holders are, therefore, requested to submit their shareholdings otherwise each joint-holder shall be presumed to have an equal number of shares.
  - iii. For any query / problem / information, the investors may contact the Company and / or the Share Registrar at the following phone numbers & email address. The contact number of Company Secretary is 042-35865574-78 & email (as given above) and the contact numbers of Shares Registrar M/s Corplink (Pvt.) Limited, is (042) 35916714, 35916719, 35839182 and email: corplink786@gmail.com/shares@corplink.com.pk.
  - (iv) The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or its Share Registrar. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.
10. Members can exercise their right to demand a poll subject to meeting requirements under Sections 143-145 of the Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations, 2018.
  11. In compliance of Section 244 of the Act, the Company uploaded the details of unclaimed dividend on its website and submitted a statement to the Commission through e-services portal, stating the amount of dividend, which remained unclaimed for a period of 3 years from the date it was due.
  12. Due to current COVID-19 situation and in terms of Circular No. 5/2020 dated March 17, 2020 of SECP, the Company intends to convene the AGM with minimal physical interaction of shareholders while ensuring quorum requirements also requests the members to consolidate attendance at AGM through proxies.

The Company has furthermore made arrangements for participation of the shareholders through Video-Link. The members who are willing to attend and participate in AGM, through Video-Link are requested to register themselves by sending an email at [cs@asiainsurance.com.pk](mailto:cs@asiainsurance.com.pk) with subject Registration for AGM and by providing the following particulars:

Full name of the shareholder, CNIC no. Folio/CDS no. and number of shares held. Video- Link details and login credentials will be shared with those members whose emails containing

all the above particulars are received on the above mentioned email address by the close of business hours (3:00 pm) by or before May 24, 2020.

The shareholders can also provide their comments/suggestions for the proposed agenda items of the AGM on email: [cs@asiainsurance.com.pk](mailto:cs@asiainsurance.com.pk).

#### **Statement under Section 134(3) of the Companies Act, 2017.**

This statement sets out the material facts pertaining to the special business to be transacted in the Annual General Meeting of the Company to be held on Friday, May 29, 2020, Item 5 of the Notice.

The transaction carried out with related parties during the year ended December 31, 2019 are approved by the Board as recommended by the Audit Committee on quarterly basis.

However, in case of lease agreements of 4th, 5th and 6th floors of the Company, the majority of directors are interested being the related parties, therefore, approval of shareholders is to be sought for such transactions, in accordance with provisions of Section 208 of the Companies Act, 2017, such transactions are being placed before the shareholders for the approval through special resolution proposed to be passed in the Annual General Meeting.

All transactions with related parties to be ratified have been disclosed in the financial statements for the year ended December 31, 2019.

Following are the details as per Companies (Related Party Transactions and Maintenance of Related Records) Regulations, 2018

(For the Lease Agreements regarding 4th, 5th and 6th floors of Asia House, Company's Registered office)

A	Name of related parties	Mrs. Shiza Hassan & Zain ul Haq Qureshi
B	Names of the interested or concerned persons or directors	Mr. Ihtsham ul Haq Qureshi Mrs. Nosheen Ihtsham Mr. Hassan A Khan
C	Nature of relationship, interest or concern	Close Relative/Spouse of Director and Son of Director
D	Detail, description, terms and conditions of transactions	Lease Agreement of 4th, of Asia House with Mr. Zain ul Haq Qureshi Lease Agreement with Mrs. Shiza Hassan regarding 5th and 6th floors of Asia House
E	Amount of transaction	Monthly Rent regarding 4th Floor: Rs. 548,977 Monthly Rent regarding 5th and 6th floors: Rs. 1,098,075
F	Time frame or duration of the transactions or contracts or arrangements	Three years
G	Pricing policy	Arm's length
H	Recommendations of the audit committee, where applicable	Audit Committee recommended for approval of the Board
I	Any other relevant and material information that is necessary for the board to make a well informed decision regarding the approval of related party transactions.	As the Board was informed vide disclosure of interest notice by the interested Directors and being related parties majority of the Directors were interested, therefore, it was resolved to take this matter for approval before the shareholders meeting, to be held on May 29th, 2020.

کثیر تعداد دلچسپی رکھتی ہے لہذا کمپنیز ایکٹ 2017 کے سیکشن 208 کے قواعد کے تحت ایسے لین دین کے لئے شیئر ہولڈرز کی منظوری درکار ہے۔ یہ لین دین بنیوعہ خصوص قرار داد منظوری کے لئے شیئر ہولڈرز کے سامنے رکھے گئے ہیں جو متوقع طور پر سالانہ اجلاس عام میں منظور ہو سکتی ہے۔

قابل توثیق متعلقہ فریقین کے ساتھ تمام لین دین کی 31 دسمبر 2019ء کو اختتام پذیر سال کے لئے مالیاتی اسٹیٹمنٹس میں ظاہر کئے گئے ہیں۔ کمپنیز (متعلقہ فریقین سے لین دین اور متعلقہ ریکارڈ کی دیکھ بھال) ضوابط 2018ء کے تحت تفصیلات حسب ذیل ہیں:

(ایشیا ہاؤس، کمپنی کے رجسٹرڈ آفس کی چوتھی، پانچویں اور چھٹی منزل کے لیز معاہدات کے لئے)

A	متعلقہ فریقین کا نام	شیواہ حسن صاحبہ اور زین الحق قریشی
B	خواہشمند یا متعلقہ افراد یا ڈائریکٹرز کے نام	احتشام الحق قریشی صاحب، نوشین احتشام صاحبہ، حسن احمنخان صاحب
C	تعلق، مفاد یا تحفظ کی نوعیت	ڈائریکٹر کا قریبی رشتہ دار اور ڈائریکٹر کا بیٹا
D	لین دین کی تفصیلات، شرائط و ضوابط	زین الحق قریشی کے ساتھ ایشیا ہاؤس کی چوتھی منزل کا لیز معاہدہ، محترمہ شیواہ حسن کے ساتھ ایشیا ہاؤس کی پانچویں اور چھٹی منزل کا لیز معاہدہ
E	لین دین کی رقم	چوتھی منزل کا مابانہ کرایہ 548,977 روپے، پانچویں اور چھٹی منزل کا مابانہ کرایہ: 1,098,075 روپے
F	لین دین یا معاہدوں یا انتظامات کی مدت یا ٹائم فریم	تین (3) برس
G	قیمتوں کی پالیسی	مساوی
H	آڈٹ کمیٹی کی سفارشات جہاں لاگو ہو	آڈٹ کمیٹی نے بورڈ کی منظوری کے لئے سفارشات دیں۔
I	متعلقہ فریقین کے لین دین سے متعلق فیصلہ کے لئے بورڈ کو مطلوب دیگر متعلقہ معلومات	دلچسپی رکھنے والے ڈائریکٹرز کی جانب سے اظہار دلچسپی کے ذریعے بورڈ کو آگاہ کیا گیا اور متعلقہ فریقین کی حیثیت سے اکثر ڈائریکٹرز دلچسپی رکھتے تھے۔ لہذا یہ قرار پایا کہ 29 مئی کو منعقد ہونے والے اجلاس میں اس معاملہ کو حصص داران کے سامنے رکھا جائے اور منظور کیا جائے۔

b. انکم ٹیکس ریٹرن نان-فلنڈز کے لئے: 30 فی صد

منافع منقسمہ کی رقم پر کمپنی کو 30 فی صد کی بجائے بحساب 15 فی صد ٹیکس کٹوتی کا اہل بنانے کے لئے تمام حصص داران جن کے نام FBR کی ویب سائٹ پر فراہم کردہ فعال ٹیکس دہندگان کی فہرست (ATL) میں شامل نہیں ہے۔ انہیں یہ یقینی بنانے کے لئے تجویز دی جاتی ہے کہ وہ اپنے نام نقد منافع منقسمہ کی ادائیگی سے قبل اپنے ناموں کا اندراج ATL میں کروا لیں۔ بصورت دیگر منافع منقسمہ پر ٹیکس کی کٹوتی 15 فی صد کی بجائے 30 فی صد کے حساب سے ہو گی۔

(ii) دو یا زائد حصص داران کے نام پر رجسٹرڈ شیئرز کی صورت میں ہر مشترکہ ہولڈر پر علیحدہ علیحدہ فائلز یا نان فائلز کاسلوک کیا جائے گا۔ اور کمپنی کو تحریری طور پر آگاہ کی گئی ہر جو انٹنٹ ہولڈر کی شیئرز ہولڈنگ کی بنیاد پر کمپنی ٹیکس کی کٹوتی کرے گی۔ لہذا مشترکہ ہولڈرز کو اپنی شیئرز ہولڈنگ سے متعلق آگاہ کرنے کی درخواست کی جاتی ہے بصورت دیگر ہر جو انٹنٹ ہولڈر کو حصص کی مساوی تعداد کا مالک تصور کیا جائے گا۔

(iii) کسی بھی سوال/مسئلہ/معلومات کے لئے، سرمایہ داران کمپنی اور/یا شیئرز رجسٹرار کو مندرجہ ذیل فون نمبرز اور ای میل ایڈریس پر رابطہ کر سکتے ہیں۔ رابطہ نمبر کمپنی سیکریٹری: 78-35865574-042 اور ای میل (مذکورہ بالا) اور شیئرز رجسٹرار میسرز کارپ لنک (پرائیویٹ) لمیٹڈ کے رابطہ نمبران (042) 35916714, 35916719, 35839182 اور ای میل: [corplink786@gmail.com](mailto:corplink786@gmail.com)/ [shares@corplink.com.pk](mailto:shares@corplink.com.pk)

(iv) CDC اکانٹس کے حامل کاروباری شیئرز کو اپنے متعلقہ شرکاء سے اپنے قومی ٹیکس نمبر (NTN) کی تجدید کی درخواست کی جاتی ہے۔ جب کہ کاروباری فریکل شیئرز ہولڈرز اپنے NTN سرٹیفکیٹ کی نقل کمپنی یا اپنے شیئرز رجسٹرار کو جمع کرانیں۔ NTN یا NTN سرٹیفکیٹ، کوئی بھی معاملہ ہو، ارسال کرتے ہوئے شیئرز ہولڈرز کمپنی کا نام اور اپنا متعلقہ فولیو نمبر واضح کریں گے۔

10. اراکین پول طلب کرنا کے حق محفوظ رکھتے ہیں جو کمپنیز ایکٹ 2017ء کے سیکشن 143-145 اور کمپنیز (پوسٹل بیلٹ) ضوابط 2018ء کی ہ لاگو شقوں کے تحت اجلاس کے معیارات سے مشروط ہے۔

11. ایکٹ کے سیکشن 244 کی تعمیل میں کمپنی نے لا دعویٰ منافع منقسمہ کی تفصیلات کمپنی کی ویب سائٹ پر شائع کر دی ہیں اور بتدریج ای سروسز پورٹل کمیشن کو بیان جمع کرا دیا ہے۔ جس میں گذشتہ تین سال کی منت میں منافع منقسمہ کی لا دعویٰ رقم درج ہو۔

12. موجودہ COVID-19 کی صورتحال کی وجہ سے اور ایس ای پی کے سرکار نمبر 2020/5 مورخہ 17 مارچ 2020ء کی شرائط کے تحت، کمپنی حصص یافتگان کی کم سے کم جسمانی تعامل کے ساتھ AGM طلب کرنے کا ارادہ رکھتی ہے جبکہ کورم کی ضروریات کو بھی یقینی بناتے ہوئے ممبروں کو مستحکم کرنے کی درخواست کرتی ہے۔ پراکسیوں کے ذریعہ آئے جی ایم حاضری۔

اس کے علاوہ کمپنی نے ویڈیو لنک کے ذریعہ حصص داروں کی شرکت کے انتظامات بھی کر رکھے ہیں۔ وہ اراکین جو ویڈیو لنک کے ذریعہ AGM میں شریک ہونے کے خواہاں ہیں، درخواست کی جاتی ہے کہ وہ AGM کیلئے مضمون رجسٹریشن کیسٹھ اور درج ذیل تفصیلات فراہم کر کے [cs@asiainsurance.com.pk](mailto:cs@asiainsurance.com.pk) پھر ای میل بھیج کر خود اندراج کریں۔

حصص یافتگان کا پورا نام، CNIC نمبر اور رکھے ہوئے حصص کی تعداد ویڈیو لنک کی تفصیلات اور لاگ ان کی اسناد ان ممبروں کیسٹھ شیئرز کی جانچنگی جن کی تمام تفصیلات پر مشتمل ای میلز مذکورہ ای میل ایڈریس پر کاروباری اوقات کے اختتام شام (03:00 pm) 24 مئی 2020ء تک یا اس سے پہلے موصول ہوں گی۔

حصص یافتگان AGM کے مجوزہ ایجنڈا آئٹمز کے لئے اپنے تبصرے /تجویز ای میل پر: [cs@asiainsurance.com.pk](mailto:cs@asiainsurance.com.pk) پر بھی فراہم کر سکتے ہیں۔

کمپنیز ایکٹ 2017ء کے سیکشن 143(3) کے تحت بیان

اس بیان میں 29 مئی 2020ء کو منعقد ہونے والے کمپنی کے سالانہ اجلاس عام میں زیر بحث لانے جانے والے خصوصی امور سے متعلق مادی حقائق واضح کئے گئے ہیں۔

نوٹس کا آئیٹم 5

31 دسمبر 2019ء کو اختتام پذیر سال کے دوران متعلقہ فریقین کے ساتھ لین دین سہ ماہی کی بنیاد پر آڈٹ کمیٹی کی سفارشات کے مطابق بورڈ نے منظور کیا ہے۔ تاہم کمپنی کی چوتھی، پانچویں اور چھٹی منزل کے لیز معاہدات پر بطور متعلقہ فریقین ڈائریکٹرز کی

5. CDC اکاؤنٹ ہولڈرز کو سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے مؤرخہ 26 جنوری 2000ء کے مراسلہ نمبر 1 میں بیان کردہ ہدایات پر عمل کرنا ہو گا۔

اجلاس میں شرکت کرنا:

i. فرد واحد کی صورت میں، اکاؤنٹ ہولڈر یا ذیلی اکاؤنٹ ہولڈر اور/یا ایسا شخص جس کی سیکورٹیز گروپ اکاؤنٹ میں ہوں اور ان کی اندراجی تفصیلات CDC ضوابط کے تحت شائع کی گئی ہوں، کو اجلاس میں شرکت کے وقت اپنا اصلی CNIC یا اصلی پاسپورٹ ظاہر کر کے اپنی شناخت کرانا ہو گی۔

ii. کاروباری اداروں کی صورت میں بورڈ آف ڈائریکٹرز کی قرار داد/ نامزد کے نمونہ کے دستخط پر مشتمل مختار نامہ بمعہ CNIC اجلاس کے موقع پر پیش کرنا ہو گا۔

پراکسی مقرر کرنا:

i. فرد واحد کی صورت میں اکاؤنٹ ہولڈر یا ذیلی اکاؤنٹ ہولڈر اور/یا ایسا شخص جس کی سیکورٹیز گروپ اکاؤنٹ میں ہوں اور ان کی اندراجی تفصیلات CDC ضوابط کے تحت شائع کی گئی ہوں، کو منگورہ بالا پراکسی فارم جمع کرانا ہو گا۔

ii. پراکسی فارم کی توثیق دو افراد کریں گے جن کے نام، پتے اور CNIC نمبر فارم پر موجود ہونے چاہئیں۔

iii. بینی فیشنل اونرز اور پراکسی کے CNIC یا پاسپورٹ کی تصدیق شدہ نقول پراکسی فارم کے ہمراہ پیش کی جائیں گی۔

iv. پراکسی کو اجلاس کے موقع پر اصلی CNIC یا اصلی پاسپورٹ پیش کرنا ہو گا۔

v. کاروباری اداروں کی صورت میں بورڈ آف ڈائریکٹرز کی قرار داد/ نامزد کے نمونہ کے دستخط پر مشتمل مختار نامہ بمعہ CNIC کی تصدیق شدہ نقل پراکسی فارم کے ہمراہ کمپنی کو جمع کرانی ہو گی۔

6. اراکین کو درخواست کی جاتی ہے کہ CDC میں بک اینٹری سیکورٹیز موجود ہونے کی صورت میں متعلقہ CDC شرکاء کو اور فزیکل حصص کی صورت میں کمپنی کے شیئر رجسٹرار کو آگاہ کرنا یا بصورت دیگر جمع کرائیں۔ اگر پہلے آگاہ جمع نہ کرایا گیا ہو۔

a. اپنے پتہ میں تبدیلی

b. فرد واحد کی صورت میں جائز اور قانونی CNIC کی نقول اور فرد واحد اور کاروباری اداروں کی صورت میں NTN

7. دوسرے شہر میں مقیم مجموعی طور پر 10 فی صد یا زائد شیئر ہولڈنگ کے حامل اراکین اجلاس میں شرکت کے لئے ایکٹ کے سیکشن 134 (b) کے قواعد کے تحت ویڈیو کانفرنس سہولت حاصل کر سکتے ہیں۔ ایسے اراکین کا اقرار نامہ اجلاس کے انعقاد سے کم از کم 10 یوم قبل کمپنی کے رجسٹرڈ آفس میں پہنچ جانا چاہئے۔

8. مؤرخہ 8 ستمبر 2014ء کے مراسلہ نمبر 10/2014 SRO 787 کے تحت سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے کمپنیوں کو ہدایات جاری کی ہیں کہ وہ اپنے اراکین کو سالانہ مالیاتی اسٹیٹمنٹس اور AGM نوٹس بذریعہ برقی میل سسٹم مہیا کریں۔ کمپنی مستقبل میں بذریعہ ای میل سالانہ مالیاتی اسٹیٹمنٹس اور نوٹس وصول کرنے کے خواہشمند اپنے معزز اراکین کو آراء مسرت یہ سہولت فراہم کرتی ہے۔ اس تناظر میں، ایسے اراکین جو یہ سہولت حاصل کرنا چاہتے ہیں انہیں کمپنی کی ویب سائٹ پر دستیاب معیاری درخواست فارم پر بذریعہ ای میل اپنی رضامندی سے آگاہ کرنے کی درخواست کی جاتی ہے۔

9. SECP کے مؤرخہ 24 اکتوبر 2014ء کے سرکار نمبر 2014/19 کے تحت تمام کمپنیوں کو ہدایات جاری کی جاتی ہیں کہ وہ اپنے تمام حصص داران کو انکم ٹیکس آرڈیننس کے سیکشن 150 میں کی گئی ترامیم سے متعلق آگاہ کریں۔ ہم حصص داران کو حسب ذیل آگاہ کرتے ہیں

(i) یکم جولائی 2019ء سے مؤثر بذریعہ فائننس ایکٹ 2019 حکومت پاکستان نے انکم ٹیکس آرڈیننس 2001 کے سیکشن 150 میں چند ترامیم کی ہیں۔ جس کے تحت کمپنیوں کی جانب سے ادا شدہ منافع منقسمہ کی رقم پر دیوولڈنگ ٹیکس کی کٹوتی کے لئے مختلف نرخ بیان کئے گئے ہیں۔ ٹیکس کی شرحیں حسب ذیل ہیں:

a. انکم ٹیکس ریٹرن فائلرز کے لئے: 15 فی صد

## نوٹس پرانے سالانہ اجلاس عام

نوٹس بڈا سے مطلع کیا جاتا ہے کہ ایشیا انشورنس کمپنی لمیٹڈ ("کمپنی") کے اراکین کا 39واں سالانہ اجلاس عام "AGM" بروز جمعہ مورخہ 29 مئی 2020ء بوقت دوپہر 02:30

19 C/D، بلاک I، گلبرگ-III، لاہور میں مندرجہ ذیل امور پر بحث کے لئے منعقد ہوگا:

عمومی امور:

1. 29 اپریل 2019ء کو منعقدہ 38ویں سالانہ اجلاس عام کی روئیداد کی توثیق کرنا۔
2. ڈائریکٹرز اور آڈیٹرز کی رپورٹ کے ہمراہ 31 دسمبر 2019ء کو اختتام پذیر سال کے لئے کمپنی کے سالانہ پڑتال شدہ کھاتوں کو وصول کرنا، اپنانا اور زیر غور لانا۔
3. 31 دسمبر 2020ء کو اختتام پذیر سال کے لئے میسرز BDO ابراہیم اینڈ کو، چارٹرڈ اکاؤنٹنٹس کی دوبارہ تقرری کرنا اور ان کا معاوضہ طے کرنا۔
4. چیئر مین کی اجازت سے کمپنی کے دیگر امور کو زیر غور لانا۔

خصوصی امور:

5. مندرجہ ذیل قرار داد کو بطور خصوصی قرارداد کو حسب ضرورت بمعہ /علاوہ ترمیم زیر غور لانا یا منظور کرنا۔  
"قرار پایا کہ سال 2019ء میں اپنے متعلقہ فریقین کے ساتھ کمپنی کالین دین، جہاں ڈائریکٹرز کی کثیر تعداد دلچسپی رکھتی تھی جس کی حسب ضابطہ تصدیح، منظوری اور توثیق کی جاتی ہے۔"  
مزید قرار پایا کہ متعلقہ فریقین کے ساتھ ایشیا باؤس واقع 19 C/D بلاک I، گلبرگ-III، لاہور کی چوتھی، پانچویں اور چھٹی منزل کے معاہدہ لیز کی تجدید جہاں ڈائریکٹرز کی کثیر تعداد تین (3) سال کے لئے دلچسپی رکھتی ہے۔ اور جس کا آغاز 1 اپریل، 2020 سے ہوگا کی حسب ضابطہ منظوری دی جاتی ہے۔  
"مزید قرار پایا کہ کمپنی کے چیف ایگزیکٹو اور سیکریٹری منکرہ بالا قراردادوں کو من و عن موثر کرنے کی غرض سے تمام ضروری اقدامات اور دستاویزات کو فعال کرنے کے لئے مجاز ہوں گے۔ اور متعلقہ رجسٹرار کے ساتھ دستاویزات کے اندراج کے لئے ضروری کارروائی کریں گے۔"

بحکم بورڈ  
شازیہ حفیظ  
کمپنی سیکریٹری

لاہور  
6 مئی، 2020

نوٹس:

1. مالیاتی اسٹیٹمنٹس اور رپورٹس کمپنی کی ویب سائٹ [www.asiainsurance.com.pk](http://www.asiainsurance.com.pk) پر شائع کر دی گئی ہیں۔
2. کمپنی کی شینر ٹرانسفر ٹیکس 2020-05-23 تا 2020-05-20 (بشمول دونوں ایام) بند رہیں گی۔ مورخہ 2020-05-22 کو ہمارے شینر رجسٹرار میسرز کارپ لنک (پرائیویٹ) لمیٹڈ ونگز آرکیڈ، K-1، سٹائل ٹاؤن لاہور کو کاروباری اوقات کار بند ہونے تک موصول ٹرانسفرز کو اجلاس میں شرکت کی غرض سے بروقت تصور کیا جائے گا۔
3. اجلاس میں شرکت اور ووٹ کرنے کا اہل رکن کسی دوسرے رکن کو اپنی جگہ شرکت اور ووٹ کرنے کے لئے اپنا پراکسی مقرر کر سکتا/سکتی ہے۔ مؤثر کرنے کی غرض سے حسب ضابطہ دستخط شدہ پراکسی کی تقرری کے دستاویزات اور اور نوٹری سے تصدیق شدہ نقل، کوئی بھی معاملہ ہو، کمپنی کے رجسٹرڈ آفس میں اجلاس کے انعقاد سے کم از کم 48 گھنٹے قبل پہنچ جائے چاہئیں۔
4. اپنے ڈاک کے پتہ میں تبدیلی کی صورت میں حصص داران سے کمپنی کو فوری آگاہ کرنا لازمی ہے۔

## Directors' Report

For the year ended December 31, 2019

### Dear Shareholders!

The Directors of Asia Insurance Company Limited ("the Company") take pleasure in presenting the annual report of your company, together with the audited financial statements for the year ended December 31, 2019.

The Director's Report prepared under Sections 226 and 227 of the Companies Act, 2017 and Code of Corporate Governance, will be put forward to the members at the 39th Annual General Meeting of the Company to be held on May-29th, 2020.

### Business Overview

During the period under review, the country's economy showed a modest improvement, though conditions in the insurance industry continued to be challenging. Your company continued striving for better by offering the best professional service to its clients. Business volumes grew modestly in 2019, while outgoings on claims decreased with overall claim expense ratios are at satisfactory level.

The Company posted a healthy profit before tax of Rs. 4.47 Million which shows a decrease of 71% as compared to last year.

### Window Takaful Operations

The written contribution for the year was Rs. 60.12 million; while net contribution revenue was Rs. 17.28 million. Participants' Takaful Fund surplus for the year was Rs. 6.44 million and profit from Operator's Funds (for shareholders) for the year was Rs. 11.63 million.

### Financial Results

Following is the overall performance of the Company for the year ended December 31, 2019

	2019	2018
<b>Gross Premium</b>	523,656,271	521,370,460
<b>Profit for the year before tax</b>	4,474,181	15,456,886
<b>Taxation:</b>		
Current	6,863,124	6,327,776
Deferred	(12,626,648)	(11,186,046)
Prior years	4,048,361	-
	(1,715,163)	(4,858,270)
<b>Profit for the year after tax</b>	6,189,344	20,315,156
<b>Un-appropriated profit brought forward</b>	183,439,310	168,124,154
<b>Qard-e-Hasna</b>	-	(5,000,000)
<b>Adjustment / Transfer</b>	(16,301,725)	-
<b>Un-appropriated profit carried forward</b>	173,326,929	183,439,310

### Dividend

Your Directors feel that it is prudent to plough back the profits for future growth of the Company and do not recommend any dividend for the Year ended December 31, 2019.

### Earnings per Share

Earnings per share is Rs. 0.10 Earnings per share has decreased by 72% as compared to the previous year.

### Composition of Board

The Board of Directors of the Company consist of seven (7) Directors (one Female and six male directors). Composition of Board is as under:



Category	Names of Directors
Independent Directors	Mr. Khalid Rashid
	Mr. Hassan Ahmed Khan
Non-Executive Director	Mr. Khawaja Suhail Iftikhar
	Mr. Thibaud Ponchon (Nominee Director)
Executive Director	Mr. Ihtsham ul Haq Qureshi
	Mr. Zain ul Haq Qureshi
Female Director	Mrs. Noshcen Ihtsham (Non-Executive Director)

#### Remuneration Policy of the Non-Executive and Independent Directors

In order to comply with the Companies Act, 2017, Listed Companies (Code of Corporate Governance, Regulations 2019 and Articles of Association of the Company, the Company has policy with respect to the remuneration of Executive, Non- Non-executive and Independent directors.

The Non-Executive and Independent Directors are not paid employees of the Company and are not involved in its day-to-day running. The non-executive and Independent directors are entitled to receive the meeting fee.

#### Insurer Financial Rating Strength

The Pakistan Credit Rating Agency Limited (PACRA) has upgraded the IFS rating of the Company as "A" (Single A) with positive outlook. This rating denotes a strong capacity to meet policyholders' and contractual obligations and reflects the gains achieved by the management in core insurance business.

#### Related Party Transactions

At each board meeting the Board of Directors approves Company's transactions with Associated Companies / Related parties. All the transactions executed with related parties are on arm's length basis.

Subject to the approval of shareholders in the AGM, the Company has renewed the Lease Agreements with related parties in respect of 4th, 5th and 6th floors of Asia House.

#### Risk Management Policy and Know Your Customer Policy

The Company has developed and implemented a risk management policy which identifies major risks which may threaten the existence of the Company. Our Company's Risk Management approach is made for qualitative evaluation of risk and minimizing its hazards. The same has also been adopted by your Board and is also subject to its review from time to time. Risk mitigation process and measures have been formulated and clearly spelled out in the said guidelines. In addition to the Risk Management Policy, the Board has approved Know Your Customer Policy as formulated and recommended by the Risk Management and Compliance Committee.

A Compliance Program is also in place, which ensure and provide guidelines that relevant Laws are complied with in letter and spirit.

#### Internal Control

The system of internal controls is sound and is being implemented and monitored by the Internal Audit Department. This is a continuing process and any weaknesses are identified and removed. Further, same is regularly reviewed by the board.

#### Committees

The Board in compliance with the Code of Corporate Governance has established following committees;

#### Management Committees

#### Risk Management & Compliance Committee

Name of the Member	Category	Meetings Held	Meetings Attended
Mr. Zain ul Haq Qureshi	Chairman	4	4
Mr. Shahbaz Hameed	Member	4	4
Mr. Muhammad Masood	Member	4	4
Ms. Shazia Hafeez	Secretary	4	4

## Management Committees

### Underwriting committee

Name of the Member	Category	Meetings Held	Meetings Attended
Mr. Khalid Rasheed	Chairman	4	4
Mr. Zain ul Haq Qureshi	Member	4	4
Mr. Mustajab Ahmed	Member	4	4
Mr. Amjad Rao	Secretary	4	4

### Claim Settlement Committee

Name of the Member	Category	Meetings Held	Meetings Attended
Mr. Khawaja Suhail Iftikhar	Chairman	4	4
Mr. Shahbaz Hameed	Member	4	4
Mr. Hassan Ahmad Khan	Member	4	4
Mr. Asif Ali Mughal	Secretary	4	4

### Reinsurance & Co-insurance Committee

Name of the Member	Category	Meetings Held	Meetings Attended
Mr. Khalid Rasheed	Chairman	4	4
Mr. Zain ul Haq Qureshi	Member	4	4
Mr. Mohammad Ali Raza	Member	4	4
Mr. Muhammad Masood	Secretary	4	4

## Board Committees

### Ethic, Human Resource & Remuneration Committee

Name of the Member	Category	Meetings Held	Meetings Attended
Mr. Hassan Ahmad Khan	Chairman	4	4
Mrs. Nosheen Ihtsham	Member	4	4
Mr. Ihtisham ul Haq Qureshi	Member	4	4
Mr. Shahbaz Hameed	Secretary	4	4

### Investment Committee

Name of the Member	Category	Meetings Held	Meetings Attended
Mr. Ihtisham ul Haq Qureshi	Chairman	4	4
Mr. Zain ul Haq Qureshi	Member	4	4
Mrs. Nosheen Ihtsham	Member	4	4
Mr. Hassan Ahmed Khan	Member	4	4
Mr. Mohammad Ali Raza	Secretary	4	4

### Audit Committee

Name of the Member	Category	Meetings Held	Meetings Attended
Mr. Hassan Ahmed Khan	Chairman	5	5
Mr. Zain ul Haq Qureshi (resigned on October 26, 2019)	Member	5	5
Mr. Khalid Rashid	Member	5	5
Mr. Thibaud Ponchon	Member	5	5
Mr. Khawaja Suhail Iftikhar	Member	5	5
Mr. Iftikhar Ahmed	Secretary	5	5

## Branch Network

Your company is fully aware of the fact that the network of feasible and profitable branches must be established in as many cities of Pakistan as possible. Our aims and objectives of opening branches are to provide excellent services to our esteemed clients and prompt settlement of claims besides ensuring ultimate profitability for the shareholders through prudent underwriting and cost efficiency.

## Statement of Investment of Provident Fund

The company operates approved provident fund scheme covering all its permanent employees. The investment balances are as follows:

Particulars	December 31, 2019 Rupees	December 31, 2018 Rupees
Investment	26,978,470	21,093,294

## Annual Evaluation of Board's Performance

The Board has placed a mechanism to evaluate its performance annually as required by the Code of Corporate Governance. The mechanism devised is based on the emerging and leading trends on the functioning of the Board and improving its effectiveness.

## Principal Risks and Uncertainties

The principal risk the Company faces under insurance contracts is the possibility that the insured event occurs, the uncertainty of the amount of the resulting claims i.e. the frequency and severity of claims and that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

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

## Risk Management Function

Your Company established Risk Management Function. It is overseen by Risk Management and Compliance Committee to identify and monitor risks associated with various operations of the Company.

Asia Insurance Company is committed to enhancing its overall profitability through optimization of value added activities, while maintaining a strong risk-adjusted capitalization.

## Statement of Ethics and Business Practices

The Board has adopted the Statement of Ethics and Business Practices. All employees are informed of this statement and are required to observe these rules of conduct in relation to business and regulations.

## Compliance with Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the regulatory authorities have been duly complied with. A statement to this effect is annexed in the report.

## Compliance with AML/CFT Laws

The Company has duly complied with the AML/CFT laws of the country and timely reporting in this regard has been done.

## Corporate and Financial Reporting Framework

- The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flow and changes in equity.
- Proper books of accounts have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgments.

- (d) The International Financial Reporting Standards (IFRS) as applicable in Pakistan, have been followed in preparation of financial statement and any departure from there has been adequately disclosed,
- (e) The system of internal control is sound in design and has been effectively implemented and monitored,
- (f) There are no significant doubts upon the Company's ability to continue as a going concern,
- (g) There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations,
- (h) The key operating and financial data for the last six years is annexed,
- (i) The value of investments of provident fund based on their audited accounts as on December 31, 2019 was Rs. 26,978,470.
- (j) The statement of pattern of shareholding in the Company as at 31 December 2019 is included with the Report.

### Key Financial Data

Key operational and financial data for the last 6 years is as follows:

Rupees in Thousands

Particulars	2019	2018	2017	2016	2015	2014
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#### CONVENTIONAL

Paid-up Capital	603,373	603,373	450,000	450,000	300,000	300,000
Total Assets	1,603,980	1,464,002	1,136,324	1,039,241	952,688	812,950
Equity	975,827	985,919	621,087	543,829	488,142	419,817
Cash and Bank Deposits	202,790	316,248	243,196	116,140	70,721	31,813
Gross Premium	523,656	521,370	659,319	540,234	450,173	304,784
Net Premium Revenue	437,893	480,215	527,728	420,122	347,054	190,975
Gross Claim Paid	170,907	194,584	188,544	124,004	87,142	57,654
Net Claim Expense	131,677	136,964	179,238	95,338	64,193	41,954
Under Writing Profit/(Loss)	(67,990)	(19,527)	(17,495)	15,394	80,341	28,113
Profit/(Loss) Before Tax	4,474	15,457	84,669	73,955	93,261	59,581
Profit/(Loss) After Tax	6,189	20,315	76,795	71,099	68,325	47,513
Investment Income/(Loss)	52,855	10,778	(30,084)	51,676	12,926	33,354
Earnings Per Share (Rs.)	0.10	0.36	1.71	1.58	1.52	1.06

#### TAKAFUL PTF

Gross Contribution	60,120	42,584	27,579	11,801	-	-
Net Contribution Revenue	17,280	8,433	(1,490)	(6,967)	-	-
Gross Claim Paid	3,815	5,039	2,751	1,585	-	-
Net Claim Expense	12,218	5,662	4,055	1,976	-	-
Under Writing Profit/(Loss)	4,602	2,754	(5,563)	(9,024)	-	-
Investment Income	1,839	-	-	-	-	-

#### OPF

Investment Income	1,931	-	97	318	-	-
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## Board Meetings

During the year ended December 31, 2019 following meetings of the Board of Directors were held and attended by the Directors as below:

Name of Directors	Meetings Held	Meetings Attended
Mr. Khalid Rasheed	4	3
Mr. Ihtisham ul Haq Qureshi	4	4
Mr. Khawaja Suhail Iftikhar	4	4
Mr. Zain ul Haq Qureshi	4	3
Mr. Thibaud Ponchon	4	4
Mrs. Nosheen Ihtsham	4	3
Mr. Hassan Ahmad Khan	4	3

Leave of absence was granted to those Directors who could not attend the Board Meeting.

## Company's relations with stakeholders

We have very positive and practical approach towards relations with various stakeholders particularly with regulatory authorities i.e. Securities and Exchange Commission of Pakistan (SECP), Federal Board of Revenue (FBR), State Bank of Pakistan (SBP), other Insurance Companies, the Reinsurers and the Insurance Association of Pakistan (IAP). The Company Secretary is responsible for adhering and implementing all the applicable laws, regulations and conventions in order to keep the organization at its highest

## FUTURE OUTLOOK

As signs of economic stabilization are emerging in the country and it is expected that GDP growth rate would improve in the next fiscal year. With external account in surplus and expected decline in headline inflation, monetary policy is likely to turn expansionary which will hopefully provide momentum to the economic activities in general and could have potential impact on insurance business.

The Company will continue to focus its momentum of growth in premium while at the same time maintaining profitability of decent standard

## Auditors

The present Auditors M/s. BDO Ebrahim & Co., Chartered Accountants, had been appointed for the year ended December 31, 2019, and shall retire on the conclusion of 39th Annual General Meeting. Present Auditors will be re-appointed for the year ended December 31, 2020 in the upcoming 39th AGM.

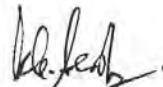
## Pattern of shareholding is attached with this report.

We would like to thank our valued customers for their continued patronage and support and to Pakistan Reinsurance Company Limited, Securities and Exchange Commission of Pakistan and State Bank of Pakistan for their guidance and assistance.

It is a matter of deep gratification for your Directors to place on record their appreciation of the efforts made by officers, field force and staff who had contributed to the growth of the Company and the continued success of its operations.



Chief Executive Officer



Director

PATTERN OF SHAREHOLDING AS ON DECEMBER 31, 2019

No. of Shareholders	Shareholdings		Total shares held
	From	To	
60	1	100	654
7	101	500	2,027
7	501	1,000	4,653
8	1,001	5,000	19,337
1	30,001	35,000	33,104
1	360,001	365,000	362,265
1	820,001	825,000	821,202
1	920,001	925,000	924,808
1	1,765,001	1,770,000	1,767,150
1	2,290,001	2,295,000	2,292,137
1	13,315,001	13,320,000	13,318,269
1	15,335,001	15,340,000	15,337,391
1	25,450,001	25,455,000	25,454,394
<b>91</b>			<b>60,337,391</b>

Categories of shareholders	Holding	%age
Directors, Chief Executive Officer, and their spouse and minor children	40,908,696	67.7999%
Insurance Companies	33,104	0.0549%
Shareholders holding 10% or more	54,110,054	89.6791%
General Public		
- Local	3,236,998	5.3648%
- Foreign	-	-
Government Holding	821,202	1.3610%
Foreign Companies	15,337,391	25.4194%

Sr. No.	Name	Holding	%age
1	MR. IHTSHAM UL HAQ QURESHI	38,772,663	64.2598%
2	MRS. NOSHEEN IHTSHAM	362,265	0.6004%
3	MR. KHALID RASHEED	736	0.0012%
4	MR. ZAIN UL HAQ QURESHI	1,770,275	2.9340%
5	KHAWAJA SUHAIL IFTIKHAR	1,654	0.0027%
6	MR. THIBAUD PONCHON (NOMINEE)	0	0.0000%
7	MR. HASSAN AHMAD KHAN	1,654	0.0018%
		<b>40,908,696</b>	<b>67.7999%</b>

## PATTERN OF SHAREHOLDING AS ON DECEMBER 31, 2019

### Insurance Companies

Sr. No.	Name	Holding	%age
1	Pakistan Reinsurance Company Limited	33,104	0.0549%

### Government Holding

Sr. No.	Name	Holding	%age
1	Federal Board of Revenue	821,202	1.3610%

### General Public

Sr. No.	Name	Holding	%age
1	Shares held by the General Public - Local	3,236,998	5.3648%

### Shareholders Holding 5% or More of Total Capital

Sr. No.	Name	Holding	%age
1	Mr. Ihtsham ul Haq Qureshi	38,772,663	64.2598%
2	Insurance Investment Fund	15,337,391	25.4194%
		<b>54,110,054</b>	<b>89.6791%</b>

During the financial year there has been no trading in shares of the company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children

نام ڈائریکٹرز	متنقده اجلاس	اجلاس میں حاضری
محترم خالد رشید	4	3
محترم احتشام الحق قریشی	4	4
محترم خواجہ سہیل افتخار	4	4
محترم زین الحق قریشی	4	3
محترم تھیوپونچو	4	4
محترمہ نوشین احتشام صاحبہ	4	3
محترم حسن احمد خان	4	3

بورڈ اجلاس میں شرکت نہ کرنے والے ڈائریکٹرز کو غیر حاضری کی رخصت عنایت کی گئی۔

### سٹیک ہولڈرز کے ساتھ کمپنی کے تعلقات

ہمارے متعدد سٹیک ہولڈرز خصوصاً ریگولیٹری اتھارٹیز یعنی سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP)، فیڈرل بورڈ آف ریونیو (FBR)، اسٹیٹ بینک آف پاکستان (SBP)، دیگر انشورنس کمپنیوں، ری انشوررز اور انشورنس ایسوسی ایشن آف پاکستان (IAP) کے ساتھ تعلقات میں مثبت اور عملی رویہ ہے۔ کمپنی سیکریٹری ادارے کو اعلیٰ مقام پر رکھنے کے لئے تمام لاگو قوانین و ضوابط اور روایات پر عمل درآمد کا ذمہ دار ہے۔

### مستقبل کا نقطہ نظر

اگلے مالیاتی سال کے دوران ملک میں معاشی استحکام کے آثار موجود ہیں اور GDP نمو کی شرح میں بہتری کی توقع کی جارہی ہے۔ بیرونی ذخائر میں اضافہ اور افراط زر میں متوقع کمی کے ساتھ مائیکرو پالیسی میں توسیع کے امکانات ہیں جس کی وجہ سے عموماً معاشی سرگرمیوں کی رفتار میں بہتری کی امید ہے جس کے انشورنس کے شعبہ پر دور رس اثرات مرتب ہوں گے۔

کمپنی پیریم میں اضافہ کی رفتار پر مسلسل توجہ دے گی اور ساتھ ساتھ اسے منافع بخش بنانے کی کوشش کرے گی۔

### آڈیٹرز

حالیہ آڈیٹرز میسرز BDO ابراہیم اینڈ کو، چارٹرڈ اکاؤنٹنٹس کی 31 دسمبر 2019ء کو اختتام پذیر سال کے لئے تقرری کی گئی ہے اور 39 ویں سالانہ اجلاس عام کے اختتام پر ریٹائر ہو جائیں گے اور اسی اجلاس میں 31 دسمبر 2020ء کو اختتام پذیر سال کے لئے حالیہ آڈیٹرز کی دوبارہ تقرری کی جائے گی۔

شیر ہولڈنگ کی وضع اس رپورٹ کے ساتھ منسلک ہے۔

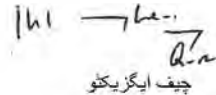
### اعتراف

ہم اپنے معزز صارفین کے مسلسل بھروسہ اور حمایت اور پاکستان ری انشورنس کمپنی لمیٹڈ، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان کی رہنمائی اور معاونت پر ان کا تہ دل سے شکریہ ادا کرتے ہیں۔

ہمارے ڈائریکٹرز کے لئے یہ انتہائی خوشگوار معاملہ ہے کہ وہ افسران، فیڈلٹ فورس اور عملہ کی انتہک محنت کو سراہتے ہیں جن کے کراہ کی بدولت کمپنی کی نمو میں بہتری آئی اور آپریشنز میں مسلسل کامیابی کے چہنڈے گاڑے۔



ڈائریکٹر



چیف ایگزیکٹو



- (e) داخلی ضبط کا ایک مربوط نظام ہے اور اس کی مؤثر نگرانی اور اطلاق کیا جاتا ہے۔
- (f) کمپنی کی کاروباری جاری رکھنے کی صلاحیت میں کوئی ابہام موجود نہ ہے۔
- (g) لسٹنگز ضوابط کے مطابق کارپوریٹ گورننس کی بہترین عمل داری میں کوئی ابہام نہ ہے۔
- (h) گذشتہ چھ برسوں کا اہم فعالی اور مالیاتی ڈیٹا لف بنا ہے۔
- (i) 31 دسمبر 2019ء کو پڑتال شدہ کھاتوں کی بنیاد پر پراویڈنٹ فنڈ کی سرمایہ داری کی رقم 26,978,470 روپے تھی۔
- (j) 31 دسمبر 2019ء کو کمپنی کی شیئر ہولڈنگ کی وضع کا بیان اس رپورٹ میں شامل ہے۔

#### اہم مالیاتی اعداد و شمار

گذشتہ چھ برسوں کا اہم فعالی و مالیاتی ڈیٹا حسب ذیل ہے: روپے ہزاروں میں

2014	2015	2016	2017	2018	2019	تفصیلات
روایتی						
300,000	300,000	450,000	450,000	603,373	603,373	ادا شدہ سرمایہ
812,950	952,688	1,039,241	1,136,324	1,464,002	1,603,980	کل اثاثہ جات
419,817	488,142	543,829	621,087	985,919	975,827	ایکویٹی
31,813	70,721	116,140	243,196	316,248	202,790	کیس اور بینک ڈپازٹس
304,784	450,173	540,234	659,319	521,370	523,656	مجموعی پریمیم
190,975	347,054	420,122	527,728	480,215	437,893	خالص پریمیم ریونیو
57,654	87,142	124,004	188,544	194,584	170,907	ادا شدہ مجموعی کلیم
41,954	64,193	95,338	179,238	136,964	131,677	خالص کایہ اخراجات
28,113	80,341	15,394	(17,495)	(19,527)	(67,990)	انڈر رائٹنگ نفع/(نقصان)
59,581	93,261	73,955	84,669	15,457	4,474	نفع/(نقصان) بمعہ ٹیکس
47,513	68,325	71,099	76,795	20,315	6,189	نفع/(نقصان) علاوہ ٹیکس
33,354	12,926	51,676	(30,084)	10,778	52,855	سرمایہ داری آمدنی (خسارہ)
1.06	1.52	1.58	1.71	0.36	0.10	فی حصص آمدنی (روپے)
تکافل						
PTF						
-	-	11,801	27,579	42,584	60,120	مجموعی کنٹریبیوشن
-	-	(6,967)	(1,490)	8,433	17,280	خالص کنٹری بیوشن ریونیو
-	-	1,585	2,751	5,039	3,815	مجموعی ادا شدہ کلیم
-	-	1,976	4,055	5,662	12,218	خالص کلیم اخراجات
-	-	(9,024)	(5,563)	2,754	4,602	انڈر رائٹنگ نفع/(نقصان)
-	-	-	-	-	1,839	سرمایہ داری آمدنی
OPF						
-	-	318	79	-	1,931	سرمایہ داری پر آمدنی

#### بورڈ اجلاس

31 دسمبر 2019ء کو اختتام پذیر سال کے دوران بورڈ آف ڈائریکٹرز کے منعقد ہونے اجلاس کی تعداد اور اراکین کی حاضری حسب ذیل ہے۔

## بورڈ کی کارکردگی کا سالانہ تعین

بورڈ نے کوڈ آف کارپوریٹ گورننس کے معیارات کے عین مطابق سالانہ کی بنیاد پر اپنی کارکردگی کا تعین کرنے کے لئے ایک نظام وضع کیا ہے۔ یہ نظام بورڈ کے افعال کے ابھرتے ہوئے اور نمایاں رجحانات کی بنیاد پر وضع کیا گیا ہے تاکہ اس کو مزید مؤثر کیا جاسکے۔

### اہم خطرات و خدشات

انشورنس معاہدوں کے پیش نظر کمپنی کو درپیش اہم ممکنہ خطرات میں بیمہ شدہ ایونٹ کا واقع ہونا ہے۔ کلیمز کی رقم پر غیر یقینی یعنی کلیمز کا تعدد اور شدت اور یہ کہ حقیقی کلیمز اور منافع کی رقوم جو انشورنس واجبات کی رقم سے تجاوز کر جائیں۔ انشورنس معاہدے کی نوعیت کے لحاظ سے یہ خطرہ اکثر سامنے آتا ہے لہذا یہ غیر متوقع ہوتا ہے۔ ان واجبات کی ادائیگی کے لئے مناسب ذخائر کو یقینی بنانا کمپنی کا اولین مقصد ہے۔

کمپنی ان خطرات سے انٹر رائٹنگ حکمت عملی، مناسب ری انشورنس انتظامات اور بروقت کلیم بینڈلنگ کے ذریعے نبرد آزما ہوتی ہے۔ انٹر رائٹنگ حکمت عملی کا مقصد مناسب انداز میں کاروباری درجوں کو پھیلا کر اور انٹر رائٹنگ ہدایات و حدود پر عمل ہو کر انشورنس خطرات کو کم کرنا ہے۔ کمپنی عموماً پرائیٹی، موثر، میرین کارگو اور ٹرانسپورٹیشن اور دیگر متنوع صوموی انشورنس کاروبار کو انٹر رائٹ کرتی ہے۔ انشورنس کے ان درجوں کو عموماً قلیل مدتی انشورنس معاہدے کہا جاتا ہے جہاں کلیمز کو عموماً ایک برس کے قلیل عرصے میں سیٹل اور ختم کیا جاتا ہے۔ اس طرح انشورنس کے خطرات سے نبرد آزما ہونے میں مدد ملتی ہے۔

### رسک مینجمنٹ فنکشن

آپ کی کمپنی نے رسک مینجمنٹ فنکشن قائم کیا ہوا ہے۔ اس پر رسک مینجمنٹ اور کمپلائنس کمیٹی نگرانی رکھتی ہے تاکہ کمپنی کے متعدد افعال سے منسلک خطرات کی نشاندہی اور نگرانی کی جاسکے۔

ایشیا انشورنس کمپنی اپنے مجموعی منافع کو منظم سرگرمیوں کی نگرانی کے ذریعے بڑھانے کے لئے بر عزم ہے۔ تاکہ نقصان کی صورت میں سرمایہ کی کمی کو پورا کیا جاسکے۔

### اخلاقیات اور کاروباری عمل داری کا نظام

بورڈ نے اخلاقیات اور کاروباری عمل داری کا نظام اپنا یا ہے۔ تمام ملازمین کو اس بیان سے آگاہ کیا جاتا ہے اور انہیں کاروباری امور کے دوران ان اصولوں پر عمل درآمد کی تہیہ کی جاتی ہے۔

### کوڈ آف کارپوریٹ گورننس کی تعمیل

ریگولیٹری اتھارٹیز کی جانب سے مرتب کردہ کوڈ آف کارپوریٹ گورننس کے معیارات پر مکمل عمل کیا جاتا ہے۔ اس تناظر میں بیان اس رپورٹ کے ساتھ منسلک ہے۔

### AML/CFT قوانین کی تعمیل

کمپنی ملکی AML/CFT قوانین پر سختی سے عمل کرتی ہے اور اس تناظر میں بروقت رپورٹنگ بھی کر دی گئی ہے۔

### کاروباری و مالیاتی رپورٹنگ فریم ورک

- کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی بیانات اس کے کاروباری امور، اپریشنز کے نتائج، کیش فلو اور ایکویٹی میں تبدیلی کو مؤثر انداز میں پیش کرتے ہیں۔
- کمپنی نے کھاتوں کی مناسب بکس تیار کی ہیں۔
- مالیاتی اسٹیٹمنٹس کی تیاری میں موزوں اکاؤنٹنگ پالیسیوں کا مسلسل اطلاق کیا گیا ہے اور اکاؤنٹنگ تخمینہ جات موزوں اندازوں کے مطابق لگانے گئے ہیں۔
- مالیاتی اسٹیٹمنٹس کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ معیارات (IFRS) کی پیروی کی گئی ہے اور ان سے کسی بھی قسم کے انحراف کو مناسب انداز میں واضح کیا گیا ہے۔

## بورڈ کمیٹیاں

### اخلاقی، انسانی وسائل اور مشاہیرہ کمیٹی

نام رکن	عہدہ	منعقدہ اجلاس	اجلاس میں حاضری
محترم حسن احمد خان	چینر مین	4	4
نوشین احتشام صاحبہ	رکن	4	4
محترم احتشام الحق قریشی	رکن	4	4
محترم شہباز حمید	سیکرٹری	4	4

### انویسٹمنٹ کمیٹی

نام رکن	عہدہ	منعقدہ اجلاس	اجلاس میں حاضری
محترم احتشام الحق قریشی	چینر مین	4	4
محترم زین الحق قریشی	رکن	4	4
نوشین احتشام صاحبہ	رکن	4	4
محترم حسن احمد خان	رکن	4	4
محترم محمد علی رضا	سیکرٹری	4	4

### آڈٹ کمیٹی

نام رکن	عہدہ	منعقدہ اجلاس	اجلاس میں حاضری
محترم حسن احمد خان	چینر مین	5	5
محترم زین الحق قریشی (26 اکتوبر 2019ء کو مستعفی ہوئے)	رکن	5	5
محترم خالد رشید	رکن	5	5
محترم تھیو پونجو	رکن	5	5
محترم خواجہ سہیل افتخار	رکن	5	5
محترم افتخار احمد	سیکرٹری	5	5

### برانچ نیٹ ورک

اب کی کمپنی اس حقیقت سے بخوبی آگاہ ہے کہ پاکستان کے تقریباً تمام شہروں میں کمپنی کی موزوں اور منافع بخش شاخیں قائم کی جائیں۔ شاخیں کھولنے کے ہمارے عزائم اور مقاصد میں اپنے معزز کلائنٹس کو بہترین خدمات فراہم کرنا اور کلیئر کی بروقت سیٹلمنٹ کرنا شامل ہیں۔ اس طرح انڈر رائٹنگ لاگت کو بہتر کر کے حصص داران کو فوری منافع کی فراہمی کو یقینی بنایا جاسکتا ہے۔

### پراویڈنٹ فنڈ کی سرمایہ داری پر بیان

کمپنی اپنے تمام مستقل ملازمین کے لئے منظور شدہ پراویڈنٹ فنڈ سکیم چلاتی ہے۔ سرمایہ داری کے پیلنس حسب ذیل ہیں:

تفصیلات	31 دسمبر 2019ء	31 دسمبر 2018ء
سرمایہ داری	26,978,470 روپے	21,093,294 روپے

### داخلی ضبط

داخلی ضبط کا ایک مربوط نظام ہے اور اسے داخلی انٹ ڈیپارٹمنٹ نافذ کرتا ہے اور اس کی نگرانی کرتا ہے۔ یہ ایک مسلسل عمل ہے اور اس میں کمزوریوں کی نشاندہی کر کے انہیں ختم کیا جاتا ہے۔ مزید برآں، بورڈ اس پر باقاعدگی سے نگرانی کرتا ہے۔

### کمیٹیاں

بورڈ نے کوڈ آف کارپوریٹ گورننس کی پیروی میں مندرجہ ذیل کمیٹیاں قائم کی ہیں۔

### انتظامی کمیٹیاں

#### رسک مینجمنٹ اور کمپلائنس کمیٹی

نام رکن	عہدہ	منعقدہ اجلاس	اجلاس میں حاضری
محترم زین الحق قریشی	چینر مین	4	4
محترم شہباز حمید	رکن	4	4
محترم محمد مسعود	رکن	4	4
شازیہ حفیظ صاحبہ	سیکرٹری	4	4

#### انٹرنل رائٹنگ کمیٹی

نام رکن	عہدہ	منعقدہ اجلاس	اجلاس میں حاضری
محترم خالد رشید	چینر مین	4	4
محترم زین الحق قریشی	رکن	4	4
محترم مستجاب احمد	رکن	4	4
محترم امجد راؤ	سیکرٹری	4	4

#### کلیم سیٹلمنٹ کمیٹی

نام رکن	عہدہ	منعقدہ اجلاس	اجلاس میں حاضری
محترم خواجہ سہیل افتخار	چینر مین	4	4
محترم شہباز حمید	رکن	4	4
محترم حسن احمد خان	رکن	4	4
محترم اصف علی مغل	سیکرٹری	4	4

#### ری انشورنس اور کو انشورنس کمیٹی

نام رکن	عہدہ	منعقدہ اجلاس	اجلاس میں حاضری
محترم خالد رشید	چینر مین	4	4
محترم زین الحق قریشی	رکن	4	4
محترم محمد علی رضا	رکن	4	4
محترم محمد مسعود	سیکرٹری	4	4

## فی حصص آمدنی

فی حصص آمدنی 0.10 روپے ہے۔ اور گذشتہ برس کے مقابلہ میں 72 فی صد کمی واقع ہوئی ہے۔

## بورڈ کی تشکیل

کمپنی کے بورڈ آف ڈائریکٹرز سات (7) ڈائریکٹرز (ایک خاتون اور چھ مرد ڈائریکٹرز) پر مشتمل ہے۔ بورڈ کی تشکیل حسب ذیل ہے:

نام ڈائریکٹرز	fas
محترم خالد رشید	آزاد ڈائریکٹرز
محترم حسن احمد خان	
محترم خواجہ سہیل افتخار	نان ایگزیکٹو ڈائریکٹرز
محترم تھیپو پونجو (نامزد ڈائریکٹر)	
محترم احتشام الحق قریشی	ایگزیکٹو ڈائریکٹرز
محترم زین الحق قریشی	
نوشین احتشام صاحبہ (نان ایگزیکٹو ڈائریکٹر)	خاتون ڈائریکٹر

## نان ایگزیکٹو اور آزاد ڈائریکٹرز کے معاوضہ کی پالیسی

کمپنیز ایکٹ 2017ء، لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس، ریگولیشنز 2019) اور کمپنی آرٹیکل آف ایسوسی ایشن کی پیروی میں کمپنی نے ایگزیکٹو، نان ایگزیکٹو اور آزاد ڈائریکٹرز کے معاوضہ پر ایک پالیسی مرتب کی ہے۔

نان ایگزیکٹو اور آزاد ڈائریکٹرز کمپنی کے بامعاوضہ ملازمین نہیں ہوتے اور اس کے روزمرہ کے امور میں شامل نہیں ہوتے۔ نان ایگزیکٹو اور آزاد ڈائریکٹرز اجلاس کی فیس کے اہل ہوتے ہیں۔

## انشورر فنانسینل ریٹنگ سٹریٹجی (IFRS)

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے کمپنی کی IFS درجہ بندی کو "A" واحد (A) سے مثبت اوٹ لک میں اپ گریڈ کیا ہے۔ یہ درجہ بندی ظاہر کرتی ہے کمپنی پالیسی ہولڈرز کے اور معاہدہ جاتی فرانس ادا کرنے کی مضبوط صلاحیت رکھتی ہے اور بنیادی انشورنس کاروبار میں انتظامیہ کو حاصل آمدنی سے متعلق بتاتی ہے۔

## متعلقہ فریقین کے لین دین

بورڈ کے ہر اجلاس میں بورڈ آف ڈائریکٹرز نے معاون کمپنیوں / متعلقہ فریقین کے ساتھ کمپنی کے لین دین کو منظور کیا ہے۔ متعلقہ فریقین سے تمام لین دین کا اطلاق مساوی بنیادوں پر ہوتا ہے۔

کمپنی نے ایشیا ہاؤس کی چوتھی، پانچویں اور چھٹی منزل کی مذمیں لیز معاہدہ کی تجدید کی ہے جو کہ سالانہ اجلاس میں سنیر ہولڈر منظور کریں گے۔

## خطرات کے انتظام کی پالیسی اور اپنے صارف کو جاننے کی پالیسی

کمپنی نے خطرات سے نبرد آزما ہونے کے لئے ایک مربوط پالیسی مرتب اور نافذ کی ہے۔ جو کمپنی کے وجود کو خطرہ میں ڈالنے والے بڑے خدشات کی نشاندہی کرتی ہے۔ ہماری کمپنی کی رسک مینجمنٹ کا مقصد خطرات کا معیاری تعین کرنا ہے۔ اسے آپ کے بورڈ نے بھی اپنایا ہے اور یہ ہمہ وقت نظر ثانی سے مشروط ہے۔ خطرات کے تدارک کا عمل اور اقدامات کو وضع کیا گیا ہے اور مذکورہ ہدایات میں واضح طور پر رکھا گیا ہے۔

رسک مینجمنٹ پالیسی کے علاوہ بورڈ نے اپنے صارفین کو جاننے کی پالیسی بھی منظور کی ہے۔ جسے رسک مینجمنٹ اور کمپلائنس کمیٹی نے وضع تجویز کیا ہے۔

تعمیلی پروگرام بھی طے کیا گیا جو متعلقہ قوانین پر من و عن عمل درآمد کو یقینی بناتا ہے اور ہدایات فراہم کرتا ہے۔

## ڈائریکٹرز رپورٹ

### 31 دسمبر 2019ء کو اختتام پذیر سال کے لئے

#### معزز حصص داران!

ایشیا انشورنس کمپنی لمیٹڈ ("کمپنی") کے ڈائریکٹرز 31 دسمبر 2019ء کو اختتام پذیر سال کے لئے آپ کی کمپنی کی سالانہ رپورٹ بمعہ پڑتال شدہ مالی اسٹیٹمنٹس ازراہ مسرت پیش کرتے ہیں۔

کمپنی ایکٹ 2017ء کے سیکشن 226 اور 227 اور کارپوریٹ گورننس کے تحت تیار کردہ ڈائریکٹرز رپورٹ 29 مئی، 2020ء کو منعقدہ کمپنی کے 39ویں سالانہ اجلاس عام میں اراکین کے سامنے رکھی جائے گی۔

#### کاروباری جائزہ

زیر جائزہ مدت کے دوران کمپنی کی اقتصادی حالت میں نمایاں پیش رفت ہوئی ہے۔ اگرچہ انشورنس کے شعبہ میں حالات بہت خراب ہیں۔ آپ کی کمپنی اپنے کلائنٹس کو پیشہ ورانہ خدمات پیش کر کے بہتری کی جانب گامزن ہے۔ کاروباری حجم میں بھی سال 2019ء میں نمایاں اضافہ ہوا۔ جب کہ مجموعی کلیم اخراجات کا تناسب حوصلہ افزا سطح ہونے کی وجہ سے کلیمز پر ادائیگی میں کمی واقع ہوئی۔

کمپنی نے گزشتہ برس کے مقابلہ میں 71 فی صد کمی کے ساتھ 4.47 ملین روپے کا بھاری منافع بمعہ ٹیکس درج کیا۔

#### ونٹوز تکافل آپریشنز

زیر جائزہ سال کے لئے تحریر شدہ حصہ 60.12 ملین روپے تھا جب کہ خالص تقسیمی آمدنی 17.28 ملین روپے تھی۔ زیر جائزہ سال کے لئے شرکاء کا تکافل فنڈ سرپلس 6.44 ملین روپے رہا اور آپریٹر کے فنڈز (شینرز ہولڈرز کے لئے) سے منافع 11.63 ملین روپے رہا۔

#### مالیاتی نتائج

31 دسمبر 2019ء کو اختتام پذیر سال کے لئے کمپنی کی مجموعی کارکردگی حسب ذیل ہے:

2018	2019	
521,370,460	523,656,271	مجموعی پریمیم
15,456,886	4,474,181	نفع بمعہ ٹیکس
		ٹیکسیشن:
6,327,776	6,863,124	حالیہ
(11,186,046)	(12,626,648)	تاخیر
-	4,048,361	گزشتہ برسوں میں
(4,858,270)	(1,715,163)	
20,315,156	6,189,344	نفع علاوہ ٹیکس
168,124,154	183,439,310	اگے لائی گئی برقرار کمائی
(5,000,000)	-	قرض حسنہ
-	(16,301,725)	ایڈجسٹمنٹ/ٹرانسفر
<b>183,439,310</b>	<b>173,326,929</b>	اگے لیجائی گئی برقرار کمائی

#### منافع منقسمہ

آپ کے ڈائریکٹرز کا خیال ہے کہ کمپنی کی آئیندہ ترقی کے لئے نفع میں تاخیر کی جائے لہذا انہوں نے 31 دسمبر 2019ء کو اختتام پذیر سال کے لئے کسی قسم کا منافع منقسمہ تجویز نہ کیا ہے۔

### Statement Under Section 46 (6) of the Insurance Ordinance, 2000

The incharge of the management of the business was Mr. Ihtsham ul Haq Qureshi, Chief Executive Officer and the report on the affairs of business during the year 2019 signed by Mr. Ihtsham ul Haq Qureshi and approved by the Board of Directors is part of the Annual Report 2019 under the title of "Directors' Report to Members" and

- a. in our opinion the annual statutory accounts of the Asia Insurance Co. Ltd. set out in the forms attached to the statement have been drawn up in accordance with the Insurance Ordinance, 2000 (Ordinance) and any rules made thereunder.
- b. Asia Insurance Co. Ltd. has at all times in the year complied with the provisions of the Ordinance and the rules made thereunder relating to paid-up capital, solvency and reinsurance arrangements; and
- c. as at the date of the statement, the Asia Insurance Co. Ltd. continues to be in compliance with the provisions of the Ordinance and the rules made thereunder relating to paid-up capital, solvency and re-insurance arrangements.



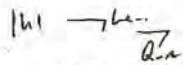
Chairman



Director



Director



Principle Officer/Chief Executive



**Statement of Compliance with the Code of  
Corporate Governance for Insurers, 2016 and Listed Companies  
(Code of Corporate Governance) Regulations, 2019  
Asia Insurance Company Limited  
For the Year Ended December 31, 2019**

This statement is being presented in compliance with the Code of Corporate Governance for Insurers, 2016, (the Code) and Listed Companies (Code of Corporate Governance) Regulations, 2019, (the Regulations) for the purpose of establishing a framework of good governance, whereby the company is managed in compliance with the best practices of corporate governance.

The company has applied principles in the Code and has complied with the requirements of the Regulations in the following manner

1. The total number of directors are seven (7) as per the following:
  - a) Male: Six (6)
  - b) Female: One (1)
2. The Company encourages representation of independent non-executive directors and directors representing minority on its Board of Directors (the Board). At present the composition of the Board is as follows:

Category	Names
a) Independent Directors	Mr. Khalid Rashid Mr. Hassan Ahmed Khan
b) Other Non-Executive Directors	Mr. Khawaja Suhail Iftikhar Mrs. Nosheen Ihtsham Mr. Thibaud Ponchon (Nominee Director)
c) Executive Directors	Mr. Ihtsham ul Haq Qureshi Mr. Zain ul Haq Qureshi

The independent directors meet the criteria of independence as laid down under the Code and Regulations

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
4. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, A DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by a stock exchange.
5. There was no change in Board of Directors of the Company during the year.
6. The Company has prepared a "Statement of Ethics and Business Practices" as Code of Conduct and has ensured the appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
7. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of significant policies along with their date of approval or updating is maintained by the Company.
8. All powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations. The decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive directors and the key officers have been taken by the Board.



9. The meeting of the Board was presided over the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board. Written notice of the Board meetings, along with the agenda and working papers, were circulated at least seven (7) days before the meeting. The minutes of the meeting were appropriately recorded and circulated.
10. The Board of Directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and the Regulations.
11. Out of seven Directors, three had earlier obtained the certification under Director's training program and Mr. Thibaud Ponchon obtained certification during the year 2019 from IMD, Switzerland. While one is exempted from the requirement, one Director is in the process of completion. Only one female director is left who will undertake the Directors Training Program within the stipulated time.
12. The Board has established a system of sound internal control, which is effectively implemented at all levels with the company. The company has adopted and complied with all the necessary aspects of internal controls given in the Code.
13. There was no change of Chief Financial Officer, Head of Internal Audit and Company Secretary during the year. The Board approved their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
14. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and Regulations and fully describes the salient matters required to be disclosed.
15. The financial statements of the company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
16. The Directors, Chief Executive Officer and other executives do not hold any interest in the shares of the company other than disclosed in the pattern of shareholding.
17. The company has complied with all the corporate and financial reporting requirements of the Code.
18. The Board has formed the following Management Committees:

**Underwriting committee:**

Name of the Member	Category
Mr. Khalid Rasheed	Chairman
Mr. Zain ul Haq Qureshi	Member
Mr. Mustajab Ahmed	Member
Mr. Amjad Rao	Secretary

**Claim Settlement committee:**

Name of the Member	Category
Mr. Khawaja Suhail Iftikhar	Chairman
Mr. Hassan Ahmad Khan	Member
Mr. Shahbaz Hameed	Member
Mr. Asif Ali Mughal	Secretary

**Reinsurance & Co-insurance Committee:**

Name of the Member	Category
Mr. Khalid Rasheed	Chairman
Mr. Zain ul Haq Qureshi	Member
Mr. Mohammad Ali Raza	Member
Mr. Muhammad Masood	Secretary

**Risk Management & Compliance Committee**

Name of the Member	Category
Mr. Zain ul Haq Qureshi	Chairman
Mr. Shahbaz Hameed	Member
Mr. Muhammad Masood	Member
Ms. Shazia Hafeez	Secretary

19. The Board has formed the following Board Committees

**Ethic, Human Resource & Remuneration Committee:**

Name of the Member	Category
Mr. Hassan Ahmad Khan	Chairman – Independent Director
Mrs. Nosheen Ihtsham	Member – Non-Executive Director
Mr. Ihtisham ul Haq Qureshi	Member – Executive Director/CEO
Mr. Shahbaz Hameed	Secretary

**Investment Committee:**

Name of the Member	Category
Mr. Ihtisham ul Haq Qureshi	Chairman – Executive Director/CEO
Mr. Zain ul Haq Qureshi	Member – Executive Director
Mrs. Nosheen Ihtsham	Member – Non-Executive Director
Mr. Hassan Ahmed Khan	Member – Independent Director
Mr. Mohammad Ali Raza	Secretary

20. The Board has formed an Audit Committee. It comprises of Four (4) members, of whom two (2) are independent directors and two (2) are non-executive directors. The chairman of the Committee is an independent director. The composition of the Audit Committee is as follows:

Name of the Member	Category
Mr. Hassan Ahmad Khan	Chairman – Independent Director
Mr. Khalid Rasheed	Member – Independent Director
Mr. Thibaud Ponchon	Member – Non-Executive / Nominee Director
Mr. Khawaja Suhail Iftikhar	Member – Non Executive
Mr. Iftikhar Ahmed	Secretary

21. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance
22. The meetings of the Underwriting, Claims, Re-insurance & Co-insurance, Risk Management, Investment and Audit Committees were held at every quarter prior to approval of interim and final results of the company and as required by the Code.

The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

- Audit Committee: Five (5) meetings
- Ethics, Human Resource & Remuneration Committee: Four (4) meetings
- Risk Management Committee : Four (4) meetings

24. The Board has set up an effective internal audit function, the staff is suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company and they are involved in the internal audit function on a regular basis
25. The Chief Executive Officer, Chief Financial Officer, Compliance Officer and the Head of Internal Audit are competent and qualified as per the Code. Moreover, the persons who are heading the underwriting, claims, reinsurance, risk management and grievance functions/department are competent, experience and qualified, as required under section 12 of the Insurance Ordinance, 2000.

Name of the Member	Category
Mr. Ihtisham ul Haq	Chief Executive Officer
Mr. Mohammad Ali Raza	Chief Financial Officer
Ms. Shazia Hafeez	Company Secretary /Head of Compliance
Mr. Iftikhar Ahmed	Head of Internal Audit
Mr. Mustajab Ahmed	Head of Underwriting
Mr. Asif Ali Mughal	Head of Claims and Head of Grievance Department
Mr. Muhammad Masood	Head of Reinsurance and Head of Risk Management Department

26. The statutory auditors of the company have been appointed from the panel of auditors approved by the Commission in terms of sections 48 of the Insurance Ordinance, 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 ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the Company;
27. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, the Regulations or any other regulatory requirements and the auditors have confirmed that they have observed IFAC guidelines in this regard.
28. The Board ensures that the Appointed Actuary complies with the requirements set out for him in the Code.
29. The Board ensures that the investment policy of the company has been drawn up in accordance with the provision of the Code.
30. The Board ensures that the risk management system of the company is in place as per the requirements of the Code.
31. The company has set up a risk management department, which carries out its tasks as covered under the Code.
32. The Board ensures that as part of the risk management system, the company gets itself rated from Pakistan Credit Rating Agency (the PACRA), which is being used by its risk management department and the respective Committee as a risk monitoring tool. The rating assigned by the PACRA on August 30, 2019 is A with positive outlook.

33. The Board has set up a grievance department, which fully complies with the requirements of the Code.
34. The company has not obtained any exemption(s) from the Securities and Exchange Commission of Pakistan in respect of the requirement of the Code.
35. We confirm that all other material principles contained in the Code and all other requirements of the regulations 3,6,7,8,27,32,33 and 36 of the Regulations
36. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8 27, 32, 33, and 36 are below:

As per regulation 29, "Nomination Committee" the Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors as it may deem appropriate.

No separate committee is constituted as these functions are performed by Human Resource committee



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Chariman  
March 11, 2020

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ASIA INSURANCE  
COMPANY LIMITED**

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

We have reviewed the enclosed Statement of Compliance with the Code of Corporate Governance for Insurers, 2016 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 (combined called the Code) prepared by the Board of Directors of Asia Insurance Company Limited ("the Company") for the year ended December 31, 2019 in accordance with the requirements of regulation 36 of the Code.

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

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

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

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

*Muhammad Imran*

**CHARTERED ACCOUNTANTS**  
Engagement Partner: Muhammad Imran

**LAHORE**

**DATED: MARCH 11, 2020**



**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF ASIA INSURANCE COMPANY LIMITED**  
**Report on the Audit of the Financial Statements**

**Opinion**

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

**Basis for Opinion**

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

**Key Audit Matters**

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

S. No	Key audit matters	How the matter was addressed in our audit
1.	<p><b>Compliance with laws and regulations</b></p> <p>The Company is in highly regulated industry and is governed by stringent laws and regulations which mainly include Insurance Ordinance, 2000, Insurance Accounting Regulations, 2017, Insurance Rules, 2017 and Companies Act, 2017, and various circulars issued by the SECP from time to time to regulate the business of the Company. The Company is required to comply with these rules and regulations.</p> <p>We have considered compliance with laws and regulation as a key audit matter since failure to comply with any of these applicable laws and regulations could have a material financial impact on the business of the Company.</p>	<ul style="list-style-type: none"> <li>● Obtained an understanding of the relevant legal and regulatory framework within which the Company operates and assessed the design and operation of its key controls over this framework.</li> <li>● Discussed the applicable policies and procedures with senior management and reviewed Board papers, and internal audit reports for any recorded instances of potential non-compliance, and maintained a high level of vigilance when carrying out our other audit procedures for indications of non-compliance.</li> <li>● Reviewed the Company's documentation and correspondence with the regulators.</li> </ul>
2.	<p><b>Value of Investment</b></p> <p>The Company's investment comprises investments in equity, term deposit and debt instruments. As at December 31, 2019 total net investment amount to Rs. 573.991 million.</p> <p>The valuation of these investments is made using different valuation techniques as disclosed in note 8.8 to the financial statements.</p> <p>The Company's accounting policy and movement in the year in the investments balances are disclosed in note 10, 11 and 12 to the financial statements.</p> <p>We have considered this as a key audit matter in view of the significance of these investments in relation to the total assets of the Company.</p>	<p>Valuation of investments were addressed by applying following procedures:</p> <ul style="list-style-type: none"> <li>● Evaluated the design and implementation of key control around investments;</li> <li>● Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies;</li> <li>● Performed purchases and sales testing on sample basis of trades made during the year and checked that transactions were recorded in the correct period as part of investment in case of purchases.</li> <li>● Checked the existence of the securities from the Central Depository Company's report;</li> <li>● We also reviewed management's assessment of whether there are any indicators of impairment including those securities that are not actively traded; and</li> </ul> <p>Furthermore, we also assessed the adequacy of the respective disclosure relating to investments as disclosed in the financial statements.</p>

S. No	Key audit matters	How the matter was addressed in our audit
3.	<p><b>Revenue recognition risks</b></p> <p>Refer note 8.2 to the financial statements for accounting policies and details in respect of revenue recognition. The Company receives its revenue primarily from two main sources namely, premiums and investments income. Premiums from insurance policies comprise of 84.64% of the total revenue. We identified revenue recognition as a key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transitions may not be recognized in the appropriate period.</p>	<p>Our audit procedures in respect of this matter included the following:</p> <ul style="list-style-type: none"> <li>● Obtained the understanding, evaluated the design and tested the controls over the process of capturing, processing and recording of information related to premiums and investment income.</li> <li>● Assessed the appropriateness of the company's accounting policy for recording of premiums and investment income in line with requirements of applicable accounting and reporting standards;</li> <li>● Tested the policies on sample basis where premium was recorded close to year end and subsequent to year end, and evaluated that these were recorded in the appropriate accounting period; and</li> <li>● Tested the investment income transaction on sample basis where investment income was recorded close to year end subsequent to year end and evaluated that these were recorded in the appropriate period.</li> </ul>
4.	<p><b>Valuation of outstanding claims including claims incurred but not reported (IBNR)</b></p> <p>As disclosed in note 29 to the financial statements, outstanding claims including IBNR amounting to Rs. 108.865 million as at December 31, 2019.</p> <p>The outstanding claims including IBNR represented significant portion of the Company's total liabilities.</p> <p>We focused on this area because the valuation of outstanding claims including IBNR are significant in magnitude and requires use of judgement and estimates. Outstanding claims including IBNR are estimates for settlement of claims in future which are impacted by a number of factors which includes the trends in severity of historical claims, frequency of historical claims and changes in government regulations.</p> <p>The valuation involves complex and subjective judgements about future events, both internal and external to the business, for which small changes in assumptions can materially impact the valuation of these liabilities.</p>	<p>Our audit procedures in respect of this matter included the following:</p> <ul style="list-style-type: none"> <li>■ We assessed and tested the operating effectiveness of selected key controls relating to the claims handling and reserving process, including controls over completeness and accuracy of the claims estimates recorded.</li> <li>■ Substantive tests were performed on the amounts recorded for a sample of claims notified, focusing on those with significant impact on the financial statements, to assess whether the claims are appropriately estimated and recorded.</li> <li>■ Tested the completeness and accuracy of the underlying data used in the valuation of outstanding claims including IBNR</li> <li>■ We assessed the adequacy of the disclosures by reference to the relevant accounting standards and applicable regulations.</li> </ul>



S. No	Key audit matters	How the matter was addressed in our audit
5.	<p><b>First time adoption of IFRS 16 Leases</b></p> <p>IFRS 16 'Leases' was issued on January 01, 2016. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective for accounting periods beginning on or after January 1, 2019. IFRS 16 replaced IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease' The Company applied IFRS 16 with a date of initial application of January 01, 2019.</p> <p>The impact of IFRS 16 as at December 31, 2019 is disclosed in note 6 to the financial statements. A number of judgements have been applied and estimates made in determining the impact of the standard.</p> <p>The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are detailed in note 6 to these financial statements.</p>	<p>In responding to the identified key audit matter, we completed the following audit procedures:</p> <ul style="list-style-type: none"> <li>● Assessed the design and implementation of key controls pertaining to the determination of the IFRS 16 transition impact disclosures;</li> <li>● Assessed the appropriateness of the discount rates applied in determining lease liabilities.</li> <li>● Verified the accuracy of the underlying lease data by agreeing a representative sample of leases to original contract or other supporting information, and checked the integrity and mechanical accuracy of the IFRS 16 calculations for each lease sampled through recalculation of the expected IFRS 16 adjustment;</li> <li>● Assessed whether the disclosures within the financial statements are appropriate in light of the requirements of relevant reporting standard.</li> </ul>
6.	<p><b>Valuation of insurance / re-insurance receivables</b></p> <p>Refer to note 8 2.3 and 14 to the financial statements for accounting policies and details in respect of valuation of insurance/reinsurance receivables.</p> <p>The Company's insurance / reinsurance receivable represents 18.09% of its total assets which are stated net of provision for impairment of Rs. 3,667 million. Valuation of these receivable involves significant judgment regarding uncertainty in determining impairment/ provisions.</p> <p>We identified the valuation of insurance / reinsurance receivables as a key matter as the estimation involves a significant degree of judgment.</p>	<p>Our audit procedures in respect of this matter included the following:</p> <ul style="list-style-type: none"> <li>● Tested the accuracy of insurance/reinsurance receivables aging report, on a sample basis, by comparing individual balances in the report with underlying documentation to evaluate that the balances appearing in the ageing report were classified within appropriate ageing bucket.</li> <li>● Assessed the appropriateness of assumptions and estimates made by the management for the provision for impairment by comparing, on a sample basis, past experience and historical trends of collection the financial circumstances of counter parties, their credit ratings and actual write offs, and receipts an settlement from/with customers and reinsurer subsequent to the financial year end</li> <li>● Assessed the reinsurance share of claims outstanding against the terms of the reinsurance contracts and the related recorded liabilities and</li> <li>● Assessed the historical accuracy of provisions for bad debts recorded by examining the utilization or release of previously recorded provisions.</li> </ul>



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

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

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

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

#### Report on Other Legal and Regulatory Requirements

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

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

#### Other matter

The financial statements of the Company for the year ended December 31, 2018 were audited by another firm of chartered accountants who had expressed an unmodified opinion thereon vide their report dated March 27, 2019.

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

LAHORE

DATED: MARCH 11, 2020

*Bdo Ebrahim & Co*

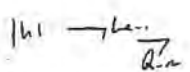
BDO EBRAHIM & CO.  
CHARTERED ACCOUNTANTS

ASIA INSURANCE COMPANY LIMITED  
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2019

Assets	Note	2019 Rupees	2018 Rupees
Property and equipment	9	192,591,881	81,188,744
Investments			
Equity securities	10	76,263,007	101,856,787
Debt securities	11	62,727,995	61,515,022
Term deposits	12	435,000,000	335,000,000
		573,991,002	498,371,809
Loans and other receivables	13	103,815,529	44,018,098
Insurance / reinsurance receivables	14	269,530,720	284,560,274
Reinsurance recoveries against outstanding claims	29	43,521,203	49,401,986
Deferred commission expense / acquisition cost	30	53,439,780	52,334,737
Deferred taxation	16	33,684,873	14,411,329
Taxation - payment less provision	15	28,937,298	26,740,770
Prepayments	17	36,937,331	46,879,546
Cash and bank	18	202,789,977	316,248,002
		1,539,239,594	1,414,155,295
Total assets of window takaful operations-OPF	19	64,740,352	49,846,736
<b>TOTAL ASSETS</b>		<b>1,603,979,946</b>	<b>1,464,002,031</b>
<b>EQUITY AND LIABILITIES</b>			
Capital and reserves attributable to Company's equity holders			
Ordinary share capital	20	603,373,910	603,373,910
Share premium - capital reserve	20.4	196,626,090	196,626,090
Reserves - revenue	21	2,500,000	2,500,000
Unappropriated profit - revenue reserve		173,326,929	183,439,310
Available for sale reserve		-	(19,992)
<b>TOTAL EQUITY</b>		<b>975,826,929</b>	<b>985,919,318</b>
<b>LIABILITIES</b>			
Underwriting provisions			
Outstanding claims including IBNR	29	108,865,952	126,110,519
Unearned premium reserves	28	262,243,543	252,509,416
Premium deficiency reserve		3,453,183	-
Unearned reinsurance commission	30	7,765,517	8,031,216
Retirement benefit obligations	22	613,051	579,172
Lease liabilities	23	143,209,055	-
Premium received in advance	24	726,520	2,026,600
Insurance / reinsurance payables	25	34,933,909	34,400,219
Other creditors and accruals	26	60,085,969	51,429,759
<b>TOTAL LIABILITIES</b>		<b>621,896,699</b>	<b>475,086,901</b>
Total liabilities of window takaful operations-OPF	19	6,256,318	2,995,812
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,603,979,946</b>	<b>1,464,002,031</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	27		

The annexed notes from 1 to 51 form an integral part of these financial statements.

  
Chairman

  
Chief Executive Officer

  
Director

  
Director

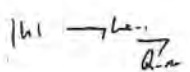
  
Chief Financial Officer

ASIA INSURANCE COMPANY LIMITED  
 PROFIT AND LOSS ACCOUNT  
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019 Rupees	2018 Rupees
Net insurance premium	28	437,892,972	480,215,322
Net insurance claims	29	(131,677,417)	(136,964,809)
Premium deficiency		(3,453,183)	7,575,862
Net commission and other acquisition cost	30	(91,579,059)	(90,067,721)
Insurance claims and acquisition expenses		(226,709,659)	(219,456,668)
Management expenses	31	(279,173,113)	(280,286,635)
Underwriting results		(67,989,800)	(19,527,981)
Investment income	32	52,854,555	10,778,118
Other income	33	26,600,427	25,658,990
Other expenses	34	(2,721,438)	(9,878,577)
Results of operating activities		8,743,744	7,030,550
Finance cost	35	(15,902,673)	(1,700)
Profit from takaful operations	19	11,633,110	8,428,036
Profit before tax		4,474,181	15,456,886
Income tax gain	36	1,715,163	4,858,270
Profit after taxation		6,189,344	20,315,156
Earnings per share - basic and diluted	37	0.10	0.36

The annexed notes from 1 to 51 form an integral part of these financial statements.

  
 Chairman

  
 Chief Executive Officer

  
 Director

  
 Director

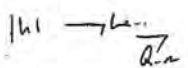
  
 Chief Financial Officer

**ASIA INSURANCE COMPANY LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>2019</b> <b>Rupees</b>	<b>2018</b> <b>Rupees</b>
Profit after tax	6,189,344	20,315,156
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss account		
Unrealized gains /(losses) on available for sale investments - net of deferred tax		
Remeasurement of investment - available for sale	(5,843)	(670,142)
Related tax thereon	1,694	187,640
	<u>(4,149)</u>	<u>(482,502)</u>
Total comprehensive income for the year	<u>6,185,195</u>	<u>19,832,654</u>

The annexed notes from 1 to 51 form an integral part of these financial statements.

  
**Chairman**

  
**Chief Executive Officer**

  
**Director**

  
**Director**

  
**Chief Financial Officer**

ASIA INSURANCE COMPANY LIMITED  
STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED DECEMBER 31, 2019

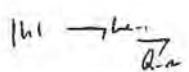
	Note	2019 Rupees	2018 Rupees
<b>Operating Cash Flows</b>			
<b>a) Underwriting activities</b>			
Insurance premium received		511,063,282	480,933,630
Reinsurance premiums paid		(54,562,691)	(96,365,793)
Claims paid		(170,906,862)	(194,584,242)
Reinsurance and other recoveries received		27,865,661	57,399,654
Commission paid		(112,482,536)	(113,849,293)
Commission received		14,046,072	15,037,508
Management expenses paid		(224,943,442)	(267,625,546)
Other underwriting payments		(50,834,077)	14,135,008
Net cash flow from underwriting activities		(60,754,593)	(104,919,074)
<b>b) Other operating activities</b>			
Income tax paid		(13,106,319)	(17,620,015)
Financial charges paid		(15,902,673)	(1,700)
Other operating receipts payments		5,062,985	745,125
Other receipts in respect of operating assets		24,505,927	23,816,090
Net cash flow from other operating activities		559,920	6,939,500
<b>Total cash flow from all operating activities</b>		<b>(60,194,673)</b>	<b>(97,979,574)</b>
<b>Investment activities</b>			
Profit / return received		53,169,364	25,152,733
Dividends received		1,964,855	2,275,963
Decrease in net assets in window takaful operations		(11,633,110)	(8,428,036)
Payments for investments / investment properties		(207,283,688)	(325,044,765)
Proceeds from investments / investment properties		132,016,843	125,198,891
Fixed capital expenditure		(18,070,468)	(530,682)
Proceeds from sale of property and equipment		4,544,179	2,407,209
Total cash flow from investing activities		(45,292,025)	(178,968,687)
<b>Financing activities</b>			
Proceeds from issuance of shares		-	350,000,000
Repayment of Lease		(7,971,327)	-
Total cash flow from financing activities		(7,971,327)	350,000,000
<b>Net cash flow from all activities</b>		<b>(113,458,025)</b>	<b>73,051,739</b>
Cash and cash equivalents at the beginning of the period		316,248,002	243,196,263
Cash and cash equivalents at the end of the period		202,789,977	316,248,002

ASIA INSURANCE COMPANY LIMITED  
STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019 Rupees	2018 Rupees
<b>Reconciliation to Profit and Loss Account</b>			
Operating cash flows		(60,194,673)	(97,979,574)
Depreciation expense		(32,471,860)	(18,059,373)
Profit on disposal of investments / investment properties		2,094,500	1,842,900
Dividend income		1,964,855	2,275,963
Other investment income / (loss)		50,889,700	8,502,155
Profit from window takaful operations		11,633,110	8,428,036
Increase in assets other than cash		23,249,501	64,754,216
Decrease / (increase) in liabilities other than borrowings		(3,600,743)	39,177,147
Deferred taxation		12,624,954	11,373,686
<b>Profit after taxation for the period</b>		<b>6,189,344</b>	<b>20,315,156</b>

The annexed notes 1 to 43 form an integral part of these financial statements.

  
Chairman

  
Chief Executive Officer

  
Director

  
Director

  
Chief Financial Officer

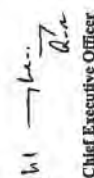


ASIA INSURANCE COMPANY LIMITED  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Share capital Issued subscribed and paid-up	Share premium reserve	Reserves		Total reserves	Unappropriated profit	Total
			Revenue reserves	Available for sale reserve			
Rupees							
Balance as at January 01, 2018	450,000,000	-	2,500,000	462,510	2,962,510	168,124,154	621,086,664
Issue of shares other than right	153,373,910	196,626,090	-	-	196,626,090	-	350,000,000
Total comprehensive income for the year	-	-	-	-	-	20,315,156	20,315,156
Profit after tax	-	-	-	-	-	-	-
Other comprehensive loss for the year	-	-	-	(482,502)	(482,502)	-	(482,502)
Qard e Hasna payment to PTf	-	-	-	-	-	(5,000,000)	(5,000,000)
Balance as at December 31, 2018	603,373,910	196,626,090	2,500,000	(19,992)	199,106,098	183,439,310	985,919,318
Balance as at January 01, 2019 - as reported	603,373,910	196,626,090	2,500,000	(19,992)	199,106,098	183,439,310	985,919,318
IFRS 16 - Leases - impact of change in accounting policy - note 6.1	-	-	-	-	-	(16,277,584)	(16,277,584)
Balance as at January 01, 2019 - as restated	603,373,910	196,626,090	2,500,000	(19,992)	199,106,098	167,161,726	969,641,734
Total comprehensive income for the year	-	-	-	-	-	6,189,344	6,189,344
Loss after tax	-	-	-	-	-	-	-
Other comprehensive loss for the year	-	-	-	(4,149)	(4,149)	-	(4,149)
Transfer of loss on disposal of investment - available for sale	-	-	-	24,141	24,141	(24,141)	-
Balance as at December 31, 2019	603,373,910	196,626,090	2,500,000	-	199,126,090	173,326,929	975,826,929

The annexed notes from 1 to 51 form an integral part of these financial statements.

  
Chairman

  
Chief Executive Officer

  
Director

  
Director

  
Chief Financial Officer

**ASIA INSURANCE COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

---

**1 STATUS AND NATURE OF BUSINESS**

- 1.1 Asia Insurance Company Limited ('the Company') is a quoted public limited company which was incorporated in Pakistan on December 06, 1979 under the repealed Companies Act, 1913 (now the Companies Act, 2017). The Company is engaged in non-life insurance business mainly comprising of fire, marine, motor, bond and surety ship, agriculture and allied and miscellaneous. The Company commenced its commercial operations in 1980. The registered and principal office of the Company is situated at 19 C/D, Block L, Gulberg III, Main Ferozpur Road, Lahore-Pakistan. Shares of the Company are quoted on Pakistan Stock Exchange.
- 1.2 The Company has been allowed to work as Window Takaful Operator through License No.10 on August 13, 2015 by Securities and Exchange Commission of Pakistan under Window Takaful Rules, 2012 to carry on Islamic General Insurance in Pakistan. It has not transacted any business outside Pakistan.
- 1.3 The SECP has issued investigation order dated March 21, 2019 against the Company for matters pertaining to claims paid/payable and property valuation and appointed an investigation team. The Company has submitted a response to SECP and is confident, based on the confirmation from the legal advisors that no adverse inference is expected in respect of these matters.

**2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS**

The registered office of the Company is situated at 19 C/D, Block L, Gulberg III, Main Ferozpur Road, Lahore Pakistan. The Company operates through 1 (2018: 1) principal offices and 25 (2018: 25) branches in Pakistan.

**3 SUMMARY OF SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT REPORTING YEAR**

Following is the summary of significant transactions and events that have affected the financial position and performance of the Company:

- a) During the year, the Company changed its accounting policy by adopting IFRS-16 Leases as disclosed in note 6.1 to the financial statements.
- b) For discussion on the Company's performance, please refer to Director's report.
- c) All other significant transactions and events that have affected the Company's financial position and performance during the year have been adequately disclosed in the notes to these financial statements

**4 BASIS OF PREPARATION**

**4.1 Statement of compliance**

These financial statements are prepared in accordance with accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board, as are notified under the Companies Act, 2017, and Provisions of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017 and Takaful

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

In terms of the requirements of the Takaful Rules 2012, read with SECP Circular 25 of 2015 dated 09 July 2015, the assets, liabilities and profit and loss account of the Operator Fund of the General Takaful operations of the Company have been presented as a single line item in the statement of financial position and statement of comprehensive income of the Company respectively.

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

**4.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention without any adjustment for the effect of inflation except for certain investments which are stated at fair value. The financial statements, except for cash flow information, have been prepared under the accrual basis of accounting.

**ASIA INSURANCE COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**4.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention without any adjustment for the effect of inflation except for certain investments which are stated at fair value. The financial statements, except for cash flow information, have been prepared under the accrual basis of accounting

**4.3 Functional and presentation currency**

The financial statements are prepared and presented in Pakistani Rupees, which is the Company's functional and presentation currency. All figures have been rounded to the nearest rupee, unless otherwise stated.

**5 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS**

**5.1 Standards / amendments that are effective in current year and relevant to the Company**

The Company has adopted, except IFRS 9 Financial Instruments due to exemption as explained below, the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

	<b>Effective date (annual periods beginning on or after)</b>
Conceptual Framework for Financial Reporting 2018 - Original Issue	March 01, 2018
IFRS 5 Additional hedge accounting disclosures ( and consequential amendments ) resulting from the introduction of the hedge accounting chapter in IFRS 9	July 01, 2018
IFRS 7 Financial Instruments - Disclosures - additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	July 01, 2018
IFRS 16 Leases	January 01, 2019
IAS 39 Financial Instruments: Recognition and Measurements-amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	July 01, 2018
IFRS 8 Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IAS 19 Employee benefits-amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IAS 28 Investments in Associates and Joint Ventures - amendments regarding long term interests in associates and joint ventures	January 01, 2019
Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:	
<b>Annual improvements to IFRSs (2015 – 2017) Cycle:</b>	
IFRS 3 Business Combinations	January 01, 2019
IFRS 11 Joint Arrangements	January 01, 2019
IAS 12 Income Taxes	January 01, 2019
IAS 23 Borrowing Costs	January 01, 2019

**ASIA INSURANCE COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**5.2 Standards / amendments that are not effective in current year and relevant to the Company**

The following amendments to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard

	<b>Effective date (annual periods beginning on or after)</b>
Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.	January 01, 2020
IFRS 3 Business Combinations - amendments to clarify the definition of a business	January 01, 2020
IFRS 14 Regulatory Deferral Accounts	July 01, 2019
IAS 1 Presentation of Financial Statements - amendments regarding the definition of materiality	January 01, 2020
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors-amendments regarding the definition of materiality	January 01, 2020
IAS 39 Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020

**5.3 Standards or interpretations not yet effective**

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1 First Time Adoption of International Financial Reporting Standards

IFRS 17 Insurance Contracts

IFRS 9 'Financial Instruments' is effective for reporting period / year ending on or after June 30, 2019. It replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Amendment to IFRS 4 'Insurance Contracts' - Applying IFRS 9 'Financial Instruments' with IFRS 4 addresses issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from July 01, 2018 onwards to remove from profit or loss account the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied.

The Company has determined that it is eligible for the temporary exemption option since the Company has not previously applied any version of IFRS 9, its activities are predominantly connected with insurance as the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent and the Company doesn't engage in significant activities unconnected with insurance based on historical available information. Under the temporary exemption option, the Company can defer the application of IFRS 9 until the application IFRS 17.

To determine the appropriate classification of financial assets under IFRS 9, an entity would need to assess the contractual cash flows characteristics of any financial asset. Indeed, the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") i.e. cash flows that are consistent with a basic lending arrangement. In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest

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IFRS 9 defines the terms “principal” as being the fair value of the financial asset at initial recognition, and the “interest” as being compensation for (i) the time value of money, and (ii) the credit risk associated with the principal amount outstanding during a particular period of time.

The tables below set out the fair values as at the end of reporting period and the amount of change in the fair value during that period for the following two groups of financial assets separately:

- a) financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading in IFRS 9, or that is managed and whose performance is evaluated on a fair value basis, and
- b) all other financial assets:

Financial assets	December 31, 2019				
	Fail the SPPI test		Pass the SPPI test		
	Fair value	Change in unrealized gain or (loss) during the year	Carrying value	Cost less impairment	Change in unrealized gain or (loss) during the year
	Rupees	Rupees	Rupees	Rupees	Rupees
Cash and bank*	202,789,977	-	-	-	-
Investments in equity securities					
Held for trading	76,263,007	(3,139,218)	-	-	-
Investments in debt securities					
Held to maturity	-	-	62,727,995	-	100,661
Terms Deposits*	-	-	435,000,000	-	-
Loans and other receivables*	103,815,529	-	-	-	-
Total	382,868,513	(3,139,218)	497,727,995	-	100,661

\*The carrying amount of these financial assets measured applying IAS 39 are a reasonable approximation of their fair values.

	December 31, 2019			
	Gross carrying amount debt instruments that pass the SPPI test			
	A	AA-	A+	Unrated
	Rupees	Rupees	Rupees	Rupees
Investments in debt securities				
Held to maturity	-	-	-	62,727,995
Term deposit	200,000,000	35,000,000	200,000,000	-
Total	200,000,000	35,000,000	200,000,000	62,727,995

The Company expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Company's financial statements in the period of initial application.

## 6 CHANGE IN ACCOUNTING POLICES - IFRS 16 LEASES

### 6.1 IFRS 16 - Leases

IFRS 16 'Leases' was issued on January 01, 2016. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective for accounting periods beginning on or after January 1, 2019. IFRS 16 replaced IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease'. The Company applied IFRS 16 with a date of initial application of July 01, 2019.

#### Transition method and practical expedients utilized

The Company applied IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (January 01, 2019), without restatement of comparative figures.

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The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- applied a single discount rate to a portfolio of leases with similar characteristics.
- applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. On adoption of IFRS 16, the Company recognized a right-of-use asset and lease liability at the commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of cost to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company used its incremental borrowing rate as the discount rate as at January 01, 2019.

The right of use asset is subsequently depreciated using straight line method from the date of recognition to the earlier of the end of useful life of the right of use asset or the end of the lease term. The estimated useful lives of the right of use assets are determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by the impairment losses, if any, and adjusted for certain re measurement of the lease liability.

Subsequently, the lease liability is measured at a mortised cost using the effective interest method. It is re measured when there is a change in future lease payments arising from a change in the rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is re measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

On transition to IFRS 16, the Company recognised right-to-use assets and lease liabilities on the date of initial application as follows;

	Note	January 01, 2019 -----'Rupees-----
Property and equipment		
Right-of-use assets - Buildings		128,254,208
Deferred tax asset	16	6,648,590
Lease liabilities		151,180,382
Retained earnings		16,277,584

**7 USE OF JUDGMENTS AND ESTIMATES**

The preparation of financial statements in conformity with the requirements of approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and associated assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The judgments, estimates and associated assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the revision and future periods, if the revision affects both current and future periods.

The areas where assumptions and estimates are significant to the financial statements or judgment was exercised in application of accounting policies, are as follows:

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	Note
- Provision for unearned premiums	8.2.1
- Premium due but unpaid - net	8.2.5
- Provision for outstanding claims (including IBNR)	8.3.1
- Premium deficiency reserve	8.7
- Useful life of fixed assets	8.10
- Taxation (current and deferred)	8.18
- Impairment in the value of investment	8.22
- Commission income unearned	8.6.2
- Reinsurance recoveries against outstanding claims	8.5
- Prepaid reinsurance premium ceded	8.4.2
- Deferred commission expense	8.6.1

**8 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in preparation of these financial statements are set out below. These policies have been applied consistently to all years presented except as disclosed in note 6.1.

**8.1 Insurance contracts**

Insurance contracts are those contracts under which the Company as insurer has accepted insurance risk from the insurance contract holder (insured) by agreeing to compensate the insured if a specified uncertain future event (the insured event) adversely affects the insured. Once a 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 the 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 and transport
- Motor
- Crops
- Health
- Miscellaneous

These contracts are provided to individuals as well as commercial organizations with various tenures according to the nature and terms of the contract and the needs of the insured. The Company also accepts insurance risk pertaining to insurance contracts of other insurers as reinsurance inward. The insurance risk involved in these contracts is similar to the contracts undertaken by the Company as insurer. The Company neither issues investment contracts nor does it issue insurance contracts with discretionary participation features (DPF).

**8.2 Revenue recognition**

**8.2.1 Premium**

Premium receivable/received under a policy is recognized at the time of issuance of policy. Similarly reinsurance premium is recorded at the time reinsurance is ceded.

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

**8.2.2 Commission income**

Commission income from reinsurers is recognized at the time of issuance of the underlying insurance policy by the Company. This income is deferred and recognized as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Commission from reinsurers is arrived at after taking the impact of opening and closing unearned commission. Profit/ commission, if any, which the Company may be entitled to under the terms of reinsurance is recognized on accrual basis.

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**8.2.3 Investment income**

Return on investments and fixed deposits are recognized using the effective interest rate method. Profit or loss on sale of investments is recognized at the time of sale.

**8.2.4 Dividend Income and other income**

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

**8.2.5 Premiums due but unpaid - net**

Premiums due but unpaid is recorded as receivable when it is due, at the fair value of consideration receivable less provision for doubtful debts, if any. If there is objective evidence that receivable is impaired, the Company reduces the carrying amount of the receivable accordingly and recognizes that impairment loss in profit and loss account.

**8.3 Claims expense**

General insurance claims include all claims occurring during the year, whether reported or not, including external claims handling costs that are directly related to the processing and settlement of claims, reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years. Claims are charged to profit and loss account as incurred based on estimated liability for compensation owed under the insurance contracts.

**8.3.1 Provision for outstanding claims (including IBNR)**

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

Provision for IBNR is based on the management's best estimate which takes into account the past trends net of exceptional claims.

**8.4 Reinsurance contracts**

Contracts (treaty and facultative) entered by the Company under which the Company cedes insurance risks assumed during normal course of its business and according to which the Company is compensated for losses on insurance contracts issued by the Company are classified as reinsurance contracts held.

**8.4.1 Reinsurance expense**

Reinsurance premium ceded (treaty and facultative) is recognized as an expense over the period of reinsurance from inception to which it relates to its expiry as follows:

- a) for proportional reinsurance business, evenly over the period of the underlying policies.
- b) for non-proportional reinsurance business, evenly over the period of indemnity.

Where the pattern of incidence of risk varies over the period of the policy, reinsurance premium is recognized as expense in accordance with the pattern of incidence of risk.

**8.4.2 Prepaid reinsurance premium ceded**

The portion of reinsurance premium ceded not recognized as an expense as at year end is recognized as prepaid reinsurance premium ceded. Un recognized portion is determined in the same manner as for provision for unearned premiums.

**8.5 Reinsurance recoveries against outstanding claims**

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

**8.6 Commission**

**8.6.1 Commission expense**

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



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**8.6.2 Commission income**

Commission and other forms of revenue (apart from recoveries) from reinsurers are deferred and recognized as liability and recognized in the profit and loss account as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates

**8.7 Premium deficiency reserve - (liability adequacy test)**

At each balance sheet date, liability adequacy test is performed to ensure the adequacy of unearned premium. Where the cumulative unearned premium reserve for any classes of business is not adequate to meet the expected future liability, after reinsurance from claims and other supplementary expenses, including reinsurance expenses, commissions and other underwriting expenses, expected to be incurred after the balance sheet date in respect of unexpired policies in that class of business in force at balance sheet date, a premium deficiency reserve is recognized as a liability to meet the deficit. The movement in premium deficiency reserve is recorded as an expense / income in the profit and loss account for the year. The Company determines adequacy of liability of premium deficiency by carrying out analysis of its loss ratio of expired risk.

**8.8 Investments**

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs, except for held for trading, in which case transaction costs are charged to profit and loss account. Subsequently, these are recognized and classified into the following categories:

**8.8.1 Available-for-sale**

The financial assets that are intended to be held for an indefinite period of time and may be sold in response to the need for liquidity are classified as available-for-sale. Subsequent to the initial recognition at cost, these are valued at market values and any unrealized gains / (losses) are taken to other comprehensive income.

**8.8.2 Fair value through profit or loss - held for trading**

Investments which are acquired with the intention to trade by taking advantage of short term market / interest rate movements are considered as held for trading. After initial recognition, these are measured at fair values with any resulting gains or losses recognized directly in the profit and loss account, for the period in which it arises. Subsequent to initial recognition these are measured at fair value by reference to quoted market prices

**8.8.3 In debt security**

**Held to maturity**

Investments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held to maturity.

Subsequent to initial recognition at cost, these investments are measured at amortized cost, less provision for impairment in value, if any. Amortized cost is calculated taking into account any discount or premium on acquisition, which is deferred and included in the income for the period on a straight line basis, over the term of the investments.

**Investment at fair value through profit or loss-held for trading**

Investments which are acquired with the intention to trade by taking advantage of short term market / interest rate movements are considered as held for trading. After initial recognition, these are measured at fair values with any resulting gains or losses recognized directly in the statement of comprehensive income.

**In Term deposits**

**Held to maturity**

Investments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held to maturity.

Subsequent to initial recognition at cost, these investments are measured at amortized cost, less provision for impairment in value, if any. Amortized cost is calculated taking into account any discount or premium on acquisition, which is deferred and included in the income for the period on a straight line basis, over the term of the investments.

**a) Trade and settlement date accounting**

All 'regular way' purchases and sales of financial assets are recognized on the trade date, i.e. the date on which commitment to purchase / sale is made by the Company. Regular way purchases or sales of financial acts are those

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the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market place.

**b) Derecognition**

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

**c) Impairment**

**Available-for-sale**

The Company considers that available-for-sale investments is impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

**8.9 Employee benefits**

**Defined contribution plan**

The Company operates an approved provident fund scheme for all its permanent employees. Equal monthly contributions are made, both by the Company and its employees, to the fund at the rate of 8.33% (2018: 8.33%) of basic salary of the employees.

**8.10 Fixed assets and depreciation**

**8.10.1 Owned assets**

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

Depreciation/amortization is charged to profit and loss account on reducing balance method using the following rates:

- Building on freehold land	10%
- Furniture and fixture	10%
- Office equipments	10%
- Motor vehicles	20%
- Computer equipment	30%

Full month's depreciation / amortization is charged in the month when assets become available for use and no depreciation is charged in the month of disposal.

The assets' residual values, useful life and method of depreciation / amortization are reviewed at each financial year end and adjusted if impact on depreciation is significant.

Subsequent costs are included in the asset's carrying amount or recognized as a separate part, as appropriate, only when it is possible that future economic benefit associated with the item will flow to the Company and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to profit and loss account.

Gains or losses on disposal are included in profit and loss account.

An assessment is made at each balance sheet date to determine whether there is any indication of impairment or reversal of previous impairment, in respect of item of fixed assets and intangible assets. In the event that an asset's carrying amount exceeds its recoverable amount, the carrying amount is reduced to recoverable amount and an impairment loss is recognized in the profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of amortization or depreciation), had no impairment losses been recognized for the asset in prior years. Reversal of impairment loss is restricted to the original cost of the asset.

**8.10.2 Capital work-in-progress**

Capital work-in-progress is stated at cost. All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These expenditures are transferred to relevant category of fixed assets or intangibles as and when the assets start operation.

**8.10.3 Right of use assets**

The right-of use asset is initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of cost to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using straight line method from the date of recognition to the earlier of the end of useful life of the right of use asset or the end of the lease term. The estimated useful lives of

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lives of the right of use assets are determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by the impairment losses, if any, and adjusted for certain re measurement of the lease liability.

**8.11 Lease liabilities**

Lease liabilities are initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company used its incremental borrowing rate as the discount rate as at January 01, 2019.

Subsequently, the lease liability is measured at a mortised cost using the effective interest method. It is re measured when there is a change in future lease payments arising from a change in the rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is re measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

**Ijarah contracts**

Operating lease / ijarah in which a significant portion of the risks and rewards of ownership are retained by the lessor / Mu'ir (lessor) are classified as operating leases/Ijarah. Payments made during the period are charged to profit and loss on a straight-line basis over the period of the lease / Ijarah.

The SECP has issued directive (vide SRO 431(I)/2007 dated May 22, 2007) that Islamic Financial Accounting Standard 2 (IFAS-2) shall be followed in preparation of the financial statements by companies while accounting for Ijarah (Lease) transactions as defined by said Standard. The Company has adopted the above said standard.

**8.12 Investment properties**

Property held for the purpose of rental income and long-term capital appreciation is classified as investment property.

**8.12.1 Initial recognition**

Investment property is initially recognized at cost which is equal to the fair value of consideration paid at the time of acquisition or construction of the asset.

**8.12.2 Measurement subsequent to initial recognition**

Subsequent to initial recognition, investment property is carried at historical cost less accumulated depreciation and accumulated impairment losses, if any.

**8.12.3 Depreciation**

Depreciation is charged to profit and loss account in the same manner as owned fixed assets.

**8.13 Investment and other income**

**8.13.1 Dividend income and bonus shares**

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

Entitlement of bonus shares is recognized when the right to receive the same is established.

**8.13.2 Interest income**

Interest income is recognized on time proportion basis that takes into account effective yield on the assets.

**8.13.3 Rental income**

Rental income on investment properties is recognized as income on accrual basis.

**8.14 Segment reporting**

The Company's operating business is organized and managed separately according to the nature of the services provided with each segment representing a strategic business unit that serves different markets.

The Company has five major segments namely fire and property damage, marine, aviation and transport, motor crops and miscellaneous, as disclosed in note 8.1

The Company accounts for segment reporting are prepared in the format prescribed under the Insurance Ordinance 2000 and the Insurance Rules, 2017 and provide required information at appropriate level of detail.

**8.15 Financial instruments**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged,

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cancelled or expired. Any gain or loss on the de recognition of the financial assets and liabilities is included in the net profit or loss account for the period in which it arises.

Financial instruments carried in the statement of financial position include investments, loan and other receivables, insurance / reinsurance receivables, reinsurance recoveries against outstanding claims, cash and bank, provision for outstanding claims, insurance / reinsurance payables, other creditors and accruals.

**8.16 Off setting of financial asset and financial liabilities**

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

**8.17 Related party transactions**

All transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes, as admissible, except in extremely rare circumstances where, subject to the approval of the board of directors, it is in the interest of the Company to do so.

**8.18 Taxation**

**8.18.1 Current**

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

**8.18.2 Deferred**

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

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

**8.19 Foreign currencies**

Transactions in foreign currency, if any, are converted into Pak rupees at the rate of exchange prevailing on the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into Pak rupees at the rate of exchange prevailing at the reporting date. Exchange difference are taken to profit and loss account.

**8.20 Management expenses**

Management expenses are allocated to all classes of business in proportion to the net premium income of the year. Underwriting expenses have been allocated to various classes of business on a basis deemed equitable by the management. Provision for bad debts is based on review of outstanding amounts as at balance sheet date. Bad debts are written off to the profit and loss account when identified. Expenses not allowable to the underwriting business are charged to Other expenses.

**8.21 Creditors, accruals and provisions**

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

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

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**8.22 Impairment**

The carrying amounts of the Company's assets are reviewed annually to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and impairment losses are recognized in the profit and loss account.

**8.23 Earnings per share**

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

**8.24 Cash and cash equivalents**

For the purpose of cash flow statement, cash and cash equivalents include cash at bank in current and saving accounts, cash and stamps in hand and bank deposits.

**8.25 Dividend and bonus shares**

Dividend to shareholders is recognized as liability in the year in which it is approved. Similarly, reserve for issue of bonus shares is recognized in the year in which such issue is approved.

**8.26 Fair value**

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

**8.27 Share capital**

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

**8.28 Receivables and payables related to insurance contracts**

Receivables and payables related to insurance contracts are recognized when due at cost which is the fair value of the consideration given less provision for impairment, if any.

**8.29 Insurance / reinsurance receivables**

Amounts due to / from other insurers/reinsurers are carried at cost which is the fair value of the consideration to be received/paid in the future for the services. However, an assessment is made at each statement of financial position date to determine whether there is objective evidence that a financial asset or group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognized for the difference between the recoverable amount and the carrying amount.

**8.30 Reinsurance assets**

The Company determines the impairment of the reinsurance assets by looking at objective evidence, as a result of an event that occurred after initial recognition of the reinsurance assets, which indicates that the Company may not be able to recover amount due from reinsurer under the terms of reinsurance contract. In addition the Company also monitors the financial ratings of its reinsurers on each reporting date.

**8.31 Loans and other receivables**

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

**8.32 Zakat**

Zakat on investment income is accounted for in the year of deduction, under Zakat and Ushr Ordinance, 1980.

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9 PROPERTY AND EQUIPMENT

	2019	2018
	Rupees	Rupees
Operating fixed assets	80,053,845	81,188,744
Right of use assets	112,538,036	-
	192,591,881	81,188,744

9.3

Particulars	2019										Depreciation rate (% per annum)	
	Cost			Depreciation				Written down value as at				
	As at January 1, 2019	Additions	Disposals / write-offs	As at December 31, 2019	As at January 1, 2019	Depreciation for the year	Disposals / write-offs	As at December 31, 2019	As at December 31, 2019	As at December 31, 2019		
Owned												
Building on freehold land	564,200	-	-	564,200	365,350	20,085	-	383,435	180,765	10%		
Furniture and fixtures	10,788,216	292,300	-	11,080,516	3,104,037	771,034	-	3,875,071	7,205,445	10%		
Office equipments	18,813,238	476,341	-	19,289,579	6,061,477	1,298,016	-	7,359,493	11,930,086	10%		
Motor vehicles	122,898,341	17,301,827	(7,565,060)	132,634,108	65,928,627	13,591,881	(5,116,381)	74,404,127	58,229,981	20%		
Computers equipments	10,962,085	-	-	10,962,085	7,379,845	1,074,672	-	8,454,517	2,507,568	30%		
	164,026,080	18,070,468	(7,565,060)	174,530,488	82,837,336	16,755,688	(5,116,381)	94,476,643	80,053,845			

Particulars	2018										Depreciation rate (% per annum)	
	Cost			Depreciation				Written down value as at				
	As at January 1, 2018	Additions	Disposals / write-offs	As at December 31, 2018	As at January 1, 2018	Depreciation for the year	Disposals / write-offs	As at December 31, 2018	As at December 31, 2018	As at December 31, 2018		
Owned												
Building on freehold land	564,200	-	-	564,200	341,033	22,317	-	363,350	200,850	10%		
Furniture and fixtures	10,760,216	28,000	-	10,788,216	2,252,832	85,120	-	3,104,037	7,684,179	10%		
Office equipments	18,566,558	246,680	-	18,813,238	4,657,662	1,403,815	-	6,061,477	12,751,761	10%		
Motor vehicles	126,753,839	214,002	(4,069,500)	122,898,341	55,185,707	14,248,111	(3,505,191)	65,928,627	56,999,714	20%		
Computers equipments	10,920,085	42,000	-	10,962,085	5,845,920	1,533,925	-	7,379,845	3,582,240	30%		
	167,564,898	530,682	(4,069,500)	164,026,080	68,283,154	18,059,373	(3,505,191)	82,837,336	81,188,744			

ASIA INSURANCE COMPANY LIMITED  
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9.1 Detail of disposal of fixed assets

Particular of asset	Cost	Accumulated depreciation	Book value	Sale proceeds	Profit on disposal	Mode of disposal	Particulars of purchaser
<b>Motor Vehicles</b>							
Suzuki Cultus	643,800	(393,285)	250,515	410,000	159,485	Negotiations	Chazi-nd-din
Honda City	1,432,000	(1,268,630)	163,370	888,889	725,519	Negotiations	Abbas Akram
Suzuki Cultus	1,300,000	(503,822)	796,178	1,143,000	346,822	Insurance claim	UBL Insurer
Toyota Corolla	1,050,000	(641,424)	408,576	800,000	391,424	Negotiations	Irfan Jameel
Honda Civic	2,437,260	(1,688,534)	748,726	932,581	183,855	Negotiations	Wali Butt
<b>Subtotal</b>	<b>6,863,060</b>	<b>(4,495,695)</b>	<b>2,367,365</b>	<b>4,174,470</b>	<b>1,807,105</b>		

9.2 The following assets with book value below Rs. 50,000/- were disposed off during the year:

Particular of asset	Cost	Accumulated depreciation	Book value	Sale proceeds	Profit on disposal	Mode of disposal	Particulars of purchaser
<b>Motor Vehicles</b>							
Suzuki Cultus	703,000	(620,686)	82,314	369,709	287,395	Various	Various
<b>Subtotal</b>	<b>703,000</b>	<b>(620,686)</b>	<b>82,314</b>	<b>369,709</b>	<b>287,395</b>		
<b>2019</b>	<b>7,566,060</b>	<b>(5,116,381)</b>	<b>2,449,679</b>	<b>4,544,179</b>	<b>2,094,500</b>		
<b>2018</b>	<b>4,069,500</b>	<b>(3,505,191)</b>	<b>564,309</b>	<b>2,407,209</b>	<b>1,842,900</b>		

9.3 Right of use assets

The following is the statement of right of use assets:

Building	2019	2018
	Rupees	Rupees
<b>Year ended December 31, 2019</b>		
<b>Net carry value basis</b>		
Opening net book value	-	-
Addition - at cost	128,254,208	-
Depreciation charge	(15,716,172)	-
Closing net book value	112,538,036	-

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	Note	2019 Rupees	2018 Rupees
<b>Gross carry value basis</b>			
Cost		128,254,208	-
Accumulated depreciation		(15,716,172)	-
Net book value		<u>112,538,036</u>	<u>-</u>
Depreciation rate % per annum		10%-33%	-

**10 INVESTMENTS IN EQUITY SECURITIES**

<b>Investments in equity securities</b>			
Available for sale	10.1	-	20,451
Held for trading	10.2	<u>76,263,007</u>	<u>101,836,336</u>
		<u>76,263,007</u>	<u>101,856,787</u>
<b>10.1 Available for sale</b>			
<b>Listed shares</b>			
Cost		109,120	109,120
Less: unrealized loss on revaluation of investment		-	(88,669)
Disposed off during the year		(109,120)	-
Carrying value	10.3	<u>-</u>	<u>20,451</u>

**10.1.1 Listed shares**

	2019 Number of Shares	2018 Number of Shares	2019 Market value per share	2018 Market value per share
First IBL Modaraba	-	5,843	-	3.50
	<u>-</u>	<u>5,843</u>	<u>-</u>	<u>20,451</u>

**10.2 Held for trading**

**Listed shares**

Cost	52,411,561	11,359,911
Less: unrealized loss on revaluation of investment	(3,960,011)	(2,168,851)
Carrying value	<u>48,451,550</u>	<u>9,191,060</u>

**Mutual funds**

Cost	26,990,661	117,604,015
Less: unrealized gain/(loss) on revaluation of investment	820,796	(24,958,739)
Carrying value	<u>27,811,457</u>	<u>92,645,276</u>
	<u>76,263,007</u>	<u>101,836,336</u>

**10.3 Investments - Available for Sale**

	2019			2018		
	Cost	Impairment / Provision	Carrying value	Cost	Impairment / Provision	Carrying value
Others						
Listed Securities						
First IBL Modaraba	-	-	-	109,120	(88,669)	20,451
	<u>-</u>	<u>-</u>	<u>-</u>	<u>109,120</u>	<u>(88,669)</u>	<u>20,451</u>



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**10.4 Investments - Held for Trading**

	2019			2018		
	Cost	Impairment / Provision	Carrying value	Cost	Impairment / Provision	Carrying value
Rupees						
<b>Listed securities</b>						
Jubilee Life Insurance Company Limited	7,003,038	(2,643,038)	4,360,000	7,003,038	(1,572,658)	5,430,380
EFU Life Assurance Limited	4,356,873	(535,968)	3,820,906	4,356,873	(596,193)	3,760,680
Cherat Cement Company Limited	10,045,965	60,060	10,106,025	-	-	-
D. G Khan Cement Company Limited	5,858,050	(287,800)	5,570,250	-	-	-
Kohat Cement Company Limited	5,503,080	(278,580)	5,224,500	-	-	-
Maple Leaf Cement Factory Limited	4,825,915	33,485	4,859,400	-	-	-
Oil and Gas Development Company Limited	4,961,225	375,775	5,337,000	-	-	-
Power Cement Limited	4,923,280	(618,280)	4,305,000	-	-	-
Pakistan Petroleum Limited	4,934,135	(65,665)	4,868,470	-	-	-
	52,411,561	(3,960,011)	48,451,550	11,359,911	(2,168,851)	9,191,060
<b>Mutual Fund</b>						
UBL Money Market Fund	-	-	-	24,515	896	25,411
ABL Stock Fund	-	-	-	24,138,468	(8,442,244)	15,696,224
NAFA Asset Allocation Fund	-	-	-	5,978,964	(1,193,202)	4,785,762
NAFA Stock Fund	-	-	-	23,993,015	(6,478,517)	17,514,498
Pakistan Income Fund	26,613,899	808,969	27,422,868	22,770,402	2,153,122	24,923,524
MCB Pakistan Stock Market Fund	-	-	-	8,317,845	(2,108,771)	6,209,074
Alfalah GHP Value Fund B	-	-	-	32,032,268	(8,894,662)	23,137,606
IBL Money Market Fund	376,765	11,824	388,589	348,539	4,638	353,177
	26,990,661	820,793	27,811,457	117,604,016	(24,958,740)	92,645,276
	79,402,225	(3,139,218)	76,263,007	128,963,927	(27,127,591)	101,836,336
<b>Total equity securities</b>	79,402,225	(3,139,218)	76,263,007	129,073,047	(27,216,260)	101,856,787

**11 INVESTMENTS IN DEBT SECURITIES**

Held to maturity

Pakistan Investment Bonds

Note	2019 Rupees	2018 Rupees
	62,727,995	61,515,022

	2019			2018		
	Cost	Impairment / Provision	Carrying value	Cost	Impairment / Provision	Carrying value
Rupees						
<b>Held to maturity</b>						
<b>Government securities</b>						
Pakistan Investment Bonds	62,727,995	-	62,727,995	61,515,022	-	61,515,022
	62,727,995	-	62,727,995	61,515,022	-	61,515,022

11.1 Pakistan Investments Bonds (PIBs) having face value of Rs. 64.50 million, carry interest rate ranging from 7.75% to 9% (2018: 7.75 to 12%) per annum. Profit is paid semi annually and these will be matured latest by September 2022

11.1 The Company has deposited following securities with State Bank of Pakistan against statutory deposits as required by Section 29 of the Insurance Ordinance, 2000.

Pakistan investment bonds	35,500,000	61,515,022
Cash deposit (included in Loans and other receivables)	26,394,079	394,079
	<u>61,894,079</u>	<u>61,909,101</u>

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**12 INVESTMENTS IN TERM DEPOSITS**

	Note	2019 Rupees	2018 Rupees
Held to maturity			
Deposits maturing within 12 months	12.1	435,000,000	335,000,000

12.1 These represent Term Deposit Receipts (TDRs) in local currency carrying interest rates ranging from 11.69% to 14.40% per annum (2018: 6.15% to 11.8% per annum). These are maturing ranging from 30 days to 365 days.

**13 LOANS AND OTHER RECEIVABLES**

Unsecured - considered good

Accrued investment income		19,729,734	10,732,785
Balances with brokers		20,355,297	233,452
Income tax refund due		-	402,745
Security deposits	13.2	17,751,171	10,577,216
Deposit with SBP	11.2	26,394,079	394,079
Other receivables		19,585,248	21,677,821
		<u>103,815,529</u>	<u>44,018,098</u>

13.1 This includes security deposit against rented premises. The said deposit is refundable at the expiry of the respective rent agreement or on vacation of the rented premises. These deposits do not carry any interest or mark-up.

13.2 This include security deposit with related parties and their relative amounting to Rs. 3.712 million (2018: 3.712 million) against the rented premises.

**14 INSURANCE / REINSURANCE RECEIVABLES**

(Unsecured - considered good)

Due from insurance contract holders

Provision for impairment of receivables from insurance contract holders

97,414,767	100,649,651
(3,303,412)	-
<u>94,111,355</u>	<u>100,649,651</u>

Due from other insurers / reinsurers

Provision for impairment of receivables from insurance contract holders

(6,965,490)	183,910,623
<u>175,419,365</u>	
<u>269,530,720</u>	<u>284,560,274</u>

**15 TAXATION - Payment less provision**

Opening balance	26,740,770	15,636,171
Advance tax	30,000,843	28,017,429
Prior year adjustment	(4,048,361)	-
Provision for the year	(23,755,954)	(16,912,830)
	<u>28,937,298</u>	<u>26,740,770</u>

**16 DEFERRED TAXATION**

Deferred tax asset / (liability) arising in respect of:

Accelerated depreciation on fixed assets)	(1,399,934)	(1,983,905)
Un realized gain on pre measurement of investment (P&I)	910,372	7,595,725
Un realized gain on pre measurement of investment (OCI)	(1,694)	187,640
Leases	8,894,595	-
Provisions	2,977,982	-
Minimum taxation	22,303,552	8,611,869
	<u>33,684,873</u>	<u>14,411,329</u>

16.1

**ASIA INSURANCE COMPANY LIMITED**  
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	Note	2019 Rupees	2018 Rupees
16.1	Balance at beginning of the year	14,411,329	3,037,643
	IFRS 16 - Leases - impact of change in accounting policy	6.1	6,648,590
		21,059,919	-
	Reversal during the year		
	charged to profit and loss account	12,626,648	11,186,046
	charged to other comprehensive income	(1,694)	187,640
	during the year	12,624,954	11,373,686
	Balance at the end of the year	<u>33,684,873</u>	<u>14,411,329</u>
16.2	The deferred tax asset has been recognized on the basis of future projections indicating the quantum of profits available for utilization of losses carried forward. In the event that future profits are not available, the tax losses and minimum tax would not be utilized and may lapse.		
<b>17</b>	<b>PREPAYMENTS</b>		
	Prepaid reinsurance premium ceded	36,555,316	41,434,546
	Prepaid rent	382,015	5,445,000
		<u>36,937,331</u>	<u>46,879,546</u>
17.1	Prepaid rent includes rent for the office building paid to the related parties and their relatives amounting to Rs. Nil (2018: Rs. 5,445 million).		
<b>18</b>	<b>CASH AND BANK</b>		
	Cash and cash equivalents		
	Cash in hand	16,396	1,313,733
	Cash at bank		
	Current account	54,596,860	45,654,290
	Saving account	148,176,721	269,279,979
		18.1	202,773,581
		<u>202,789,977</u>	<u>314,934,269</u>
		<u>202,789,977</u>	<u>316,248,002</u>
18.1	These include interest bearing accounts carrying interest rates ranging from 11.25% to 14% (2018: 3.75% to 9%) per annum.		
18.2	Cash and short term borrowing include the following for the purpose of the cash flow statement		
	Cash and cash equivalents	202,789,977	316,248,002
	Short term borrowings of upto three months including running finance, if any	-	-
		<u>202,789,977</u>	<u>316,248,002</u>
<b>19</b>	<b>TOTAL ASSETS OF WINDOW TAKAFUL OPERATIONS - OPT</b>		
	Total liabilities in window Takaful Operations	6,256,318	2,995,812
	Total assets in Window Takaful Operations	<u>64,740,352</u>	<u>49,846,736</u>
	Profit for the year	<u>11,633,110</u>	<u>8,428,036</u>
19.1	The financial statements of window takaful operations are separately prepared under the provisions of clause 11(b) of Takaful Rules, 2012 read with Circular No. 25 of 2015 issued dated July 9, 2015.		

**ASIA INSURANCE COMPANY LIMITED**  
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**20 ORDINARY SHARE CAPITAL**

**20.1 Authorized share capital**

	2019	2018	Note	2019 Rupees	2018 Rupees
	Number of shares				
	<u>100,000,000</u>	<u>100,000,000</u>	Ordinary shares of Rs. 10 each	<u>1,000,000,000</u>	<u>1,000,000,000</u>

**20.2 Issued, subscribed and paid-up share capital**

	40,337,391	40,337,391	Ordinary shares of Rs.10 each, fully paid in cash	403,373,910	403,373,910
	15,000,000	15,000,000	Ordinary shares of Rs.10 each, issued as fully paid bonus shares	150,000,000	150,000,000
	5,000,000	5,000,000	Statutory fund for window takaful operations	50,000,000	50,000,000
	<u>60,337,391</u>	<u>60,337,391</u>		<u>603,373,910</u>	<u>603,373,910</u>

20.3 Amount of Rs. 50 million is deposited as statutory reserves to comply with provisions of para 4 of Circular No 8 of 2014 read with section 11(c) of Takaful Rules, 2012 issued by Securities and Exchange Commission of Pakistan.

20.4 During previous year, the Company issued 15,337,391 shares to Insu Resilience Investment Fund SICAV RAIF, Luxembourg for an aggregate amount of Rs. 350 million bearing a premium of Rs. 12.82 per shares and total amounting to Rs. 196,626,090/- under the shareholders agreement.

**21 RESERVES**

Revenue reserve				<u>2,500,000</u>	<u>2,500,000</u>
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21.1 These represent general reserves utilizable at the discretion of the board of directors.

**22 RETIREMENT BENEFIT OBLIGATIONS**

Staff provident fund				<u>613,051</u>	<u>579,172</u>
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22.1 The company operates a funded Provident Fund Scheme for its employees and contributions are made monthly equal to employees contribution @ 8.33% (2018: 8.33%) of basic salary and cost of living allowance.

**23 LEASE LIABILITIES**

Secured					
Lease liabilities as at				151,180,382	-
Less: Payment made during the period				(23,871,785)	-
Add: Interest expense for the period / year				15,900,458	-
				<u>143,209,055</u>	<u>-</u>

23.1 The contractual undiscounted cash flows to which the Company is committed under the lease agreement and the years in which they became due are as follows:

Maturity analysis- contractual undiscounted cashflow					
Less than one year				20,976,464	-
One to five year				126,399,015	-
More than five year				67,404,882	-
Total undiscounted lease liability				<u>214,780,361</u>	<u>-</u>

The above liabilities were obligations under leases with various lessors for lease of buildings.

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The Company discounted lease payments using its incremental borrowing rate at January 01, 2019. The weighted average rate applied is 12% per annum.

	Note	2019 Rupees	2018 Rupees
<b>24 PREMIUM RECEIVED IN ADVANCE</b>			
Premium received in advance		726,520	2,026,600
<b>25 INSURANCE / REINSURANCE PAYABLES</b>			
Due to other insurers / reinsurers		34,933,909	34,400,219
<b>26 OTHER CREDITORS AND ACCRUALS</b>			
Outstanding agency commissions		887,007	6,373,670
Sales tax		5,272,507	5,567,423
Federal insurance fee		672,926	411,605
Tax deducted at source		2,548,758	2,548,043
EOBI payable		142,323	142,047
Receipts from foreign reinsurers	26.1	7,133,952	7,133,952
Auditors' remuneration		579,000	518,750
Unpaid and unclaimed dividend		59,962	59,962
Security against various policies		38,472,251	21,448,519
Others		4,317,283	7,225,788
		<u>60,085,969</u>	<u>51,429,759</u>

26.1 This represents receipts from foreign reinsurers against settlement of treaty agreements in 2011 after adjustment of receivable balances from the reinsurers.

**27 CONTINGENCIES AND COMMITMENTS**

**27.1 Contingencies**

- a) Suits for recovery of approximate by Rs. 80.713 million (2018: Rs. 122.314 million) have been lodged but are not accepted by the Company and the cases are pending adjudication before different courts. As per the Company's legal advisor, such claims are untenable and accordingly management has not provided any liability in respect thereof.
- b) The Company has filed suit for recovery of Rs. 56.369 million (2018: Rs. 20,026 million) against insurer/reinsurer for amount due. The management of the Company on the basis of the facts of the case and advice of the legal advisor believe that they have strong case, however, on prudence bases it has not been recorded as receivable in the financial statements against the aforesaid claim.
- c) The Company filed a writ petition before the Honorable Lahore High Court, Lahore against the levy of both Federal Excise Duty and Sales Tax on Services for tax year 2012 to 2014, and impugned inter alia, the show cause notices and orders passed by deputy commissioner inland revenue dated June 01, 2016 and demanding an amount of Rs. 77.556 million. The honorable court while issuing notices to the respondents has ordered that no coercive measures shall be adopted against the Company. The matter is pending adjudication before the Honorable High Court, Lahore. As per the Company's legal advisor, such claims are untenable and accordingly management has not provided any liability in respect thereof.

**27.2 Commitments**

a) Ijarah Disclosure:

The Company has entered into a Vehicle Ijarah agreements with Meezan Bank Limited and Sindh Bank Limited. The company has made payment of Rs. 15.716 million till the year end.

Future Ijarah Rental Payment:		
Payable not later than 1 year	5,618,381	9,556,683
Payable later than 1 year and not later than 5 years	6,920,315	11,733,626
	<u>12,538,696</u>	<u>21,290,309</u>

- b) There is no known commitment as at December 31, 2019 except as stated above (2018: Nil). However, commitment against lease liabilities has been disclosed in the relevant note to these financial statements.

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	Note	2019 Rupees	2018 Rupees
<b>28 NET INSURANCE PREMIUM</b>			
Written gross premium		523,656,271	521,370,460
Unearned premium reserves - opening		252,509,416	292,730,189
Unearned premium reserves - closing		(262,243,543)	(252,509,416)
Premium earned		513,922,144	561,591,233
Less: Reinsurance premium ceded		71,149,942	77,897,432
Prepaid reinsurance premium ceded - opening		41,434,546	44,913,025
Prepaid reinsurance premium ceded - closing		(36,555,316)	(41,434,546)
Reinsurance expense		76,029,172	81,375,911
		<u>437,892,972</u>	<u>480,215,322</u>

**29 NET INSURANCE CLAIMS EXPENSE**

Claims paid	170,906,862	194,584,242
Outstanding claims (including IBNR) - closing	108,865,952	126,110,519
Outstanding claims (including IBNR) - opening	(126,110,519)	(113,121,068)
Claims expense	153,662,295	207,573,693
Less: Reinsurance and other recoveries received	27,865,661	57,399,654
Reinsurance and other recoveries in respect of outstanding claims - closing	43,521,203	49,401,986
Reinsurance and other recoveries in respect of outstanding claims - opening	(49,401,986)	(36,192,756)
Reinsurance and other recoveries revenue	21,984,878	70,608,884
	<u>131,677,417</u>	<u>136,964,809</u>

**29.1 Claim development**

	2015	2016	2017	2018	2019
	Rupees'000'				
At end of accident year	69,354	104,700	159,029	233,801	177,950
one year later	110,855	153,214	141,637	218,274	-
two years later	118,160	149,558	114,952	-	-
three years later	123,262	148,878	-	-	-
four years later	115,596	-	-	-	-
Current estimate of current claims	115,596	148,878	114,952	218,274	177,950
Cumulative payments to date	(111,734)	(139,886)	(103,665)	(194,279)	(139,886)
Liability recognized in balance sheet	<u>3,862</u>	<u>8,992</u>	<u>11,287</u>	<u>23,995</u>	<u>38,064</u>

**30 NET COMMISSION AND OTHER ACQUISITION COST**

Commission paid or payable	106,995,873	109,092,803
Deferred commission expense - opening	52,334,737	46,793,366
Deferred commission expense - closing	(53,439,780)	(52,334,737)
Net commission	105,890,830	103,551,432
Less: Commission received or recoverable	14,046,072	15,037,508
Unearned reinsurance commission - opening	8,031,216	6,477,419
Unearned reinsurance commission - closing	(7,765,517)	(8,031,216)
Commission from reinsurers	14,311,771	13,483,711
	<u>91,579,059</u>	<u>90,067,721</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
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	Note	2019 Rupees	2018 Rupees
<b>31 MANAGEMENT EXPENSES</b>			
Employee benefit cost	31.1	148,823,256	149,978,734
Travelling and conveyance		2,982,521	4,679,045
Advertisement and sales promotion		3,577,646	4,669,957
Printing and stationery		4,677,863	4,846,526
Depreciation	31.2	32,471,860	18,059,373
Rent, rates and taxes		7,275,677	24,608,853
Legal and professional charges - business related		5,707,564	1,275,304
Electricity, gas and water		3,680,586	3,134,599
Petrol, oil and lubricants		12,277,922	11,486,547
Repairs and maintenance		9,630,340	8,273,526
Postages, telegram and telephone		7,456,077	7,328,990
Annual supervision fee SECP		1,255,046	1,026,628
Service charges		7,124,514	7,204,636
Ijarah rentals	31.3	9,894,128	14,567,075
Entertainment		5,089,066	4,322,375
Bad and doubtful debts		10,671,647	-
Miscellaneous	31.4	6,577,400	14,824,467
		<u>279,173,113</u>	<u>280,286,635</u>
<b>31.1 Employee benefit cost</b>			
Salaries, allowance and other benefits		145,565,640	146,639,622
Charges for post employment benefit		3,257,616	3,339,112
		<u>148,823,256</u>	<u>149,978,734</u>
<b>31.2 Depreciation</b>			
Operating fixed assets	9	16,755,688	18,059,373
Right of use assets	9.3	(15,716,172)	-
		<u>1,039,516</u>	<u>18,059,373</u>
31.3	This amount pertains to lease rental paid on Ijarah financing availed during the year from Meezan Bank Limited and Sindh Bank Limited.		
31.4	This includes an amount of Rs. 0.475 million (2018: Rs. Nil ) penalty charged by SECP against various non compliance of Insurance Ordinance, 2000, disclosure on related parties, Anti Money Laundering Act, 2010 and Insurance Rules, 2017.		
<b>32 PROFIT ON INVESTMENT</b>			
Income from equity securities			
Held for trading			
Dividend income on listed securities		-	1,161,350
Dividend income on mutual fund		1,964,855	1,114,613
		<u>1,964,855</u>	<u>2,275,963</u>
Income from debt securities			
Held to maturity			
Return on debt securities			
Pakistan Investment Bonds		5,166,945	5,210,915
		<u>5,166,945</u>	<u>5,210,915</u>
Return on term deposits		45,265,597	16,671,211
Net realized fair value gains/(losses) on investments			
Held for trading			
- Listed securities		10,578,816	(23,203,046)
- Mutual funds		(36,000,590)	-
Available for sale			
- Listed securities		(4,525)	720,945

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	Note	2019 Rupees	2018 Rupees
Net unrealized fair value gains/(losses) on investments			
Held for trading			
- Listed securities		(1,791,160)	14,607,622
- Mutual funds		27,982,861	(4,984,981)
Held to maturity			
- Debt securities		100,661	49,646
Total investment income		<u>53,263,460</u>	<u>11,348,275</u>
Less: (Impairment)/Reversal in value of Available for sale			
- Listed securities		-	-
Less: Investment related expenses		(408,905)	(570,157)
Net Investment Income		<u>52,854,555</u>	<u>10,778,118</u>
<b>33 OTHER INCOME</b>			
Return on bank balances		24,505,927	23,816,090
Profit on disposal of fixed assets	9.1	<u>2,094,500</u>	<u>1,842,900</u>
		<u>26,600,427</u>	<u>25,658,990</u>
<b>34 OTHER EXPENSES</b>			
Auditors' remuneration	34.1	656,000	679,500
Legal and professional charges		-	6,442,000
Fee and subscription		<u>2,065,438</u>	<u>2,757,077</u>
		<u>2,721,438</u>	<u>9,878,577</u>
<b>34.1 Auditors' remuneration</b>			
Audit fee		440,000	440,000
Half yearly review		70,000	73,500
Other services		95,000	126,000
Out of pocket expenses		<u>51,000</u>	<u>40,000</u>
		<u>656,000</u>	<u>679,500</u>
<b>35 FINANCE COST</b>			
Bank charges		2,380	1,700
Lease finance charges	23	<u>15,900,293</u>	<u>-</u>
		<u>15,902,673</u>	<u>1,700</u>
<b>36 INCOME TAX EXPENSE</b>			
For the year			
Current		6,863,124	6,327,776
Deferred		<u>(12,626,648)</u>	<u>(11,186,046)</u>
		<u>(5,763,524)</u>	<u>(4,858,270)</u>
For the prior year(s)			
Current	15	<u>4,048,361</u>	<u>-</u>
Deferred		<u>-</u>	<u>-</u>
		<u>4,048,361</u>	<u>-</u>
		<u>(1,715,163)</u>	<u>(4,858,270)</u>
36.1	The Company has provided for the minimum tax on alternative corporate tax for the year under the Income Tax Ordinance, 2001.		
36.2	Numerical reconciliation between applicable tax rate and average effective tax rate has not been prepared as the Company was subject to minimum tax in the current year and prior year.		
36.3	As at December 31, 2019, as per the treatments adopted in tax returns filed that are based on the applicable tax laws and decisions of appellate authorities on similar matters, the provision in accounts for income tax is sufficient as there are strong grounds that the said treatments are likely to be accepted by the tax authorities.		



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37 EARNINGS PER SHARE	Note	2019	2018
Net profit after tax for the year (Rupees)		6,189,344	20,315,156
Weighted average number of ordinary shares outstanding		60,337,391	56,849,710
Basic and diluted earnings per share (Rupees)	37.1	0.10	0.36

37.1 There is no dilution effect on the basic earnings per share as the Company has no convertible delusive potential ordinary shares outstanding at the year end; consequently, the reported basic earnings per share is also the diluted earnings per share.

**38 DEFINED CONTRIBUTION PLAN**

The Company has contributory provident fund scheme for benefit of all its permanent employees under the title of "Asia Insurance Company Limited Employee Provident Trust". The Fund is maintained by the Trustees and all decisions regarding investments and distribution of income etc. are made by the Trustees independent of the Company.

The Trustees have intimated that the size of the Fund at year end was Rs. 30,865 million (2018: Rs. 23,163 million). The category wise break up of investment as per section 218 of the Companies Act, 2017 is given below:

Break up of fair value of investments out of provident fund is as follows:	2019 (Rupees) Audited	2018 (Rupees) Audited
Saving accounts	7,978,470	6,093,294
Term deposits receipts	19,000,000	15,000,000
	<u>26,978,470</u>	<u>21,093,294</u>

**Employees' provident fund**

Size of the fund	30,865,347	23,163,216
Number of members	132	141
Cost of investment made	26,978,470	21,093,294
Percentage of investment made	87.41%	91.06%
Fair value of investment	26,978,470	21,093,294

The Company has contributory provident fund scheme of all its permanent employees. The fund is maintained by the Trustees and all decisions regarding investments and distribution of income etc. are made by the Trustees.

**38 COMPENSATION OF DIRECTORS AND EXECUTIVES**

The aggregate amount charged in the financial statements for the year for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company are as follows:

Description	2019				2018			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	Rupees				Rupees			
Managerial remuneration	7,920,000	990,000	28,119,934	37,029,934	7,920,000	990,000	27,569,215	36,479,215
Utilities	792,000	99,000	2,811,972	3,702,972	792,000	99,000	2,756,921	3,647,921
Fees	-	140,000	-	140,000	-	160,000	-	160,000
Bonus	1,500,000	187,500	2,756,221	4,443,721	-	113,850	1,478,705	1,592,555
Rent and house maintenance	3,288,000	411,000	11,674,033	15,373,033	3,288,000	411,000	10,727,548	14,426,548
Commission paid	-	-	-	-	-	-	-	-
Others	-	-	2,064,000	2,064,000	-	-	-	-
Contribution to defined contribution plan	-	82,464	1,235,602	1,318,066	-	82,463	1,211,484	1,293,947
	<u>13,500,000</u>	<u>1,909,964</u>	<u>48,661,762</u>	<u>64,071,726</u>	<u>12,000,000</u>	<u>1,856,313</u>	<u>43,743,873</u>	<u>57,600,186</u>
Executive Directors	13,500,000	1,769,964	-	15,269,964	12,000,000	1,696,313	-	13,696,313
Non-Executive Director	-	140,000	-	140,000	-	160,000	-	160,000
	<u>13,500,000</u>	<u>1,909,964</u>	<u>-</u>	<u>15,409,964</u>	<u>12,000,000</u>	<u>1,856,313</u>	<u>-</u>	<u>13,856,313</u>
Number of persons	1	4	33	38	1	3	30	34

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- 39.1 The chief executive officer, director and certain executives are also provided with Company's maintained cars for official purposes
- 39.2 Total remuneration includes remuneration paid to related parties amounting to Rs. 22,041 million. (2018: Rs. 19,660 million).

**40 TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

Related parties comprise of chief executive officer, directors, major shareholders, key management personnel, associated companies, entities with common directors and employee retirement benefit funds. The transactions with related parties are carried out at commercial terms and conditions and compensation to key management personnel is on employment terms. The transactions and balances with related parties other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

Name of parties	Nature of relationship	Nature of transactions	Note	December 31, 2019		December 31, 2018	
				Transactions during the period	Closing Balance	Transactions during the Year	Closing Balance
Rupees							
Contribution payable to provident fund	EPF	Contribution to provident fund payable		3,257,616	-	3,339,112	-
Directors, their spouses and relatives (Country of origin - Pakistan and relationship - Directors, spouses and relatives)	Shareholders and relatives	Office Supplies		221,878	-	-	379,172
		Security Deposit		-	3,712,500	-	3,712,500
		Rental Paid		16,705,125	-	13,517,750	-
		Remunerations and fee		15,409,964	-	19,660,324	-
		Right of use of assets		-	107,378,715	-	-
		Lease liabilities		-	136,660,828	-	-
		Commission Charge		6,510,969	-	8,433,178	-
InsuResilience Investment SICAVRAIF Executives	Fund Associated	Subscription money received		-	-	359,000,000	-
	Key Management Personnel	Remuneration paid		22,040,597	-	19,660,324	-
		Commission paid		6,148,585	-	6,226,376	-

**40.1 Basis of relationship with the company**

In respect of associated companies and holding company incorporated inside Pakistan with whom the company had entered into an agreement along with basis of relationship is as follows:

Name of related party	Country of origin	Relationship	Basis of Association Shareholdings
InsuResilience Investment Fund SICAVRAIF	Luxembourg Associated undertaking	Shareholding	25.42%

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41. SEGMENT REPORTING

41.1 Following are the segment assets, liabilities, revenue and expenses of the Company:

Segment current year	2019						Total
	Fire and property damage	Marine, aviation and transport	Motor	Health	Aggriculture and allied	Miscellaneous	
Premium receivable (inclusive of federal excise duty, federal insurance fee and administrative surcharge)	205,805,478	74,468,284	146,706,384	64,763,284	13,573,377	89,609,440	594,926,247
Less: Federal excise duty	(21,011,907)	(6,316,935)	(19,157,213)	(8,532,633)	-	(11,600,166)	(66,618,894)
Federal insurance fee	(1,389,228)	(639,172)	(1,213,839)	(556,807)	(116,408)	(736,523)	(4,651,882)
Written gross premium including administrative surcharge	183,404,343	67,512,172	126,335,232	55,673,844	13,456,879	77,273,801	523,656,271
Gross direct premium	153,356,904	62,425,510	121,878,882	55,631,804	11,137,619	72,622,343	477,053,062
Facultative inward premium	26,257,955	2,896,656	2,674,129	1,811,51	1,811,51	2,041,900	35,181,791
Administrative surcharge	3,789,484	2,690,006	1,782,221	42,040	508,109	2,609,558	11,421,418
Premium earned	169,478,044	63,319,629	128,453,101	50,435,323	15,000,000	87,175,447	513,922,144
Reinsurance premium ceded	(40,991,428)	(11,465,162)	(5,250,004)	(9,200,000)	-	(7,629,172)	(66,935,766)
Net insurance premium	128,516,616	51,854,467	123,203,097	50,435,323	14,000,000	69,546,275	437,892,972
Commission income	9,256,099	2,794,819	1,500,853	1,431,771	-	1,500,853	14,311,771
Net underwriting income	138,442,715	54,649,286	123,203,097	50,435,323	14,000,000	71,433,722	452,204,743
Insurance claims	(25,076,972)	(3,924,117)	(42,237,829)	(54,415,539)	(1,224,319)	(26,406,519)	(153,664,295)
Insurance claims recovered from reinsurance	19,365,211	1,817,698	(1,159,236)	-	-	1,061,205	21,984,878
Net claims	(5,711,761)	(2,106,419)	(43,087,065)	(54,415,539)	-	(24,536,314)	(131,677,417)
Commission expense	(41,383,240)	(15,196,694)	(25,489,783)	(2,609,783)	(4,437,582)	(105,890,830)	(195,899,830)
Management expense	(92,071,293)	(34,394,128)	(69,765,361)	(27,386,882)	(8,179,772)	(47,375,677)	(279,173,113)
Premium deficiency reserve	-	-	(3,453,183)	-	-	-	(3,453,183)
Net insurance claims and expenses	(139,166,200)	(51,607,241)	(138,742,191)	(87,865,387)	(13,841,673)	(88,881,754)	(520,194,543)
Underwriting results	(723,279)	2,952,045	(15,539,097)	(37,430,064)	198,927	(17,448,032)	(67,989,500)
Net investment income	-	-	-	-	-	-	32,854,555
Other income	-	-	-	-	-	-	26,690,427
Other expenses	-	-	-	-	-	-	(2,721,438)
Finance cost	-	-	-	-	-	-	(15,904,673)
Profit from taxable operations	-	-	-	-	-	-	11,633,110
Profit before tax	-	-	-	-	-	-	4,474,181
Segment assets	157,043,472	59,636,533	83,251,639	27,798,330	10,302,532	65,015,413	403,047,919
Unallocated assets	-	-	-	-	-	-	1,200,932,927
Segment liabilities	169,771,327	50,147,243	120,713,630	43,885,892	12,647,276	80,959,224	1,693,979,946
Unallocated liabilities	-	-	-	-	-	-	47,807,493
	-	-	-	-	-	-	150,078,424
	-	-	-	-	-	-	628,133,017

41.2 SEGMENT INFORMATION

	2019						Total
	Fire and property damage	Marine, aviation and transport	Motor	Health	Aggriculture and allied	Miscellaneous	
Premium received (inclusive of FED, JIF and Admin surcharge)	181,654,162	56,901,757	158,769,430	48,332,607	19,976,605	121,148,917	586,764,478
Less: Federal Excise Duty / Sales Tax	(19,732,077)	(5,342,175)	(21,051,556)	(370,742)	-	(14,226,269)	(60,622,819)
Federal Insurance Fee	(1,298,804)	(494,839)	(1,337,068)	(474,850)	(197,890)	(987,653)	(44,791,199)
Gross Written Premium (inclusive of Admin surcharge)	160,623,191	51,164,744	136,380,806	47,487,009	19,778,715	105,938,995	521,370,660
Gross direct Premium	125,944,784	47,417,160	131,444,092	47,438,833	18,086,966	95,639,284	466,869,131
Facultative inward Premium	30,755,465	1,691,109	2,682,046	1,811,51	1,811,51	7,224,880	42,323,900
Administrative surcharge	3,922,942	2,086,475	2,256,668	48,174	791,749	3,071,821	12,177,829

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Insurance Premium earned	142,886,024	49,097,300	148,140,982	54,596,773	121,611,481	561,391,233
Insurance Premium ceded to reinsurers	(40,421,412)	(10,374,847)	(5,250,004)	(2,401,000)	(13,839,645)	(81,371,911)
Net Insurance Premium	93,464,609	38,722,453	142,890,978	52,195,773	107,771,836	480,019,322
Commission income	9,730,310	2,487,552	-	-	1,261,849	13,485,711
Net underwriting income	103,194,919	41,210,005	142,890,978	52,195,773	109,033,685	493,505,033
Insurance claims	(30,503,362)	(55,705,106)	(61,817,302)	(11,023,250)	(16,935,779)	(207,573,693)
Insurance claims recovered from reinsurers	30,792,421	52,912,305	(7,790,064)	1,244,161	6,550,029	20,608,884
Net claims	(8,809,941)	(2,792,799)	(69,607,366)	(10,779,089)	(10,385,750)	(186,964,809)
Commission expenses	(32,661,402)	(11,770,008)	(26,093,657)	(2,253,670)	(20,644,075)	(103,451,432)
Management expenses	(71,304,920)	(24,497,052)	(73,939,614)	(22,591,103)	(27,243,601)	(280,486,635)
Premium deficiency expense	1,573,424	-	6,602,438	-	-	7,575,862
Net Insurance claims and expenses	(111,193,839)	(40,669,771)	(165,638,199)	(48,372,837)	(104,839,968)	(513,227,014)
Underwriting results	(7,998,920)	11,492,234	(20,747,221)	137,273	3,733,936	(19,327,981)
Net investment income						10,778,118
Other income						25,638,990
Other expenses						(9,878,577)
Finance income						(1,700)
Profit from VTO Operations						8,428,036
Profit before tax						13,558,866
Segment assets	137,720,693	54,388,636	92,501,315	24,633,271	31,636,830	87,451,598
Unallocated assets						1,036,270,488
Total assets						1,404,002,081
Segment liabilities	147,373,712	46,732,572	129,687,783	41,388,027	24,583,288	474,597,729
Unallocated liabilities						3,274,984
Total liabilities						478,082,713

42 MOVEMENT IN INVESTMENTS

	Held to maturity	Available for Sale	Fair Value through profit and loss	Total
	Rupees			
As at January 01, 2019	36,397,472	(204,690)	199,836,097	185,438,879
Additions	315,992,004	(813,891)	(109,876,358)	145,411,262
Disposals (call and redemption)	(373,006)		(171,690,755)	(172,063,761)
Fair value net gains (excluding net realized gains)	49,646	(677,143)	2,622,541	2,005,144
As at December 31, 2019	61,515,022	(200,485)	101,886,346	163,377,800
Additions	27,712,312	(14,686)	102,963,306	132,777,051
Disposals (call and redemption)	(20,000,000)	(14,686)	(17,428,794)	(37,443,480)
Fair value net gains (excluding net realized gains)	106,961	(6,941)	25,811,099	26,246,117
As at December 31, 2019	62,127,293	(25,413)	129,357,611	191,459,491

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**43 MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK**

**Risk management framework**

The Company's activities expose it to a variety of financial risks; credit risk, liquidity risk and market risk. The Company's overall risk management process focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risks without any material change from previous period in the manner described in notes below. The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework and is also responsible for development of the Company's risk management policies.

**43.1 Insurance risk**

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim i.e. frequency and severity of claims and that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The Company's risk profile is improved by diversification of these risks of losses to a large portfolio of contracts, since a diversified portfolio is less likely to be affected by an unexpected event in single subset. The Company principally issues the general insurance cover. Risks under these policies usually cover a twelve month duration. For general insurance contracts, the most significant risks arise from fire.

Underwriting limits and retention policies and procedures precisely regulate who is authorized and accountable for concluding insurance and reinsurance contracts and at what conditions. Compliance with these guidelines is regularly checked and developments in the global, regional and local markets are closely observed, reacting, where necessary, with appropriate measures that are translated without delay into underwriting guidelines if required. The primary risk control measure in respect of the insurance risk is the transfer of the risks to third parties through reinsurance. The reinsurance business ceded is placed on a proportional and non proportional basis with retention limits varying by lines of business.

Reinsurance is used to manage insurance risk. Although the Company has reinsurance arrangements, it does not, however, discharge the Company's liability as primary insurer and thus a credit risk exposure remains with respect to reinsurance ceded to the extent that any reinsurer may be unable to meet its obligations under such reinsurance arrangements. The Company minimizes such credit risk by entering into reinsurance arrangements with reinsurers having good credit ratings, which are reviewed on a regular basis. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

**43.1.1 Frequency and severity of claims**

The frequency and severity of claims can be affected by several factors like political violence, environmental and economical, atmospheric disturbances, natural disasters, concentration of risks, civil riots etc. The Company manages these risk through the measures described above

The Company monitors concentration of insurance risks primarily by class of business. The table below sets out the concentration of the claims and premium liabilities (in percentage terms) by class of business as at the balance sheet date

Class of business	2019				2018			
	Gross claims liability	Net claims liability	Gross premium liability	Net premium liability	Gross Claims liability	Net Claims liability	Gross premium liability	Net premium liability
	%	%	%	%	%	%	%	%
Fire and property damage	23%	27%	40%	44%	21%	12%	37%	31%
Marine, aviation and transport	24%	32%	66%	64%	25%	66%	63%	63%
Motor	29%	21%	25%	23%	31%	49%	27%	31%
Health	04%	03%	10%	09%	16%	16%	09%	16%
Agriculture and Allied	24%	01%	03%	03%	06%	09%	03%	04%
Miscellaneous	18%	16%	17%	17%	07%	08%	22%	21%
Total	100%	100%	100%	100%	100%	100%	100%	100%

**43.1.2 Source of uncertainty in estimation of future claim payments**

The key source of estimation of uncertainty at the balance sheet date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs.

Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claimsmade under insurance contracts. Such estimates are necessarily based on assumptions about several factors

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involving varying and significant degrees of judgment and uncertainty, and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Similarly, the provision for claims incurred but not reported is based on historic reporting pattern of the claims; hence, actual amount of incurred but not reported claims may differ from the amount estimated.

**43.1.3 Key assumptions**

The principal assumption underlying the liability estimation of IBNR and Premium Deficiency Reserves is that the Company's future claim development will follow similar historical pattern for occurrence and reporting. The management uses qualitative judgment to assess the extent to which past occurrence and reporting pattern will not apply in future. The judgment includes external factors e.g. treatment of one-off occurrence claims, changes in market factors, economic conditions, etc. The internal factors such as portfolio mix, policy conditions and claim handling procedures are further used in this regard.

**43.1.4 Claims development**

The Company maintains adequate reserves in respect of its insurance business in order to protect itself against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year.

Claims which involve litigation and, in the case of marine, general average adjustments take longer for the final amounts to be determined which exceed one year. Claims of last five years are disclosed in note 29.1. All amounts are presented in gross numbers before reinsurance.

**43.1.5 Sensitivity analysis**

The insurance claims provision is sensitive to the above key assumptions. The analysis below is performed for possible movements in key assumptions, with all other assumptions held constant, showing the impact on liabilities and revenue account.

December 31, 2019	Rate	Impact on	Impact on
		--- Rupees ---	
Current claims	+10%	15,366,230	(15,366,230)
	-10%	(15,366,230)	15,366,230

**43.2 Reinsurance risk**

An analysis of gross amount due from other insurers and reinsurers recognized by the rating of the entity from which it is due is as follows:

Rating	Amount due from reinsurers	Reinsurance recoveries against outstanding claims	Other reinsurance assets
	--- Rupees ---		
A or above (including PRCL)	182,384,855	43,521,203	36,555,316
	<u>182,384,855</u>	<u>43,521,203</u>	<u>36,555,316</u>

**Geographical concentration of insurance risk**

To optimize benefits from the principle of average and law of large numbers, geographical spread of risk is of extreme importance. There are a number of parameters which are significant in assessing the accumulation of risks with reference to the geographical location, the most important of which is risk survey.

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

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

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

**Reinsurance arrangements**

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

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

The concentration of risk by type of contracts is summarized below by reference to liabilities

	Gross sum insured		Reinsurance		Net	
	2019	2018	2019	2018	2019	2018
Direct and Facultative						
Fire and property damage	163,506,948,191	130,617,768,878	35,938,827,212	36,781,963,716	127,568,120,979	93,835,805,162
Marine, aviation and transport	66,524,700,338	49,242,112,785	11,641,822,559	10,247,283,671	54,882,877,779	38,994,829,114
Motor	6,914,626,368	7,516,707,272	291,797,233	293,903,254	6,622,829,135	7,222,804,018
Health	3,851,528,000	5,287,926,936	-	809,052,821	3,851,528,000	4,478,874,115
Agriculture and Allied	4,292,998,228	2,214,007,141	248,993,897	111,364,559	4,044,004,331	2,102,642,582
Miscellaneous	154,616,784,609	27,454,231,131	87,689,483,373	3,196,078,809	66,927,301,236	24,258,152,322
	399,707,585,734	222,332,754,143	135,810,924,274	51,439,646,830	263,896,661,460	170,893,107,313

**Sources of Uncertainty in estimation of future claim payments**

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

An estimated amount of the claim is recorded immediately on intimation to the Company. The estimation of the amount is based on the amount notified by the policy holder, management or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims. Incurred But Not Reported (IBNR) claims have been estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level. IBNR for all classes is determined and recognized in accordance with valuation carried out by an appointed actuary which is also based on Chain Ladder (CL) method.

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

**Changes in assumptions**

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

**43.3 Financial risk**

**43.3.1 Credit risk**

Credit risk is the risk that the counter party to a financial instrument will cause a financial loss for the Company by failing to discharge an obligation. The Company's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines and regulatory requirements.

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**Exposure to credit risk**

The maximum exposure to credit risk before any credit enhancements at December 31, 2019 is the carrying amount of the financial assets as set out below:

Nature of financial assets	2019 Rupees	2018 Rupees
Investments		
Equity securities	76,263,007	101,856,787
Debt securities	62,727,995	61,515,022
Term deposits	435,000,000	335,000,000
	<u>573,991,002</u>	<u>498,371,809</u>
Loans and other receivables	103,815,529	44,018,098
Insurance / reinsurance receivables	269,530,720	284,560,274
Reinsurance recoveries against outstanding claims	43,521,203	49,401,986
Bank balance	202,773,581	314,934,269
	<u>1,193,632,035</u>	<u>1,191,286,436</u>

**Concentration of credit risk**

Concentration of risks arise when a number of financial instruments or contracts are entered into with the same counter party, or where a number of counter parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Company's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counter parties, thereby mitigating any significant concentration of credit risk. Provision for impairment is made for doubtful receivables according to the Company's policy. The remaining past due balances were not impaired as they relate to a number of policy holders and other insurers / reinsurers for whom there is no history of default. The credit quality of the banks with which Company has balances including TDR's can be assessed with reference to external credit ratings as follows:

Name of banks	Rating		Rating agency	2019	2018
	Short term	Long term			
<b>Rupees</b>					
<b>Cash at bank</b>					
JS Bank Limited	A1+	AA-	PACRA	91,628,071	16,818,754
Bank Islami Pakistan Limited	A1	A+	PACRA	-	-
United Bank Limited	A-1+	AAA	JCR-VIS	57,909	2,369,555
Summit Bank Limited	A-3	BBB	JCR-VIS	8,407,256	7,271,210
Silk Bank Limited	A-2	A-	JCR-VIS	75,185	70,492
MCB Bank Limited	A1+	AA+	PACRA	200,000	200,000
Asiat Bank Limited	A1+	AA+	PACRA	1,097,384	905,552
Faysal Bank Limited	A1+	AA	PACRA/JCR-VIS	4,294,588	7,347,820
Habib Bank Limited	A-1+	AAA	JCR-VIS	886,303	5,784,368
The Bank of Khyber	A-1	A	JCR-VIS	2,543,669	1,405,068
SME Bank Limited	B	CCC	PACRA	4,195,817	5,094,784
Soneri Bank Limited	A1+	AA-	PACRA	2,078,823	900,295
Bank of Azad Jammu Kashmir*				4,512,307	1,251,678
Punjab Provincial Co-operative Bank*				15,213	15,213
The Bank of Punjab	A1+	AA	PACRA	172,819	172,819
Bank Al-Habib Limited	A1+	AA+	PACRA	5,706,534	4,214,876
Zurab Taragayev Bank Limited	A-1+	AAA	JCR-VIS	27,650,494	42,126,064
National Bank of Pakistan	A-1+	AAA	PACRA/JCR-VIS	3,377,735	6,876,451
Kinshahi Microfinance Bank Limited	A-1	A+	JCR-VIS	9,174,274	821,650
Dubai Islamic Bank Limited	A1+	AA	JCR-VIS	85,983	85,983
Sarhad Bank Limited	A-1	AA	JCR-VIS	1,079,276	66,215
Sindh Bank Limited	A-1	A+	JCR-VIS	393,714	1,116,249
NEFP Microfinance Bank Limited	A-1	A	JCR-VIS	88,826,455	199,413,134
U Microfinance Bank Limited	A1	A	JCR-VIS	5,880,910	10,241,379
Bank Alfalah Limited	A1+	AA+	PACRA/JCR-VIS	10,512,230	162,660
				<u>202,773,581</u>	<u>314,934,269</u>
<b>* Credit ratings are not available</b>					
<b>Term deposit certificates</b>					
NEFP Microfinance Bank Limited	A-1	A	JCR-VIS	200,000,000	200,000,000
JS Bank Limited	A1+	AA-	PACRA	35,000,000	35,000,000
U Microfinance Bank Limited	A1	A	JCR-VIS	-	100,000,000
Kinshahi Microfinance Bank Limited	A-1	A+	JCR-VIS	500,000,000	-
				<u>435,000,000</u>	<u>335,000,000</u>



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The following are the contractual maturities of financial liabilities on an un discounted cash flow basis:

	Carrying amount Rupees	Up to one Year Rupees	More than one year Rupees
<b>Financial liabilities: (2019)</b>			
Outstanding claims including IBNR	108,865,952	108,865,952	-
Insurance / Reinsurance Payables	34,933,909	34,933,909	-
Retirement benefit obligations	613,051	613,051	-
Other Creditors and Accruals	60,085,969	60,085,969	-
	<u>204,498,881</u>	<u>204,498,881</u>	-
<b>Financial liabilities: (2018)</b>			
Outstanding claims including	126,110,519	126,110,519	-
Insurance / Reinsurance Payables	34,400,219	34,400,219	-
Retirement benefit obligations	579,172	579,172	-
Other Creditors and Accruals	51,429,759	51,429,759	-
	<u>212,519,669</u>	<u>212,519,669</u>	-

Financial Assets: 2019	Carrying amount	Up to one	From 1 - 2	More than 2
	Rupees	Year Rupees	Years Rupees	years Rupees
Insurance / Reinsurance receivables	269,530,720	269,530,720	-	-
Reinsurance recoveries against outstanding claims	43,521,203	43,521,203	-	-
Accrued investment income	19,729,734	19,729,734	-	-
Balance with brokers	20,355,297	20,355,297	-	-
Taxation - provision less payments	28,937,298	28,937,298	-	-
Security deposits	17,751,171	17,751,171	-	-
Deposit with SBP	26,394,079	26,394,079	-	-
Other receivable	19,585,248	19,585,248	-	-
	<u>445,804,750</u>	<u>445,804,750</u>	-	-
<b>Financial Assets: 2018</b>				
Insurance / Reinsurance receivables	284,560,274	284,560,274	-	-
Reinsurance recoveries against outstanding claims	49,401,986	49,401,986	-	-
Accrued investment income	10,732,785	10,732,785	-	-
Balance with brokers	233,452	233,452	-	-
Taxation - provision less payments	26,740,770	26,740,770	-	-
Security deposits	10,577,216	1,359,000	6,047,000	3,171,216
Other receivable	21,677,821	15,008,892	5,517,975	1,545,033
	<u>403,924,304</u>	<u>388,037,159</u>	<u>11,564,975</u>	<u>4,716,249</u>

The credit quality of amount due from other insurers/ reinsurers and reinsurance recoveries against outstanding claims can be assessed with reference to external credit ratings as follows:

	Carrying amount	Reinsurance recoveries against outstanding claims	2019 Rupees	2018 Rupees
A or above (including PRCL)	180,541,221	38,409,887	218,951,108	199,594,055
Below A	207,467	-	207,467	8,769,336
Others	1,636,167	5,111,316	6,747,483	24,949,219
Total	<u>182,384,855</u>	<u>43,521,203</u>	<u>225,906,058</u>	<u>233,312,610</u>

**Impaired assets**

The impairment provision is written-off when the Company expects that it cannot recover the balance due. During the year, receivables of Rs. 10,269 million (2018: Rs. Nil) were impaired and provided for.

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**43.3.2 Liquidity risk**

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

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation. In the case of the Company, the liquidity level remained on satisfactory level during the year and Company did not face any difficulty in generation of liquidity

The following are the contractual maturities of financial liabilities including estimated interest payments on an un discounted cash flow basis:

	2019			
	Carrying amount	Contractual cash flows	Up to one Year	More than one years
<b>Financial liabilities</b>				
Outstanding claims including IBNR	108,865,952	108,865,952	108,865,952	-
Insurance / Reinsurance payables	34,933,909	34,933,909	34,933,909	-
Other creditors and accruals	60,085,969	60,085,969	60,085,969	-
Lease liability	143,209,055	214,780,361	20,976,464	193,803,897
Borrowings	-	-	-	-
	347,094,885	418,666,191	224,862,294	193,803,897
	2018			
	Carrying amount	Contractual cash flows	Up to one Year	More than one years
<b>Financial liabilities</b>				
Outstanding claims including IBNR	126,110,519	126,110,519	126,110,519	-
Insurance / Reinsurance payables	34,400,219	34,400,219	34,400,219	-
Other creditors and accruals	51,429,759	51,429,759	51,429,759	-
Borrowings	-	-	-	-
	211,940,497	211,940,497	211,940,497	-

**Sensitivity analysis**

The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The sensitivity analysis is performed on the same basis as that of last year. The Company makes various assumptions and techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios. The Company considers that the liability for insurance claims recognized in the balance sheet is adequate. However, actual experience will differ from the expected. As the company enters into short term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on profit before tax net of reinsurance.

	Pre tax Profit		Share Holders' equity	
	2019	2018	2019	2018
10% decrease in Loss				
Fire and property damage	(571,176)	(880,094)	(399,823)	(616,066)
Marine aviation and transport	(210,642)	(379,371)	(147,449)	(265,560)
Motor	(4,368,707)	(6,960,737)	(3,058,095)	(4,872,516)
Agriculture and allied	(5,441,554)	(2,025,366)	(3,809,088)	(1,417,756)
Health	(82,232)	(1,102,333)	(57,562)	(771,633)
Miscellaneous	(2,493,431)	(2,348,581)	(1,745,402)	(1,644,007)
	(13,167,742)	(13,696,482)	(9,217,419)	(9,587,538)

**43.3.3 Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities. This can be due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of three types of risks: price risk, interest rate risk and currency risk.

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**43.3.4 Price risk**

Primarily, the Company's equity investments are exposed to the price risk. Price risk is limited by the Company through diversification of its portfolio and active monitoring of capital markets.

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. The Company is exposed to equity price risk since it has investments in quoted equity securities amounting to 48,451 million (2018: 9,211 million) at the balance sheet date.

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

The carrying value of investments subject to equity price risk are based on quoted market prices as of the balance sheet date and available for sale equity instruments which are stated at fair value.

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

**Sensitivity analysis**

The table below summarizes the Company's equity price risk as of December 31, 2019 and 2018 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. The results could be worse in Company's equity investment portfolio because of the nature of equity markets.

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in price	Hypothetical increase / (decrease) in shareholder's equity	Hypothetical increase / (decrease) in profit / (loss) before tax
December 31, 2019	48,451,550	10% increase	53,296,705	3,440,060	4,845,155
		10% decrease	43,606,395	(3,440,060)	(4,845,155)
December 31, 2018	9,191,060	10% increase	10,110,166	643,374	919,106
		10% decrease	8,271,954	(643,374)	(919,106)

**43.3.5 Interest/mark up rate risk**

Interest/mark up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest/mark up rates. Sensitivity to interest/mark up rate risk arises from mismatches of financial assets and liabilities that mature or re-price in a given period. The company manages these mismatches through risk management strategies.

The financial instruments of the Company can be classified into fixed rate instruments and variable rate instruments as shown below:

	2019		2018	
	Effective interest rate in %	Rupees	Effective interest rate in %	Rupees
<b>Financial assets</b>				
Saving accounts	11.25% to 14.00%	3.75% to 9%	148,176,721	269,279,979
Deposits maturing within 12 months - Fixed rate	11.69% to 14.40%	6.15% to 11.8%	435,000,000	335,000,000
Investments				
Interest bearing - Fixed rate	7.75% to 9%	7.75% to 12%	62,727,995	61,515,022
			<u>645,904,716</u>	<u>665,795,001</u>

**Sensitivity analysis for fixed rate instruments**

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

**Sensitivity analysis for variable rate instruments**

An increase of 100 basis points in interest rates would have increased the profit and loss by the amounts shown below. Reduction in interest rates by 100 basis points would have an opposite impact. This analysis assumes that all variables remain constant. The analysis has been performed on the same basis for the comparative period.

	Profit before tax		Total equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
As at December 31, 2019 Sensitivity	6,459,047	(6,459,047)	4,521,333	(4,521,333)
As at December 31, 2018 Sensitivity	6,657,950	(6,657,950)	4,593,986	(4,593,986)

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Above sensitivities are calculated on the assumption that all factors remain constant except interest rates and resulting variation in fair values of the investments and impact on the profit and loss.

The Company monitors the interest rate environment on a regular basis and alters the portfolio mix of fixed and floating rate securities. The Company's policy requires the management to manage the risk by measuring the mismatch of the interest rate sensitivity gap of financial assets and liabilities and calculating the average duration of the portfolio of fixed interest securities. The average effective duration of the Company's portfolio is a measure of the sensitivity of the fair value of the Company's fixed interest securities to the changes in market interest rates.

The Company's policy refrains from the holding of interest bearing instruments that induce the average effective duration of the fixed interest portfolio to pass the benchmark of the average duration.

Interest rate of the Company's financial assets and financial liabilities as at December 31, 2019 can be evaluated from the note 46.

**43.3.6 Foreign currency risk**

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

**44 CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. The Company's overall strategy remains unchanged from 2012. The company has not obtained long term finance and short term borrowings, therefore gearing ratio of the company is not applicable. In accordance with S.R.O. 89(I)/2017 of Securities and Exchange Commission of Pakistan (SECP), minimum paid up capital requirement to be complied with by Insurance Companies at the end of each year are as follows

	2019	2018	2017
Minimum paid up capital - Rupees	500,000,000	500,000,000	500,000,000

**45 FAIR VALUE MEASUREMENT**

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

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

**Level 1:** Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** Valuation techniques for which the lowest level input for which the fair value measurement is directly or indirectly observable

**Level 3:** Valuation techniques for which the lowest level input for which the fair value measurement is unobservable. Carrying amount of assets measured under historical cost convention approximates their fair value. Further, fair value of certain assets measured under present value convention is not determinable. Hierarchy of fair value levels is disclosed as under:

	Fair value measurement using		
	Level 1	Level 2	Level 3
Fair value - amounts for disclosure purposes - 2019			
Investment - held for trading - Rupees	76,263,007	-	-
Fair value - amounts for disclosure purposes - 2018			
Investment - held for trading - Rupees	101,856,787	-	-

**45.1 Age-wise breakup of unclaimed insurance benefits**

**Rupees**

Particulars	Total Amount	1 to 6 Months	7 to 12 Months	13 to 24 Months	24 to 36 Months	Beyond 36 Months
Other unclaimed benefits	9,291,806	7,451,103	556,332	750,863	354,589	178,919

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 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2019

46 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. Majority of the interest rate exposure arises from investment in PIBs, and TDBs. Following table shows the interest rate profile of the Company's interest bearing financial instruments at the balance sheet date.

	2019						Total
	Rupees						
	Effective yield / interest rate	Maturity upto	Interest / mark-up bearing Maturity after	Sub Total	Maturity upto	Non / mark-up bearing Maturity after	
Financial assets							
Investments							
Equity securities	3.8% - 6.12%	-	62,727,995	62,727,995	76,263,007	-	76,263,007
Debt securities	9.25% - 14.40%	435,000,000	-	435,000,000	-	-	435,000,000
Term deposits		435,000,000	62,727,995	497,727,995	76,263,007	-	573,991,002
Loan and other receivables	-	-	-	-	103,815,529	-	103,815,529
Insurance / reinsurance receivables	-	-	-	-	269,530,720	-	269,530,720
Reinsurance recoveries against outstanding claim	-	-	-	-	43,321,203	-	43,321,203
Cash and bank	11.25% - 14%	148,176,721	-	148,176,721	54,613,256	-	202,789,977
		383,176,721	62,727,995	445,904,716	547,743,715	-	1,003,648,431
Financial liabilities							
Outstanding claims including IBNR	-	-	-	-	108,865,952	-	108,865,952
Insurance / reinsurance payables	-	-	-	-	34,933,909	-	34,933,909
Other creditors and accruals	-	-	-	-	60,085,969	-	60,085,969
Lease liabilities	-	20,976,464	193,803,897	214,780,361	-	-	214,780,361
		20,976,464	193,803,897	214,780,361	203,885,830	-	418,666,191
		383,176,721	62,727,995	445,904,716	547,743,715	-	1,003,648,431
	2018						Total
	Rupees						
Effective yield / interest rate	Maturity upto	Interest / mark-up bearing Maturity after	Sub Total	Maturity upto	Non / mark-up bearing Maturity after	Sub Total	
Financial assets							
Investments							
Equity securities	3.3% - 6.05%	25,945,344	35,569,678	61,515,022	101,856,787	-	101,856,787
Debt securities	9.5% - 13.15%	35,000,000	-	35,000,000	-	-	61,515,022
Term deposits		35,000,000	35,569,678	70,569,678	101,856,787	-	335,000,000
Loan and other receivables	-	360,945,344	35,569,678	396,515,022	101,856,787	-	498,371,809
Insurance / reinsurance receivables	-	-	-	-	44,018,098	-	44,018,098
Reinsurance recoveries against outstanding claim	-	-	-	-	284,560,274	-	284,560,274
Cash and bank	5% - 10%	269,279,323	-	269,279,979	49,401,986	-	318,681,965
		630,225,323	35,569,678	665,795,001	46,968,023	-	712,763,024
Financial liabilities							
Premium received in advance	-	-	-	-	2,026,600	-	2,026,600
Outstanding claims including IBNR	-	-	-	-	126,110,519	-	126,110,519
Insurance / reinsurance payables	-	-	-	-	34,400,219	-	34,400,219
Other creditors and accruals	-	-	-	-	51,429,759	-	51,429,759
Lease liabilities	-	-	-	-	213,967,097	-	213,967,097
		-	-	-	213,967,097	-	442,364,895
		630,225,323	35,569,678	665,795,001	526,803,168	-	1,192,600,169

**ASIA INSURANCE COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**47 STATEMENT OF SOLVENCY**

	<b>2019</b>	
	<b>Rupees</b>	
Assets		
Property and equipment	192,591,881	
Investments		
Equity securities	76,263,007	
Debt securities	62,727,995	
Term deposits	435,000,000	
Total assets of window takaful operations - OPF	64,740,352	
Loans and other receivables	103,815,529	
Insurance / reinsurance receivables	269,530,720	
Reinsurance recoveries against outstanding claims	43,521,203	
Deferred commission expense / acquisition cost	53,439,780	
Deferred taxation	33,684,873	
Taxation - payments less provision	28,937,298	
Prepayments	36,937,331	
Cash and bank	202,789,977	
Total assets	<u>1,603,979,946</u>	
<b>Inadmissible assets</b>		
In-admissible assets as per following clauses of section 32(2) of the Insurance Ordinance, 2000		
(g) Any body that is related to insurers	3,712,500	
(h) Insurance / reinsurance receivables	222,333,269	
(j) Deferred taxation	33,684,873	
(k) Amounts available to the insurer under guarantees	42,508,284	
(u) Vehicle, office equipment, furniture and fittings	79,873,080	
Total inadmissible assets	<u>382,112,006</u>	
<b>Total assets</b>	<u>1,221,867,940</u>	
<b>Liabilities</b>		
Total liabilities of window takaful operations - OPF	6,256,318	
Underwriting Provisions		
Outstanding claims including IBNR	108,865,952	
Unearned premium reserves	262,243,543	
Premium deficiency reserve	3,453,183	
Unearned reinsurance commission	7,765,517	
Retirement benefit obligations	613,051	
Premiums received in advance	726,520	
Insurance / reinsurance payables	34,933,909	
Lease liabilities	143,209,055	
Other creditors and accruals	60,085,969	
Total liabilities	<u>628,153,017</u>	
Total net admissible assets	<u>593,714,923</u>	
Minimum Solvency Requirement (higher of following)		
Method A - U/s 36(3)(a)	150,000,000	
Method B - U/s 36(3)(b)	87,578,594	
Method C - U/s 36(3)(c)	26,335,483	
Excess / Deficit in Net Admissible Assets over Minimum Requirements	<u>443,714,923</u>	

**48 NUMBER OF EMPLOYEES**

	<b>2019</b>	<b>2018</b>
	<b>Number</b>	<b>Number</b>
Number of employees at the end of the year	230	233
Average number of employees	231	249

**49 CORRESPONDING FIGURES**

Corresponding figures have been re-arranged and re-classified, where ever necessary for the purpose of comparison, the effect of which is not material.

**ASIA INSURANCE COMPANY LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

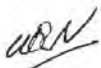
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**50 DATE OF AUTHORIZATION FOR ISSUE**

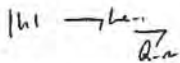
These financial statements were authorized for issue on March 11, 2020 by the Board of Directors of the Company.

**51 GENERAL**

Figures have been rounded off to the nearest Pak rupee unless otherwise stated.



**Chairman**



**Chief Executive Officer**



**Director**



**Director**



**Chief Financial Officer**



**ASIA INSURANCE  
COMPANY LIMITED -  
WINDOW TAKAFUL OPERATIONS**

**STATEMENT OF FINANCIAL POSITIONS**

**AS AT DECEMBER 31, 2019**



**Shari'ah Advisor's Report to the Board of Directors**  
**For the year ended December 31, 2019**  
**نحمده و نصلي على رسوله الكريم اما بعد**

The year 2019 was the third year of Asia Insurance Company Limited Window Takaful Operations. By launching Window Takaful Operations, Asia Insurance Company has taken a step in the direction of promotion of the Islamic Economic System and has provided the most awaited Shari'ah Compliant Takaful facilities to the Muslim Society.

Being a Shari'ah Advisor of Asia Insurance Company Limited Window Takaful Operations (hereafter referred to as "AI WTO") it is my responsibility to ensure that the participant membership documents, underwriting procedures, Re-Takaful Arrangements, and financial activities related to the Participants and stakeholders should be compliant as per Shari'ah rulings.

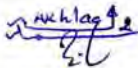
On the other hand it is the responsibility of AI WTO's management to follow the Takaful rules and guidelines set by the Shari'ah Advisor and to take prior approval of Shari'ah Advisor for all contracts and services being offered by the "AI WTO".

In my opinion, and the best of my understanding based on Shari'ah compliance review, explanations provided by "AI WTO" and audit report of the External auditors, below are the findings:

- Financial transactions, underwriting and investments undertaken by the "AI WTO" for the year ended 31<sup>st</sup> December 2019, were in accordance with Takaful Rules 2012 and guidelines issued by Shari'ah Advisor.
- Segregation of Window Takaful Operations is the essential part of valid Takaful contracts. AI WTO has kept all the Takaful Funds, Investments, Bank Accounts, Systems and other related issues separate from its conventional insurance business, as per requirement of Shari'ah.
- Appropriate accounting policies and basis of measurement have been consistently applied in preparation of the financial statements of "Participant Takaful Fund (Waqf Fund)" and "Operator Fund".
- Conducting Training and Development is an imperative for understanding the principles of Takaful and its practical outline. For this purpose "AI WTO" planned training map to fulfill its responsibility.

I AM grateful to the Board of Directors of Asia Insurance Company, Management, Head of Window Takaful Operations, Divisional & Branch Heads and all relevant departments who cooperated with the Shariah Compliance function and provided every possible support to ensure Shari'ah Compliance in our Takaful practices. I concluded my report with the words that Allah Almighty grant "AI WTO" remarkable success and help the entire team at every step and keep away from every hindrance and difficulty.

"And Allah Knows Best"



Mufti Muhammad Akhlaq  
Shariah Advisor,  
Asia Insurance Company Ltd,  
Window Takaful Operations  
Date: March 11, 2020

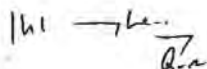
## STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

The financial arrangements, contracts and transactions, entered into by Window Takaful Operations of Asia Insurance Company Limited ('the Company') for the year ended December 31, 2019 are in compliance with the takaful rules, 2012.

Further we confirmed that:

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

This has been duly confirmed by the Shariah Advisor of the Company



Ihtsham ul Haq Qureshi  
Chief Executive Officer

## INDEPENDENT REASONABLE ASSURANCE REPORT TO THE BOARD OF DIRECTORS ON THE STATEMENT OF MANAGEMENT'S ASSESSMENT OF COMPLIANCE WITH THE SHARI'AH PRINCIPLES

We were engaged by the Board of Directors of Asia Insurance Company Limited ("the Company") to report on the management's assessment of compliance of the Window Takaful Operations ("Takaful Operations") of the Company, as set out in the annexed statement prepared by the management for the year ended December 31, 2019, with the Takaful Rules, 2012, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

### Applicable Criteria

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

### Responsibilities of the Management

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

The Board of Directors / management of the Company are also responsible for preventing and detecting fraud and for identifying and ensuring that the Takaful Operations comply with laws and regulations applicable to its activities. They are also responsible for ensuring that the management, where appropriate, those charged with governance, and personnel involved with the Takaful Operations compliance with the Takaful Rules, 2012 are properly trained, systems are properly updated and that any changes in reporting encompass all significant business units.

### Our Independence and Quality Control

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

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

### Our responsibilities

Our responsibility is to examine the annexed statement and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the annexed statement presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with the Takaful Rules, 2012, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the Takaful Operations compliance with the Takaful Rules, 2012, in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control over the Takaful Operations' compliance with the Takaful Rules, 2012. Reasonable assurance is less than absolute assurance.

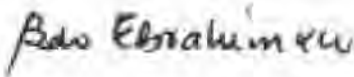
A system of internal control, because of its nature, may not prevent or detect all instances of non-compliance with Takaful Rules, 2012, and consequently cannot provide absolute assurance that the objective of compliance with Takaful Rules, 2012, will be met. Also, projection of any evaluation of effectiveness to future periods is subject to the risk that the controls may become inadequate or fail. The procedures performed included:

- Evaluate the systems, procedures and practices in place with respect to the Takaful operations against the Takaful Rules, 2012 and Shariah advisor's guidelines;
- Evaluating the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee/ Shari'ah Advisor and the board of directors;
- Test for a sample of transactions relating to Takaful operations to ensure that these are carried out in accordance with the laid down procedures and practices including the regulations relating to Takaful operations as laid down in Takaful Rules, 2012; and
- Review the statement of management's assessment of compliance of the Takaful transactions during the year ended December 31, 2019 with the Takaful Rules, 2012.

#### Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the annexed statement, for the year ended December 31, 2019, presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.



BDO Ebrahim & Co.  
Chartered Accountants  
Engagement Partner: Muhammad Imran

Lahore, Dated: March 11, 2020



## Report on the Audit of the Financial Statements

### Opinion

We have audited the annexed financial statements of ASIA INSURANCE COMPANY LIMITED - WINDOW TAKAFUL OPERATIONS (the Operator), which comprise the statement of financial position as at December 31, 2019, and the profit and loss account, the statement of comprehensive income, the statement of changes in funds and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in fund and the statement of cash flows together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Operator's affairs as at December 31, 2019 and of the profit and total comprehensive income, the changes in funds and its cash flows for the year then ended.

### Basis for Opinion

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

### 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. We have determined that there are no key audit matters to communicate in our report.

### 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 Operator's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

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

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

## Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Operator as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in funds 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 period were for the purpose of the Operator's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

**Other matter**

The financial statements of the Company for Window Takaful Operations for the year ended December 31, 2018 were audited by another firm of chartered accountants who had expressed an unmodified opinion thereon vide their report dated March 27, 2019.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Imran

LAHORE  
DATED: MARCH 11, 2020

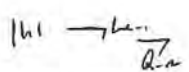
*Bao Ebrahim & Co.*  
BDO EBRAHIM & CO. CHARTERED  
ACCOUNTANTS

**ASIA INSURANCE COMPANY LIMITED**  
**WINDOW TAKAFUL OPERATIONS**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2019**

	Note	December 31, 2019		2018	
		Operator's Fund	Participants' Takaful Funds	Aggregate	Aggregate
-----Rupees-----					
<b>ASSETS</b>					
Investments					
Term deposits	7	10,000,000	-	10,000,000	-
Loans and other receivables	8	14,723,058	-	14,723,058	4,248,681
Takaful / retakaful receivables	10	-	27,068,445	27,068,445	14,077,180
Retakaful recoveries against outstanding claims	20	-	1,365,437	1,365,437	-
Deferred commission expense	24	5,565,632	-	5,565,632	3,875,426
Prepayments	11	-	4,838,127	4,838,127	4,851,787
Cash and bank	12	34,451,662	30,930,784	65,382,446	54,014,411
<b>TOTAL ASSETS</b>		<b>64,740,352</b>	<b>64,202,793</b>	<b>128,943,145</b>	<b>81,067,485</b>
<b>FUND AND LIABILITIES</b>					
Operator's fund (OPF)					
Statutory fund	14	50,000,000	-	50,000,000	50,000,000
Qard-e-Hasna	9	(20,411,000)	-	(20,411,000)	(20,411,000)
Accumulated profit		28,895,034	-	28,895,034	17,261,924
<b>Total Operator's Funds</b>		<b>58,484,034</b>	<b>-</b>	<b>58,484,034</b>	<b>46,850,924</b>
Waqf / Participants' takaful fund (PTF)					
Ceded money	13	-	500,000	500,000	500,000
Qard-e-Hasna	9	-	20,411,000	20,411,000	20,411,000
Accumulated deficit		-	(3,852,623)	(3,852,623)	(10,294,169)
<b>Total Waqf / Participants' Takaful Funds</b>		<b>-</b>	<b>17,058,377</b>	<b>17,058,377</b>	<b>10,616,831</b>
<b>LIABILITIES</b>					
Underwriting provisions					
Outstanding claims including IBNR	20	-	12,085,665	12,085,665	2,317,314
Unearned contribution reserve	19	-	18,335,128	18,335,128	12,541,332
Contribution deficiency reserves		-	452,484	452,484	-
Unearned retakaful rebate	22	-	2,732	2,732	2,732
		-	30,876,009	30,876,009	14,861,378
Retirement benefit obligations	17	47,115	-	47,115	2,638
Contributions received in advance		-	692,797	692,797	532,300
Takaful / retakaful payables	15	-	182,534	182,534	291,968
Other creditors and accruals	16	6,209,203	15,393,076	21,602,279	7,911,446
<b>TOTAL LIABILITIES</b>		<b>6,256,318</b>	<b>47,144,416</b>	<b>53,400,734</b>	<b>23,599,730</b>
<b>TOTAL FUND AND LIABILITIES</b>		<b>64,740,352</b>	<b>64,202,793</b>	<b>128,943,145</b>	<b>81,067,485</b>
<b>CONTINGENCIES AND COMMITMENTS</b>					
	18				

The annexed notes from 1 to 43 form an integral part of these financial statements.

  
**Chairman**

  
**Chief Executive Officer**

  
**Director**

  
**Director**

  
**Chief Financial Officer**

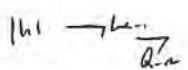


**ASIA INSURANCE COMPANY LIMITED**  
**WINDOW TAKAFUL OPERATIONS**  
**PROFIT AND LOSS ACCOUNT**  
**AS AT DECEMBER 31, 2019**

	Note	2019 (Rupees)	2018 (Rupees)
<b>Participants' Takaful Fund</b>			
Revenue account			
Net takaful contribution	19	17,279,502	8,432,650
Net takaful claims	20	(12,217,796)	(5,661,848)
Contribution deficiency		(452,484)	-
		4,609,222	2,770,802
Direct expenses	21	(6,857)	(30,761)
Retakaful rebate	22	-	13,660
Underwriting results		4,602,365	2,753,701
Investment income	26	-	-
Other income	27	1,839,181	1,030,662
Result of operating activities - PTF		6,441,546	3,784,363
<b>Operator's Fund</b>			
Revenue account			
Wakala fee	23	24,047,968	17,033,489
Net commission and other acquisition cost	24	(9,903,916)	(6,173,432)
Management expenses	25	(4,413,636)	(2,196,805)
Operating results		9,730,416	8,663,252
Investment income	26	290,630	-
Other income	27	1,930,864	822,284
Other expenses	28	(318,800)	(1,057,500)
Profit for the year		11,633,110	8,428,036

The annexed notes from 1 to 43 form an integral part of these financial statements.

  
**Chairman**

  
**Chief Executive Officer**

  
**Director**

  
**Director**

  
**Chief Financial Officer**

**ASIA INSURANCE COMPANY LIMITED  
WINDOW TAKAFUL OPERATIONS  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019 (Rupees)	2018 (Rupees)
<b>Participants' Takaful Fund</b>		
Surplus for the year	6,441,546	3,784,363
Other comprehensive income	-	-
Total comprehensive surplus for the year	<u>6,441,546</u>	<u>3,784,363</u>
<b>Operator's Fund</b>		
Profit for the year	11,633,110	8,428,036
Other comprehensive income	-	-
Total comprehensive income for the year	<u>11,633,110</u>	<u>8,428,036</u>

The annexed notes from 1 to 43 form an integral part of these financial statements.



**Chairman**



**Chief Executive Officer**



**Director**



**Director**



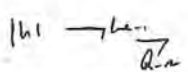
**Chief Financial Officer**

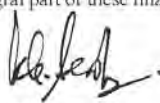
**ASIA INSURANCE COMPANY LIMITED**  
**WINDOW TAKAFUL OPERATIONS**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019			2018
	Operator's Fund	Participants' Takaful Fund	Aggregate	Aggregate
<b>OPERATING CASH FLOWS</b>				
(a) Takaful activities				
Contribution received	-	34,894,555	34,894,555	22,593,363
Wakala fee received	24,047,968	-	24,047,968	17,033,489
Retakaful ceded	-	(24,747,799)	(24,747,799)	(18,746,431)
Claims paid	-	(3,814,882)	(3,814,882)	(5,039,138)
Retakaful and other recoveries received	-	-	-	-
Commissions paid	(8,972,735)	-	(8,972,735)	(6,022,060)
Rebate on retakaful	-	-	-	16,392
Direct, management and other expenses receipts/(payments)	(4,093,317)	10,345,764	6,252,447	(27,316,978)
Other takaful payments	(10,183,747)	122,183	(10,061,564)	23,965,109
Net cash flows from takaful activities	798,169	16,799,821	17,597,990	6,483,746
(b) Other operating activities				
Income tax paid	-	-	-	-
Direct expenses paid	-	-	-	-
Other expenses paid	-	-	-	-
Management expenses paid	-	-	-	-
Other operating receipts	1,930,864	1,839,181	3,770,045	1,852,946
Net cash flows from other operating activities	1,930,864	1,839,181	3,770,045	1,852,946
Net cash flows from operating activities	2,729,033	18,639,002	21,368,035	8,336,692
<b>INVESTMENT ACTIVITIES</b>				
Profit/ return received	-	-	-	-
Qard-e-Hasna	-	-	-	-
Payments for investments	(10,000,000)	-	(10,000,000)	-
Fixed capital expenditure	-	-	-	-
	(10,000,000)	-	(10,000,000)	-
Net cash flow from investing activities	(10,000,000)	-	(10,000,000)	-
<b>FINANCING ACTIVITIES</b>				
Contribution to the Operator's fund	-	-	-	-
Ceded money	-	-	-	-
Net cash flows from financing activities	-	-	-	-
Net (outflows) / inflows in cash and cash equivalents	(7,270,967)	18,639,002	11,368,035	8,336,692
Cash and cash equivalents at beginning of the year	41,722,629	12,291,782	54,014,411	45,677,719
Cash and cash equivalents at end of the year	34,451,662	30,930,784	65,382,446	54,014,411
<b>Reconciliation to profit and loss account:</b>				
Operating cash flows	2,729,033	18,639,002	21,368,035	8,336,692
Return on deposits	290,630	-	290,630	-
Increase in assets other than cash	11,873,953	14,343,042	26,216,995	(12,777,765)
Increase in liabilities	(3,260,506)	(26,540,498)	(29,801,004)	16,653,472
Profit for the period	11,633,110	6,441,546	18,074,656	12,212,399
<b>Attributed to:</b>				
Operator's Fund	11,633,110	-	11,633,110	8,428,036
Participants' Takaful Fund	-	6,441,546	6,441,546	3,784,363
	11,633,110	6,441,546	18,074,656	12,212,399

The annexed notes from 1 to 43 form an integral part of these financial statements.

  
**Chairman**

  
**Chief Executive Officer**

  
**Director**

  
**Director**

  
**Chief Financial Officer**

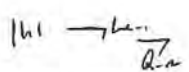
**ASIA INSURANCE COMPANY LIMITED**  
**WINDOW TAKAFUL OPERATIONS**  
**STATEMENT OF CHANGES IN FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>Operator's Fund</b>			
	<b>Statutory Fund</b>	<b>Qard-e-Hasna</b>	<b>Accumulated Surplus</b>	<b>Total</b>
	-----Rupees-----			
Balance as at January 01, 2018	500,000,000	(15,411,000)	8,833,888	43,422,888
Total comprehensive income				
Profit for the period	-	-	8,428,036	8,428,036
Other comprehensive income	-	-	-	-
	-	-	8,428,036	8,428,036
Qard-e-hasna to participants' takaful Fund (PTF)		(5,000,000)	-	(5,000,000)
Balance as at December 31, 2018	<u>500,000,000</u>	<u>(20,411,000)</u>	<u>17,261,924</u>	<u>46,850,924</u>
Balance as at January 01, 2019	500,000,000	(20,411,000)	17,261,924	46,850,924
Total comprehensive income for the period				
Profit for the period	-	-	11,633,110	11,633,110
Other comprehensive income	-	-	-	-
	-	-	11,633,110	11,633,110
Balance as at December 31, 2019	<u>500,000,000</u>	<u>(20,411,000)</u>	<u>28,895,034</u>	<u>58,484,034</u>

	<b>Participants' Fund</b>			
	<b>Ceded Money</b>	<b>Qard-e-Hasna</b>	<b>Accumulated Surplus/ (Deficit)</b>	<b>Total</b>
	-----Rupees-----			
Balance as at January 01, 2018	500,000,000	15,411,000	(14,078,532)	1,832,468
Total comprehensive income for the period				
Surplus for the year	-	-	3,784,363	3,784,363
Other comprehensive income	-	-	-	-
	-	-	3,784,363	3,784,363
Qard-e-hasna to participants' takaful Fund (OPF)		5,000,000	-	5,000,000
Balance as at December 31, 2018	<u>500,000,000</u>	<u>20,411,000</u>	<u>(10,294,169)</u>	<u>10,616,831</u>
Balance as at January 01, 2019	500,000,000	20,411,000	(10,294,169)	10,616,831
Total comprehensive income for the period				
Surplus for the year	-	-	6,441,546	6,441,546
Other comprehensive income	-	-	-	-
	-	-	6,441,546	6,441,546
Balance as at December 31, 2019	<u>500,000,000</u>	<u>20,411,000</u>	<u>(3,852,623)</u>	<u>17,058,377</u>

The annexed notes from 1 to 43 form an integral part of these financial statements

  
**Chairman**

  
**Chief Executive Officer**

  
**Director**

  
**Director**

  
**Chief Financial Officer**

**ASIA INSURANCE COMPANY LIMITED**  
**WINDOW TAKAFUL OPERATIONS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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**1 LEGAL STATUS AND NATURE OF BUSINESS**

Asia Insurance Company Limited ('the Company'), a quoted public limited company, was incorporated in Pakistan on December 06, 1979 under the repealed Companies Act, 1913 (now the Companies Act, 2017). The Company is engaged in non-life insurance business mainly comprising of fire, marine, motor and miscellaneous. The Company commenced its commercial operations in 1980. The registered and principal office of the Company is situated at 19 C/D, Block L, Gulberg III, Main Ferozpur Road, Lahore. Shares of the Company are quoted on Pakistan Stock Exchange.

The Company has been allowed to work as Window Takaful Operator ('the Operator') through License No.10 on August 13, 2015 by Securities and Exchange Commission of Pakistan under Window Takaful Rules, 2012 to carry on Islamic General Takaful in Pakistan. It has not transacted any business outside Pakistan.

For the purpose of carrying on the takaful business, the Company has formed a waqf for participants' equity fund. The Waqf namely Asia Insurance Company Limited (Window Takaful Operations) -Waqf Fund (hereafter referred to as participant takaful fund (PTF)) was created on August 20, 2015 under a trust deed executed by the Company with a ceded money of Rs. 500,000/-. Waqf deed also governs the relationship of Operators and policy holders for management of takaful operations, investment policy holders funds and investment of Operators' funds approved by shariah advisor of the Company.

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

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017 and SECP Takaful Rules, 2012. In case requirements differ, the provisions of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017 and SECP Takaful Rules, 2012, shall prevail.

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

Total assets, total liabilities, and profit of Window Takaful Operations of the Operator's referred to as the Operator's Fund has been presented in these financial statements in accordance with the requirements of Circular 25 of 2015 dated July 09, 2015.

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention without any adjustment for the effect of inflation except where disclosed. The financial statements, except for cash flow information, have been prepared under the accrual basis of accounting.

**2.3 Functional and presentation currency**

These financial statements are presented in Pakistani Rupees which is the Operator's functional currency and presentation currency. All figures have been rounded to the nearest rupee, unless otherwise stated.

**3 NEW STANDARDS, INTERPRETATION AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS**

**3.1 Standards / amendments that are effective in current year and relevant to the Company**

The Company has adopted the amendments to the following approved, except IFRS 9 due to exemption as explained below, accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

ASIA INSURANCE COMPANY LIMITED  
 WINDOW TAKAFUL OPERATIONS  
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Effective date (annual periods beginning on or after)
Conceptual Framework for Financial Reporting 2018 - Original Issue	March 01, 2018
IFRS 5 Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	July 01, 2018
IFRS 7 Financial Instruments : Disclosures - additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	July 01, 2018
IFRS 15 Original issue	July 01, 2018
IFRS 15 Clarifications to IFRS 15	July 01, 2018
IFRS 16 Leases	January 01, 2019
IAS 39 Financial Instruments: Recognition and Measurements-amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	July 01, 2018
IFRS 8 Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IAS 19 Employee benefits - amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IAS 28 Investments in Associates and Joint Ventures - amendments regarding long-term interests in associates and joint ventures	January 01, 2019
Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:	
Annual improvements to IFRSs (2015 - 2017) Cycle	
IFRS 3 Business Combinations	January 01, 2019
IFRS 11 Joint Arrangements	January 01, 2019
IAS 12 Income Taxes	January 01, 2019
IAS 23 Borrowing Costs	January 01, 2019

3.2 Standards / amendments that are effective in current year relevant to the company  
 Standards / amendments not yet effective

The following amendments to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.	January 01, 2020
IFRS 3 Business Combinations - amendments to clarify the definition of a business	January 01, 2020
IFRS 14 Regulatory Deferral Accounts	July 01, 2019
IAS 1 Presentation of Financial Statements - amendments regarding the definition of materiality	January 01, 2020
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - amendments regarding the definition of materiality	January 01, 2020
IAS 39 Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020

**ASIA INSURANCE COMPANY LIMITED**  
**WINDOW TAKAFUL OPERATIONS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**3.3 Standards of interpretations not yet effective**

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

**IFRS 1 First Time Adoption of International Financial Reporting Standards**

**IFRS 17 Insurance Contracts**

IFRS 9 'Financial Instruments' is effective for reporting period / year ending on or after June 30, 2019. It replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Amendment to IFRS 4 'Insurance Contracts' - Applying IFRS 9 'Financial Instruments' with IFRS 4 addresses issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from July 01, 2018 onwards to remove from profit or loss account the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied.

The Company has determined that it is eligible for the temporary exemption option since the Company has not previously applied any version of IFRS 9, its activities are predominantly connected with insurance/takaful as the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent and the Company doesn't engage in significant activities unconnected with insurance based on historical available information. Under the temporary exemption option, the Company can defer the application of IFRS 9 until the application IFRS 17.

To determine the appropriate classification of financial assets under IFRS 9, an entity would need to assess the contractual cash flows characteristics of any financial asset. Indeed, the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") i.e. cash flows that are consistent with a basic lending arrangement. In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest.

IFRS 9 defines the terms "principal" as being the fair value of the financial asset at initial recognition, and the "interest" as being compensation for (i) the time value of money, and (ii) the credit risk associated with the principal amount outstanding during a particular period of time.

The tables below set out the fair values as at the end of reporting period and the amount of change in the fair value during that period for the following two groups of financial assets separately:

- financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading in IFRS 9, or that is managed and whose performance is evaluated on a fair value basis, and
- all other financial assets:

**Operator fund**

Financial assets	December 31, 2019				
	Fail the SPPI test		Pass the SPPI test		
	Fair value	Change in unrealized gain or (loss) during the year	Carrying value	Cost less Impairment	Change in unrealized gain or (loss) during the year
	Rupees	Rupees	Rupees	Rupees	Rupees
Cash and bank *	34,451,662	-	-	-	-
Term deposits *	-	-	10,000,000	-	-
Loans and other receivables *	14,723,058	-	-	-	-
Total	49,174,720	-	10,000,000	-	-

	December 31, 2019			
	Gross carrying amounts of debt instruments that pass the SPPI test			
	A2	AA-	A+	Unrated
	Rupees	Rupees	Rupees	Rupees
Term deposits	10,000,000	-	-	-

ASIA INSURANCE COMPANY LIMITED  
 WINDOW TAKAFUL OPERATIONS  
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2019

Participants' Takaful Fund

December 31, 2019					
Financial assets	Fail the SPPI test		Pass the SPPI test		
	Fair value	Change in unrealized gain or (loss) during the year	Carrying value	Cost less Impairment	Change in unrealized gain or (loss) during the year
	Rupees	Rupees	Rupees	Rupees	Rupees
Cash and bank *	30,930,784	-	-	-	-

\* The carrying amount of these financial assets measured applying IAS 39 are a reasonable approximation of their fair values.

4 CHANGE IN ACCOUNTING POLICIES - IFRS 16 LEASES

4.1 IFRS 16 - Leases

IFRS 16 'Leases' was issued on January 01, 2016. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective for accounting periods beginning on or after January 1, 2019. IFRS 16 replaced IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease' The Company applied IFRS 16 with a date of initial application of January 01, 2019.

Transition method and practical expedients utilized

The Company applied IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (January 01, 2019), without restatement of comparative figures.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- applied a single discount rate to a portfolio of leases with similar characteristics.
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

On adoption of IFRS 16, the Company recognised a right-of-use asset and lease liability at the commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of cost to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company used its incremental borrowing rate as the discount rate as at January 01, 2019.

The right of use asset is subsequently depreciated using straight line method from the date of recognition to the earlier of the end of useful life of the right of use asset or the end of the lease term. The estimated useful lives of the right of use assets are determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by the impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

Subsequently, the lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in the rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

There is no impact on transition to IFRS 16.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparation of these financial statements are set out below. These policies have been applied consistently to all years presented except as disclosed in note 4.1.



**ASIA INSURANCE COMPANY LIMITED**  
**WINDOW TAKAFUL OPERATIONS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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**5.1 Property and equipment**

**5.1.1 Operating assets - Onward**

These are stated at cost less accumulated depreciation and impairment.

Depreciation on all fixed assets is charged to statement of comprehensive income on the reducing balance method so as to write off depreciable amount of an asset over its useful life at the rates stated in note. Depreciation on additions to fixed assets is charged on "number of months basis".

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

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

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

**5.2 Takaful contracts**

The Takaful contracts are based on the principles of wakala. The takaful contracts so agreed usually inspire concept of tabarru (to donate for benefit of others) and mutual sharing of losses with the overall objective of eliminating the element of uncertainty. Contracts under which the Participant Takaful Fund (PTF) accepts significant takaful risk from another party (the policy holder) by agreeing to compensate the policyholder if a specified uncertain future event (the takaful event) adversely affects the policyholder are classified as takaful contracts. Takaful risk is significant if a takaful event could cause the PTF to pay significant benefits due to the happening of the takaful event compared to its non happening. Once a contract has been classified as a takaful contract, it remains a takaful contract for the remainder of its lifetime, even if the takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

The PTF underwrites non-life takaful contracts that can be categorized into fire and property, marine, aviation and transport, motor, health and miscellaneous contracts. Contracts may be concluded for a fixed term of one year, for less than one year and in some cases for more than one year. However, most of the contracts are for twelve months duration. Takaful contracts entered into by the PTF under which the contract holder is another takaful operator/ insurer of a facultative nature are included within the individual category of takaful contracts, other than those which fall under the treaty.

Fire and property damage takaful provides coverage against damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and other related perils.

Marine, aviation and transport takaful provides coverage against cargo risk, terminals, damage occurred in between the points of origin and final destination and other related perils.

Motor takaful provides comprehensive car coverage, indemnity against third party loss and other related covers.

Health takaful provides basic hospital care including maternity care and outpatient care.

Miscellaneous takaful provides cover against Engineering, Health, Cash in safe, Cash in transit, ATM withdrawals snatching, Personal Accident Takaful, Workmen's Compensation Takaful, Terrorism Takaful, Third party liability Takaful, Plate Glass Takaful and Home Takaful.

**5.3 Deferred commission expense / Acquisition cost**

Commission expenses and other acquisition costs are spread over the tenure of the contract, it is calculated by applying 1/24 method in accordance with the provisions of the Insurance Accounting Regulations, 2017. Rebate from re-takaful is spread over the tenure of the contract ceded, it is calculated by applying 1/24 method in accordance with the provisions of the Insurance Accounting Regulations, 2017. The deferred commission expenses and other acquisition costs and unearned portion of rebate from re-takaful is set aside as a reserve. Such reserve is calculated by applying 1/24 method in accordance with the provisions of the Insurance Accounting Regulations, 2017.

**5.4 Unearned contribution**

The unearned portion of contribution written net of wakala is set aside as a reserve and is recognized as a liability. The reserve for unearned contribution is calculated by applying 1/24 method in accordance with the provisions of the Insurance Accounting Regulations, 2017.

**5.5 Contribution deficiency reserve**

According to the requirements of the Insurance Rules, 2017, a contribution deficiency reserve needs to be created where the unearned contribution for any class of business is not sufficient to cover the liability after re-takaful from claims, and other supplementary expenses expected to be incurred after the statement of financial position date in respect of the policies in that class of business. Any movement in the reserve is to be charged to the statement of comprehensive income.

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For this purpose, loss ratios for each class, excluding health are estimated based on historical claim development. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. If these ratios are adverse, contribution deficiency is determined. The liability of contribution deficiency in relation to Health Takaful is calculated in accordance with the advice of actuary.

As at year end, a provision is created in respect of contribution deficiency reserve for those classes of business where it is estimated that the unearned contribution for that class will not be sufficient to provide for the expected losses and expenses attributable to the unexpired periods of policies in force at the statement of financial position date.

**5.6 Re - Takaful ceded**

The Operator enters in to retakaful contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward retakaful contributions are accounted for in the same period as the related contribution for the direct or accepted retakaful business.

Retakaful liabilities represent balance due to retakaful companies. Amounts payable are estimated in a manner consistent with the related retakaful contract. Retakaful assets represent balances due from retakaful companies. Amounts recoverable from retakaful are estimated in a manner consistent with the provisions for outstanding claims or settled claims associated with the retakaful policies and are in accordance with the related retakaful contract.

Retakaful assets are not offset against related takaful liabilities. Income or expenses from retakaful contracts are not offset against expenses or income from related takaful assets.

Retakaful assets or liabilities are derecognized when the contractual rights are extinguished or expired.

The Operator assesses its retakaful assets for impairment on statement of financial position date. If there is objective evidence that retakaful assets are impaired, the Operator reduces the carrying amount of the retakaful assets to its recoverable amount and recognizes that impairment loss in the statement of comprehensive income.

**5.7 Receivables and payables related to takaful contracts**

Receivables and payables related to takaful contracts are recognized when due at cost which is the fair value of the consideration given less provision for impairment, if any.

**5.7.1 Takaful / Re-takaful receivables**

Contributions due from takaful / retakaful represents the amount due from participants and other takaful insurers on account of takaful contracts. These are recognized at cost, which is the fair value of the contribution to be received less provision for impairment, if any.

**5.7.2 Retakaful recoveries against outstanding claims**

Claims recoveries recoverable from the retakaful operators are recognized as an asset at the same time as the claims which gives rise to the right of recovery are recognized as a liability and are measured at the amount expected to be received.

**5.8 Segment reporting**

A business segment is a distinguishable component of the Operator that is engaged in providing services that are subject to risks and returns that are different from those of other business segments. The Operator accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Insurance Rules, 2017 as the primary reporting format.

Based on its classification of takaful contracts issued, the Operator has four primary business segments for reporting purposes namely fire, marine, motor and miscellaneous. The nature and business activities of these segments are disclosed in respective notes to the Financial Statements.

Assets and liabilities are allocated to particular segments on the basis of contribution written. 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 amortization are allocated to a particular segment on the basis of contribution written.

**5.9 Financial instruments**

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

Financial instruments carried on the statement of financial position include cash and bank deposits, investments, takaful / re-takaful receivables, loan and other receivables, contribution and claim reserves detained by cedants, retakaful recoveries against outstanding claims, provision for outstanding claims, takaful / re-takaful payable, other creditors and accruals, liabilities against assets subject to finance lease.

**5.10 Cash and cash equipments**

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash, cheques, pay orders, demand drafts and balances with banks.

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5.11 Revenue recognition

a) Contribution - PTF

Contribution income under a policy is recognized over the period of takaful net off wakala fee. Administrative surcharge recovered from insurer is recognized as part of contribution in the case of co-takaful policies (Leader Follower Case) on proportionate basis.

Wakala fee - OPF

The operator manages the general takaful operations for the participants and charges 40% on gross contribution for all classes as wakala fee against the services. It is recognized upfront on the issue of Takaful Policy.

b) Wakala fee - OPF

Rebate from retakaful operators is recognized at the time of issuance of the underlying takaful policy by the Operator. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the retakaful contribution to which it relates.

c) Investment Income - PTF / OPF

Profit on Islamic investment products is recognized on accrual basis.

d) Dividend Income - PTF / OPF

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

5.12 Investments

a) In equity securities

Available for sale

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

Subsequent to initial recognition at cost including the transaction cost, these are measured at fair value. Changes in fair value are recognized as other comprehensive income until the investment is derecognized or impaired. Gains and losses on derecognition and impairment losses are recognized in statement of comprehensive income.

Return on fixed income securities classified as available for sale is recognized on a time proportion basis.

Held for trading

Investments which are acquired with the intention to trade by taking advantage of short term market / interest rate movements are considered as held for trading. After initial recognition, these are measured at fair values with any resulting gains or losses recognized directly in the statement of comprehensive income.

b) In debt securities

Held to maturity

These are securities with fixed or determinable payments and fixed maturity that the Operator's has a positive intent and ability to hold to maturity. These are initially measured at cost including acquisition charges associated with the investments. Subsequent to initial recognition, these investments are measured at amortized cost less any accumulated impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition by using the effective yield method. These are reviewed for impairment and any losses arising from impairment in values are charged to the statement of comprehensive income.

Held to trading

Investments which are acquired with the intention to trade by taking advantage of short term market / interest rate movements are considered as held for trading. After initial recognition, these are measured at fair values with any resulting gains or losses recognized directly in the statement of comprehensive income.

c) In term deposit

Held to maturity

These are securities with fixed or determinable payments and fixed maturity that the Operator's has a positive intent and ability to hold to maturity. These are initially measured at cost including acquisition charges associated with the investments. Subsequent to initial recognition, these investments are measured at amortized cost less any accumulated impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition by using the effective yield method. These are reviewed for impairment and any losses arising from impairment in values are charged to the statement of comprehensive income.

5.13 Offsetting of financial assets and financial liabilities

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

5.14 Provisions

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

The Operator recognizes liability in respect of all claims incurred up to the balance sheet date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of incident giving rise to the claims except as otherwise expressly indicated in an insurance contract. The liability for claims include amounts relating to unpaid reported claims, claims Incurred But Not Reported (IBNR) and expected claims settlement costs.

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Provision for liability in respect of claims reported but not settled at the balance sheet date is made on the basis of individual case estimates. The case estimates are based on the assessed amounts of individual losses and where loss assessments have not been carried out, the estimates are established in light of currently available information, past experience of similar claims and in some cases in relation to the sums insured. Case estimates are reviewed periodically to ensure that the recognized outstanding claim amounts are adequate to cover expected future payments including expected claims settlement costs and are updated as and when new information becomes available.

The provision for claims incurred but not reported (IBNR) is consistently made at the balance sheet date in accordance with the SECP Circular no. 9 of 2016. IBNR claim have been estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level. Provision for IBNR is based on the management best estimate.

As a general policy of the Operator, being followed consistently over the years, no provision of claims has been made where the quantum of loss is unknown.

5.15 Staff retirement benefits

Defined contribution plan

The Company operates a funded Provident Fund Scheme for its employees and contributions are made monthly equal to employees contribution @ 8.33% (2018: 8.33%) of basic salary and cost of living allowance.

5.16 Impairment of assets

The carrying amount of assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in statement of comprehensive income.

Where impairment loss subsequently reverses, the carrying amounts of the assets are increased to the revised recoverable amounts but limited to the carrying amounts that would have been determined had no impairment loss been recognized for the assets in prior years. A reversal of an impairment loss is recognized immediately in statement of comprehensive income.

In addition, impairment on available for sale investments and re-takaful assets are recognized as follows:

i) Available for sale

The operator determines that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the operator evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

ii) Re-takaful assets

The operator determines the impairment of the re-takaful assets by looking at objective evidence, as a result of an event that occurred after initial recognition of the re-takaful assets, which indicates that the operator may not be able to recover amount due from re-takaful under the terms of re-takaful contract. In addition the operator also monitors the financial ratings of its re-takaful operators on each reporting date.

5.17 Management expenses

5.17.1 Direct expense

Expenses allocated to the "PTF" represents directly attributable expenses. Expenses not directly allocable to "PTF" are charged to Operator's Fund.

5.17.2 Management expertise

Expenses not allocable to the underwriting business are charged as management expenses. Management expenses of takaful business are allocated to revenue account of operator as per requirements of Takaful Rules, 2012.

5.17.3 Claims expense

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

5.18 Creditors, accruals and provisions

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

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

5.19 Foreign currency transactions and translations

Foreign currency transactions are translated into Pak Rupees (functional currency) using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the statement of financial position date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

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5.20 Takaful surplus

Takaful surplus attributable to the participants is calculated after charging all direct cost and setting aside various reserves and charity. Allocation to participants, if applicable, is made after deducting the claims paid to them during the year. Further, surplus will be distributed to participants after payment of qard-e-hasna to operator.

5.21 Zakat

Zakat on investment income is accounted for in the year of deduction, under Zakat & Ushr Ordinance, 1980.

5.22 Qarz-e-hasna

Qarz-e-hasna is provided by Operators' Fund (OPF) to Participants' Takaful Fund (PTF) in case of deficit in Participants' Takaful Fund (PTF).

5.23 Related party transactions

Party is said to be related if they are able to influence the operating and financial decisions of the Operator and vice versa. The Operator in the normal course of business carries out transactions with related parties. Transactions with related parties are priced at comparable uncontrolled market price and are carried out at arm's length prices.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENT

The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Operator's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

- Useful lives and residual value of property and equipment (Note 5.1)
- Unearned contribution. (Note 5.4)
- Contribution deficiency reserve. (Note 5.5)
- Classification of investments. (Note 5.12)
- Outstanding claims including IBNR. (Note 5.14)

Other areas involving estimates and judgments are disclosed in respective notes to the financial statements.

Note	2019		2018			
	Operator's Fund	Participants' Fund	Aggregate	Aggregate		
	Rupees	Rupees	Rupees	Rupees		
7	INVESTEMENTS					
	Deposits maturing within 12 months	7.1	10,000,000	-	10,000,000	-

7.1 These represent term deposits in local currency carrying profit rate 13.60% (2018: Nil) per annum.

8.1 LOANS AND OTHER RECEIVABLES

Unsecured considered - good

Advances to staff	-	-	-	-
Advance against commission	16,314	-	16,314	12,645
Accrued investment income	290,630	-	290,630	-
Inter fund balance	14,416,114	-	14,416,114	4,236,036
Less: provision for impairment of loans and receivable	-	-	-	-
Others	-	-	-	-
	14,723,058	-	14,723,058	4,248,681

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**9 QARD-E-HASNA TO PTF**

In accordance with the Takaful Rules, 2012, if at any point in time, assets in Participants' Takaful Fund are not sufficient to cover its liabilities, the deficit shall be funded by way of an interest free loan (Qard-e-Hasna) from Operator's Fund. In the event of future surplus in the Participants' Takaful Fund, to which a Qard-e-Hasna has been made, the Qard-e-Hasna shall be repaid prior to distribution of surplus to Participants. Further, if there is deficit in a Participants' Takaful Fund for three consecutive years, the Operator is required to submit a report to the Commission within 30 days of the submission of the regulatory returns under section 46(1) of the Ordinance explaining the reasons thereof.

	Note	2019		2018	
		Operator's Fund Rupees	Participants' Fund Rupees	Aggregate Rupees	Aggregate Rupees
<b>10 TAKAFUL / RE-TAKAFUL RECEIVABLES</b>					
(Unsecured - considered good)					
Due from Takaful contract holders		-	6,855,092	6,855,092	5,517,196
Less: Provision for impairment of receivables from takaful contract holders		-	-	-	-
Due from other Takaful / Re-takaful operators		-	20,213,353	20,213,353	8,559,984
Less: Provision for impairment of receivables from takaful /retakaful		-	-	-	-
		-	27,068,445	27,068,445	14,077,180
<b>11 PREPAYMENTS</b>					
Prepaid retakaful contribution ceded		-	4,838,127	4,838,127	4,851,787
<b>12 CASH AND BANK</b>					
Cash at hand		-	-	-	1,027
Cash at bank					
Current accounts		-	-	-	-
Saving accounts	12.1	34,451,662	30,930,784	65,382,446	54,013,384
		34,451,662	30,930,784	65,382,446	54,014,411
12.1	These represent profit and loss sharing accounts carrying profit rates ranging from 7% to 10% (2018: 2.4% to 6%) per annum.				
<b>13 CEDED MONEY</b>					
Waqf money	12.1	-	500,000	500,000	500,000
13.1	The amount of Rs. 500,000/- has been set apart for Waqf Fund / Participant Takaful Fund as Waqf money according to the Waqf deed prepared for the purpose of creation of Waqf Fund / Participant Takaful Fund.				
<b>14 STATUTORY FUND</b>					
Statutory reserve	13.1	50,000,000	-	50,000,000	50,000,000
14.1	This represents amount of Rs. 50 million deposited as statutory fund to comply with provisions of paragraph 4 of circular no. 8 of 2014 read with section 11(1)(c) of Takaful Rules, 2012 issued by SECP, which states that 'every insurer who is interested to commence Window Takaful business shall transfer an amount of not less than Rs. 50 million to be deposited in a separate bank account for Window Takaful business duly maintained in a scheduled bank'.				
<b>15 TAKAFUL / RETAKAFUL PAYABLES</b>					
Unsecured					
Takaful / re-takaful payables		-	182,534	182,534	291,968

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	Note	2019		2018	
		Operator's Fund	Participants' Fund	Aggregate	Aggregate
		Rupees	Rupees	Rupees	Rupees
<b>16 OTHER CREDITORS AND ACCRUALS</b>					
Inter fund balance		-	14,416,114	14,416,114	4,236,036
Sales tax payable		-	776,825	776,825	601,823
Federal takaful fee payable		-	52,287	52,287	44,519
Tax deducted at source		-	19,929	19,929	2,160
Salaries and wages	10	-	-	10	-
Shariah advisor fee		-	-	-	-
Tax deducted at source		66,781	-	66,781	72,903
EOBI payable		34,060	-	34,060	2,080
Outstanding agency commissions		5,434,578	-	5,434,578	2,813,191
Auditors' remuneration		105,000	-	105,000	105,000
Others		568,774	127,921	696,695	33,734
		<u>6,209,203</u>	<u>15,393,076</u>	<u>21,602,279</u>	<u>7,911,446</u>
<b>17 RETIREMENT BENEFIT OBLIGATIONS</b>					
Staff provident fund		47,115	-	47,115	2,638
17.1	The company operates a funded Provident Fund Scheme for its employees and contributions are made monthly equal to employees contribution @ 8.33% (2018: 8.33%) of basic salary and cost of living allowance.				
<b>18 CONTINGENCIES AND COMMITMENTS</b>					
	There were no contingencies and commitments outstanding as at December 31, 2019 (2018: Nil).				
<b>19 NET TAKAFUL CONTRIBUTION</b>	Note		2019 (Rupees)	2018 (Rupees)	
Written gross contribution			60,119,922	42,583,721	
Less: Wakala fee			(24,047,968)	(17,033,489)	
			36,071,954	25,550,232	
Add: Provision for unearned contribution - Opening			12,541,332	8,501,680	
Less: Provision for unearned contribution - Closing			(18,335,128)	(12,541,332)	
Contribution earned			30,278,158	21,510,580	
Less: Re-takaful contribution ceded			(12,984,996)	(13,066,967)	
Add: Prepaid re-takaful contribution - Opening			(4,851,787)	(4,862,750)	
Less: Prepaid re-takaful contribution - Closing			4,838,127	4,851,787	
Re-takaful expense			(12,998,656)	(13,077,930)	
			<u>17,279,502</u>	<u>8,432,650</u>	
<b>20 NET TAKAFUL CLAIMS</b>					
Claims Paid			3,814,882	5,039,138	
Add: Outstanding claims including IBNR - Closing			12,085,665	2,317,314	
Less: Outstanding claims including IBNR - Opening			(2,317,314)	(1,694,604)	
Claims expense			13,583,233	5,661,848	
Less: Re-takaful and other recoveries received			-	-	
Add: Re-takaful and other recoveries in respect of outstanding claims - Closing			1,365,437	-	
			-	-	
Re-takaful and other recoveries revenue			1,365,437	-	
			<u>12,217,796</u>	<u>5,661,848</u>	
20.1	Claim development There is no claim for which there is uncertainty about the amount and timing of the claim payment and will be paid within 1 year.				

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	Note	2019 (Rupees)	2018 (Rupees)
21	DIRECT EXPENSES		
	Bank charges	3,041	5,938
	Others	3,816	24,823
		<u>6,857</u>	<u>30,761</u>
22	RETAKAFUL REBATE		
	Rebate received or recoverable	-	16,392
	Add: Unearned re-takaful rebate - opening	2,732	-
	Less: Unearned re-takaful rebate - closing	(2,732)	(2,732)
		<u>-</u>	<u>13,660</u>
23	WAKALA FEE		
	Wakala fee	24,047,968	17,033,489
24	NET COMMISSION AND OTHER ACQUISITION COSTS		
	Commission paid or payable	11,594,122	8,067,454
	Add: Deferred commission expense - opening	3,875,426	1,981,404
	Less: Deferred commission expense - closing	(5,565,632)	(3,875,426)
	Net Commission	<u>9,903,916</u>	<u>6,173,432</u>
25	MANAGEMENT EXPENSES		
	Salaries, allowances and employees benefits	25.1 3,644,808	1,892,683
	Travelling and conveyance	195,423	139,349
	Advertisement and sales promotion	200,000	-
	Repairs and maintenance	119,118	47,906
	Printing and stationery	49,729	68,000
	Bank charges	2,654	4,649
	Others	201,904	44,218
		<u>4,413,636</u>	<u>2,196,805</u>
25.1	These include Rs. 0.154 million (2018: 0.052 million) in respect of post employment benefit respectively.		
26	INVESTMENT INCOME		
	<b>Operator's Revenue Accounts</b>		
	Held to maturity		
	Return on term deposits	290,630	-
	Less: Investment related expenses	-	-
		<u>290,630</u>	<u>-</u>
	<b>Participants' Takaful Revenue Accounts</b>		
	Return on term deposits	-	-
27	OTHER INCOME		
27.1	Participants' Takaful Fund Revenue Accounts		
	Return on bank balances	1,455,429	805,719
	Other income	383,752	224,943
		<u>1,839,181</u>	<u>1,030,662</u>
27.1	Operator's Revenue Accounts		
	Return on bank balances	1,930,864	822,284
28	OTHER EXPENSES		
	Shariah advisor fee	150,000	900,000
	Auditors' remuneration	28.1 168,800	157,500
		<u>318,800</u>	<u>1,057,500</u>
28.1	Auditors' remuneration		
	Audit fee	116,300	105,000
	Half yearly review	52,500	52,500
		<u>168,800</u>	<u>157,500</u>



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29 REMUNERATION OF EXECUTIVES

	Chief Executive		Directors		Executives	
	2019	2018	2019	2018	2019	2018
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	-	-	-	-	900,000	2,520,000
Leave encashment	-	-	-	-	-	-
Bonus	-	-	-	-	112,500	220,000
Ex-gratia allowance plan	-	-	-	-	74,214	130,287
	-	-	-	-	1,086,714	2,870,287
Number of persons	-	-	-	-	1	2

30 RELATED PARTY TRANSACTION

Related parties comprise of directors, major shareholders, key management personnel, associated companies, entities with common directors and employee retirement benefit funds. The transactions with related parties are carried out at commercial terms and conditions and compensation to key management personnel is on employment terms. The transactions and balances with related parties other than these which have been specifically disclosed elsewhere in these financial statements are as follows:

Party name/description	Basis	Relation	Note	2019 (Rupees)	2018 (Rupees)
Directors	Shareholder	-			
Key management personnel	-	-			
Staff retirement benefits plan	-	-			
<b>Relation with undertaking</b>		<b>Nature and transaction</b>			
<b>Balances at year end:</b>					
Staff retirement benefits plan		(Payable) to defined benefit plan		(47,115)	(2,638)
<b>Transactions during the year:</b>					
Key management personnel		Remuneration of key management personnel		900,000	2,520,000
		Commission		-	-
Staff retirement benefits plan		Contribution to provident fund during the year		154,630	51,561

30 SEGMENT INFORMATION

The operator has four primary business segments for reporting purposes namely fire and property damage, marine aviation and transport, motor and miscellaneous. Assets and liabilities, wherever possible have been assigned to the following segments based on specific identification or allocated on the basis of contribution written by each segment.

As at December 31, 2019	Rupees					
	FIRE AND PROPERTY DAMAGE	MARINE AVIATION AND TRANSPORT	MOTOR	MISCELLANEOUS	TREATY	TOTAL
Contribution received (inclusive of FED, FIF and Admin Surcharge)	29,928,392	15,109,270	18,958,685	3,361,495	-	67,357,840
Less: Federal Excise Duty/Sales Tax	(3,015,979)	(1,961,365)	(1,500,023)	(318,651)	-	(6,796,018)
Federal Takaful Fee	(195,147)	(129,874)	(96,531)	(20,348)	-	(441,900)
Gross written contribution (inclusive of Admin surcharge)	26,717,266	13,018,031	17,362,131	3,022,494	-	60,119,922
Gross direct contribution	18,890,268	12,387,725	9,404,918	1,998,043	-	42,680,954
Facultative inwards contribution	7,204,240	27,525	7,708,492	987,451	-	15,927,708
Administrative surcharge	622,758	602,781	248,721	37,000	-	1,511,260
Takaful contribution earned	13,792,317	7,016,155	7,911,104	1,558,582	-	30,278,158
Takaful contribution ceded to reinsurer	(4,611,664)	(4,425,224)	(1,435,000)	(2,706,683)	-	(12,998,668)
Net Takaful contribution	9,380,653	2,590,931	6,456,104	(1,148,086)	-	17,279,502
Rebate income	-	-	-	-	-	-
Net underwriting income	9,380,653	2,590,931	6,456,104	(1,148,086)	-	17,279,502
Takaful claims	(4,461,545)	(1,915,255)	(6,071,290)	(1,135,143)	-	(13,583,233)
Takaful claims recovered from reinsurer	-	-	1,365,437	-	-	1,365,437
Net claims	(4,461,545)	(1,915,255)	(4,705,853)	(1,135,143)	-	(12,217,796)
Direct expenses	(3,124)	(1,589)	(1,792)	(352)	-	(6,857)
Contribution deficiency expense	-	-	-	(452,484)	-	(452,484)
Net Takaful claims and expenses	(4,464,669)	(1,916,844)	(4,707,645)	(1,587,979)	-	(12,677,137)
Underwriting results	4,915,984	673,967	1,748,459	(2,736,065)	-	4,602,365
Other income	-	-	-	-	-	1,839,181
Other expenses	-	-	-	-	-	-
Result of operating activities-PTP	-	-	-	-	-	6,441,546

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As at December 31, 2019	Rupees					
	FIRE AND PROPERTY DAMAGE	MARINE AVIATION AND TRANSPORT	MOTOR	MISCELLANEOUS	TREATY	TOTAL
<b>Operators' fund account</b>						
Wakala fee	10,686,906	5,207,212	6,944,852	1,208,998	-	24,047,969
Commission expense	(5,600,600)	(2,788,760)	(1,295,836)	(218,720)	-	(9,903,916)
Management expenses	(2,010,501)	(1,022,742)	(1,153,199)	(227,194)	-	(4,413,636)
Net Commission and expenses	(7,611,101)	(3,811,502)	(2,449,035)	(445,914)	-	(14,317,552)
	3,075,805	1,395,710	4,495,817	763,084	-	9,730,417
<b>Other income</b>						1,930,863
Investment income						290,630
Other expenses						(318,800)
Profit for the period						11,633,110
<b>Segment assets - (PTF)</b>	14,233,039	6,412,708	9,910,078	2,714,184	-	33,272,009
Unallocated assets - (PTF)						30,930,784
Total assets - (PTF)						64,202,793
<b>Segment assets - (OPF)</b>	3,758,448	567,804	1,108,223	131,157	-	5,565,632
Unallocated assets - (OPF)						59,174,720
Total assets - (OPF)						64,740,352
<b>Segment liabilities - (PTF)</b>	11,639,022	2,574,184	9,865,341	1,423,781	-	25,502,328
Unallocated liabilities - (PTF)						21,642,088
Total liabilities - (PTF)						47,144,416
<b>Segment liabilities - (OPF)</b>	2,415,124	1,176,773	1,569,461	273,220	-	5,434,578
Unallocated liabilities - (OPF)						821,740
Total liabilities - (OPF)						6,256,318

As at December 31, 2018	Rupees					
	FIRE AND PROPERTY DAMAGE	MARINE AVIATION AND TRANSPORT	MOTOR	MISCELLANEOUS	TREATY	TOTAL
<b>Contribution received (inclusive of FED, FIP and Admin Surcharge)</b>	22,702,613	7,967,416	14,946,372	2,041,880	-	47,658,281
<b>Less: Federal Excise Duty/Sales Tax</b>	(2,321,341)	(1,027,286)	(1,197,314)	(214,328)	-	(4,760,269)
<b>Federal Takaful Fee</b>	(151,425)	(67,586)	(79,580)	(15,700)	-	(314,291)
<b>Gross written contribution (inclusive of Admin surcharge)</b>	20,229,847	6,872,544	13,669,478	1,811,852	-	42,583,721
<b>Gross direct contribution</b>	14,657,198	6,439,088	7,719,441	1,538,013	-	30,373,740
<b>Facultative inward contribution</b>	5,085,426	114,423	5,710,608	241,715	-	11,152,172
<b>Administrative surcharge</b>	487,223	299,033	239,429	32,124	-	1,057,809
<b>Takaful contribution earned</b>	8,871,586	3,780,664	7,830,214	1,028,116	-	21,510,580
<b>Takaful contribution ceded to retakaful</b>	(4,412,168)	(4,480,094)	(1,477,500)	(2,708,168)	-	(13,077,929)
<b>Net Takaful contribution</b>	4,459,418	(699,430)	6,352,714	(1,680,052)	-	8,432,650
<b>Rebate income</b>	-	13,660	-	-	-	13,660
<b>Net underwriting income</b>	4,459,418	(685,770)	6,352,714	(1,680,052)	-	8,446,310
<b>Takaful claims</b>	177,108	(382,129)	(4,800,830)	(655,997)	-	(5,661,848)
<b>Takaful claims recovered from retakaful</b>	-	-	-	-	-	-
<b>Net claims</b>	177,108	(382,129)	(4,800,830)	(655,997)	-	(5,661,848)
<b>Direct expenses</b>	(12,687)	(5,407)	(11,198)	(1,469)	-	(30,761)
<b>Contribution deficiency expense</b>	-	-	-	-	-	-
<b>Net Takaful claims and expenses</b>	164,421	(387,536)	(4,812,028)	(657,466)	-	(5,692,609)
<b>Underwriting results</b>	4,623,839	(1,073,306)	1,540,686	(2,337,518)	-	2,753,701
<b>Other income</b>						1,030,662
<b>Other expenses</b>						-
<b>Result of operating activities-PTF</b>						3,784,363
<b>Operators' fund account</b>						
Wakala fee	8,091,939	2,749,018	5,467,791	724,741	-	17,033,489
Commission expenses	(3,304,824)	(1,460,256)	(1,279,499)	(128,859)	-	(6,173,432)
Management expenses	(906,026)	(386,107)	(799,674)	(104,998)	-	(2,196,805)
Net Commission and expenses	(4,210,850)	(1,846,363)	(2,079,173)	(233,857)	-	(8,370,237)
	3,881,089	902,655	3,388,624	490,884	-	8,663,252
<b>Other income</b>						822,284
Investment income						-
Other expenses						(1,057,500)
Profit for the year						8,428,036
<b>Segment assets - (PTF)</b>	8,893,347	2,837,021	5,246,309	1,952,290	-	18,928,967
Unallocated assets - (PTF)						12,291,782
Total assets - (PTF)						31,220,749
<b>Segment assets - (OPF)</b>	2,835,421	252,751	692,718	94,536	-	3,875,426
Unallocated assets - (OPF)						45,971,310
Total assets - (OPF)						49,846,756
<b>Segment liabilities - (PTF)</b>	7,578,900	1,103,717	6,037,480	942,817	-	15,662,914
Unallocated liabilities - (PTF)						4,921,004
Total liabilities - (PTF)						20,603,918
<b>Segment liabilities - (OPF)</b>	1,336,436	454,018	903,041	119,696	-	2,813,191
Unallocated liabilities - (OPF)						182,621
Total liabilities - (OPF)						2,995,812

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32 MOVEMENT IN INVESTMENT

32.1 Operator's Fund

	Held to maturity	Available for sale	Fair value through P&L	Total
	Rupees	Rupees	Rupees	Rupees
At beginning of previous year	-	-	-	-
Additions	-	-	-	-
Disposals (sale and redemption)	-	-	-	-
Fair value net gains (excluding net realised gains)	-	-	-	-
Designated at fair value through profit or loss upon initial recognition	-	-	-	-
Classified as held for trading	-	-	-	-
Impairment losses	-	-	-	-
At beginning of current year	-	-	-	-
Additions	10,000,000	-	-	10,000,000
Disposals (sale and redemption)	-	-	-	-
Fair value net gains (excluding net realised gains)	-	-	-	-
Designated at fair value through profit or loss upon initial recognition	-	-	-	-
Classified as held for trading	-	-	-	-
Impairment losses	-	-	-	-
At end of current year	10,000,000	-	-	10,000,000

32.2 There is no investment in the Participants' Takaful Fund, therefore, no movement has been presented.

33 CAPITAL MANAGEMENT

The objectives, policies and processes for managing capital of the Operator are as follows:

- to be an appropriately capitalized institution, as defined by regulatory authorities and comparable to the peers;
- maintain strong rating and to protect the Operator against unexpected events;
- availability of adequate capital at reasonable cost so as to enable the Operator to expand; and
- achieve low cost of capital with appropriate mix of capital elements.

34 RISK MANAGEMENT FRAMEWORK

The Company is exposed to a variety of financial risks: credit risk, liquidity risk, market risk (comprising currency risk, interest rate risk and other price risk) that could result in a reduction in Company's net assets or a reduction in the profits. The Company's overall risk management program focuses on unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall risks arising from the company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risks without any material change from previous year in the manner described in the notes below. The Board of Directors has the overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policy.

34.1 Takaful risks

34.1.1 Takaful risks

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

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A concentration of risk may also arise from a single takaful contract issued to a particular demographic type of policy holder, within a geographical location or to types of commercial business. The company minimizes its exposure to significant losses by obtaining retakaful from a number of retakaful, who are dispersed over several geographical regions.

**Geographical concentration of takaful risk**

To optimize benefits from the principle of average and law of large numbers, geographical spread of risk is of extreme importance. There are a number of parameters which are significant in assessing the accumulation of risks with reference to the geographical location, the most important of which is risk survey.

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

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

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

**34.1.2 Retakaful arrangements**

Keeping in view the maximum exposure in respect of key zone aggregates, a number of proportional and non proportional retakaful arrangements are in place to protect the net account in case of a major catastrophe. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional treaty, any loss over and above the said limit would be recovered from the non proportional treaty which is very much in line with the risk management philosophy of the Company.

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

The concentration of risk by type of contracts is summarized below by reference to liabilities.

	Gross sum covered		Retakaful Cover		Net Liability	
	2019	2018	2019	2018	2019	2018
	Rupees					
Fire and property damage	35,146,170,848	23,004,399,472	5,941,985,585	5,060,967,884	29,204,185,263	17,943,431,588
Marine aviation and transport	13,762,014,795	7,656,942,943	1,612,833,533	1,684,527,447	12,149,181,262	5,972,415,496
Motor	1,373,091,737	1,046,079,495	353,969,375	115,068,744	1,019,122,362	931,010,751
Miscellaneous	399,091,070	249,724,928	361,818,344	105,954,964	37,272,726	143,769,964
	50,680,368,450	31,957,146,838	8,270,606,837	6,966,519,039	42,409,761,613	24,990,627,799

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**34.1.3 Uncertainty in the estimation of future claims payment**

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

An estimated amount of the claim is recorded immediately on intimation to the Company. The estimation of the amount is based on the amount notified by the policy holder, management or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims. Incurred But Not Reported (IBNR) claims have been estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level. IBNR for all classes is determined and recognized in accordance with valuation carried out by an appointed actuary which is also based on Chain Ladder. There are several variable factors which affect the amount and timing of recognized claim liabilities. However, the management considers that uncertainty about the amount and timing of claim payments is generally resolved within a year. The operator takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from

**34.1.4 Key assumptions**

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

**34.1.5 Sensitivity analysis**

The risks associated with the takaful contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The sensitivity analysis is performed on the same basis as that of last year. The Company makes various assumptions and techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios. The Company considers that the liability for takaful claims recognised in the statement of financial position is adequate. However, actual experience will differ from the expected outcome.

As the company enters into short term takaful contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on profit before tax net of retakaful.

	Pre tax Profit		Participants' Takaful Fund	
	2019	2018	2019	2018
	Rupees			
<b>10% decrease in profit</b>				
Fire and property damage	446,155	(17,711)	446,155	(17,711)
Marine aviation and transport	191,526	38,213	191,526	38,213
Motor	470,585	480,083	470,585	480,083
Miscellaneous	113,514	65,600	113,514	65,600
	<u>1,221,780</u>	<u>566,185</u>	<u>1,221,780</u>	<u>566,185</u>

10% increase in loss would have the same but opposite impact on above analysis.

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**34.2 Credit risk and concentration of 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 other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counterparties in various industries and by continually assessing the credit worthiness of

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

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

	Category of financial assets	2019 Rupees	2018 Rupees
Current and other accounts	Loans & receivables	65,382,446	54,013,384
Term deposits	Held to maturity	10,000,000	-
Takaful / re-takaful receivables	Loans & receivables	27,068,445	14,077,180
Loan and other receivables	Loans & receivables	14,432,428	4,248,681
		<u>116,883,319</u>	<u>72,339,245</u>

The company did not hold any collateral against the above during the year. General provision is made for receivables according to the Company's policy. No provision is made for impairment during the year. This impairment provision is utilized to write off a financial asset when it is determined that Company cannot recover the balance due.

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

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	Rating		Rating Agency	2019	2018
	Short term	Long term		Rupees	Rupees
Sindh Bank Limited	A-1	A+	JCR-VIS	34,685,780	14,284,540
Meezan Bank Limited	A-1+	AA+	JCR-VIS	30,545,132	35,933,124
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	109	103
Bank Islami Pakistan Ltd.	A1	A+	PACRA	151,425	3,795,617
				<u>65,382,446</u>	<u>54,013,384</u>

The following are the contractual maturities of financial liabilities on an undiscounted cash flow basis:

Financial liabilities: 2019	Carrying amount	Up to one year	More than One year
	Rupees		
Provision for outstanding claims (including IBNR)	12,085,665	12,085,665	-
Takaful / re-takaful payables	182,534	182,534	-
Other creditors and accruals	21,602,279	21,602,279	-
	<u>33,870,478</u>	<u>33,870,478</u>	<u>-</u>

Financial liabilities: 2018	Carrying amount	Up to one year	More than One year
	Rupees		
Provision for outstanding claims (including IBNR)	2,317,314	2,317,314	-
Takaful / re-takaful payables	291,968	291,968	-
Other creditors and accruals	7,911,446	7,911,446	-
	<u>10,520,728</u>	<u>10,520,728</u>	<u>-</u>

Age analysis of financial assets is as under:

Financial assets: 2019	Carrying amount	Up to one year	From 1 - 2 years	More than 2 years
	Rupees			
Takaful / re-takaful	27,068,445	19,936,552	6,559,698	572,195
Loan and other receivables	14,432,428	14,432,428	-	-
	<u>41,500,873</u>	<u>34,368,980</u>	<u>6,559,698</u>	<u>572,195</u>

Financial assets: 2018	Carrying amount	Up to one year	From 1 - 2 years	More than 2 years
	Rupees			
Takaful / re-takaful	14,077,180	11,954,388	2,122,792	-
Loan and other receivables	4,248,681	4,248,681	-	-
	<u>18,325,861</u>	<u>16,203,069</u>	<u>2,122,792</u>	<u>-</u>

The credit quality of amount due from other takaful/ retakaful and retakaful recoveries against outstanding claims can be assessed with reference to external credit ratings as follows:

	Amount due from other takaful / retakaful	Retakaful recoveries against outstanding claims	2019	2018
			Rupees	
A or above (including PRCL)	20,213,353	-	20,213,353	8,559,984
Others	-	-	-	-
Total	<u>20,213,353</u>	<u>-</u>	<u>20,213,353</u>	<u>8,559,984</u>

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**34.3 Liquidity risk**

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Company finances its operations through equity and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Please refer to note 35 for liquidity risk schedule.

On the statement of financial position date, company has cash and bank balances of Rs. 65,382,446/- (2018: Rs. 54,014,411/-).

**34.4 Market risk**

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The market risks associated with the Company's business activities are interest/mark up rate risk and price risk. The Company is not exposed to material currency risk.

**a) Interest/mark up rate risk**

Interest/mark up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest/mark up rates. Sensitivity to interest/mark up rate risk arises from mismatches of financial assets and liabilities that mature or re-price in a given period. The company manages these mismatches through risk management strategies. At the statement of financial position date, the interest rate profile of the Company's significant interest bearing financial instruments is as follows:

Financial assets	2019	2018	2019	2018
	Effective interest rate (in %)		Rupees	Rupees
Saving accounts	7% to 10%	2.40% to 6.00%	65,382,446	54,013,384
Term deposit	13.60%	Nil	10,000,000	-
			<u>75,382,446</u>	<u>54,013,384</u>

**Sensitivity analysis**

For cash flow sensitivity analysis of variable rate instruments a hypothetical change of 100 basis points in interest rates at the reporting date would have decreased/(increased) profit for the year by the amounts shown below.

	2019	2018
	Rupees	Rupees
Cash flow sensitivity - Variable rate financial assets	<u>653,824</u>	<u>540,134</u>

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

**b) Price risk**

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. The Company is



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not exposed to equity price risk since it has no significant investments in quoted equity securities at the statement of financial position date. The Company is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs. Nil/- (2018: Nil/-) at the statement of

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

The carrying value of investments subject to equity price risk are based on quoted market prices as of the statement of financial position date and available for sale equity instruments which are based on quoted market prices as of the statement of financial position date in accordance with the requirements of the Insurance Accounting Rules and Regulations issued by the Securities and Exchange Commission of Pakistan (SECP), dated February 09, 2017.

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

#### Sensitivity analysis

The table below summarizes company's equity price risk as of December 31, 2019 and December 31, 2018 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios, results could be worse because of the nature of equity markets.

Equity investments have been measured at fair values as required by IAS 39 "Financial Instruments: Recognition and Measurement", the impact of hypothetical change would be as follows:

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase / (decrease) in shareholders' equity	Hypothetical increase/(decrease) in profit before tax
2019	-	10% increase	-	-	-
	-	10% decrease	-	-	-
2018	-	10% increase	-	-	-
	-	10% decrease	-	-	-

#### 34.5 Fund management

The operator's objectives when managing capital or to safeguard operator's ability to continue as going concern in order to provide returns for operator or participants and to offer benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the amount of return paid to operators or to participants may be adjusted.

ASIA INSURANCE COMPANY LIMITED  
 WINDOW TAKAFUL OPERATIONS  
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2019

35 FINANCIAL ASSETS AND LIABILITIES

FINANCIAL ASSETS AND LIABILITIES	2019										Total
	Effective Yield/ Mark-up rate per annum	Interest/mark-up bearing		Non-Interest/mark-up bearing		Sub Total	Non-Interest/mark-up bearing		Sub Total	Total	
		Maturity upto one year	Maturity over one year to five years	Maturity upto one year	Maturity over one year to five years		Maturity over one year to five years	Maturity over five years			
	%	Rupees									
<b>FINANCIAL ASSETS</b>											
Investments		10,000,000	-	-	-	10,000,000	-	-	-	-	10,000,000
Loans and others receivables	13.60%	-	-	-	-	-	14,723,058	-	-	-	14,723,058
Takaful / Re-takaful receivables	-	-	-	-	-	-	27,068,445	-	-	-	27,068,445
Retakaful recoveries against outstanding claims	-	-	-	-	-	-	1,365,437	-	-	-	1,365,437
Cash and bank deposits	7% to 10%	65,382,446	-	-	-	65,382,446	-	-	-	-	65,382,446
		75,382,446	-	-	-	75,382,446	43,156,940	-	-	-	118,539,386
<b>FINANCIAL LIABILITIES</b>											
Provision for outstanding claims (including IBNR)	-	-	-	-	-	-	12,085,665	-	-	-	12,085,665
Contribution received in advance	-	-	-	-	-	-	692,797	-	-	-	692,797
Takaful / Re-takaful payables	-	-	-	-	-	-	182,534	-	-	-	182,534
Other creditors and accruals	-	-	-	-	-	-	21,602,279	-	-	-	21,602,279
Short term bank borrowings	-	-	-	-	-	-	34,563,275	-	-	-	34,563,275

FINANCIAL ASSETS AND LIABILITIES	2018										Total
	Effective Yield/ Mark-up rate per annum	Interest/mark-up bearing		Non-Interest/mark-up bearing		Sub Total	Non-Interest/mark-up bearing		Sub Total	Total	
		Maturity upto one year	Maturity over one year to five years	Maturity upto one year	Maturity over one year to five years		Maturity over one year to five years	Maturity over five years			
	%	Rupees									
<b>FINANCIAL ASSETS</b>											
Investments		-	-	-	-	-	-	-	-	-	-
Loans and others receivables	-	-	-	-	-	-	4,248,681	-	-	-	4,248,681
Takaful / Re-takaful receivables	-	-	-	-	-	-	14,077,180	-	-	-	14,077,180
Retakaful recoveries against outstanding claims	-	-	-	-	-	-	-	-	-	-	-
Cash and bank deposits	2.40% to 6.00%	54,013,384	-	-	-	54,013,384	1,027	-	-	-	54,014,411
		54,013,384	-	-	-	54,013,384	18,326,888	-	-	-	72,340,272
<b>FINANCIAL LIABILITIES</b>											
Provision for outstanding claims (including IBNR)	-	-	-	-	-	-	2,317,314	-	-	-	2,317,314
Contribution received in advance	-	-	-	-	-	-	532,300	-	-	-	532,300
Takaful / Re-takaful payables	-	-	-	-	-	-	291,968	-	-	-	291,968
Other creditors and accruals	-	-	-	-	-	-	7,911,446	-	-	-	7,911,446
		-	-	-	-	-	11,053,028	-	-	-	11,053,028

ASIA INSURANCE COMPANY LIMITED  
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**36 STATEMENT OF SOLVENCY**

	Note	2019 Rupees
Assets		
Property and equipment		-
Investments		-
Equity Securities		-
Debt Securities		-
Term deposits		-
Loans and others receivables		-
Takaful / re-takaful receivables	10	27,068,445
Retakaful recoveries against outstanding claims	20	1,365,437
Prepayments	11	4,838,127
Cash and bank	12	30,930,784
Total assets (A)		<u>64,202,793</u>

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

(h) Takaful / re-takaful receivables		16,484,191
(q)		-
(u)		-
(v)		-
Total of Inadmissible assets (B)		<u>16,484,191</u>
Total Admissible assets (C=A-B)		47,718,602
Total Liabilities		
Underwriting provisions		
Provision for outstanding claims (including IBNR)	20	12,085,665
Contribution deficiency reserve		452,484
Reserve for unearned contribution	19	18,335,128
Reserve for unearned retakaful rebate		2,732
Contributions received in advance		692,797
Takaful / Re-takaful payables	14	182,534
Other creditors and accruals	15	15,393,076
Total liabilities (D)		<u>47,144,416</u>
Total net Admissible assets (E=C-D)		<u>574,186</u>

**Minimum Solvency Requirement**

As per requirement of section 10(k) of Takaful Rules, 2012, an Operator shall ensure that in case of General takaful each participant takaful fund, at all times, has admissible assets in excess of its liabilities.

ASIA INSURANCE COMPANY LIMITED  
 WINDOW TAKAFUL OPERATIONS  
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**37 FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the 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 approximate their fair values except for equity and debt instruments whose fair values have been disclosed in their respective notes to these financial statements. Fair value is determined on the basis of objective evidence at each reporting date. The company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in

Level 1: Quoted market price (unadjusted) in active market for identical instrument.

Level 2: Valuation techniques based on observable inputs either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Valuation techniques using significant unobservable inputs.

	Level-1	Level-2	Level-3	Total
	Rupees			
As at December 31, 2019				
At fair value through profit or loss-Held for trading				
At fair value through OCI - Available for sale	-	-	-	-
As at December 31, 2018				
At fair value through profit or loss-Held for trading				
At fair value through OCI - Available for sale	-	-	-	-

**38 SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS**

All significant transactions and events that have affected the Company's financial position and performance during the year have been adequately disclosed in the notes to these financial statements.

**39 CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified, wherever necessary, to facilitate comparisons. No significant reclassifications made during the current year .

**40 SUBSEQUENT EVENTS - NON ADJUSTING EVENTS**

There is no event causing adjustment to or disclosure in financial statements.

41 NUMBER OF EMPLOYEES	2019	2018
	Number	Number
Number of employees at the end of the year	5	2
Average number of employees	6	2

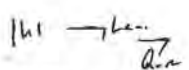
**42 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements have been authorised for issue on March 11, 2020 by the Board of Directors of the company.

**43 GENERAL**

The figures are rounded off to the nearest rupee.

  
Chairman

  
Chief Executive Officer

  
Director

  
Director

  
Chief Financial Officer

## BRANCH NETWORK

### HEAD OFFICE

Asia House, 19 C/D, Block-L, Gulberg-III Main  
Ferozepur Road, Lahore  
Ph: 042-35865574-78 Fax: 042-35865579  
[Info@asiainsurance.com.pk](mailto:Info@asiainsurance.com.pk)  
[www.asiainsurance.com.pk](http://www.asiainsurance.com.pk)

### HEALTH/AGRI/TRAVEL DIVISION

Asia House, 19 C/D, Block-L, Gulberg-III Main  
Ferozepur Road, Lahore  
Ph: 042-35865574-78 Fax: 042-35865579  
[Info@asiainsurance.com.pk](mailto:Info@asiainsurance.com.pk)  
[www.asiainsurance.com.pk](http://www.asiainsurance.com.pk)

### WINDOW TAKAFUL OPERATION

Asia House, 19 C/D, Block-L, Gulberg-III Main  
Ferozepur Road, Lahore  
Ph: 042-35865574-78 Fax: 042-35865579  
[takaful@asiainsurance.com.pk](mailto:takaful@asiainsurance.com.pk)  
[info@asiatakaful.com.pk](mailto:info@asiatakaful.com.pk)

### LAHORE REGION

#### Taj Arcade Office

Suite No. 33-34, 1<sup>st</sup> Floor, Taj Arcade, Opposite  
Service Hospital, Jail Road, Lahore.  
Ph: 042-35408325-27-29  
[lhr.tajarcade@asiainsurance.com.pk](mailto:lhr.tajarcade@asiainsurance.com.pk)

#### Barkat Market Office

F1 a t N o . 5 , 5<sup>th</sup> Floor 24, Civic Center,  
Shan Arcade, Barkat Market, Lahore.  
Ph: 042-35941822 Fax: 042-35941823  
[barkat.market@asiainsurance.com.pk](mailto:barkat.market@asiainsurance.com.pk)

#### Mumtaz Centre Office

Suit No. 4, 3rd Floor, Mumtaz Centre, 15-A,  
Shahrah-e-Fatima Jinnah, Lahore.  
Ph: 042-36299472-3, Fax: 042-36299471  
[mumtazcentre@asiainsurance.com.pk](mailto:mumtazcentre@asiainsurance.com.pk)

#### Land Mark Plaza Office

330 3rd floor, land mark plaza, Jail Road, Lahore  
Ph: 042-35764121  
[Land.mark@asiainsurance.com.pk](mailto:Land.mark@asiainsurance.com.pk)

#### Abbot Road Office

2nd Floor, Asif Center, 19 - A, Abbot Road,  
Lahore.  
Ph: 042-36308070 Fax: 042-36308066  
[Abbot@asiainsurance.com.pk](mailto:Abbot@asiainsurance.com.pk)

#### Al Hafeez View Office

Aprt No.14 First floor, Al-Hafeez View, 67-D/1  
Sir Syed Road, Gulberg-III, Lahore.  
Ph: 042-35774622

#### Bilal Center Branch

Room No. 213, 2nd Floor, Hassan Centre,  
83-Brandreth Road, Lahore.  
Ph: 04237672619

### FAISALABAD REGION

#### Faisalabad Kutchery Bazar Office

Office No. 08, 4<sup>th</sup> Floor, Sidiq Plaza, Outside  
Kutchery Bazar, Circular Road, Faisalabad. Ph:  
041-2605557-58 Fax: 041-2605559  
[fsd@asiainsurance.com.pk](mailto:fsd@asiainsurance.com.pk)

#### Faisalabad Pakistan Market Office

Room # 4 3rd Floor Pakistan Market  
Kutchery Bazar Faisalabad.  
Ph # 041-2628225

#### Faisalabad Kotwali Road Office

Taj Plaza, 3rd Floor, Opposite Shell Petrol Pump  
Kotwali Road, Faisalabad.  
Ph: 041-2648291, 041-2412192  
[fsd3@asiainsurance.com.pk](mailto:fsd3@asiainsurance.com.pk)

#### Sargodha Office

Khan Arcade, Kutchery Road, Sargodha  
Ph: 048-3721286  
[sgd@asiainsurance.com.pk](mailto:sgd@asiainsurance.com.pk)

### MULTAN REGION

#### Multan Corporate Office

2nd Floor, Ghaffar Plaza, Bohra Street, Multan  
Cantt  
Ph: 061-6306813-061-4586814  
[mnt@asiainsurance.com.pk](mailto:mnt@asiainsurance.com.pk)

#### Multan Nusrat Road Office

Ist Floor, Khawar Centre, Near SP Chowk,  
Nusrat Road, Multan Cantt.  
Ph: 061-4541451-2 Fax: 061-4541450  
[mnt2@asiainsurance.com.pk](mailto:mnt2@asiainsurance.com.pk)

#### Bahawalpur Office

Office No. 1, Ist Floor, United Center,  
Stadium Road, Near Faisal Movers Bus  
Terminal, Bahawalpur  
Ph: 062-2500882  
[bwp@asiainsurance.com.pk](mailto:bwp@asiainsurance.com.pk)

### **Sadiqabad Office**

Mukarram Plaza, Alfalah Town, Sadiqabad,  
District Rahim Yar Khan  
Ph: 068-5701195 Fax:068-5957377  
[sadiqabad@asiainsurance.com.pk](mailto:sadiqabad@asiainsurance.com.pk)

### **D. G Khan Office**

First floor shop No.55, Block A, Bank Road, Dera  
Ghazi Khan  
Ph: 03346781253/03006781253  
[m.javeed@asiainsurance.com.pk](mailto:m.javeed@asiainsurance.com.pk)

## **KARACHI REGION**

### **Karachi I**

Room No. 1, 1<sup>st</sup> Floor, Mian Chamber, Opposite Sindh  
Madarsa, Shahrae-Liaquat, Karachi.  
Ph: 021-32428365, 32466960, 32465203 Fax:  
021-32433569  
[K1@asiainsurance.com.pk](mailto:K1@asiainsurance.com.pk)

### **Karachi II**

Office No.510,511,512,Gul Tower, I.I  
Chundrigar Road, Karachi.  
Ph: 021-32461834-5  
[K2@asiainsurance.com.pk](mailto:K2@asiainsurance.com.pk)

### **Karachi Regional Office**

Room No. 604, 6<sup>th</sup> Floor, Business Plaza, Plot No. 8/2  
Mumtaz Hussain Road, I.I.Chundrigar Road, Karachi.  
Ph: 021-32469584-6 Fax: 021-32469587  
[Karachi@asiainsurance.com.pk](mailto:Karachi@asiainsurance.com.pk)

### **Karachi V**

806, 8th Floor, Business Plaza, Mumtaz Hussain Road,  
I.I. Chundrigar Road, Karachi.  
Ph: 021-32431032-3  
[autodivision@asiainsurance.com.pk](mailto:autodivision@asiainsurance.com.pk)

### **Hyderabad Office**

2<sup>nd</sup> Floor,Banglow No 202 , Arain Center,Block D  
Unit No. 7 Latifabad, Hyderabad  
Ph: 022- 3864308  
[hyd@asiainsurance.com.pk](mailto:hyd@asiainsurance.com.pk)

## **SIALKOT REGION**

### **Sialkot Kashmir Road Office**

2<sup>nd</sup> Floor, Al-Khalil Center, Kashmir Road,  
Sialkot.  
Ph: 052-3240270-3  
[sktc@asiainsurance.com.pk](mailto:sktc@asiainsurance.com.pk)

### **Sialkot Paris Road Office**

Obrai Building, Paris Road, Sialkot.  
Ph: 052-4591023-24-25 Fax:052-4593022  
[skt@asiainsurance.com.pk](mailto:skt@asiainsurance.com.pk)

## **PESHAWAR REGION**

### **Peshawar Office**

Deans Trade Centre,  
Unit No. 180-T.F, Saddar Road,  
Peshawar Cantt  
Ph: 091-5603040,  
[psw@asiainsurance.com.pk](mailto:psw@asiainsurance.com.pk)

## **RAWALPINDI REGION**

### **Rawalpindi Bank Road Office**

Office No.49/62, 1<sup>st</sup> Floor Uni Plaza, Bank Road  
Saddar, Rawalpindi.  
Ph: 051-5582116-7 Fax: 051-5582118  
[rwp@asiainsurance.com.pk](mailto:rwp@asiainsurance.com.pk)

### **Islamabad Corporate Office**

Flat No.9,3<sup>rd</sup> floor, Shah Nawaz Plaza,G-11  
Markaz, Islamabad

### **Abbotabad Office**

Representative Office  
[abbt@asiainsurance.com.pk](mailto:abbt@asiainsurance.com.pk)

### **Muzaffarabad Office**

Upper Floor Utility Store,  
Near Wapda,Colony, Main  
Nalaouchi Highway,  
Gojra Muzaffarabad,AJK Ph:  
0582-2446242  
[muz@asiainsurance.com.pk](mailto:muz@asiainsurance.com.pk)

## PROXY FORM

### **Option 1**

#### **Appointing other person a Proxy**

I/We \_\_\_\_\_ of \_\_\_\_\_ being a member of Asia Insurance Company Limited and holder of \_\_\_\_\_ (number of shares) Ordinary Shares as per Registered Folio No. \_\_\_\_\_ hereby appoint Mr./Ms. \_\_\_\_\_ of \_\_\_\_\_ or failing whom Mr./Ms. \_\_\_\_\_ of \_\_\_\_\_ as my/our proxy to vote for me/us and on my/our behalf at the (annual, extraordinary general meeting as the case may be) of the Company to be held on \_\_\_\_\_ and at any adjourned thereof.

Signed under my/our this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

Sign Across  
Revenue Stamp  
Rs. 5/-

\_\_\_\_\_  
Signature should agree  
With the specimen signature  
Registered with the Company

Signed in presence of:

\_\_\_\_\_  
Signature of Witness

\_\_\_\_\_  
Signature of Witness

### **Option 2**

#### **E-voting as per The Companies (E-voting) Regulations, 2016**

I/We, \_\_\_\_\_ of \_\_\_\_\_ being a member of Asia Insurance Company Limited and holder of \_\_\_\_\_ (number of shares) Ordinary Shares as per Registered Folio No. \_\_\_\_\_, hereby appoint for e-voting through intermediary and hereby consent the appointment of execution officer \_\_\_\_\_ as proxy and will exercise e-voting as per the Companies (E-voting) Regulations, 2016 and hereby demand for poll for resolution.

My secured email address is \_\_\_\_\_. Please send login details, password and electronic signature through email.

Sign Across  
Revenue Stamp  
Rs. 5/-

\_\_\_\_\_  
Signature should agree  
With the specimen signature  
Registered with the Company

Signed in presence of:

\_\_\_\_\_  
Signature of Witness

\_\_\_\_\_  
Signature of Witness

### **Important:**

- This form of Proxy, duly completed, must be deposited at the Company's Registered Office at Asia House, 19 C/D, Block-L, Gulberg III, Main Ferozpur Road, Lahore, not later than 48 hours before the time appointed for the meeting.
- CDC Shareholders and their Proxies are each requested to attach attested photocopy of their Computerized National Identity Card (CNIC) or Passport with this proxy form before submission to the Company.
- CDC Shareholders or their Proxies are requested to bring with them their Original Computerized National Identity Card or Passport along with the Participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.

## 2. کمپنی کے (ای۔ ڈونگ) ضوابط 2016ء کے تحت ای۔ ڈونگ

ایشیا انشورنس کمپنی لمیٹڈ کے رکن اور رجسٹرڈ فولیو ہمبر کے تحت  
(حصص کی تعداد) کے عمومی حصص کا مالک ہونے کی حیثیت سے میں اہم  
رہائش  
ای ڈونگ کے لئے تقرر کرتے ہیں بذریعہ حالت اور عمل کرنے والے اسٹریٹجی کی ایک پراکسی / نمائندہ کی حیثیت سے  
تقرری پر رضامندی ظاہر کرتے ہیں اور کمپنی کے (ای۔ ڈونگ) ضوابط 2016ء کے تحت ای۔ ڈونگ پر عمل کریں گے، جس قرارداد پر ڈونگ کی استدعا  
کرتے ہیں۔

یہ اٹھوٹھ ای میل ایڈریس ہے۔ برائے مہربانی لاگ ان تفصیلات، پاس ورڈ اور الیکٹرانک دستخط  
ای میل کے ذریعے بھیج دیں۔

5 روپے  
کارپوریٹ سٹیمپ

(دستخط کمپنی کے رجسٹرڈ نمونہ کے دستخط کے مطابق ہونے چاہئیں)

کی موجودگی میں دستخط کئے گئے:

گواہ کے دستخط

گواہ کے دستخط

ہدایات:

- ✓ مکمل پُر شدہ یہ پراکسی فارم کمپنی کے رجسٹرڈ آفس ایشیا ڈس 19 C/D، چانگ۔ ل، گلبرگ II، مین فیروز پور روڈ، لاہور، میں  
اجلاس کے آغاز سے 48 گھنٹے پہلے پہنچ جانا چاہئے۔
- ✓ CDC حصص داران اور ان کے نمائندے / پراکسی کو درخواست کی جاتی ہے کہ وہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) اور  
پاسپورٹ کی تصدیق شدہ نقول اس پراکسی فارم کے ساتھ منسلک کریں۔
- ✓ CDC حصص داران اور ان کے نمائندے / پراکسی کو درخواست کی جاتی ہے کہ سالانہ اجلاس عام میں شمولیت کے موقع پر اپنی  
شناخت ثابت کرنے کے لئے وہ اپنا اصلی کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) یا پاسپورٹ جمع شامل ہونے کا آئی ڈی نمبر اور اپنا  
اکاؤنٹ نمبر فراہم لائیں۔



## 1. کسی شخص کا اپنا نمائندہ / پراکسی مقرر کرنا

ایشیا انشورنس کمپنی لمیٹڈ کے رکن اور رجسٹرڈ فیلو نمبر..... کے تحت  
(حصص کی تعداد) کے عمومی حصص کا مالک ہونے کی حیثیت سے میں/ہم.....  
رہائش.....  
میرے/ہمارے لئے ووٹ کرنے اور میری/ہماری جگہ پر کمپنی کے سالانہ/غیر معمولی اجلاس عام، جو بھی معاملہ ہو، منعقدہ.....  
میں شرکت کرنے کے لئے اور اس کی معطلی کی صورت میں محترم/محترمہ.....  
رہائش..... کو یا ناکامی کی صورت میں،  
محترم/محترمہ..... رہائش.....  
کو اپنا پراکسی/نمائندہ مقرر کرتے ہیں۔

20 کو دستخط کئے گئے۔

5 روپے  
کارپوریٹ سٹیپ

(دستخط کمپنی کے رجسٹرڈ نمونہ کے دستخط کے مطابق ہونے چاہئیں)

کی موجودگی میں دستخط کئے گئے:

گواہ کے دستخط

گواہ کے دستخط



Asia House 19 C/D, L Block Gulberg-III, Main Ferozpur Road, Lahore  
UAN: 0311-111-2742 Ph: 042-35865574-78, Fax 042-35865579  
Email: [info@asiainsurance.com.pk](mailto:info@asiainsurance.com.pk) [info@takafulinsurance.com.pk](mailto:info@takafulinsurance.com.pk)  
Web: [www.asiainsurance.com.pk](http://www.asiainsurance.com.pk)