

A U D I T R E P O R T



**MEGHNA
INSURANCE**
COMPANY LIMITED

2019

AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MEGHNA INSURANCE COMPANY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Meghna Insurance Company Limited (the "Company"), which comprise the Statement of Financial Position (Balance Sheet) as at 31 December 2019, the Statement of Comprehensive Income, Profit and Loss Appropriation Account, related Revenue Accounts, Statement of Changes in Equity and 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), the Companies Act 1994, the Insurance Act 2010, the Insurance Rules 1958, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' 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 (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Bangladesh, and we have fulfilled our other ethical responsibilities in accordance with the IESBA 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 the audit of the financial statement for 2019. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditors' opinion thereon, and we do not provide a separate opinion on these matters. For each matter below our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the auditors' responsibilities for the audit of the financial statements section of our report, including in the relation to these matters.

Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatements of the financial statements. These results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matters	Our responses to the Key Audit Matters
Premium Income	
<p>Gross general insurance premiums comprise the total premiums received for the whole period of cover provided by contracts entered into during the accounting period.</p> <p>Given the important nature, connections to other items to the financial statements and sensitivity of the item we believe this area pose high level of risk.</p> <p>For the year end 2019, the reported total gross premium is BDT.581,041,069 (2018: BDT.461,909,172)</p>	<p>With respect to premium income in respect of various types of insurance we carried out the following procedures:</p> <ul style="list-style-type: none"> • The design and operating effectiveness of key controls around premium income recognition Process. • Carried out analytical procedures and recalculated Premium income for the period. • Carried out cut-off testing to ensure unearned Premium income has not been included in the Premium income. • On a sample basis reviewed policy to ensure appropriate policy stamp was affixed to the contract and same has been reflected in the premium register. • Ensured on a sample basis that the premium income was being deposited in the designated bank account. • Tested on as sample basis to see the appropriate VAT was being collected and deposited to bank through Treasury Challan. • Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards, Insurance Act 1938 (as amended in 2010), Insurance Rules, 1958 and other applicable rules and regulations and regulatory guidelines.

Estimated liability in respect of outstanding claims whether due or intimated and claim payment

<p>This is account represents the claim due or intimated from the insured and involves significant management judgement and risk of understatement. In extreme scenario this item may have going concern implications for the company</p> <p>At the year end, the company reported total balance under the head of estimated liability in respect of outstanding claims whether due or intimated and claim payment of BDT.62,241,208 (2018: BDT.38,939,446)</p>	<p>We tested design and operating effectiveness of control around the due and intimated claim recording process. We additionally carried out the following substantive testing around this item:</p> <ul style="list-style-type: none"> • Obtained the claim register and tested for completeness of claim recorded in the register on a sample basis. • Obtained a sample of claimed policy copy and cross Checked it with claim. • Obtained a sample of survey report and cross checked those against respective ledger balances. • Obtained and discussed with management about their basis of estimation and challenged their assumption where appropriate. • Tested a sample of claims payments with intimation letter, survey report, bank statement, claim payment, register and general ledger. • Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards, Insurance Act 1938 (as amended in 2010), Insurance Rules, 1958 and other applicable rules and regulations and regulatory guidelines.
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Fair value reserve on Investment of marketable securities

The company makes a number of investments in the listed securities in stock exchange. Income generated from the investment (Realized gain and dividend received) is credited to the profit or loss account, Unrealized capital gain or loss is transferred to the fair value reserve as per the policy of the company and maintains adequate deferred tax on such reserve

This item has significant impact on net asset value of the company and equity balance might be prone to misreporting as large unreported fall in the value of any holding may wipe out of the portfolio and hamper the distribution capability of the company.

We tested the design and operating effectiveness of controls around monitoring, valuation and updating of prices of position held by the company from trusted sources. Additionally, we performed the following;

- Obtained year-end share holding positions from the company and through directional testing assessed the completeness of the report.
- Ascertained the valuation of the holding as per IFRS 13.
- Reviewed the challenged assumption used for the valuation models for any unquoted securities
- Recalculated unrealized gain or loss at the year end.
- Carried out cut off testing to ensure unrealized gain or loss was recognized in correct period.
- Obtained the CDBL report and share portfolio and cross checked against each other to confirm unrealized gain or loss.
- Checked the subsequent positioning of this unrealized amount after the year end.
- Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards, Insurance Act 1938 (as amended in 2010), Insurance rules 1958 and other applicable rules and regulations and regulatory guidelines.

Other Information

Management is responsible for the other information. The other information comprises all of the information in the annual report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information.

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 Those Charged with Governance for the Financial Statements and Internal Controls

Management is responsible for the preparation and fair presentation of the financial statements in accordance with (IFRSs), the Companies Act 1994, the Insurance Act 2010, the Insurance Rules 1958, the Securities and Exchange Rules 1987 and other applicable laws and regulations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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, we exercise professional judgement 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, we determine those matters that we were most significant 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

In accordance with the Companies Act 1994, the Insurance Act 2010, the Insurance Rules 1958, the Securities and Exchange Rules 1987 and the other applicable Laws and regulations, we also report that:

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) In our opinion, proper books of accounts, records and other statutory books as required by law have been kept by the Company so far as it appeared from our examination of those books;
- c) The Company's management has followed relevant provisions of laws and rules in managing the affairs of the company and proper books of accounts, records and other statutory books have been properly maintained and (where applicable) proper returns adequate for the purpose of our audit have been received from branches not visited by us;
- d) As per section 63(2) of the Insurance Act 2010, as amended we certify that to the best of our knowledge and belief and according to the information and explanations given to us, all expenses of management wherever incurred and whether incurred directly or indirectly, in respect of insurance business of the company transacted in Bangladesh during the year under report have been fully Charged to the related Revenue Account and the Statement of Profit or loss & other Comprehensive income of the Company;
- e) We report that to the best of our information and as shown by its books, the company during the year under report has not paid any person any commission in any form, outside Bangladesh in respect of any of its business re-insured abroad;
- f) The Company Statements of Financial Position and Statement of Comprehensive Income, Profit and Loss. Appropriation Account, Related Revenue Accounts, Statements of Changes in Equity and Statement of Cash Flows of the company together with the annexed notes dealt with by the report are in agreement with the books of account and returns; and
- g) The expenditure incurred was for the purposes of the Company's business.

Dated: 10 August, 2020
Place: Dhaka


(Shahadat Hossain, FCA)
Partner
MABS & J Partners
Chartered Accountants

Meghna Insurance Company Limited
Statement of Financial Position (Balance Sheet)
As at 31 December 2019

Capital and liabilities	Notes	Amount in Taka 2019	Amount in Taka 2018	Property and assets	Notes	Amount in Taka 2019	Amount in Taka 2018
Share Capital							
Authorized capital							
100,000,000 ordinary shares of Tk.10 each	4.00	<u>1,000,000,000</u>	<u>1,000,000,000</u>				
Issued, subscribed and paid up capital							
69,00,000 ordinary shares of Tk.10 each	4.00	69,000,000	69,000,000	Treasury Bond (At Cost)	15.00	25,000,000	25,000,000
				Investment in shares	18.00	3,260,690	3,449,480
				Interest, dividend and rent receivable	21.00	6,124,216	10,551,138
Reserve or contingency accounts:							
Reserve for exceptional losses	5.00	<u>128,020,351</u>	<u>110,354,731</u>				
	5.01	104,734,663	89,734,663				
Retained earnings	5.02	23,285,688	20,620,068	Amounts due from other Persons or-			
				Bodies carrying on insurance business	17.00	99,494,593	85,360,420
Balances of funds and accounts:							
Fire	6.00	<u>156,461,771</u>	<u>107,966,147</u>	Sundry debtors	19.00	558	558
Marine (Cargo)		44,221,872	24,482,513	Advance, deposit & prepayments	20.00	113,474,821	112,085,955
Marine (Hull)		42,247,370	38,442,703				
Motor		48,669	39,948	Short term investment	22.00	225,150,000	201,650,000
Miscellaneous		46,989,426	28,912,058				
		22,954,434	16,088,925				
Premium deposit	7.00	<u>27,701,156</u>	<u>17,532,377</u>	Cash and cash equivalents :	23.00	116,589,146	43,652,091
				Cash in hand		22,729,489	19,848,565
				Cash at bank		93,859,657	23,803,526
Liabilities and provisions :							
Estimated liability in respect of outstanding							
claims, whether due or intimated	8.00	<u>418,415,649</u>	<u>393,131,634</u>	Proterty, plant & equipments	14.00	210,504,903	216,235,247
Amounts due to other persons or bodies		62,241,208	38,939,446	Stock of printing, stationery & stamps	16.00	208,498,779	213,318,723
carrying on insurance business	9.00	181,075,394	175,107,688			2,006,124	2,916,524
Long Term loan	10.00	49,499,449	63,988,044				
Short Term loan	11.00	49,483,137	45,744,198				
Sundry Creditors	12.00	22,876,633	16,991,837				
Provision for Current & Deferred Tax	13.00	53,239,829	52,360,421				
		<u>799,598,928</u>	<u>697,984,889</u>			<u>799,598,928</u>	<u>697,984,889</u>
Net Assets value per share		25.99	25.99				

The annexed notes 1 to 36 form an integral part of these Financial Statements.


Chairman



Vice Chairman


Chief Executive Officer


Director

Signed in terms of our separate report of even date annexed.

Dated: 10 August 2020
Place: Dhaka


MABS & J Partners
Chartered Accountants

Meghna Insurance Company Limited
Statement of Comprehensive Income (Profit and Loss Account)
For the year ended at 31 December 2019

Particulars	Notes	Amount in Taka 2019	Amount in Taka 2018	Particulars	Notes	Amount in Taka 2019	Amount in Taka 2018
Expenses of management (Not applicable to any particular fund or account)	24.00	17,439,710	18,174,126	Income from Investment and Others (Not applicable to any particular fund or account)	25.00	10,849,322	15,355,349
Audit fees		7,084,858	7,966,951				
Depreciation		237,350	257,350				
Directors' fees		6,442,508	7,629,601				
Workers' Profit Participation Fund	12.01	405,000	80,000				
Balance for the year carried to Profit & Loss Appropriation Account		936,691	855,434				
		18,733,818	17,108,682				
		44,195,077	44,105,193				
				Profit/(loss) transferred from :		33,345,755	28,749,844
				Fire insurance revenue account		(30,546,578)	12,612,069
				Marine insurance revenue account		31,185,810	15,317,465
				Marine Hull insurance revenue account		(70,621)	65,268
				Motor insurance revenue account		22,782,266	2,430,910
				Miscellaneous insurance revenue account		9,994,878	(1,675,868)
						44,195,077	44,105,193

Profit and Loss Appropriation Account
For the year ended 31 December 2019

Provision for Income Tax during the year	13.01	1,502,547	1,643,472	Balance brought forward from last year		20,620,070	17,623,039
Provision for Deferred tax	13.03	(623,140)	(918,312)				
Reserve for exceptional losses		15,000,000	13,000,000	Net Profit/(Loss) for the year brought down		18,733,818	17,108,682
Prior years adjustment							
Unrealised loss for Investment in share		188,790	386,491				
Balance transferred to the Statement of Financial Position (Balance Sheet)		23,285,689	20,620,069				
		39,353,887	34,731,720			39,353,887	34,731,720

Earnings per share

26.00 2.56 2.32

The annexed notes 1 to 36 form an integral part of these Financial Statements.

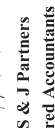

Chairman

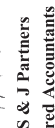

Chief Executive Officer

Signed in terms of our separate report of even date annexed.

Dated: 10 August 2020

Place: Dhaka


Director


MABS & J Partners
Chartered Accountants

Meghna Insurance Company Limited

Consolidated Revenue Account

For the year ended at 31 December 2019

Particulars	Notes	Amount in Taka 2019	Amount in Taka 2018	Particulars	Notes	Amount in Taka 2019	Amount in Taka 2018
Claims under policies less re-insurance	28.00	78,498,182	42,958,226				
Paid during the year		55,196,420	79,042,560	Balance of account at the beginning of the year		107,966,147	96,142,467
Add : Total estimated liability in respect of outstanding claims at the end of the period whether due or intimated				Premium less re-insurance	27.00	391,081,424	269,855,446
		62,241,208	38,939,446	Commission on re-insurance		48,202,134	33,958,381
		117,437,628	117,982,006				
Less: Claims outstanding at the end of the previous year		38,939,446	75,023,780				
Agent commission		75,656,100	79,189,657				
Management expenses	29.00	203,287,897	141,092,420				
Gross profit transferred to profit and loss account		33,345,755	28,749,844				
Balance of account at the end of the year as shown in the statements of financial position(Balance sheet):							
Reserve for unexpired risks being 100% for Marine Hull & 40% for other net premium income of the year		156,461,771	107,966,147				
		547,249,705	399,956,294			547,249,705	399,956,294

The annexed notes 1 to 36 form an integral part of these Financial Statements.


Chairman

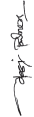

Vice Chairman


Chief Executive Officer


Director

Signed in terms of our separate report of even date annexed.

Dated: 10 August 2020
Place: Dhaka


MABS & J Partners
Chartered Accountants

Meghna Insurance Company Limited

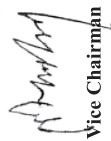
Fire Insurance Revenue Account

For the year ended at 31 December 2019

Particulars	Notes	Amount in Taka 2019	Amount in Taka 2018	Particulars	Notes	Amount in Taka 2019	Amount in Taka 2018
Claims under policies less re-insurance	28.00	46,478,873	8,665,902				
Paid during the year		24,564,848	2,603,628	Balance of account at the beginning of the year		24,482,513	47,063,841
Add : total estimated liability in respect of outstanding claims at the end of the period whether due or intimated		46,720,096	-	Premium less re-insurance	27.00	110,554,680	61,206,283
		71,284,944	24,806,071	Commission on re-insurance		30,020,204	19,420,757
Less: Claims outstanding at the end of the previous year		24,806,071	27,409,699				
			18,743,797				
Agent commission		30,158,832	30,835,716				
Management expenses	29.00	74,744,398	51,094,681				
Profit transferred to profit and loss account		(30,546,578)	12,612,069				
Balance of account at the end of the year as shown in the statements of financial position (Balance sheet) :							
Reserve for unexpired risks being 40% of net premium income of the year		44,221,872	24,482,513				
		165,057,397	127,690,881			165,057,397	127,690,881

The annexed notes 1 to 36 form an integral part of these Financial Statements.

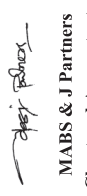

Chairman


Vice Chairman


Chief Executive Officer


Director

Signed in terms of our separate report of even date annexed.


MABS & J Partners
Chartered Accountants

Dated: 10 August 2020
Place: Dhaka

Meghna Insurance Company Limited
Marine Cargo Insurance Revenue Account
For the year ended at 31 December 2019

Particulars	Notes	Amount in Taka 2019	Amount in Taka 2018	Particulars	Notes	Amount in Taka 2019	Amount in Taka 2018
Claims under policies less re-insurance							
Paid during the year	28.00	11,630,608	19,095,907	Balance of account at the beginning of the year		38,442,703	36,915,109
		9,668,524	39,714,881	Premium less re- insurance	27.00	105,618,424	96,106,757
Add : Total estimated liability in respect of outstanding claims at the end of the period whether due or intimated		4,512,691	2,550,607	Commission on re-insurance		11,731,945	7,014,210
		14,181,215	42,265,488				
Less: Claims outstanding at the end of the previous year		2,550,607	23,169,581				
Agent commission		18,946,136	27,229,791				
Management expenses	29.00	51,783,148	39,950,211				
Profit transferred to profit and loss account		31,185,810	15,317,464				
Balance of account at the end of the year as shown in the statements of financial position(Balance sheet) :							
Reserve for unexpired risks being 40% of net premium income on marine cargo of the year.		42,247,370	38,442,703				
		155,793,072	140,036,076			155,793,072	140,036,076

The annexed notes 1 to 36 form an integral part of these Financial Statements.


Chairman



Vice Chairman


Chief Executive Officer


Director

Signed in terms of our separate report of even date annexed.

Dated: 10 August 2020
Place: Dhaka


MABS & J Partners
Chartered Accountants

Meghna Insurance Company Limited

Marine Hull Insurance Revenue Account

For the year ended at 31 December 2019

Particulars	Notes	Amount in Taka 2019	Amount in Taka 2018	Particulars	Notes	Amount in Taka 2019	Amount in Taka 2018
Claims under policies less re-insurance			22,108				
Paid during the year	28.00	-	22,108	Balance of account at the beginning of the year		39,948	137,018
Add : Total estimated liability in respect of outstanding claims at the end of the period whether due or intimated				Premium less re- insurance	27.00	48,669	39,948
Less: Claims outstanding at the end of the previous year				Commission on re-insurance		17,448	8,221
Agent commission		-	-				
Management expenses	29.00	128,017	57,863				
Profit transferred to profit and loss account		(70,621)	65,268				
Balance of account at the end of the year as shown in the statements of financial position(Balance sheet) :							
Reserve for unexpired risks being 100% of net premium income on marine hull of the year		48,669	39,948				
		106,065	185,187			106,065	185,187

The annexed notes 1 to 36 form an integral part of these Financial Statements.


Chairman

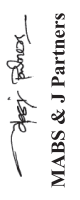

Vice Chairman


Chief Executive Officer


Director

Signed in terms of our separate report of even date annexed.

Dated: 10 August 2020
Place: Dhaka


MABS & J Partners
Chartered Accountants

Meghna Insurance Company Limited

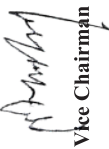
Motor Insurance Revenue Account

For the year ended at 31 December 2019

Particulars	Notes	Amount in Taka 2019	Amount in Taka 2018	Particulars	Notes	Amount in Taka 2019	Amount in Taka 2018
Claims under policies less re-insurance		17,302,855	6,818,979				
Paid during the year	28.00	20,877,202	35,856,613	Balance of account at the beginning of the year		28,912,058	10,117,678
Add: Total estimated liability in respect of outstanding claims at the end of the period whether due or intimated				Premium less re-insurance	27.00	117,473,565	72,280,145
Less: Claims outstanding at the end of the previous year				Commission on re-insurance		986,733	1,733,819
Agent commission		17,816,617	20,745,650				
Management expenses	29.00	42,481,192	25,224,045				
Profit/(loss) transferred to profit and loss account		22,782,266	2,430,910				
Balance of account at the end of the year as shown in the statements of financial position (Balance sheet) :							
Reserve for unexpired risks being 40% of net premium income of the year		46,989,426	28,912,058				
		147,372,356	84,131,642			147,372,356	84,131,642

The annexed notes 1 to 36 form an integral part of these Financial Statements.


Chairman


Vice Chairman

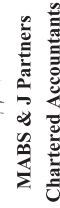

Chief Executive Officer


Director

Signed in terms of our separate report of even date annexed.

Dated: 10 August 2020

Place: Dhaka


MABS & J Partners
Chartered Accountants

Meghna Insurance Company Limited
Miscellaneous Insurance Revenue Account
For the year ended at 31 December 2019

Particulars	Notes	Amount in Taka 2019	Amount in Taka 2018	Particulars	Notes	Amount in Taka 2019	Amount in Taka 2018
Claims under policies less re-insurance		3,085,846	8,355,330				
Paid during the year	28.00	85,846	845,330	Balance of account at the beginning of the year		16,088,925	1,908,820
Add: Total estimated liability in respect of outstanding claims at the end of the period whether due or intimated		10,510,000	7,510,000	Premium less re-insurance	27.00	57,386,086	40,222,313
Less: Claims outstanding at the end of the previous year		10,595,846	8,355,330	Commission on re-insurance		5,445,804	5,781,374
		7,510,000	-				
Agent commission		8,734,515	378,500				
Management expenses	29.00	34,151,142	24,765,620				
Profit/(loss) transferred to profit and loss account		9,994,878	(1,675,868)				
Balance of account at the end of the year as shown in the statements of financial position(Balance sheet) :							
Reserve for unexpired risks being 40% of net premium income of the year		22,954,434	16,088,925				
		78,920,815	47,912,507			78,920,815	47,912,507

The annexed notes 1 to 36 form an integral part of these Financial Statements.

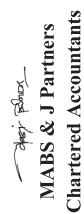

Chairman


Vice Chairman


Chief Executive Officer

Signed in terms of our separate report of even date annexed.

Dated: 10 August 2020
Place: Dhaka


MABS & J Partners
Chartered Accountants

Meghna Insurance Company Limited

Statement of Changes in Equity

For the year ended at 31 December 2019

(Amount in Taka)

Particulars	Share Capital	Reserve for Exceptional Losses	Retained Earning	Total
Balance as on January 01, 2019	69,000,000	89,734,663	20,620,069	179,354,732
Reserve for exceptional losses for the year	-	15,000,000	(15,000,000)	-
Unrealized loss for Investment in share	-	-	(188,790)	(188,790)
Provision for income tax			(1,502,547)	(1,502,547)
Provision for deferred tax			623,140	623,140
Profit for the year	-	-	18,733,818	18,733,818
Balance as on December 31, 2019	69,000,000	104,734,663	23,285,689	197,020,352
Balance as on January 01, 2018	69,000,000	76,734,663	17,623,039	163,357,702
Reserve for exceptional losses for the year	-	13,000,000	(13,000,000)	-
Reserve for investment losses	-	-	(386,491)	(386,491)
Provision for income tax			(1,643,472)	(1,643,472)
Provision for deferred tax			918,312	918,312
Profit after tax and prior year's adjustment	-	-	17,108,681	17,108,681
Balance as on December 31, 2018	69,000,000	89,734,663	20,620,069	179,354,732

The annexed notes 1 to 36 form an integral part of these Financial Statements.


Chairman



Vice Chairman


Chief Executive Officer


Director

Signed in terms of our separate report of even date annexed.

Dated: 10 August 2020
Place: Dhaka


MABS & J Partners
Chartered Accountants

Meghna Insurance Company Limited

Statement of Cash Flows

For the year ended at 31 December 2019

Particulars	Notes	Amount in Taka	
		2019	2018
Cash flows from operating activities :			
Receipts from premium and others		441,285,870	325,006,956
Payments for claim ,managemet expenses and other		(346,363,973)	(315,609,479)
Income from Investment and others		15,276,244	9,168,420
Income tax paid		(4,176,129)	(4,663,350)
Net Cash from operating activities		106,022,012	13,902,547
Cash flows from Investing activities :			
Acquisition of property, plant & equipment		(1,622,564)	(3,090,487)
Disposal of property, plant & equipment		-	-
Others Advance		2,787,263	318,127
Investment in share		-	(676,987)
Sales of Investment		-	680,263
Short term investment (Net)		(23,500,000)	(12,900,000)
Net Cash used in Investing activities		(22,335,301)	(15,669,084)
Cash flows from Financing activities :			
Receipt of Long Term Loan		-	-
Repayment of Long Term Loan		(14,488,595)	(12,589,741)
Receipt of Short Term Loan		32,895,962	45,787,584
Repayment of Short Term Loan		(29,157,023)	(42,406,451)
Net cash from financial activities		(10,749,656)	(9,208,608)
Net Increase/(Decrease) in cash & cash equivalents during the year		72,937,055	(10,975,145)
Cash and cash equivalents at the beginning of the year		43,652,087	54,627,232
Cash and cash equivalents at the end of the year		116,589,142	43,652,087
Net Operating Cash Flows per Share (NOCFS)		15.37	2.01

The annexed notes 1 to 36 form an integral part of these Financial Statements.


Chairman



Vice Chairman


Chief Executive Officer


Director

Signed in terms of our separate report of even date annexed.

Dated: 10 August 2020
Place: Dhaka


MABS & J Partners
Chartered Accountants

Meghna Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December, 2019

1. The company and its activities

1.1 Legal form of the company

Meghna Insurance Company Limited was incorporated with Registrar of Joint Stock Companies & Firms, Bangladesh as a private company limited by shares bearing certificate of incorporation number C- 30434(1650)/96 March 18, 1996 under the Companies Act (XVIII)1994.

1.2 Registered office of the company

The registered office of the company is located at Banashilpa Bhaban (6th floor), 73 Motijheel C/A, Dhaka-1000.

1.3 Principal activities and nature of the business

The principal activities of the company are to carry on all kinds of insurance, guarantee and indemnity business other than life insurance business.

2. Basis of preparation and presentation of financial statements

2.1 a) Statement of compliance

The financial statements of the Company have been prepared in conformity with the International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs), the Companies Act 1994, the Insurance Act 1938 (as amended in 2010), the Insurance Rules 1958, and other rules & regulations applicable in Bangladesh. The policies, wherever appropriate, are explained in the succeeding notes.

b) Compliance of International Accounting Standards (IASs) And International Financial Reporting Standards (IFRS)

In preparing and presenting financial statements, considering relevant for the significant accounting issues of the company, following IASs and IFRs have been implemented by the company, which were issued by the Institute of Chartered Accountants (ICAB) formulated in the light of the IASs and IFRs issued by the International Accounting Standards Board and the conditions and practices prevailing in Bangladesh, and valid as on the balance sheet date:

Sl No.	Name of IAS		No. of IAS/IFRS	Status
1	Presentation of Financial Statements	IAS	1	Complied
2	Statements of Cash Flows	IAS	7	Complied
3	Accounting Policies, Changes in Accounting Estimates and Errors	IAS	8	Complied
4	Events after the Reporting Period	IAS	10	Complied

Meghna Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December, 2019

5	Income Tax	IAS	12	Complied
6	Property, plant and equipment	IAS	16	Complied
7	Insurance Contracts	IAS	4	Complied
8	Related party transaction	IAS	24	Complied
9	Financial instruments' presentation	IAS	32	Complied
10	Earnings per share	IAS	33	Complied
11	Provision, Contingent Liabilities and Contingent Assets	IAS	37	Complied

2.2 Other regulatory compliance

The company also required to comply with the following laws and regulations in addition to the above mentioned compliances:

- i) The Income Tax Ordinance, 1984
- ii) The Income Tax Rules, 1984
- iii) The Value Added Tax Act, 1991
- iv) The Value Added Tax Rules, 1991
- v) Stamp Act, 1899

2.3 Basis of measurement

The financial statements have been prepared on Going Concern Basis and the elements of financial statements have been measured at "Historical Cost". Revenues and expenses are recognized on Accrual Basis in accordance with the Generally Accepted Accounting Principles.

2.4 Responsibility for preparation and presentation of financial statements

The board of directors of the company is responsible for the preparation and presentation of financial statements under section 183 of the Companies Act, 1994 and as per the provisions of the framework for the "Presentation of Financial Statements" of International Accounting Standard (IAS)-1.

2.5 Reporting period

Generally, the accounting period of the company is from January to December of every Gregorian calendar year. Here, the financial statements of the company have been prepared for the period ended 31st December, 2019.

2.6 Components of the financial statements

According to the International Accounting Standards (IASs) 1 "Presentation of Financial Statements", the complete set of financial statements includes the following components:

- (i) Statement of Financial Position (Balance Sheet)
- ii) Statement of Comprehensive Income (Profit and Loss Account)
- iii) Statement of Cash Flows
- iv) Statement of Changes in Equity
- v) Notes to the financial statements

Meghna Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December, 2019

2.7 Use of estimates and judgment

The preparation of financial statements in conformity with IASs/IFRSs require management to make judgments, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and assumptions. Estimates and underlying assumptions are reviewed on going concern basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

2.8 Functional & presentation currency

These financial statements are prepared in Bangladeshi Taka, which is the company's functional currency as well as the presentational currency.

2.8 Materiality and aggregation

Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature of the function are presented separately unless are immaterial.

3.0 Significant accounting policies & applications

Specific accounting policies were selected and applied by the company's management for significant transactions and events that have a material effect within the framework of IAS-1 "Presentation of Financial Statements" in preparation and presentation of financial statements. Accounting and valuation methods are disclosed for reasons of clarity. The company classified the expenses using the function of expenses method as per IAS-1.

3.1 Cash and cash equivalents

According to IAS 7 "Statement of Cash Flows", cash in hand and demand deposit, and cash equivalents are short-term highly liquid investment that are ready to convertible to known amounts to cash and which are to an insignificant risk of changes in value. IAS 1 "Presentation of Financial Statements" provides that Cash and Cash Equivalents are not restricted in use. Considering the provisions of IAS 1 and IAS 7, cash in hand and bank balances has been considered as cash and cash equivalents.

3.2 Statement of cash flows

Statement of Cash Flows has been prepared in accordance with IAS 7 "Statement of Cash Flows" and the cash flow from operating activities have been presented under direct method as considering the provision of paragraph 19 of IAS 7 which provides that "Enterprises are encouraged to report cash flow from operating activities using the direct method".

Meghna Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December, 2019

3.3 Events after the Reporting Period

In compliance with the requirements of IAS 10: Events after the Reporting period, Post balance sheet event that provide additional information about the company's position at the balance sheet date are reflected in the financial statements where applicable and events after the balance sheet date that are disclosed in the notes when material.

3.4 Non-current asset

a) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured initially at cost and subsequently at cost less accumulated depreciation in compliance with International Accounting Standard (IAS) 16 Property, Plant and Equipment. The cost of acquisition of an asset comprises its purchase price and any direct cost for bringing the asset to its working condition for its intended use. Expenditures incurred after the assets have been put into use, such as repairs and maintenance is normally charged off as revenue expenditure in the period in which it is incurred. Software and all up gradation/enhancement are generally charged off as revenue expenditure unless they bring similar significant additional benefits.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent expenditure on property, plant and equipment

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of comprehensive income as incurred.

Depreciation

Property, plant & equipment are stated at their historical cost less accumulated depreciation and accumulated impairment loss in accordance with IAS 16 "Property, Plant and Equipment".

Depreciation is recognized in profit or loss on a diminishing balance method over the estimated useful lives of each component of an item of property, plant and equipment. For addition to property, plant and equipment, depreciation has been charged on additions from the date of the asset come in use. Land is not depreciated.

The rates at which property, plant and equipment are depreciated for current years are as follows:

Particulars	Depreciation rate
Office equipment	15%
Furniture & fixture	10%
Computer & Accessories	25%
Motor Vehicles	20%
Leasehold improvement	25%
Other assets	25%

Meghna Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December, 2019

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Disposal of property, plant and equipment

Sales price of fixed assets are determined on the basis of fair value of the assets. Gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between sales proceeds and carrying amount of the asset and is recognized in profit or loss account as per provision of IAS 16: property, plant and equipment.

Impairment of assets

Property, plant and equipment are reviewed for impairment whenever events indicate that the carrying amount of a cash-generating unit (smallest identifiable group of assets that generates cash flows which are largely independent of the cash flows from other assets or groups of assets) may not be recoverable. In addition, assets that have indefinite useful lives are tested annually for impairment. An impairment loss would be recognized in the statement of comprehensive income to the extent that the carrying value exceeds the higher of the asset's fair value less costs to sell and its value in use.

Intangible assets

Intangible assets (computer software) are recorded at historical cost less accumulated amortization; these are amortized on reducing balancing method using the rate at 25%.

3.5 Investment in share

Investments are initially recognized at cost including acquisition charges with the investments. After initial recognition investments in marketable ordinary shares have been valued at market price on an aggregate portfolio basis. Investment in non-marketable shares have been valued at cost. Full provision for diminution in value of shares as on closing of the year on aggregate portfolio basis is made in the financial statements.

3.6 Short term investment

The investment in fixed deposits with different banks which is not matured within the period of three months are considered as short term investment as they are not highly liquid investment with convertible to known amount to cash.

3.7 Premium and claim

The total amount of premium earned on various classes insurance business underwritten during the period has been duly accounted for in the books of account of the company and while preparing the financial statements the effect of re-insurance ceded as well as the effect of total estimated liabilities in respect of outstanding claims at the end of the period whether due or intimated have also been reflected in order to arrive at the net underwriting profit for the period.

Meghna Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December, 2019

3.8 Revenue recognition

a) Premium recognition

Premium is recognized as revenue when it is received against any insurance policies issued after satisfying the following conditions as prescribed by IFRS 4 "Insurance Contracts":

- i) The significant risks and rewards of ownership of the policies have been transferred to the policyholder;
- ii) The amount of revenue was measured reliably;
- iii) It was probable that the economic benefits relating to the transactions will flow to the company;
- iv) Neither continuing managerial involvement nor effective control usually associated with ownership of the policy was retained by the company; and
- v) Cost relating to the transactions was measured reliably.

The sum of premium income as appeared in classified Revenue Account in net of the refund made, Re-insurance ceded and Re-insurance premium on Public Sector Insurance Business (PSB). The premium in respect of the company's share of Public Sector Business (PSB) as well as re-insurance business is accounted for in the year with the relevant statements of the accounts from Shadharan Bima Corporation are received.

Amounts received against issue of Cover Notes which have not been converted into Policy are recognized as income at the earlier of Cover Notes converted into Policy or after expiry of two years of Cover Notes in accordance with Shadharan Bima Corporation's Circular.

b) Re-insurance Commission

Re-insurance commission is recognized as revenue over the period in which the related services are performed. Necessary adjustment in respect of re-insurance ceded and accepted in Bangladesh has been made in respect of Revenue Accounts as per Agreement made between the company and Shadharan Bima Corporation (SBC).

c) Investment Income

Interest on Short Term Deposit/Fixed Deposit Receipts (FDR) and treasury Bond are recognized as revenue on accrual basis. Dividend income is recognized on accrual basis in the period in which the dividend is declared and approved in AGM whereas profit or loss arising from the sale of securities is accounted for only when shares are sold in the market and profit is realized and loss is incurred. Interest on Fixed Deposit Interest income from fixed deposit is recognized on an accrual base in the period in which the income is accrual.

Meghna Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December, 2019

3.09 Benefits, Claims and expenses recognition

a) Gross benefits and claims

General insurance claims include all claims occurring during the year and 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 year.

b) Re-insurance Claims

Re-insurance claims are recognized when the related gross insurance claim is recognized according to the terms of the relevant contract.

3.10 Employee benefit schemes

The company has a contributory provident fund for its regular employees. The fund is approved by the National Board of Revenue (NBR), administered separately by a Board of Trustees and is contributed equally by the company and the employees.

3.11 Taxation

Income tax on earnings for the year comprise current and deferred tax and is based on the applicable tax law in Bangladesh. It is recognized in the income statement as tax expense.

Current tax

Current tax is the expected tax payable on the taxable income for the year, based on tax rates (and tax law) which are enacted at the reporting date, including any adjustment for the tax payable in previous periods. Current tax for current and prior periods is recognized as a liability (or asset) to the extent that it is unpaid (or refundable). Provision for income tax has been made at best estimate keeping in view the provisions of Income Tax Ordinance 1984 and amendment made thereto from time to time. Applicable rate of income tax for the company is 40%.

Deferred tax

The company has accounted for deferred tax as per IAS – 12 “Income Taxes”.

3.12 Provision, reserve and contingencies

a) Provision for outstanding claims

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date.

b) Provision for un-expired risk

Surplus/(Deficit) on Revenue Accounts has been arrived at after making necessary provision for un-expired risk @ 40% of net premium income on all business except Marine Hull insurance for which provision has been made @ 100% on net premium income concerned.

Meghna Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December, 2019

c) Reserve for exceptional losses

A reserve is maintained as requirement of paragraph 6(2) of 4th Schedule of the Income Tax Ordinance 1984.

3.13 Allocation of total management expense

Total related management expenses have been allocated among the different Revenue Accounts as percentage basis of their respective gross premium income.

3.14 Earnings Per Share

Earnings per Share (EPS) has been calculated in accordance with International Accounting Standard – 33 “Earnings Per Share” and shown on the face of profit and loss appropriation account and computation thereof is shown in note no. 26.

Basic Earnings Per Share:

This has been calculated by dividing the basic earning by the weighted average number of ordinary shares outstanding for the year.

Basic Earnings:

This represents earnings for the year ended on December 31, 2019 attributable to the ordinary shareholders.

Diluted Earnings Per Share:

Diluted EPS is calculated if there is any commitment for issuance of equity shares in foreseeable future i.e, potential shares, without inflow of resources to the company against such issue. There was no such commitment during the year and accordingly no dilution is required in the year 2019.

3.15 Related party disclosure

As per International Accounting Standards (IAS) 24 “Related Party Disclosures”, parties are considered to be related if one of the party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The company carried out transactions in the ordinary course of business on an arm’s length basis at commercial rates with its related parties.

3.16 Events after the Reporting date.

There is no material adjusting or non-adjusting events after the reporting period.

3.17 Contingent liability and contingent assets

The company does not recognize contingent liability and contingent assets but discloses the existence of contingent liability in the financial statements. A contingent liability is probable obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events not within the control of the company or present obligation that is not recognized because outflow of resources is not likely or obligation cannot be measured reliably.

Meghna Insurance Company Limited

Notes to the Financial Statements

For the year ended 31 December, 2019

3.18 Branch accounting

The company has 47 branch offices with no overseas branch as on 31st December 2019. Accounts of the branches are maintained at the head office.

3.19 Consistency of presentation

In accordance with the IFRS framework for the presentation of financial statements together with IAS 1 and IAS 8, the company applies the accounting disclosure principles consistently from one period to the next. Where selecting and applying new accounting policies, changes in accounting policies applied, correction of errors, and amounts involved are accounted for and disclosed retrospectively in accordance with the requirement of IAS – 8.

3.20 Comparative Information

Comparative information has been disclosed in respect of the period ended December 31, 2019 for all numerical data in the financial statements and also the narrative and descriptive information when it is relevant for better understanding of the current year's financial statements.

3.21 General

Figures appearing in these Financial Statements have been rounded off to the nearest taka.

Meghna Insurance Company Limited

Notes to the Financial Statement

For the year ended at 31 December 2019

Particulars		Amount in Taka			
		2019	2018		
4.00	Share Capital				
4.01	Authorized Capital				
	100,000,000 ordinary shares of Tk 10 each	1,000,000,000	1,000,000,000		
4.02	Issued, subscribed & paid up capital				
	6,900,000 ordinary shares of Tk 10 each fully paid up	69,000,000	69,000,000		
4.03	Shareholding structure				
	Sponsors	69,000,000	69,000,000		
	Financial and other institution (including ICB)	-	-		
	General public	-	-		
		69,000,000	69,000,000		
4.04	Distribution schedule of shares				
A distribution schedule of each class of equity setting out the number of holders and percentage of holding in the different categories as on 31.12.2019 is given as follows:					
Range of share holding		No. of shares	No. of shareholders	Shareholdings %	% of total paid up capital
50001-200000		460,000	5	6.67%	6.67%
200001-350000		3,590,600	13	52.04%	52.04%
350001-500000		862,500	2	12.50%	12.50%
500001-650000		575,000	1	8.33%	8.33%
650001-800000		1,411,900	2	20.46%	20.46%
		6,900,000	23	100.00%	100.00%
Following the Schedule-1 of Insurance Act-2010 company will meet up its required of minimum capital by issuing Right Shares shortly. Moreover, company will go for public issue for Tk.30.00 crore as per BSEC notification dated 25.07.2019 which will lead to raise the sponsor's portion of paid up capital to Tk.45 crore and the total paid up would be Tk.75.00 crore.					
5.00	Reserve or contingency account				
	Reserve for exceptional losses	[Note No. : 5.01]		104,734,663	89,734,663
	Retained earnings	[Note No. : 5.02]		23,285,688	-232,357,206
				128,020,351	-142,622,543
5.01	Reserve for Exceptional losses				
	Opening balance			89,734,663	76,734,663
	Addition during the year			15,000,000	13,000,000
				104,734,663	89,734,663
This represent profit set-aside up to the period under review as expenses to meet exceptional losses. This reserve has been created as requirement of paragraph 6 (2) of 4th Schedule of the Income Tax Ordinance 1984.					
5.02	Retained earnings				
	Balance brought forward from last year			20,620,069	17,623,039
	Add: Net profit during the year			18,733,818	17,108,681
				39,353,886	34,731,720
	Less: Provision for income tax			1,502,547	1,643,472
	Provision for deferred tax			(623,140)	(918,312.03)
	Unrealised loss for Investment in share			188,790	386,491
	Reserve for exceptional losses			15,000,000	13,000,000
				23,285,688	20,620,069
	Surplus carried forward				

Meghna Insurance Company Limited

Notes to the Financial Statement

For the year ended at 31 December 2019

Particulars	Amount in Taka	
	2019	2018
6.00 Balances of fund & accounts		
Fire insurance business	44,221,872	24,482,513
Marine insurance business (Cargo)	42,247,370	38,442,703
Marine insurance business (Hull)	48,669	39,948
Motor insurance business	46,989,426	28,912,058
Miscellaneous insurance business	22,954,434	16,088,925
	156,461,771	107,966,147

These balances of fund have been arrived at after making necessary provision for un-expired risk based on following percentages on premium income excluding Public Sector Business at the following rates.

Particulars	Net Premium	%	Balance of Fund	
			2019	2018
Fire insurance business	110,554,680	40%	44,221,872	24,482,513
Marine insurance business (Cargo)	105,618,424	40%	42,247,370	38,442,703
Marine insurance business (Hull)	48,669	100%	48,669	39,948
Motor insurance business	117,473,565	40%	46,989,426	28,912,058
Miscellaneous insurance business	57,386,086	40%	22,954,434	16,088,925
	391,081,424		156,461,771	107,966,147

7.00 Premium deposit

Marine cargo Insurance Business	27,701,156	17,532,377
	27,701,156	17,532,377

This amount represents the un-adjusted balance of premium as received against cover notes over the years which no policy has been issued upto the end of the year.

8.00 Estimated liability in respect of outstanding claims claims whether due or intimated

The break-up of the amount is noted below:

Fire	46,720,096	24,806,071
Marine (Cargo)	4,512,691	2,550,607
Marine (Hull)	-	-
Motor	498,421	4,072,768
Miscellaneous	10,510,000	7,510,000
	62,241,208	38,939,446

9.00 Amount due to other persons or bodies carrying on insurance business

Amount due to Sadharan Bima Corporation (SBC) & Others

Opening Balance	175,107,688	143,882,260
Add: addition for the year	124,209,377	134,487,225
	299,317,065	278,369,485
Less: adjustment for the year	118,241,671	103,261,797
	181,075,394	175,107,688

This represents the amount payable to Sadharan Bima Corporation (SBC) and other re-insurance and private sector insurance companies on account of re-insurance and co-insurance premium as at December 31, 2019

Meghna Insurance Company Limited

Notes to the Financial Statement

For the year ended at 31 December 2019

Particulars		Amount in Taka	
		2019	2018
10.00 Long term loan			
Opening balance		63,988,044	76,577,785
Add: Loan taken during the year		-	-
		63,988,044	76,577,785
Less: Loan repaid during the year		14,488,595	12,589,741
Closing balance		49,499,449	63,988,044
This represents loan from IDLC Finance Ltd which is repayable within 7 years .The loan is secured against registered mortgage of Flat valued Tk.180,607,468.			
11.00 Short term loan :			
Opening balance		45,744,198	42,363,065
Add: Loan taken during the year		32,895,962	45,787,584
		78,640,160	88,150,649
Less: Loan repaid during the year		29,157,023	42,406,451
Closing balance		49,483,137	45,744,198
Details of short term loan is as under			
Short term loan with SIBL		17,512,801	903,842
Short term loan with BASIC		8,309,045	8,665,145
Short term loan with IFIC		4,899,858	5,483,655
Short term loan with Bank Asia		5,659,382	5,882,455
Short term loan with Al Arafah		-	5,371,631
Short term loan with Southeast		3,726,319	3,730,225
Short term loan with Exim		1,723,626	4,122,310
Short term loan with MTB		4,736,637	5,528,374
Short term loan with IBBL		-	2,888,000
Short term loan with UCB		2,915,470	3,168,561
		49,483,138	45,744,198
The loan is secured against lien of fixed deposit.			
12.00 Sundry Creditors			
Salary payable		7,440,663	2,233,023
Audit fees payable		190,100	170,100
Office rent payable		425,168	492,654
Others bill payable		535,080	497,866
Stamp payable		-	700,000
Provision for company con. to PF.		447,194	1,988,961
Provision for employee con. to PF.		602,347	364,456
Tax payable against salary		435,071	732,863
Tax payable against office rent		76,573	-
Tax payable - Advertisement		320	54,938
Tax payable at source		20,382	-
Tax payable-Printing		-	138,276
Tax payable - Agent commission		528,429	2,662,951
VAT payable - Advertisement		1,200	-
VAT payable -Office rent		229,717	-
VAT payable-Postage		2,558	5,758
VAT payable at source		38,272	-
VAT payable - Premium		6,878,324	2,738,593
Security Deposit		313,999	288,999
Excess Deposit		-	147,854
Payable against Contribution to WPPF	12.01	4,711,236	3,774,545
		22,876,633	16,991,837

Meghna Insurance Company Limited

Notes to the Financial Statement

For the year ended at 31 December 2019

Particulars		Amount in Taka	
		2019	2018
12.01 Contribution to WPPF			
This is made up as follows:			
Opening Balance		3,774,545	2,919,111
Add: Contribution this year		936,691	855,434
		4,711,236	3,774,545
Profit before WPPF		19,670,509	17,964,116
Contribution to WPPF		936,691	855,434
The amount is computed @ 5% of net profit before Income Tax (but after charging such contribution) as per provision of Bangladesh labour Law,2006 (as amended in July 2013) has been provided in the year.			
12.02 Allocation of WPPF			
A.Workers' Participation Fund (80%)		3,768,989	3,019,636
B.Workers' Welfare Fund (10%)		471,124	377,455
C.Bangladesh Labour Welfare Foundation (10%)		471,124	377,455
		4,711,236	3,774,546
		2019	2018
13.00 Provision for income tax			
Current tax	[Note - 13.01]	52,354,164	50,851,617
Deferred tax	[Note - 13.03]	885,664	1,508,804
		53,239,829	52,360,421
13.01 Provision for current income tax			
Opening Balance		50,851,617	49,208,145
Add: Addition during the year	[Note - 13.02]	1,502,547	1,643,472
		52,354,164	50,851,617
Less: Adjustment during the year		-	-
		52,354,164	50,851,617
13.02 Provision for current income tax during the year			
	Income in Taka		
<u>Classes of income</u>	<u>2019</u>	<u>2018</u>	<u>Tax Rate</u>
Business income	3,733,818	4,108,682	40.00%
Dividend income	45,102	-	20.00%
			-
		1,502,547	1,643,472
13.03 Provision for deferred income tax			
Opening Balance		1,508,804	2,427,116
Add: Addition during the year		(623,140)	-918,312
		885,664	1,508,804
Less: Adjustment during the year		-	-
		885,664	1,508,804

Meghna Insurance Company Limited

Notes to the Financial Statement

For the year ended at 31 December 2019

Particulars	Amount in Taka	
	2019	2018

13.04 Deferred Tax Liability

a Deferred Tax liability is arrived at as follows:

Particulars	Amount (Taka) 2019	Amount (Taka) 2018
Book Value of Depreciable Fixed Assets	208,498,779	213,318,722
Less: Tax base Value	206,284,619	209,546,715
Taxable Temporary difference	2,214,160	3,772,007
Accrued Interest Income	-	-
Less: Tax base Value	-	-
Deductable Temporary difference	-	-
Net Taxable Temporary Difference	2,214,160	3,772,007
Applicable Tax Rate	40.00%	40.00%
Deferred Tax Liabilities	885,664	1,508,803

b Deferred Tax Liability/ (Asset)

Particulars	Amount (Taka) 2019	Amount (Taka) 2018
Closing Deferred Tax Liabilities	885,664	1,508,803
Opening Deferred Tax Liabilities	1,508,804	2,427,115
Deferred Tax Liability/ (Asset)	(623,140)	(918,312)

13.05 Status of income tax assessment:

Accounting year	Assessment year	Position
2008	2009-10	Reference case to High Court
2009	2010-11	Reference case to High Court
2010	2011-12	Reference case to High Court
2011	2012-13	Reference case to High Court
2012	2013-14	Reference case to High Court
2013	2014-15	Reference case to High Court
2014	2015-16	Reference case to High Court
2015	2016-17	Reference case to High Court
2016	2017-18	Appeal before Tribunal
2017	2018-19	Assessment under process
2018	2019-20	Assessment under process
Total		

14.00 Property, plant and equipment

A. Cost

Opening balance	275,631,567	272,541,080
Add: Addition during the year	1,622,564	3,090,487
	277,254,131	275,631,567
Less: Sales during the year	-	-
	277,254,131	275,631,567

B. Accumulated depreciation

Opening balance	62,312,844	54,683,243
Add: Charged during the year	6,442,508	7,629,601
	68,755,352	62,312,844
Less: Adjustment during the year	-	-
	68,755,352	62,312,844

C. Written down value (A-B)

	208,498,779	213,318,723
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A schedule of property, plant and equipment is given in Annexure - A.

Meghna Insurance Company Limited

Notes to the Financial Statement

For the year ended at 31 December 2019

Particulars	Amount in Taka	
	2019	2018
15.00 Investment in Treasury Bond		
National Investment Bond	25,000,000	25,000,000
	25,000,000	25,000,000

This amount represents investment in 5 years National Investment Bond at the simple interest rate of 12.10% and 7.79% p.a. which is considered as statutory deposit under section 23 and 24 of the Insurance Act, 2010 (The First Schedule item 2(B)).

16.00 Stock of printing, stationery & stamps		
Stationery	840,296	1,373,904
Insurance stamp	1,165,828	1,542,620
	2,006,124	2,916,524

17.00 Amount due from other persons or bodies carrying on insurance business		
Receivable from Sadharan Bima Corporation (SBC) & Others		
Opening Balance	85,360,420	73,985,366
Add: addition for the year	14,134,173	11,375,054
	99,494,593	85,360,420
Less: adjustment for the year	-	-
	99,494,593	85,360,420

This amount represents the receivable from commission, claim and other receivable from Sadharan Bima Corporation as at December 31, 2019

18.00 Investment in shares

This represents company's investment in shares of the following listed companies:

Particulars	Amount in Taka	
	2019	2018
BSCCL	2,864,840	2,864,840
Peninsula	395,850	584,640
	3,260,690	3,449,480

Value of shares have been shown at cost or market price which ever is lower. Unrealized loss has been charged in Profit & Loss appropriation account.

19.00 Sundry debtors

The balance is made up as under:

Green Delta Financial Services	558	558
	558	558

Meghna Insurance Company Limited

Notes to the Financial Statement

For the year ended at 31 December 2019

Particulars		Amount in Taka	
		2019	2018
20.00 Advance, deposit & prepayments			
Advance income tax		93,283,715	89,107,586
Advance against office rent		6,181,836	4,365,889
Agent balance		4,155,173	10,050,777
Advance against salary		2,413,841	2,524,636
Security deposits with T& T		122,863	121,863
Advance to head of branch		5,076,469	5,076,469
Advance to branch		182,312	79,673
Multitude Architect		459,000	459,000
SB Securities Ltd		(388)	62
Prime Finance Capital Mgt Ltd		300,000	300,000
Advance-Codesign Ltd		600,000	-
Dot Printing & Packaging		700,000	-
		113,474,821	112,085,955
21.00 Interest, dividend and rent receivable			
Opening Balance		10,551,138	4,313,287
Add: Addition during the year		6,124,216	10,551,138
		16,675,354	14,864,425
Less: Adjustment during the year		10,551,138	4,313,287
		6,124,216	10,551,138
22.00 Short term investment			
Opening Balance		201,650,000	188,750,000
Add: Addition during the year		31,200,000	23,300,000
		232,850,000	212,050,000
Less: Encashment during the year		7,700,000	10,400,000
		225,150,000	201,650,000
This represents the amount invested in fixed deposits with banks which are to be matured over the period of three months, break-up of which is given below:			
6 months term FDR		59,100,000	59,100,000
12 months term FDR		166,050,000	144,050,000
		225,150,000	201,650,000
23.00 Cash and cash equivalents			
Cash in hand	[Note No. : 23.01]	22,729,489	19,848,565
Cash at bank	[Note No. : 23.02]	93,859,657	23,803,526
		116,589,146	43,652,091
23.01 Cash in hand			
Head office		263,928	514,344
Branch office		22,465,561	19,334,221
		22,729,489	19,848,565
23.02 Cash at bank			
Fixed Deposit		1,500,000	1,500,000
Short term deposit		90,235,807	21,845,580
Current deposit		2,123,850	457,946
		93,859,657	23,803,526

Meghna Insurance Company Limited

Notes to the Financial Statement

For the year ended at 31 December 2019

Particulars	Amount in Taka	
	2019	2018
24.00 Expenses of management		
(not applicable to any particular fund or account)		
Advertisement and publicity	1,583,366	2,143,611
AGM Expenses	232,067	133,751
Donation and subscription	595,000	155,000
Interest on loan	12,858,704	13,423,248
Legal and professional fees	453,500	752,000
Meeting and conference	743,791	749,095
Registration fees	653,276	613,166
Credit Rating Fees	252,500	112,505
Web page Development	67,504	91,750
	17,439,710	18,174,126
25.00 Income from Investment and Others		
Interest, dividend	10,786,781	14,780,945
(not applicable to any particular fund or account)		
Dividend income	45,102	-
Miscellaneous income	17,438	625,325
Profit / (Loss) on sale of share	-	(50,921)
	10,849,322	15,355,349
26.00 Earning Per share (EPS)		
The earning per share of the company is as follows:		
A. Number of shares:		
Shares outstanding at the beginning of the year	6,900,000	6,900,000
Bonus share issued during the year	-	-
	6,900,000	6,900,000
Weight:		
Shares outstanding at the beginning of the year	100.00%	100.00%
Bonus share issued during the year	0.00%	0.00%
Weighted average number of shares:		
Shares outstanding at the beginning of the year	6,900,000	6,900,000
Bonus share issued during the year	-	-
	6,900,000	6,900,000
B. Earnings attributable to shareholders		
Earning attributable to ordinary share holders (profit after tax)	17,665,620	15,997,030
C. Basic Earning per share [B/A]	2.56	2.32

Earning per share is calculated in accordance with BAS 33 "Earning Per Share" which has been shown on the face on Profit & Loss Appropriation Accounts.

Meghna Insurance Company Limited

Notes to the Financial Statement

For the year ended at 31 December 2019

27.00 Premium less re-insurance

Class of Business	Gross Premium	Re-insurance accepted	Re-insurance ceded	Net premium	Net premium
				2019	2018
Fire	213,635,762	-	103,081,082	110,554,680	61,206,283
Marine (Cargo)	148,007,511	-	42,389,087	105,618,424	96,106,757
Marine (Hull)	365,900	-	317,231	48,669	39,948
Motor	121,420,497	-	3,946,932	117,473,565	72,280,145
Miscellaneous	97,611,399	-	40,225,313	57,386,086	40,222,313
	581,041,069	-	189,959,645	391,081,424	269,855,446

28.00 Claims under policies less re-insurance

Class of Business	Paid	Estimated liability	Previous year's balance	Net claim	
				2019	2018
Fire	24,564,848	46,720,096	24,806,071	46,478,873	8,665,902
Marine (Cargo)	9,668,524	4,512,691	2,550,607	11,630,608	19,095,907
Marine (Hull)	-	-	-	-	22,108
Motor	20,877,202	498,421	4,072,768	17,302,855	6,818,979
Miscellaneous	85,846	10,510,000	7,510,000	3,085,846	8,355,330
	55,196,420	62,241,208	38,939,446	78,498,182	42,958,226

29.00 Management expenses

These expenses have been charged to revenue account on product basis of gross premium earned or direct business as under:

Class of Business	Amount in Taka	
	2019	2018
Fire	74,744,398	51,094,681
Marine (Cargo)	51,783,148	39,950,211
Marine (Hull)	128,017	57,863
Motor	42,481,192	25,224,045
Miscellaneous	34,151,142	24,765,620
	203,287,897	141,092,420

Meghna Insurance Company Limited

Notes to the Financial Statement

For the year ended at 31 December 2019

30.00 Board Meeting

During the year 2019, the company had a Board of Directors consisting of 10 members and held 6 meetings throughout the year. Board of Directors of the company has formed other committees and sub committees like Executive Committee, Claims Committee and Audit Committee. Regular meeting of these committees were also held during this year.

31.00 Number of employees

The company had 686 numbers of employees for the whole period, there is no employee getting remuneration less than Tk.3,000 per month.

32.00 Capital Expenditures Commitment

There was no capital expenditure commitment as at 31st December, 2019.

33.00 Claim not acknowledged as debt

There was no claim against the company acknowledged as debt as on 31st December, 2019.

34.00 Un-availed credit facilities

There was a credit facility available to the company from IDLC Finance Ltd and Schedule Banks under any contract availed of as on 31st December, 2019 other than trade credit available in the ordinary course of business.

35.00 Contingent Liability

There was a demand of Tk.311,257,735 by the income tax authority for payment of tax in excess of the amount of management expenses claimed by the company during the accounting years from 2011 to 2016. The company filed a writ to the High court division of the honorable supreme court of Bangladesh. The company is very much hopeful to get Judgement in its favor. Except this there are no contingent assets or liabilities and unrecognized contractual commitments at the balance sheet date.

36.00 Insurance Act Relevant Information

- a) During the year under review nothing was paid to the directors of the company other than board meeting and committee meeting attendance fee.
- b) During the year under review no compensation was allowed to the chief executive officer of the company or any member of the board for special service rendered.
- c) During the year nothing was earned as per premium against guarantees issued.

Meghna Insurance Company Limited

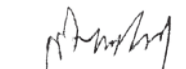
Form "AA"

Classified Summary of Assets

As at December 31, 2019

Class of assets	Amount in Taka		Remarks
	2019	2018	
Investment:			
i) Deposit with National Bank Ltd.	25,000,000.00	25,000,000.00	At Cost
(10 years Investment Bond @ 12.10% Interest)	16,000,000.00	16,000,000.00	
(15 years Investment Bond @ 7.79% Interest)	9,000,000.00	9,000,000.00	
ii) Investment in shares	3,260,690.00	3,449,480.00	Market Value (value as less than book value)
iii) Amount due from other persons or bodies	99,494,593.00	85,360,420.00	Book Value
Cash, cash equivalent & short term investment:	341,739,146	245,302,091	
i) Short term investment in FDR	225,150,000	201,650,000	Book Value
ii) Cash at Bank	93,859,657	23,803,526	Book Value
iii) Cash in hand	22,729,489	19,848,565	Book Value
Interest accrued but not due	6,124,216	10,551,138	Book Value
Sundry debtors, advance, deposits and	558	558	Book Value
Fixed Assets (at cost less depreciation)	208,498,779	213,318,723	Written down Value
Advance & Prepayments	113,474,821	112,085,955	Book Value
Stock of printing, stationery & stamps	2,006,124	2,916,524	Book Value
	799,598,927	697,984,889	


Chairman


Vice Chairman

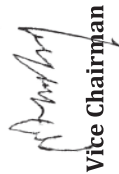

Chief Executive Officer


Director

Meghna Insurance Company Limited
Class Wise Underwriting Results for the year ended 31 December 2019

Particulars	Fire	Marine Cargo	Marine Hull	Motor	Misc.	Total Taka
Gross Premium	213,635,762	148,007,511	365,900	121,420,497	97,611,399	581,041,069
	213,635,762	148,007,511	365,900	121,420,497	97,611,399	581,041,069
Less: Premium on re-insurance ceded	103,081,082	42,389,087	317,231	3,946,932	40,225,313	189,959,645
Net premium income	110,554,680	105,618,424	48,669	117,473,565	57,386,086	391,081,424
Add: Commission on RI ceded	30,020,204	11,731,945	17,448	986,733	5,445,804	48,202,134
Add: Last year unexpired risk	24,482,513	38,442,703	39,948	28,912,058	16,088,925	107,966,147
Total Taka (A)	165,057,397	155,793,072	106,065	147,372,356	78,920,815	547,249,705
Less : Net claim	46,478,873	11,630,608	-	17,302,855	3,085,846	78,498,182
Less: Agency commission	30,158,832	18,946,136	-	17,816,617	8,734,515	75,656,100
Less: Management expenses	74,744,398	51,783,148	128,017	42,481,192	34,151,142	203,287,897
Less: Reserve for unexpired risk	44,221,872	42,247,370	48,669	46,989,426	22,954,434	156,461,771
Total Taka (B)	195,603,975	124,607,262	176,686	124,590,090	68,925,937	513,903,950
Underwriting Profit/Loss (A-B)	(30,546,578)	31,185,810	(70,621)	22,782,266	9,994,878	33,345,755


Chairman


Vice Chairman


Chief Executive Officer


Director

Schedule for Fixed Assets

As at 31 December 2019

Annexure - A

Sl. No.	Particulars	Cost			Rate of Dep. (%)	Depreciation			Written Down Value as on 31.12.2019
		As at 01.01.2019	Addition during the period	Sale / Adjustment the year		As at 31.12.2019	Charged during the period	Sale / Adjustment the year	
1.	Furniture and Fixture	6,339,594	284,484	-	10%	2,712,389	391,169	-	3,103,558
2.	Motor Vehicles	60,489,163	-	-	20%	39,685,577	4,160,717	-	43,846,294
3.	Office Decoration	8,113,271	452,098	-	20%	5,696,713	573,731	-	6,270,444
4.	Computer	3,539,898	372,300	-	30%	2,478,656	430,063	-	2,908,719
5.	Air Conditioner	5,116,363	147,750	-	20%	3,755,070	301,809	-	4,056,879
6.	Office Equipment	10,375,587	355,832	-	15%	7,181,386	532,505	-	7,713,891
7.	Crockeries	140,223	10,100	-	25%	129,114	5,302	-	134,416
8.	Software	910,000	-	-	20%	673,939	47,212	-	721,151
9.	Land	162,045,034	-	-	0%	-	-	-	162,045,034
10.	Office Space	18,562,434	-	-	10%	-	-	-	18,562,434
	Total-2019	275,631,567	1,622,564	-		62,312,844	6,442,508	-	68,755,352
	Total-2018	272,541,080	3,090,487	-		54,683,244	7,629,601	-	62,312,845
									213,318,723

Notes: i) Depreciation has been charged on diminishing balance method on the cost of individual assets.

ii) Since the office space did not come under use as such no depreciation has been charged during the year.