

A PILLAR OF STRENGTH

ANNUAL REPORT 2020





Adamjee Insurance has a legacy of providing protection and security to our customers, securing their futures so that they have the confidence to make the most of the present





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SECURING THE LANDSCAPE

ORGANIZATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT







VISION & MISSION

Our will is to **Explore, Innovate** and **Differentiate**.

Our passion is to provide **leadership** to the insurance industry.





CORE VALUES

- **Integrity** - Transparency and honesty without compromise
- **Humility** - Empathy, self-esteem and respect in all relationships
- **Fun at Workplace** - Work-life balance
- **Corporate Social Responsibility** - Service to humanity

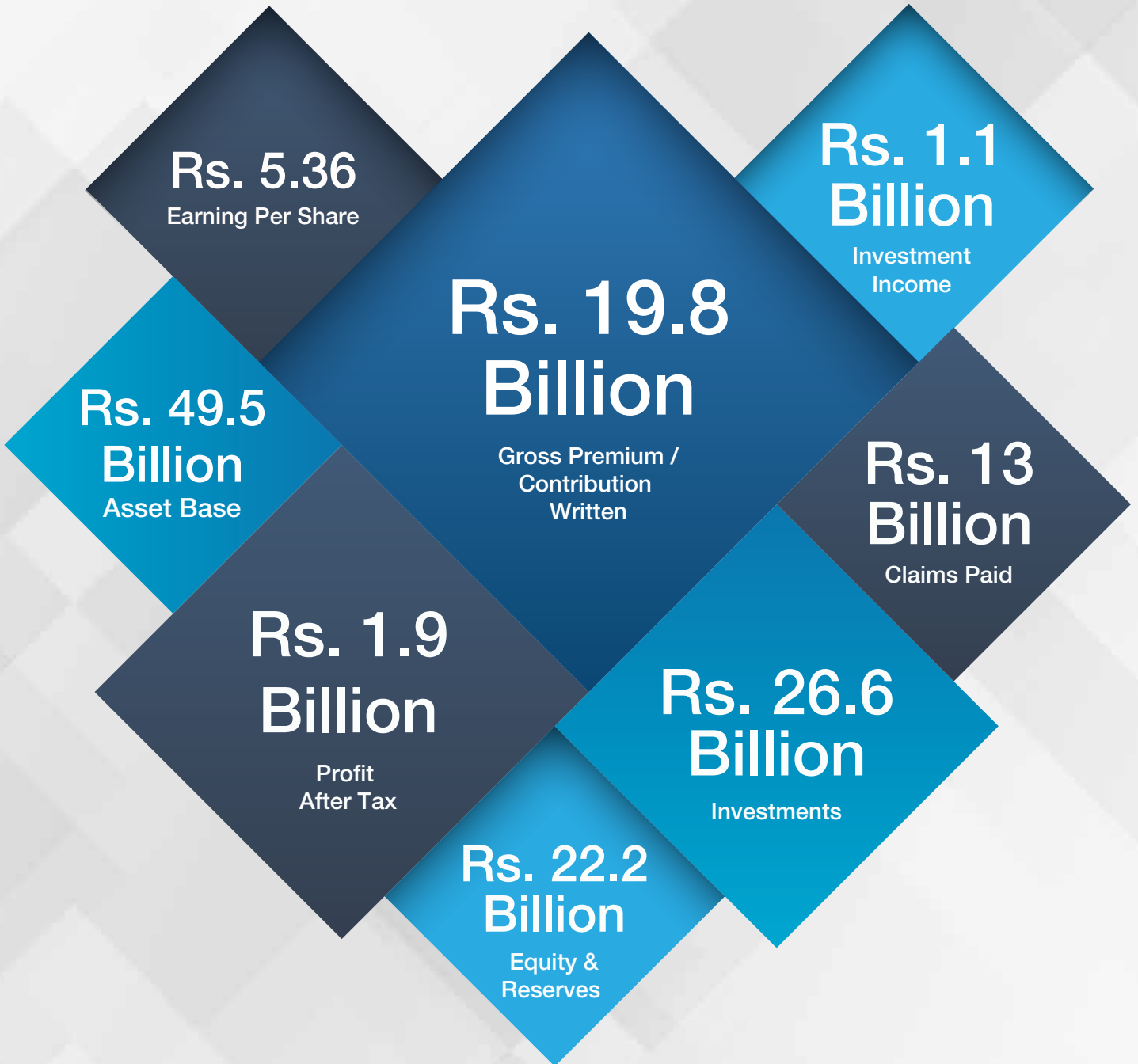


OUR GUIDING STRENGTH

STRATEGIC OBJECTIVES

- To lead the insurance industry by providing outstanding customer service whilst maximizing the long term value for shareholders
- Add value to our stakeholders' relationship
- Utilise technology to enhance our productivity, reduce operational costs, ensuring risk mitigation while being fully compliant with laws and regulations

FINANCIAL HIGHLIGHTS



* All figures are inclusive of Window Takaful Operations.

Company Information

BOARD OF DIRECTORS

Umer Mansha	Chairman
Ibrahim Shamsi	Director
Imran Maqbool	Director
Muhammad Anees	Director
Muhammad Arif Hameed	Director
Sadia Younas Mansha	Director
Shaikh Muhammad Jawed	Director
Muhammad Ali Zeb	Managing Director & Chief Executive Officer

ADVISOR

Mian Muhammad Mansha

AUDIT COMMITTEE

Muhammad Anees	Chairman
Ibrahim Shamsi	Member
Shaikh Muhammad Jawed	Member
Umer Mansha	Member

ETHICS, HUMAN RESOURCE AND REMUNERATION COMMITTEE

Muhammad Anees	Chairman
Ibrahim Shamsi	Member
Muhammad Ali Zeb	Member
Umer Mansha	Member

INVESTMENT COMMITTEE

Umer Mansha	Chairman
Imran Maqbool	Member
Muhammad Ali Zeb	Member
Muhammad Asim Nagi	Member

COMPANY SECRETARY

Tameez ul Haque, FCA

CHIEF FINANCIAL OFFICER

Muhammad Asim Nagi, FCA

EXECUTIVE MANAGEMENT TEAM

Muhammad Ali Zeb
Muhammad Asim Nagi
Adnan Ahmad Chaudhry
Asif Jabbar
Muhammad Salim Iqbal

AUDITORS

Yousuf Adil
Chartered Accountants
134-A, Abu Bakar Block
New Garden Town
Lahore, Pakistan

SHARIAH ADVISOR

Mufti Muhammad Hassan Kaleem

SHARE REGISTRAR

CDC Share Registrar Services Ltd
CDC House, 99-B, Block-B, S.M.C.H.S.,
Main Shakra-e-Faisal, Karachi-74400
Tel: (92) 0800-23275
Fax: (92-21) 34326053

BANKERS

Askari Bank Limited
Abu Dhabi Commercial Bank, UAE
Allied Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Bank Islami Pakistan Limited
Dubai Islamic Bank Pakistan Limited
FINCA Microfinance Bank Limited
Habib Bank Limited
Habib Metropolitan Bank
Khushali Bank Limited
MCB Bank Limited
MCB Islamic Bank Limited
Meezan Bank Limited
Mobilink Microfinance Bank Limited
National Bank of Pakistan
Samba Bank Limited
Soneri Bank Limited
The Punjab Provincial Cooperative Bank Limited
United Bank Limited
Zarai Taraqati Bank Limited

REGISTERED OFFICE

Adamjee House, 80/A, Block E-1,
Main Boulevard, Gulberg III,
Lahore - 54000, Pakistan
Phone: (92-42) 35772960-79
Fax (92-42) 35772868
Email: info@adamjeeinsurance.com
Web: www.adamjeeinsurance.com

Code of Conduct, Ethics and Values

As one of the leading insurance companies of Pakistan, we have great responsibility to conduct our business with utmost honesty and integrity. We prioritize the interests of our various stakeholders and create an environment that helps the business to achieve sustainable growth.

At Adamjee Insurance Company Limited (AICL) we pay close attention to the way we conduct our business in line with the standards set by the Board. This code of conduct contains the guidelines for it. We strive to follow these guidelines at all levels which helps us to create value for our stakeholders.

This code is ingrained in our organizational values and helps us in protecting the interests of our shareholders, investors, customers, employees, regulators and business partners.

The Company is proud of the values with which it conducts business. It has and will continue to uphold the highest levels of business ethics and personal integrity in all types of Business activities, transactions and interactions.

This Code of Conduct serves to:

- Emphasize the Company's commitment to ethics and compliance with the laws and regulations
- Set forth basic standards of ethical and legal behavior
- Provide reporting mechanisms for known or suspected ethical or legal violations
- Help prevent and detect wrongdoings

Salient Characteristics of Code of Conduct, Ethics and Values

Integrity

All Members of Board of Directors and Employees shall behave honestly and ethically at all times and with all people. They shall act in good faith, with due care, and shall engage only in fair and open competition, by treating competitors, suppliers, customers, and colleagues ethically. In case of any breaches that cause damage to the reputation of the Company, strict action will be taken immediately.

Customers

AICL is committed to providing the best customer experience and offer value in terms of the quality of the service. We make sure that our customers are fully satisfied with our service.

Shareholders

AICL strictly follows the principles of the Code of Corporate Governance and works in accordance with international standards to provide reliable, timely and accurate information to shareholders.

Business Partners

AICL is committed to ensure mutually beneficial relationships with its business partners. There is continuous engagement and communication to make sure business is conducted ethically and in accordance with the law.

Community Involvement

Being part of the corporate community, AICL recognizes its responsibility towards the society and strives to work towards the betterment of the community.

Health, Safety and Environment

Health, Safety and Environmental (HSE) responsibilities constitute an essential part of AICL's operations. These become the core of the Company's activities. The Company hopes to safeguard people's health and minimize the environmental impact of their jobs. AICL's HSE policy observes all existing laws, regulations and amendments.

Compliance with Laws, Rules and Regulations

Obeying the law, both in letter and in spirit, is the foundation on which the Company's ethical standards are built. In conducting business, the employees shall comply with applicable governmental laws, rules and regulations of the countries in which AICL operates. AICL ensures compliance with the Anti-Money Laundering (AML) Act, 2010, AML Rules, 2008 and the AML/CFT Regulations, 2018 together with the guidelines thereunder.

Use of Company assets

All employees should endeavor to protect the Company's assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on the company's profitability. Any suspected incident of fraud or theft should be immediately reported for investigation.

Confidentiality

Employees must maintain the confidentiality of the business information entrusted to them, except when disclosure is authorized. Business information includes information that might be harmful to the Company or its customers if disclosed. It also includes information that suppliers and customers have entrusted to the Company. The obligation to preserve confidential information continues even after employment ends.

Equal Employment opportunity

At Adamjee Insurance equal opportunities are given to all employees without any discrimination on the basis of age, race, ethnicity, religion and gender and these characteristics are not the basis of any employment decision.

Insider Trading

Employees should refrain from Insider trading at all costs and abide by the guidelines provided by SECP.

Conflict of Interest

A conflict can arise when an employee takes actions or has interests that may make it difficult to perform his or her work for the Company, objectively and effectively. Conflicts of interest may also arise when an employee or members of his or her family, receives personal benefits as a result of his or her position at the Company.

- An employee has a prime responsibility to the company and is expected to avoid any activity that could interfere with that responsibility.
- The Company purchases equipment, material, and services for various aspect of its operations. The employees are forbidden from holding any personal financial interest, directly or indirectly in any deal of supplying goods or services to the Company.
- Employees should not engage in any outside business or activity that might interfere with their duties and responsibilities to the Company.
- Any conflict of Interest should be reported to the respective line manager.

Anti-Bribery and Corruption

It is mandatory for all stakeholders to comply with the rules and laws set to govern corruption and bribery. Employees are prohibited to engage in such activities and in case of any breach, severe penalties will have to be faced.

Political Participation

No membership of any political party or involvement in any political movement is allowed. Moreover, from any political representatives / authorities influence is strictly prohibited.

Workplace Harassment

AICL will maintain an environment that is free from harassment and in which everyone is equally respected. Workplace harassment is defined as any action that creates an intimidating, hostile or offensive work environment. Such actions include, but are not limited to, sexual harassment, disparaging comments based on gender, race or religion.

Receiving gifts or Favors

All employees are expected to refrain from receiving any gifts or favors that gives the employee an unfair advantage and might affect the ability of the employee to take unbiased decisions. In case if a gift is received by an employee, it should be submitted to the supervisor as soon as possible.

External Communication & Media Relations

At AICL all employees should report to the Marketing Department and take written approval for any contact with media or writing any type of article which represent or misrepresent the Company position in any mean, Chairman, CEO, CFO and Company Secretary or employee nominated by CEO are authorized to contact media.

Use of Personal Devices at Work

Employees are only allowed to use their personal devices such as cell phones and laptops for business purposes such as attending business call. Personal should only be attended when it's unavoidable.

Whistle Blowing Policy

AICL has a formal whistle blowing policy in place to protect employees from any improper acts and provides them a medium to report any illegal, improper or unethical acts. The employees may also report questionable behavior by sending an email to voice@adamjeeinsurance.com (confidentiality will be ensured).

Chairman's Review

I am pleased to present my review to the shareholders of Adamjee Insurance Company Limited (AICL) on the overall performance of the Board of Directors and effectiveness of the role played by the Board in achieving the Company objectives.

Once again, we are proud of how the Company has persevered and prospered during the unprecedented times due to the onset of Covid-19 pandemic. The pandemic led to extremely tough macroeconomic conditions in Pakistan and the world over. We have maintained our reputation as a leader in the Insurance Industry. Our most valuable asset, our employees, has been at the center of our continued success and we are sincerely grateful for their commitment to hard work and dedication to the Company during the lockdown periods.

Despite the continuing Covid-19 pandemic, I expect the year 2021 to be a year of great opportunity, provided we are ready to face the headwinds with courage. Infrastructure projects under CPEC are fast approaching completion which are now required to be put to optimal utilization for realization of their full benefits to the Pakistan economy during the industrialization phase of the CPEC. Successful development of Special Economic Zones (SEZ) under the next phase of CPEC is imperative for the country. Availability of power and other utilities to the industry by the government, will particularly affect the manufacturing and export-oriented industries which together with agriculture sector constitute the backbone of the economy.

Adamjee Insurance performed exceptionally well during the turbulent times of Covid-19 outbreak. We remained focused on our mission to lead the insurance industry. This annual report presents a very holistic view of the organizations value creation. The value of a business cannot be measured in numbers alone; the relationships with stakeholders affect our ability to create that value. I would especially like to comment on the admirable performance of the Board of Directors where all the members fulfilled their responsibility with conviction and helped in creating the long-term value for its shareholders. The management played a vital role and faced these challenging times with utmost resilience. Under the experienced leadership of the Board of Directors, the management was able to execute its strategic plans which helped the Company achieve profitability targets in 2020 despite difficult circumstances.

I would like to thank our customers for their continuous confidence and trust in us and with our customer-centric approach we will continue to improve the customer experience. I would also like to extend my gratitude to our employees, business partners, reinsurers, the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and Pakistan Stock Exchange for their support and guidance which has helped Adamjee Insurance deliver on all fronts.

With our commitment to excel in performance, we look forward to this year and beyond, with the same determination and passion.

Umer Mansha
Umer Mansha
Chairman



چیمبر میں کا جائزہ

مجھے آدم جی انشورنس کمپنی لمیٹڈ کے حصص یافتگان کو کمپنی کے مقاصد کے حصول میں بورڈ کے اراکین کی مجموعی کارکردگی اور اسی سلسلے میں بورڈ کے موثر کردار کے بارے میں اپنے تبصرے سے آگاہ کرتے ہوئے خوشی ہے۔

ہمارے لئے ایک بار پھر فخر کا مقام ہے کہ کووڈ-۱۹ کی وباء کے مشکل وقت کے دوران بھی کمپنی استقلال و کامیابی کے ساتھ کام کرتی رہی۔ اس وباء نے پاکستان اور دنیا بھر میں اقتصادی صورتحال کو بڑے پیمانے پر متاثر کیا ہے۔ ہم نے نیسے کی صنعت میں اپنی پیشرو کی حیثیت کو برقرار رکھا۔ ہمارا سب سے قیمتی اثاثہ ہمارے ملازمین، ہماری مسلسل کامیابیوں کا مرکز رہے اور ہم لاک ڈاؤن کے دوران نیسے میں کمپنی کے لئے لگن کے ساتھ ان کی انتھک محنت اور ان کے عزم کے تہ دل سے شکر گزار ہیں۔

کووڈ-۱۹ کی مسلسل وباء کے باوجود مجھے توقع ہے کہ سال ۲۰۲۱ میں ہمیں بہت اچھے مواقع میسر آئیں گے بشرطیکہ ہم ہمت کے ساتھ با مخالف کا سامنا کرنے کے لئے تیار رہیں۔ سی پی ای سی کے تحت جاری بنیادی منصوبے بہت تیزی کے ساتھ تکمیل کی جانب بڑھ رہے ہیں اور اس بات کی ضرورت ہے کہ سی پی ای سی کے صنعتی مراحل کے دوران انہیں پاکستان کی معیشت کے بہترین مفادات میں کے لئے زیادہ سے زیادہ بروئے کار لایا جائے۔ سی پی ای سی کے اگلے دور کے تحت اسپیشل اکنامک زون (SEZ) کی کامیابی سے ترقی ملک کے لئے انتہائی ناگزیر ہے۔ حکومت کی جانب سے صنعت کو بجلی اور دیگر سہولیات کی فراہمی، خصوصاً حرفت اور برآمداتی صنعتوں پر اثر انداز ہوگی جن کی حیثیت زراعت کے شعبے کے متوازی معیشت کی ریڑھ کی ہڈی کی مانند ہے۔

آدم جی انشورنس نے کووڈ-۱۹ کی وباء پھیلنے کے مشکل ترین اوقات کے دوران بھی غیر معمولی کارکردگی کا مظاہرہ کیا۔ ہم نے انشورنس کی صنعت کی قیادت قائم رکھنے کے لئے مسلسل اپنی توجہ اپنے مقاصد پر مرکوز رکھی ہے۔ یہ سالانہ رپورٹ اداروں کی قدر تخلیق کرنے کے ضمن میں ایک بہت ہی جامع نظر یہ پیش کرتی ہے۔ کسی بھی کاروبار کو فقط اعداد سے نہیں پرکھا جاسکتا، حصے اداروں کے ساتھ باہمی تعلقات اس قدر کی تخلیق میں ہماری صلاحیت پر اثر انداز ہوتے ہیں۔ میں خصوصی طور پر بورڈ آف ڈائریکٹرز کی قابل ستائش کارکردگی پر روشنی ڈالنا چاہتا ہوں جہاں تمام اراکین نے پوری تندرہی کے ساتھ اپنی ذمہ داری کو نبھایا اور اپنے حصص یافتگان کے لئے طویل المیعاد قدر کی تخلیق کے سلسلے میں مددگار رہے۔ انتظامیہ نے اپنا کردار بخوبی نبھایا اور ان مشکل گھڑیوں کا انتہائی تحمل کے ساتھ سامنا کیا۔ بورڈ آف ڈائریکٹرز کی جہاندیدہ قیادت کے تحت ہی انتظامیہ اپنے حکمت عملی کے منصوبوں پر عملدرآمد کے قابل ہوئی جس کی بدولت کمپنی کو ناگفتہ بہ حالات کے باوجود ۲۰۲۰ میں منافع کے اہداف حاصل کرنے میں مدد ملی۔

میں اپنے صارفین کا شکر گزار ہوں جن کا مسلسل بھروسہ اور اعتماد ہمیں حاصل رہا اور اپنے صارفین کو مرکز نگاہ میں رکھتے ہوئے اور ان کے تجربے کی روشنی میں کارکردگی کو بہتر بنائیں گے۔ میں اپنے عملے، کاروباری شراکت داروں، ری انشوررز، بینک دولت پاکستان، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور پاکستان اسٹاک ایکسچینج کا بھی شکر گزار ہوں جن کے تعاون اور رہنمائی کی بدولت آدم جی انشورنس کو نمایاں کارکردگی دکھانے میں مدد ملی۔

اپنی کارکردگی کو اور بھی بہتر بنانے کے ارادے میں ثابت قدمی کے ساتھ ہم اپنے راسخ عزم اور اشتیاق کے اسی جذبے کو لے کر اس سال اور اس کے بعد کے لئے بھی اچھی توقعات رکھتے ہیں۔

عمر منشا
Uma Minsha

CEO's Message



The Year 2020 came with unique challenges which impacted everyone around the globe. The unprecedented onslaught of Covid-19 pandemic, torrential rains in August 2020 in the Province of Sindh and pan-Pakistan floods which affected the crops and livestock, to name a few. While for some business owners 2020 became an opportunity for growth but for many it has been a very challenging year. As I reflect on the challenges faced in 2020, I have to admire the resilience of the Adamjee team, who continued to serve our customers seamlessly and made sure that we maintained our operational excellence during lockdown periods as well. Operationally, Adamjee Insurance performed remarkably well. Despite the challenges of Covid-19, such as prolonged lockdowns, work from home restrictions, travel restrictions and uncertain economic outlook, at Adamjee Insurance we remained focused on our long-term goals and continued to work towards achieving sustained growth and profitability targets.

Like other sectors of the economy, Covid-19 pandemic and its resultant lockdowns brought about major disruption in the insurance industry; Adamjee Insurance's robust Business Continuity Plans and its readiness with digital infrastructure and technologies, enabled it to serve its customers and carry out all its operational activities completely remotely, without any hurdles.

Our growth strategy is based on the commitment to our stakeholders and in maximizing value for its shareholders. The Company has always strived for and has maintained high corporate standards and has showed strict compliance with laws and regulations. Since the start of the pandemic, the Company was comfortably able to adhere to the work-related SOPs issued by the Government from time to time to keep its employees and customers safe.

Our employees are our biggest asset; I endeavor, we continue to prosper by investing in our employees with the best training and attractive career growth opportunities so that they are able to serve our customers impeccably. I am optimistic that the year 2021 will bring new growth opportunities for us whilst we will remain focused on our long-term goals.

Lastly, I would also like to appreciate and acknowledge the Board of Directors for their valuable support and guidance, our employees for their ultimate commitment to the Company, our customers for their continued trust in us and other stakeholders including all the regulatory bodies for their continuing support.

A handwritten signature in black ink, appearing to be 'MAZ' with a stylized flourish.

Muhammad Ali Zeb
CEO



BOARD OF DIRECTORS



Umer Mansha

Chairman

Umer Mansha holds a Bachelor's degree in Business Administration from USA. He has served on the Board of Directors of various listed companies for more than 22 years. He also holds the position of Chief Executive Officer of Nishat Mills Limited and Adamjee Life Assurance Company Limited. In addition, he has been serving on the boards of various other businesses.

Other Directorships:

- Nishat Mills Limited
- MCB Bank Limited
- Adamjee Life Assurance Company Limited
- Nishat Dairy (Private) Limited
- Nishat Hotels and Properties Limited
- Nishat (Aziz Avenue) Hotels and Properties Limited
- Nishat (Raiwind) Hotels and Properties Limited
- Nishat (Gulberg) Hotels and Properties Limited
- Nishat Developers (Private) Limited
- Nishat Agriculture Farming (Private) Limited
- Hyundai Nishat Motor (Private) Limited, Nishat Agrotech Farm (Private) Limited
- Nishat Sutas Dairy Limited



Ibrahim Shamsi

Director

Ibrahim Shamsi is the Chief Executive Officer of Joyland (Pvt.) Limited and AA Joyland (Pvt.) Limited and is the Chairman of Cotton Web (Pvt.) Limited. Ibrahim earned his MBA from the Lahore University of Management Sciences (LUMS). He has done Advance Management Program from Harvard University, USA.

Other Directorships:

- A. Joyland (Pvt) Limited
- Agrohubs International (Pvt) Limited
- Cotton Web (Pvt) Limited
- Dupak Developers Pakistan (Pvt) Limited
- Dupak Properties (Pvt) Limited
- Dupak Tameer Limited
- Fortress Square Services (Pvt) Limited
- Fortress Supplies (Pvt) Limited
- Fortress Financials Services (Pvt) Limited
- Joyland (Pvt) Limited
- MCB Islamic Bank Limited
- Siddiqsons Energy Limited
- Siddiqsons Limited
- Siddiqsons Tin Plate Limited



Imran Maqbool

Director

Imran Maqbool serves as President & Chief Executive Officer of MCB Bank Limited. He is a seasoned professional with over three decades of diverse, international banking experience. Prior to his current role, he was the Head of Commercial Branch Banking Group, where he successfully managed the largest group of the Bank in terms of market diversity, size of the workforce, number of branches, on a countrywide basis and diversified spectrum of products. His earlier, multi-faceted Group-Head assignments included heading Wholesale Banking Group-North, Special Assets Management and Islamic Banking. He was also posted as Country Head, MCB Sri Lanka. Before joining MCB Bank in 2002, Imran was associated with local banking operations of Bank of America and Citibank for over seventeen years, where he worked in various senior management roles in the respective banks. Imran holds an MBA degree from the Institute of Business Administration (IBA-Karachi) as well as an MS in Management from the renowned Sloan School of Management (Massachusetts Institute of Technology) in the USA. Imran also serves as Trustee/Chairman of MCB Employees Foundation.

Other Directorships:

- MCB Bank Limited
- MCB Financial Services Limited (upto 20 November 2020)
- Adamjee Life Assurance Company Limited



Muhammad Anees

Director

Muhammad Anees joined Mahmood Group in 2003 as a member of the Board of Directors. Under his dynamic leadership and guidance, Mahmood Group flourished as he started managing strategic decisions related to Marketing, BMR, along with Production, Administration, Audit, IT, and ERP. Mahmood Group became the top 10 exporters of Pakistan assisted by his outreach to global markets.

The will of being a responsible corporate citizen motivated him to be one of the largest private solar energy producers in Pakistan. His academic background and prowess have been from the finest business schools around the globe. He polished his skills by studying Financial Management and Risk Analysis from Wharton Business School (USA) after his MBA. He channelized and sharpened his inner strategist and attended Harvard Business School (USA) for a global understanding of Strategic Management in organizations. He strongly believes that his exposure to personal development and inspiring entrepreneurial growth has enhanced during his time at the London School of Economics and London Business School, UK.

Being a compassionate patriot, he is also involved in CSR activities representing Mahmood Group at various platforms in the field of education, health, clean water, and the environment.

Other Directorships:

- Export Development Funds (EDF)
- D.G. Khan Solid Waste Management Company Limited
- Mahmood Textile Mills Limited
- Masood Spinning Mills Limited
- Multan Solid Waste Management Co. Limited
- Pakistan Single Window
- Punjab Industrial Estate Development Authority
- Punjab Social Security Health Management Company
- Roomi Foods (Pvt) Limited
- Roomi Poultry (Pvt) Limited



Mohammad Arif Hameed

Director

Mohammad Arif Hameed is a former Managing Director of Sui Northern Gas Pipelines Ltd., a company he served for 37 years. He has vast managerial experience in Gas Distribution, Sales, Billing, Logistics Support, Procurement, and Legal. He has served as Director on the Boards of Sui Southern Gas Company Ltd., Inter State Gas System (Pvt.) Ltd., Petroleum Institute of Pakistan and LUMS. He is a Mechanical Engineer by profession, and is registered with the Pakistan Engineering Council (PEC). He also holds a Masters in Administrative Sciences and is a Law Graduate from University of the Punjab, Lahore.

Other Directorships:

- Soxlinks (Pvt) Limited



Sadia Younas Mansha

Director

Sadia Younas Mansha has more than 19 years of diversified professional experience in Textile, Knitwear, Dairy and Agriculture Farming.

She is currently serving in the capacity of Managing Director of Nishat Dairy (Pvt) Limited and Nishat Agriculture Farming (Pvt) Limited. She is also the Chief Executive Officer of Golf View Land (Pvt) Limited.

Other Directorships:

- Golf View Land (Pvt) Limited
- Nishat Agriculture Farming (Private) Limited
- Nishat Sutas Dairy Limited
- Nishat Dairy (Private) Limited
- Pakgen Power Limited



Shaikh Muhammad Jawed Director

Shaikh Muhammad Jawed was previously a Director of Din Leather (Pvt) Limited and has vast experience of running a modern tannery. Due to his technical expertise, Din Leather has received several export performances awards, merits as well as best export performance trophies for the export of Finished Leather from Pakistan and the company's contribution is earning valuable foreign exchange for the country. Due to excellence in quality and supply, the company has also received a Gold Medallion Award from the International Export Association, UK. He has received technical education in Leather Technology from Leather Sellers College, UK.

Other Directorships:

- Adamjee Life Assurance Company Ltd.



Muhammad Ali Zeb Managing Director & Chief Executive Officer

Muhammad Ali Zeb is a fellow member of the Institute of Chartered Accountants of Pakistan and completed post graduate diploma in Organizational Leadership from Saïd Business School, University of Oxford.

He has over 26 years of diverse experience in the Manufacturing, Financial and Insurance sectors. He started his professional career from Nishat Mills in 1995 and joined Adamjee Insurance as the Chief Financial Officer in 2005 where he was promoted as Executive Director Finance.

He was appointed as the Chief Executive Officer in 2008 and remained in this position until March, 2011. Before rejoining Adamjee Insurance as the Chief Executive Officer in June 2013. Ali also served as the Chief Financial Officer at City School (Pvt) Limited. He has served as the Chairman, Insurance Association of Pakistan in 2014.

Other Directorships:

- MCB Bank Limited
- Adamjee Life Assurance Company Limited
- Nishat Sutas Dairy Limited

Roles and Responsibilities of Chairman

- Chairman provides leadership to the Board and presides the Board meetings.
- Establishes a strong governance structure in which not only the effectiveness of the overall Board, but also of an individual member, increases.
- Creates an environment that promotes open communication, strong corporate relations that allow every individual member to express their view points and have constructive debates at Executive and management level of the organization.
- Exercise strict impartiality on every matter and ensures to act in accordance with the provisions of the Companies Act 2017, Codes of the Corporate Governance and the Memorandum and Articles of Association of the Company.
- Ensures that the Company's policies and objectives set by the Board are in the best interests of the organization and encourage future development and sustainable long term growth.
- Conduct meetings with the Chief Executive Officer (CEO) to ensure that the objectives and strategies set by the Board are successfully implemented by the management.
- Makes sure that all the important issues and upcoming changes are thoroughly discussed in the Board meetings and a way forward is established.
- Ensures that shareholders' and other stakeholders' views are taken into consideration and effective communication is established between the stakeholders and the Board.



MANAGEMENT TEAM



Muhammad Ali Zeb

Managing Director & Chief Executive Officer

Muhammad Ali Zeb is a fellow member of the Institute of Chartered Accountants of Pakistan and completed post graduate diploma in Organizational Leadership from Saïd Business School, University of Oxford. He has over 26 years of diverse experience in the Manufacturing, Financial and Insurance sectors. He started his professional career from Nishat Mills in 1995 and joined Adamjee Insurance as the Chief Financial Officer in 2005 where he was promoted as Executive Director Finance. He was appointed as the Chief Executive Officer in 2008 and remained in this position until March, 2011. Before rejoining Adamjee Insurance as the Chief Executive Officer in June 2013. Ali also served as the Chief Financial Officer at City School (Pvt) Limited. He has served as the Chairman, Insurance Association of Pakistan in 2014.



Muhammad Asim Nagi

Executive Director Finance & Chief Financial Officer

Muhammad Asim Nagi has over 23 years of experience in Accounts and Finance. He is an Economics graduate from University College London and is a Fellow of the Institute of Chartered Accountants in England & Wales. Asim is also a member of the Institute of Chartered Accountants of Pakistan and a Fellow of the Association of Chartered Certified Accountants in United Kingdom. He has worked with a number of organizations at the management level in the UK, including Ernst & Young LLP and UHY Hacker Young LLP in London. His experience in UK comprised assurance and transaction advisory, in particular, IPOs, stock exchange flotations and reverse takeovers. He has also worked with A.F. Ferguson & Co., Chartered Accountants (a member firm of Pricewaterhouse Coopers) and has headed the Internal Audit function at DH Corporation Limited. Asim has been with Adamjee Insurance Company Limited since November 2011 and has served as the Executive Director Finance & Chief Financial Officer since 2014.



Adnan Ahmad Chaudhry

Executive Director Commercial

Adnan Ahmad Chaudhry has over 28 years of combined experience in engineering, manufacturing and insurance sectors. He is a qualified engineer B.E. (Electrical) from UET Lahore. He has done his Master's in Counselling and Coaching for Change from INSEAD. He is also a CMILT from London. He started his career in 1993 from Arden Engineering & Automation after which he moved to ALSTOM in 1995. He served as Senior Sales Engineer (Abu Dhabi Branch) at Al Hassan Group of Companies in 2000 and as General Manager Sales & Operations at Classic Needs Pakistan (Pvt.) Ltd. from 2003 to 2007. In 2008, Adnan joined Adamjee Insurance as the Head of Motor Department and became General Manager Operations in 2010 He is currently serving as the Executive Director Commercial. He also held the position of the Chairman of Lahore Insurance Institute.



Asif Jabbar

Executive Director Technical

Asif Jabbar has 28 years of insurance experience in the areas of underwriting, risk management, operations, and sales. He started his career in 1993 with Adamjee Insurance Company Limited where he held different leadership roles. In 2012, he moved to Marsh Operations in Pakistan with Unique Insurance Brokers as Chief Operating Officer. As an insurance broker, the areas of his specialty were energy, property, and business interruption. In 2013, he rejoined Adamjee Insurance Company Limited as an Executive Director Technical. He specialises in Project Finance Insurance. He holds a Bachelor's degree in Commerce & Economics. He is a Fellow of the Chartered Insurance Institute, London and a Chartered Insurer from CII, London. He is also a CMILT from London.



Muhammad Salim Iqbal

Executive Director Reinsurance

Muhammad Salim Iqbal has over 32 years of experience in the insurance and reinsurance sector. Salim started his career in 1987 from Wahidis Associates (Pvt.) Ltd. He then joined Adamjee Insurance in 1989 as Probationary Officer and was progressively promoted to the position of Deputy Chief Manager - Engineering Department in 1994, after which he joined Al-Dhafra Insurance Company, Abu Dhabi in 1995 as Manager Marine Aviation and Reinsurance. Salim returned to Pakistan in 2005 and joined New Jubilee Insurance Company as Head of Reinsurance. He later joined Adamjee Insurance Company Ltd. in 2006 as Deputy General Manager, Reinsurance. He moved on to IGI Insurance Limited in 2009 as Head of Underwriting and rejoined Adamjee Insurance in 2010 as General Manager Technical. Salim is currently serving as Executive Director Reinsurance. He is a Chartered Insurer and Life Member of Pakistan Engineering Council.

Muhammad Salim Iqbal is a qualified engineer B.E. (Civil Engg.) and Fellow of Chartered Insurance Institute (FCII). He has served as member of IAP's Fire Section Committee & Engineering Insurance Sub-committee in 2009-10 and was also a member of Marine Technical Committee of Emirates Insurance Association from 1997 till 2005.

Roles and Responsibilities of Chief Executive Officer

- Responsible for leading the Company's long term strategies that maximize shareholders value.
- Provides leadership to the management to efficiently and effectively run the business processes in accordance with the plans and policies approved by the Board. Furthermore, decides the course of actions needed to achieve the objectives set by the Board.
- Be a communication bridge between the Board and the management and convene meetings with Chairman on the critical issues that need to be discussed with the Board.
- Ensures that the management reports promptly to the Board with reliable and accurate information which helps the Board take important decisions.
- Engage in effective communication with various stakeholders and establish strong relationships.
- Undertake all necessary acts for ordinary course of business which are in the interest of the Company.
- Have the authority to appoint or terminate any employee except the appointment, remuneration and terms and conditions of employment of Chief Financial Officer, Company Secretary and Head of Internal Audit which is determined by the Board and they shall be removed only after the approval of the Board.
- To ensure that the Company maintains the highest standards in conducting the business with regard to applicable laws and regulations.
- To monitor risk management to make sure that management is able to control and mitigate risks.
- Ensure that effective and efficient internal controls are established and followed by the management.
- To ensure and uphold positive image of the Company.

Board Committees

Audit Committee:

Muhammad Anees	Chairman - Independent Director
Ibrahim Shamsi	Member - Non-Executive Director
Shaikh Muhammad Jawed	Member - Non-Executive Director
Umer Mansha	Member - Non-Executive Director

Investment Committee:

Umer Mansha	Chairman - Non-Executive Director
Imran Maqbool	Member - Non-Executive Director
Muhammad Ali Zeb	Member - Executive Director
Muhammad Asim Nagi	Member - Chief Financial Officer

Ethics, Human Resources and Remuneration Committee:

Muhammad Anees	Chairman - Independent Director
Ibrahim Shamsi	Member - Non-Executive Director
Muhammad Ali Zeb	Member - Executive Director
Umer Mansha	Member - Non-Executive Director

Management Committees

Underwriting Committee:

Umer Mansha	Chairman
Muhammad Ali Zeb	MD & CEO
Asif Jabbar	Head of Underwriting

Claim Settlement Committee:

Muhammad Ali Zeb	Chairman
Muhammad Asim Nagi	Chief Financial Officer
Syed Ameer Hassan Naqvi	Head of Claims

Risk Management & Compliance Committee:

Muhammad Ali Zeb	Chairman
Muhammad Asim Nagi	Chief Financial Officer
Asif Jabbar	Head of Risk Management
Syed Ameer Hassan Naqvi	Head of Compliance /Claims
Tameez ul Haque	Company Secretary
Imran Ali	Head of Internal Audit

Reinsurance & Coinsurance Committee:

Muhammad Ali Zeb	Chairman
Muhammad Salim Iqbal	Head of Reinsurance
Asif Jabbar	Head of Underwriting
Adnan Ahmad Chaudhry	Head of Commercial

Event Highlights 2020

Women's Day in U.A.E. Office



International Women's Day



International Breast Cancer Awareness



14th August Celebration
at Head Office



Plantation Drive



Sports Event Highlights 2020

ARC Sports Committee in Lahore



Recreational Club Lahore



Badminton Tournament



ARC Prize Distribution Ceremony



Sports Gala



Company Profile

Adamjee Insurance Company Limited (AICL) is one of the largest general insurance companies in Pakistan, incorporated as a Public Limited Company on 28 September 1960 and is listed on Pakistan Stock Exchange Limited. AICL has a unique advantage of having regional presence in United Arab Emirates (UAE) and maintains its standing through an unwavering commitment to its corporate philosophy. AICL's competitive advantage is achieved by having the largest paid-up capital and reserves, and a well-diversified business portfolio.

A Truly Dynamic Business Setting

AICL aims to deliver innovative customer solutions, owing to its wide-ranging line of products. Its employees are dedicated to delivering their best for its valued customers, trained with all the skills necessary for a truly outstanding customer service. The Company's focus on strengthening and expanding its global presence is reflected in its tapping the growth potential available in the UAE market. AICL has life assurance operations under a separate entity namely, Adamjee Life Assurance Company Limited.

Delivering Value to Customers

Adamjee Insurance is broadly involved in underwriting the following classes of business:

- Fire and Property
- Marine Aviation and Transport
- Motor
- Accident & Health
- Miscellaneous Insurance

As a pioneer in the coverage of Oil & Gas (upstream & midstream), Wind and Thermal Energy Risks, AICL has successfully assumed the role of the leading player in Pakistan's insurance industry. The Company has also managed to secure business being brought in by foreign investors entering Pakistan to execute construction or infrastructure development projects. AICL's confidence lies in the large number of banking and financial sector clients that AICL insures. Some of AICL's high risk-value projects include risk-coverage provision to Petrochemical Factories and Industrial Risk projects. AICL also specializes in insuring Engineering and Telecom concerns.

Alternatively, AICL serves Pakistan's primary industry by providing coverage to the Textile and Sugar sectors. AICL is proud to be the premier insurer of Kidnap & Ransom, Professional Indemnity, Product Liability and other specialized lines in Pakistan. A wide range of Shariah-compliant Takaful Products are also offered through AICL's top-of-the-line Window Takaful Operations, serving customers from all walks of life, on a much larger scale.

AICL's customer-centric approach drives it forward in customer care. The Company's financial strength allows the timely settlement of hefty claims. A competent team of professionals works tirelessly to ensure comprehensive customer satisfaction and a 24/7 dedicated customer care call center is always on call.

PRODUCTS AND SERVICES

(CONVENTIONAL/ TAKAFUL)



FIRE & PROPERTY

- Property All Risk
- Comprehensive Machinery
- Consequential Loss Of Profit
- Energy
- Ginning Stock Policy
- Home
- Fire Policy
- Shopowner's Comprehensive Policy



MOTOR

- Comprehensive Car
- Commercial Vehicle
- Motorcycle Comprehensive
- Motor Third Party Liability



ENGINEERING

- Machinery
- Electronic Equipment
- Boiler & Pressure Vessel
- Contractor's All Risks
- Erection All Risks
- Contractor's Plant & Machinery
- Comprehensive Projects



HEALTH

- Micro Health
- Group Health
- Retail Health



MARINE

- Marine Hull and Machinery
- Marine Cargo
- Marine Umbrella Liability
- Aviation



MISCELLANEOUS

- All Risk Valuable
- Bankers Policy
- Burglary
- Cash in Safe
- Cash in Transit
- Cellular Mobile Phone
- Contractual Liability
- Credit Card Travel Inconvenience Policy
- Crop
- Director & Officers Liability
- Doctor Professional Indemnity Policy
- Electronic & Computer Crime
- Employer's Liability policy
- Fidelity Guranatee Policy
- Foreign Exchange Dealers Policy
- General Professional Indemnity Policy
- Gosecure Travel
- Kidnap & Ransom
- Livestock
- Loss of Licence
- Neon Sign Policy
- Personal Accident
- Plastic Card
- Plate Glass
- Product Liability Policy
- Public Liability
- Workmen's Compensation

AWARDS



**Global Insurance Awards 2020
By World Finance**

Best General Insurance Company in Pakistan

**Global Insurance Awards 2019
By World Finance**

Best General Insurance Company in Pakistan



**INSURANCE ASIA AWARDS
2019 WINNER**

Domestic General Insurer of the Year

**YALLACOMPARE Banking and
Insurance Awards UAE 2019**



**Global Insurance Awards 2018
By World Finance**

Best General Insurance Company in Pakistan

**Global Insurance Awards 2017
By World Finance**

Best General Insurance Company in Pakistan



**“Asia's 200 Best Under
A Billion \$” by Forbes in 2016**

INSURER FINANCIAL STRENGTH RATINGS

**IFS CREDIT
RATINGS**

LONG TERM RATING

AA+

WITH STABLE OUTLOOK
BY PACRA

B

LONG TERM ISSUER CREDIT RATING "BB+"
WITH STABLE OUTLOOK
BY AM BEST - UK

OUR GEOGRAPHICAL PRESENCE



Total No. of Employees
(31 December 2020) | **830**

- Head Office and Registered Office
- Divisional Office, Branch Office & Specialised Product Branches
- Window Takaful Operations Zones/Branches



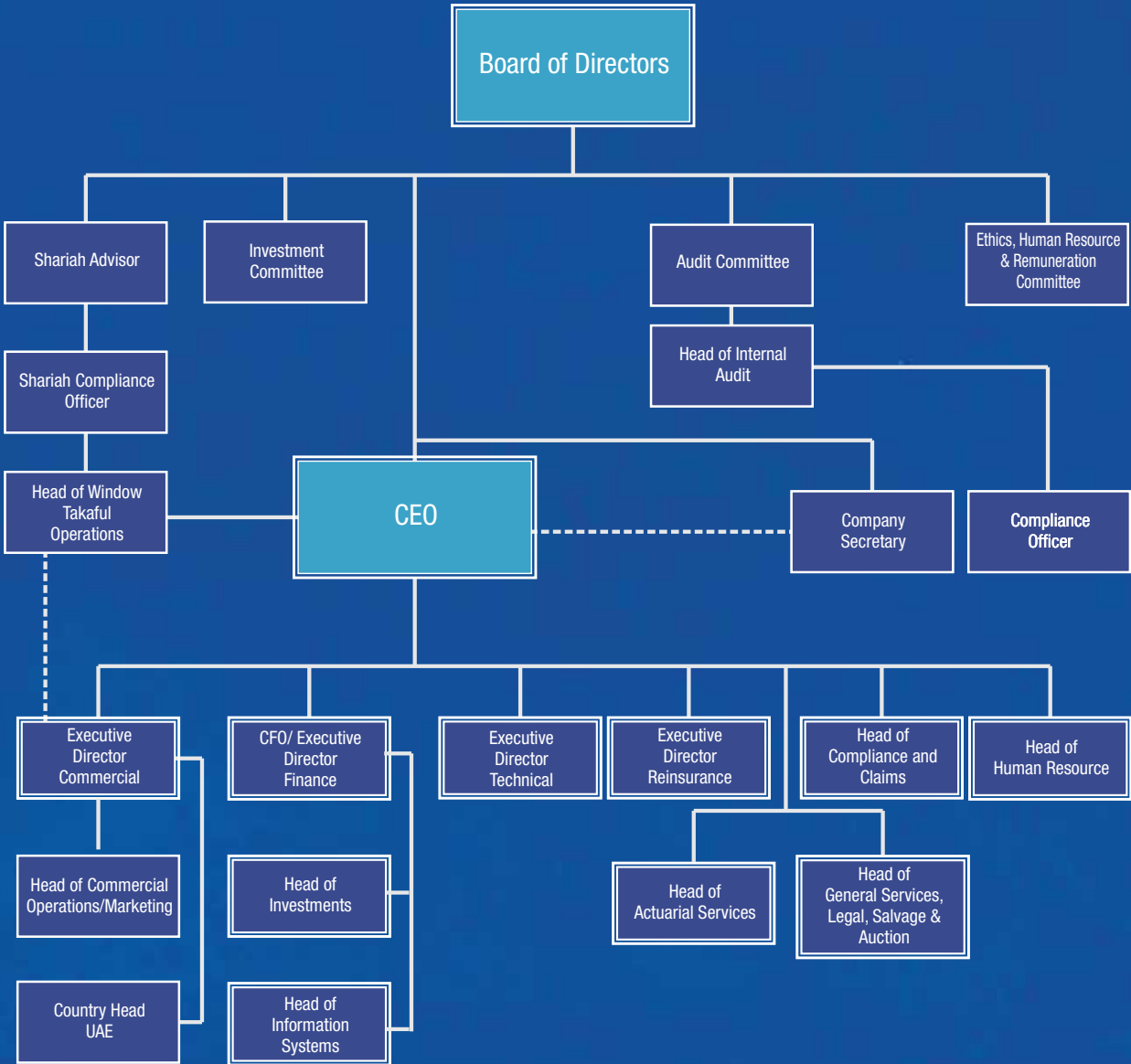
United Arab Emirates

Total No. of Employees
(31 December 2020)

70

- Main Office and Branch
- Branch Offices
- Claim Centre

ORGANIZATIONAL STRUCTURE



— FUNCTIONAL REPORTING
 - - - - - ADMINISTRATIVE REPORTING

ISO 9001-2015 CERTIFIED



Current issue date:	18 December 2018	Original approval date:
Expiry date:	30 November 2022	20 May 2009
Certificate number:	0049955	

Certificate of Approval

This is to certify that the Management System of:
Adamjee Insurance Company Limited

has been approved by Lloyd's Register to the following standards:

ISO 9001:2015

Approval number(s): ISO 9001 - 0049955

This certificate forms part of the approval identified by approval number: 0049955

The scope of this approval is applicable to:

- The QMS is applicable to:
- 1) Underwriting and Claims settlement in the Classes of Health, Engineering Marine, Non-Marine, Motor, Crop, Live Stock Travel.
 - 2) Marketing, Sales and Associated activities of Risk Assessment, Reinsurance, Human Resource, Information System, Finance, Administration, Legal and Quality Assurance.

Luis Cunha
Area Operations Manager - SAMEA
Issued by: Lloyd's Register Quality Assurance Limited



Lloyd's Register Group Limited, its affiliates and subsidiaries, including Lloyd's Register Quality Assurance Limited (LRQA), and their respective officers, employees or agents are, collectively and collectively, referred to in this clause as 'Lloyd's Register'. Lloyd's Register assumes no responsibility and shall not be liable to any person for any loss, damage or expense caused by reliance on the information or advice in this document or otherwise provided, unless that person has signed a contract with the relevant Lloyd's Register entity for the provision of this information or advice and is that party's responsibility or liability is exclusively on the terms and conditions set out in that contract. Issued by: Lloyd's Register Quality Assurance Limited, Dubai, Festival City Towers, Suite 2001, Dubai Festival City, Dubai for and on behalf of Lloyd's Register Quality Assurance Limited, 1 Trinity Park, Gochinville Lane, Birmingham B37 7YS, United Kingdom.

Competitive Landscape and Market Positioning

The state of competition in an industry depends on five basic forces, commonly described as 'Porter's Five Forces Framework'. According to this framework, competitiveness does not only come from competitors. Rather, the state of competition in an industry depends on five basic forces depicted in below diagram:



The collective strength of these forces determines the ultimate profit potential of an industry and thus its attractiveness.

Threat of new entrants

Barriers to entry in the insurance industry is considered to be at a medium level with recent interest by foreign insurance companies in entering Pakistan's insurance industry especially in micro-insurance sector of the industry. However, with the Securities and Exchange Commission of Pakistan's (SECP) strict monitoring and regulation of the insurance industry, the threat of entrants is limited to certain extent. In addition, a reasonable high capital requirement to start an insurance business and a broad distribution network requirement, further reduces the threat.

Threat of substitutes

Most large insurance companies offer similar products and services. May it be property, marine, motor, health or life insurance; chances are there for similar services. Customer's inclination to substitute/another product to solve the same need constitutes a threat. AICL has introduced workable innovations in insurance products, including on-demand and usage-based insurance products, which have great appeal for consumers looking for an alternative to the traditional products.

Bargaining power of the buyers

Customer's influence is a force to be reckoned as multiple alternatives for procuring products and service are available in the market. Customers have the right to demand lower prices and higher product quality. Large corporate clients paying millions of rupees in premiums have bargaining power too. With the online emergence of social media, and instantaneous access to awareness of coverages, pricing, and services, today's customer demand more personalized attention and care for the premiums paid. To meet these expectations, AICL has strengthened its user-friendly workflows for customer-facing processes, including underwriting, policy issuance, endorsements, and claims.

Bargaining power of suppliers

Suppliers generally pressurize companies by raising prices, lowering quality, or tightly controlling product/service availability. Agents and brokers have historically leveraged the ability to influence policyholder choices into placing business with specific insurers. Employing the front-end tools to reach potential customers directly, AICL nullifies the bargaining power of suppliers. In addition, the prices in the insurance market is generally dictated by local or global performance of those reinsurers in the region.

Competition among existing companies

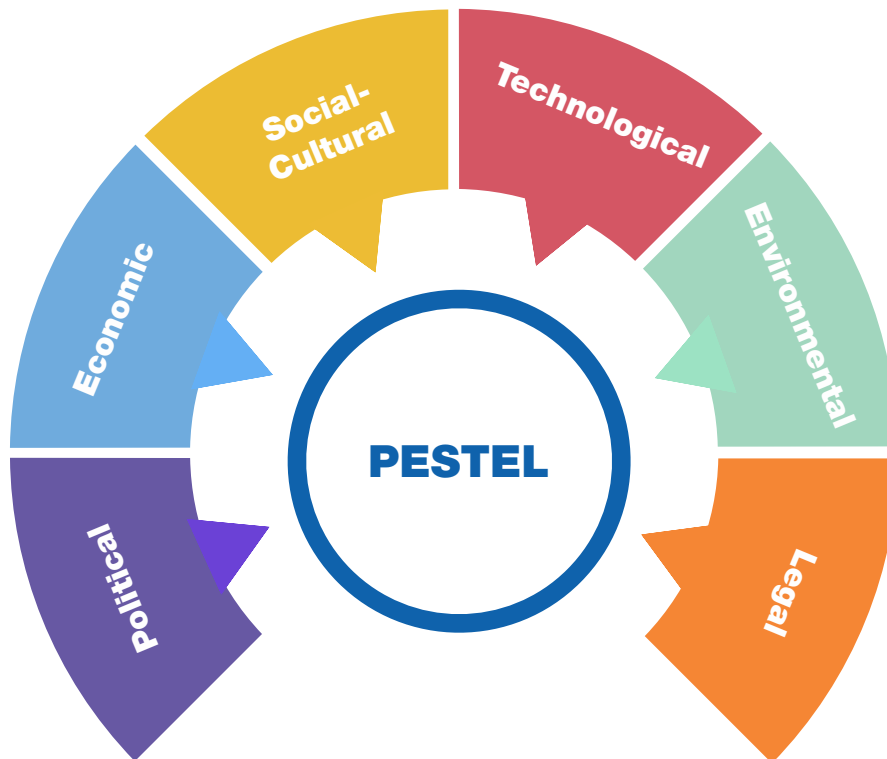
Distribution channels of AICL are very well equipped and customized to serve and satisfy digitally native customer of the day. Through our strength of assets, diverse and wide spread product mix provides an edge to AICL over its competitors in the industry. Companies are running lucrative media campaigns to retain the current customers and engage new customers by offering services at cost effective or affordable rates.

Our long experience, tailor-made insurance plans and exceedingly prompt services have not only gained customer loyalties, but also provided us a competitive edge. Provision of maximum insurance protection at the most competitive rates keeps us competitive in the market.

PESTEL Analysis

PESTEL (Political, Economic, Social, Technological, Environmental and Legal) analysis is a framework or tool used to identify key macro (external) factors that affect the business environment in which the organization operates and ultimately affect the objectives of the organization.

Understanding each factor is important for the growth of the organization and plays a pivotal role in planning the right strategies which helps the management in assessing the risks specific to the insurance industry to take informed decisions. Furthermore, the Company can understand the opportunities and threats in the external environment and this framework provides the basis for business planning process.



Political

The political stability of a country has always been a major factor in deciding the growth of an industry. Government has taken several decisions to overcome uncertainties of exports and gradually imposed duties on imports which is a positive step to reduce current account deficit. The efforts made by the Government towards maintaining law & order situation is also creating friendly environment for 'Ease of Doing Business'. Strict monitoring by Securities and Exchange Commission of Pakistan (SECP) ensures transparency for insurance sector.

Government prioritized economic growth and better international relationships which helped in creating a better image of the country. Measures were taken to increase the penetration and growth of the insurance sector; some of the measures were reduction in the regulatory fee and relaxation to the industry from application of IFRS 16 (leases) to certain regulatory returns. The policies and efforts of the Government in managing the Covid-19 pandemic has also gained appreciations at international level.

Economical

Pakistan's economic growth is projected to be slow since the challenges of Covid-19 Pandemic that has created crisis in the global economic environment and has caused further uncertainty. The Country is continuously in a low growth and high inflation situation. Decline in the purchasing power of people and increasing unemployment puts the

country in a state of stagflation. With the rise in unemployment and lower purchasing power, households have reduced their consumption, increased external pressures due to global crises caused by the pandemic has resulted in imports and exports to decrease together with foreign investment in Pakistan.

The IMF has forecasted Pakistan's GDP at 1%, inflation at 8.8%, current account deficit at 2.5% of GDP and unemployment rising by 0.6 percentage points to 5.1% during the current fiscal year ending June 2021. This is in sharp contrast to the government's targets of 2.1% GDP growth rate, 6.5% inflation and 1.5% current account deficit.

The measures that were taken to control the outbreak caused the economy to come to a standstill. However, with the containment measures being lifted and the vaccine being developed, the economy is expected to recover, and the State Bank of Pakistan (SBP) has projected a 2.5% growth in the upcoming year, however future growth projection remains low. Moreover, there is significant uncertainty regarding the pandemic, the effectiveness and availability of vaccine will result in a slower growth rate.

Social-Cultural

Global digitalization has changed not only the economic, but also the social vision of the world. The digitalization has determined the continuous flow of data containing information, knowledge, ideas and innovations. Covid-19 has pushed the insurance industry to expedite its transformation towards digital products to its customers and it has also changed the habits of the Pakistan's consumer market. As Islamic state, an increase in demand for takaful products has also been witnessed.

Highly uncertain, but the significant flare-ups of the third wave of Covid-19 pandemic will require restrictions affecting adversely not only industrial growth, but the growth of service sector as well.

Technological

Innovative digital solutions are taking over the insurance market and have a very positive impact on the returns. Customers today look for convenience, so technological advancements have become a key factor in retaining and increasing the customer base. In addition, to that technology allows the Company to work with real-time information which gives it Company a competitive edge and informed decision making tools.

Environmental

One of the major challenges for insurance industry is the danger posed by the changing climate pattern which can lead to the risk of increase in frequency and severity of catastrophic events and put the insurance companies in a challenging position where they will have to make tough decisions to cater for such events both at the front and at the reinsurance level.

Legal

The Draft of the Insurance Ordinance (Amendment) Bill, 2020 proposed by the Securities and Exchange Commission of Pakistan (SECP) to address regulatory gaps in the existing law and creating a conducive regulatory environment to encourage market development is available at the Regulator's website for stakeholder and public consultation.

SECP has notified 'General Takaful Accounting Regulations, 2019' which are applicable from January 1, 2020. These rules and regulations are applicable to Window Takaful Operations (WTO) of the Company and are mainly related to presentational changes to the financial statements of WTO.

No laws/regulations or joint policy framework of the Insurance Sector exists to cover losses arising out of disruption caused to business because of the outbreak of the pandemics like Coronavirus, as no physical loss occurs.

The insurance companies need to come up with new policies with respect to the problems arising out of local/foreign legal jurisdiction especially in developing countries like Pakistan.

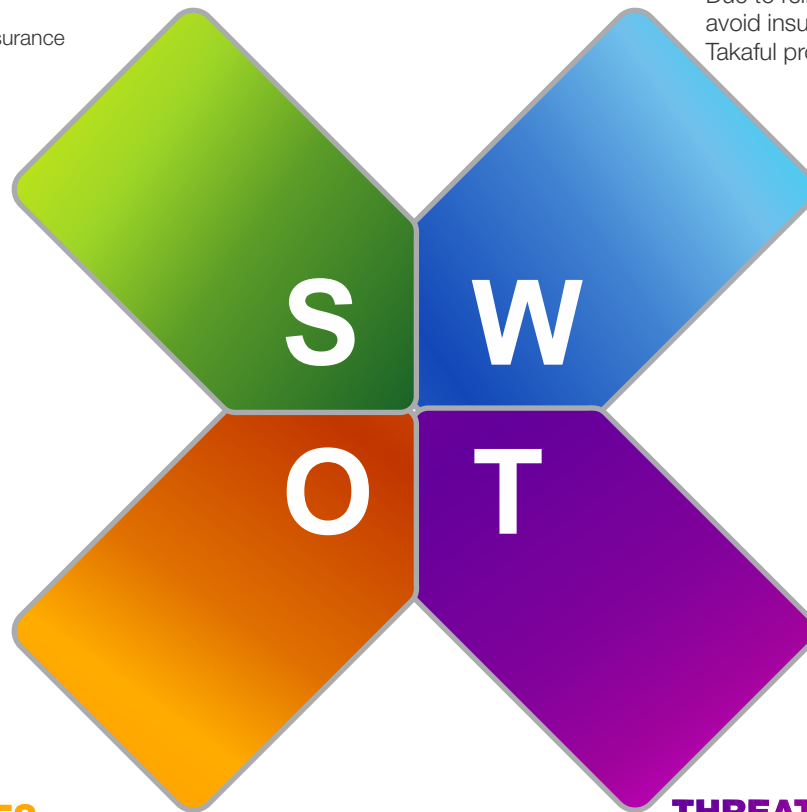
SWOT Analysis

STRENGTHS

- Strong position in the market with a paid-up-capital of Rs. 3.5 billion
- IFS Rating of “AA+” by PACRA and “B” (Good with stable outlook) by AM Best, UK
- Holds the position of one of the largest insurance company of Pakistan for decades
- The only general insurer that has overseas operations and Strong geographical presence within Pakistan
- Strong and Reliable reinsurance partners
- Diversified business and product portfolio
- Dedicated management to ensure outstanding customer service

WEAKNESSES

- Low insurance penetration in the country
- Natural disasters due to environmental changes may impact adversely
- Lack of awareness in Pakistan market about insurance products
- Due to religious beliefs customers avoid insurance products; hence, Takaful products



OPPORTUNITIES

- New opportunities and economic reforms with CEPC Projects
- Employing the digital technology infrastructure
- Exploring new overseas emerging markets
- Growth potential of the UAE market

THREATS

- Political and economic uncertainty
- Prevailing tense geopolitical situation of the region
- Frequent changes in regulatory environment
- Impact of the pandemic on the growth prospects of the insurance industry
- Cut-throat competition in the industry

Internal Value Chain Framework

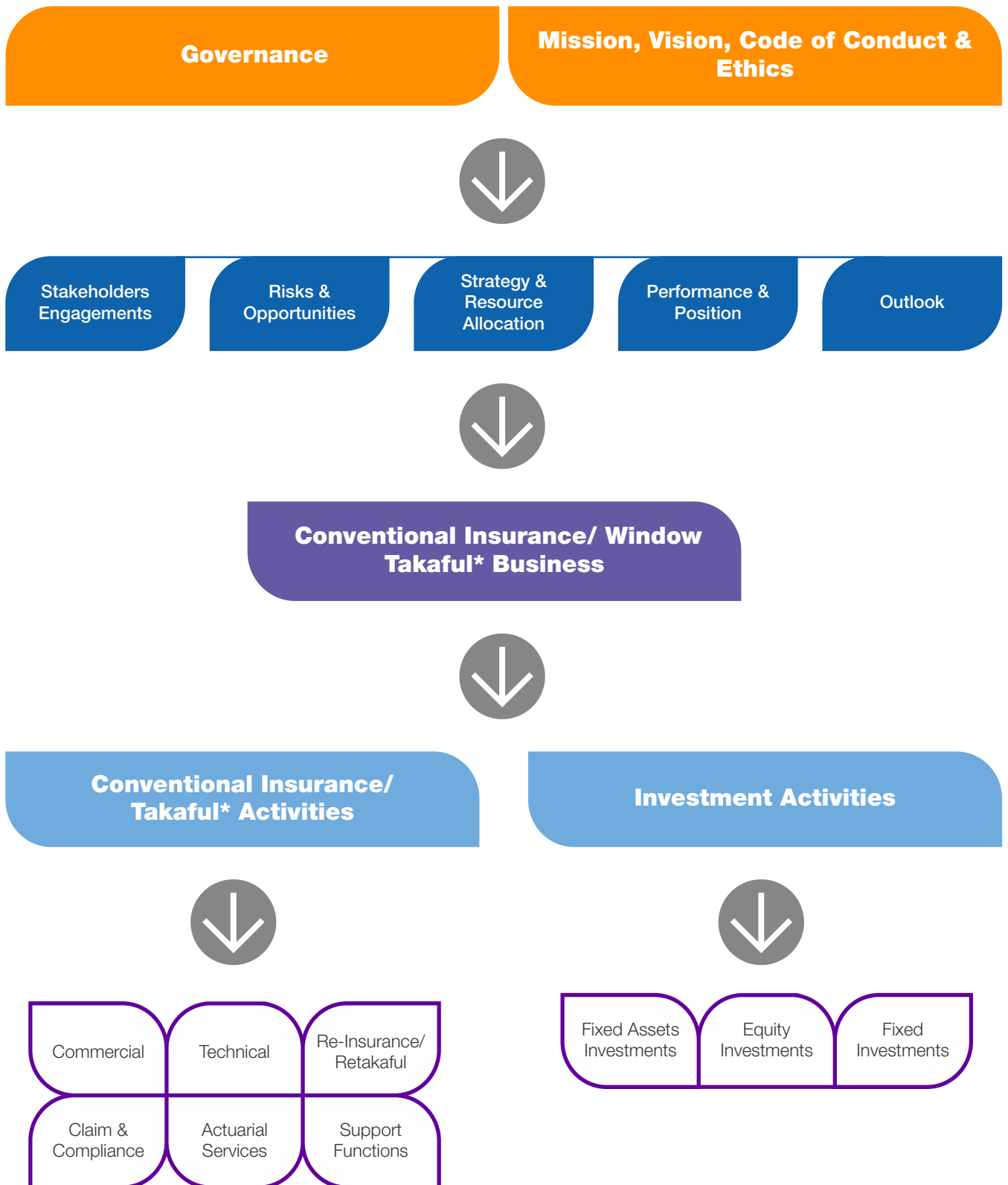
Sustainable Long Term Value





THE STRENGTH WITHIN
**OUR LEADING
BUSINESS MODEL**

Business Activities Model



*All the Window Takaful Activities are performed in consultation with Shairiah Advisor and Shariah Compliance Officer.

Business Model & Value Creation

INPUTS

Financial Capital:

- Paid-Up Capital: Rs. 3.5 Billion
- Total Assets: Rs. 49.5 Billion
- Equity: Rs. 22.2 Billion
- Combined Investment and Cash & Bank Portfolio: Rs. 28.2 Billion

Human Capital:

- Total Employees: 900
- Highly Skilled, Experienced and Competent Employees
- Training & Development Programs
- Performance Management System

Manufactured Capital

- Property & Equipment Value is 4.9 Billion
- 2 Call Centers (Pakistan & UAE)
- 3 Dedicated Doctors Helplines

Intellectual Capital:

- Technological Infrastructure is based on Centralized ERP and integrated with functional and technical departments.
- Dedicated Online Portals for Health, Travel, Motor and Window Takaful Operations .

Social & Relationship Capital:

- All Leading/ Regional Hospitals are on-board with Health Insurance.
- All Leading Auto- Assemblers, Workshops on-board for Motor Claims
- Partnerships with Local NGO's for Micro Insurance
- Dedicated Teams for CPEC & Special Projects
- Globally renowned and Reliable Re-Insurers/ Retakaful Partners
- Alliances with Digital Aggregators
- Largest distribution network with Partner Banks, and Auto Assemblers, Dealerships

Natural Capital:

- Green Office Initiative
- Largest Insurer of Renewable Energy Projects
- Invested in Green Initiative Projects in Karachi and Lahore Head Office. i.e; Complete LED's based Electrical Infrastructure

OUTPUTS

- **Gross Written Premium & Contribution: Rs.19.8 Billion**
- **Underwriting Profit: Rs. 375.7 Million**
- **Claims Paid: Rs. 13 Billion**
- **Total Investments: Rs. 26.6 Billion**
- **Profit after tax: Rs. 1.88 Billion**
- **Contribution to National Exchequer: Rs. 341 Million**
- **Digital sales increase in retail segment and multi channel distribution**
- **Credit Ratings: Pakistan Credit Rating Agency (PACRA) has given Highest Rating 'AA+' and UK Based Rating Agency AM Best given 'B'**
- **More focus on customer centricity, Service excellence and customer engagement**
- **Strengthening actuarial capabilities & Market Expansion through analytics for existing and new product developments**
- **Strong in house team based service architecture**
- **Dedicated Compliance Monitoring team to mitigate internal control risk**

OUTCOMES

Financial Capital:

- Earnings Per Share (EPS): Rs. 5.36
- ROAE: 0.086
- Current Ratio: 1.7 times
- Liquid Assets/ Total Assets: 0.665

Human Capital:

- Female staff Ratio 12%
- Male staff Ratio 88%
- No. of Training Conducted: 8
- Employee Engagement Programs: 2

Manufactured Capital:

- Addition of 1 New Branch for Window Takaful Operations
- 4 Minutes Average Call Resolution Duration
- 25000+ Customers received Value Added Services
- 900+ Retail Distribution Network

Intellectual Capital

- 98% Policies issued through Electronically.
- 3 New Product Developments
- 25000+ Customers received Value Added Services

Social & Relationship Capital:

- Edge for Presence in all remote locations of Pakistan
- Wellness Programs & Medical Camps
- Increase in Crop & Livestock Portfolio
- Better relationship with Brokerage Houses, International Re-Insurer/ Re-Takaful Partners

Natural Capital:

- Plantation increased in Karachi and Lahore Offices
- Efficient use of Electricity & Water
- Reduction in Energy Cost
- Paperless environment initiatives

Effect of Seasonality on Business in Terms of Sales

Seasonality includes those changes that happen every year around the same time and impact the sales in a similar way every year. However, in the year 2020, Covid-19 pandemic created unexpected circumstances with lockdowns. The sales remained under huge pressure especially during the second quarter. Export restrictions disrupted the seasonality of the year 2020, hence, the demand varied this year. Despite, the drop in premiums in marine line of business, the renewals happened as usual.

Most companies begin their fiscal year in July and some in January so overall renewals are high and sales are at their peak during this time. Motor insurance sales are affected in the month of Ramadan as lot of people plan to buy a new car before the occasion of EID.

For agriculture insurance when farmers start farming, at the start and end of Rabi and Kharif seasons, they need funds to start the processes and similarly at the end of the season they need funds for storage and transportation, hence, premiums of agriculture insurance increase during these times.

Travel insurance sales increase during holiday seasons.

Significant changes from prior years

There were no significant changes from the prior year except those encountered due to Covid-19 as mentioned in Effect of Seasonality on Business section as well.

OUR STRATEGIC STRONGHOLD

STRATEGY AND RESOURCE ALLOCATION



Strategy and Resource Allocation

Strategic Objectives

Short, medium, and long-term objectives to meet the Company's vision and mission statement are as follow:

Short term	<ul style="list-style-type: none">• Utilize technology to enhance our productivity, reduce operational cost, ensuring risk mitigation while being fully compliant with laws and regulations.• Focus on improving technical profits.• To further increase our market reach through product innovations to meet the changing needs of the customers.
Medium term	<ul style="list-style-type: none">• Continuous technological advancement to maintain our strong market position and increase shareholders wealth.• Increase offering our retail-based products and market share of Window Takaful Operations.• Adding value to our stakeholders' relationship.
Long term	<ul style="list-style-type: none">• To lead the insurance industry by providing outstanding customer service and maximizing the long-term value for shareholders• Expanding our geographical presence in UAE

Strategies in place to achieve our strategic objectives:

Being one of the leading insurance companies, we have a massive responsibility towards our customers, and we strive to meet the changing needs of our customers by utilizing our digital infrastructure and capabilities to provide them seamless experience. We make sure that we evaluate the risk factors efficiently and come up with innovative solutions to mitigate risk. We have highly trained and dedicated employees who continuously work towards delivering the highest value to our customers.

We believe there is always a room for improvement and we keep looking for areas to improve. We practice the highest standards of corporate governance and abide by all the laws and regulations of the country that we operate in. We will continue to build healthy relationships with all our various stakeholders.

We believe in setting a high benchmark in the insurance industry and maintain our position as a market leader. We remain focused in achieving long term sustainable growth and maximize value for our shareholders. We will continue to make positive contributions to our community and strengthen our presence.

Strategic Objectives	Strategies to achieve objectives	KPI	Future relevance of KPI
Utilize technology to enhance our productivity, reduce operational costs, ensuring risk mitigation while being fully compliant with laws and regulations.	<ul style="list-style-type: none"> • Introduction of digitalization in insurance industry • Automation of policies and procedures • Automation of all operational and support processes 	Reduction in Operational cost	This is an ongoing process and will remain relevant in future
Focus on improving technical profits	<ul style="list-style-type: none"> • Explore untapped market section to increase business pool • Further strengthen underwriting process • Improve reinsurance & retakaful treaties • Streamlining of operational cost • Consolidation of various offices to bring in operational efficiencies 	Increase in Profitability from core business	This is an ongoing process and will remain relevant in future
To further increase our market reach through product innovations to meet the changing needs of the customers	<ul style="list-style-type: none"> • Innovative and alternate product • Products for students • Development of rural market products for farmers • Cross product selling of Health & Motor • Micro Insurance in collaboration with leading NGO's 	Increase in Revenue	This is an ongoing process and will remain relevant in future
Continuous technological advancement to maintain our strong market position	<ul style="list-style-type: none"> • Continuous upgradation of technological tools to achieve competitive advantage • Use of artificial intelligences and Robotic process automation 	Sustainable growth in shareholders' Value	This is an ongoing process and will remain relevant in future
Increase retail-based products and market share of Window Takaful Operations	<ul style="list-style-type: none"> • Strengthen relationships with our business partners • Open new branches for Window Takaful Operations • Fulfil takaful needs of customers and provide Shariah Compliant Products to Islamic Banks 	Enhance our reach and Improve Quality of services	This is an ongoing process and will remain relevant in future
Add value to our stakeholders' relationship	<ul style="list-style-type: none"> • Provide support for rural development through partnering with NGOs for micro-insurance • To ensure customer satisfaction in all customer dealings • Continue financial support to the community in various areas 	Corporate social responsibility	This is an ongoing process and will remain relevant in future
To lead the insurance industry providing customer service, maximizing the long term value for shareholders	<ul style="list-style-type: none"> • Strengthen leadership position by bringing all round positivity • Anticipate the market dynamics and fulfil changing customers' needs • Expand techno-commercial teams working with local and international brokers 	Sustainable Growth	This is an ongoing process and will remain relevant in future
Expanding our geographical presence in UAE	<ul style="list-style-type: none"> • Introduction of new motor insurance portal in UAE with new marketing strategy • Utilize AICL's closely working relations with brokers, online aggregators, and sales distributors to expand • Expand digital presence in all seven emirates followed by physical presence 	Market Penetration in UAE	This is an ongoing process and will remain relevant in future

Organizational Resources and Their Allocation

Organizational resources are the assets available with an organization for utilization in production of goods and services. Effective and efficient utilization of these resources is pivotal towards achievement of strategic objectives as resource allocation and strategy execution are interdependent. Strategy is dependent on resources, whereas resources leave influence on the strategy. Apart from other factors, the success of AICL at where it stands today is the result of in-depth and well thought out resource allocation planning, careful implementation and monitoring.

Financial Resources

Financial resources also termed as 'Financial Capital' include pool of funds that is available to an organization for use in the provision of services. Financial Capital is obtained through finance either equity or grants, or generated through operations or investments. Financial Capital of the Company is utilized effectively and efficiently under the guidelines developed by the Board of Directors. Below is brief synopsis of major financial resources and their management:

a. Cash and Liquidity Management

Maintaining adequate liquidity to meet the claims liability and investing surplus funds to generate income is the primary objective of the cash and liquidity management function which is handled by the 'Treasury Department' of the Company. Treasury Department is equipped with competent professionals with relevant experience of multiple years and operates under the supervision of the Chief Financial Officer.

During the year, the Company has paid Rs. 13,010 million (2019: Rs. 15,336 million) on account of claims to the insured & takaful participants and Rs. 926.6 million (2019: Rs. 870.5 million) as dividends to the shareholders. Further, the Company also acquired Rs. 178.6 million (2019: Nil) from MCB Bank Limited, a related party, under the State Bank of Pakistan's (SBP) Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns ('Refinance Scheme'), with the approval of SBP.

b. Investments Management

Investments function is responsible for handling all investments of the Company. The function as per requirements of the Code of Corporate Governance is segregated into Front, Middle and Back Office to ensure adequate internal controls. Further, the investment function is equipped with professionals with experience of multiple years and is headed by Investment Committee of the Board. Decisions regarding investments are taken by the Investment Committee.

Investment position and its performance is also reviewed by the Board on quarterly basis.

Human Capital

Human capital also termed as 'Human Resource' is important in myriad areas ranging from strategic planning to company image, customer satisfaction to legal compliance and so on. Hence, the importance of Human Capital for achieving organization's strategic objectives cannot be over emphasized. The Company has a team of around 900 competent employees with adequate experience, skills and qualifications to manage the day-to-day operations. Various trainings are conducted from time to time to enhance skills of the staff. Further, management takes keen interest in planning the succession for all key positions.

Ethics, Human Resource and Remuneration Committee of the Board oversee this function.

Manufactured Capital

Manufactured capital refers to manufactured physical objects that are available to an organization for use in the provision of services. The physical assets of the Company are broadly classified into:

- Land
- Buildings
- Furniture & fixtures
- Motor Vehicles
- Machinery & equipment
- Computer equipment

All of the physical assets of the Company are efficiently utilized for the purpose of business and adequately covered against potential threats through insurance coverage, managing access to the Company premises via biometric / proximity card identification, monitoring entry and exit points through surveillance cameras and security guards. Physical assets are managed through Fixed Assets Register with each asset assigned an identification tag. Further, these assets are subject to both planned and surprise physical verification as well which is conducted from time to time basis.

Intellectual Capital

Intellectual Capital refers to organizational knowledge-based intangibles, including 'Intellectual Property' such as patents, copyrights, software, rights and licenses and 'Organizational Capital' such as knowledge, systems, procedures and protocols.

The Company through its experience of operations spread over a 60 years has refined, standardized and documented its operating procedures. The procedures are flexible and adaptive to absorb innovations necessary to respond to changes initiated by external factors. The library of the said procedures is effectively and efficiently utilized to introduce new and alternate products, expand customer base, and resultantly increase profits.

Social and Relationship Capital

Social and Relationship Capital includes shared norms, common values and behavior, key stakeholder relationships, intangible association with organization's brand and reputation and organization's social license to operate.

Social and relationship capital is one of the key assets that an organization has. It is the image and reputation of the organization that all stakeholders carry with them and plays an important role in achievement of strategic objectives and future growth. The Company realizes the due importance of social and relationship capital and assigns customer satisfaction as top priority in all customer dealings. The Company has maintained healthy relationship with customers, agents, surveyors, reinsurers, reinsurer brokers, vendors, banks and all other stakeholders.

Natural Capital

Natural Capital refers to all renewable and non-renewable environmental resources and processes that provide services that support the past, current or future prosperity of an organization and includes air, water, land, minerals, forests etc. Natural capital create the ecosystems for human beings to survive. It is of utmost importance that an organization efficiently manages natural capital to avoid any harm to the ecosystems in long term. The Company continues to contribute to the sustainable environment by gradually moving towards paperless operations, installing energy conservative technologies, encourage plantation across all its premises, and encourage efficient use of water to reduce water wastage. The Company will continue to work towards promoting green office environment.

Strategy to Overcome Liquidity Problems

Liquidity refers to the ability of an organization to fulfil its short-term liabilities when they become due. Managing liquidity is important as even the profitable organizations may suffer to run their operations smoothly in absence of adequate funds or liquid assets.

The key element of the Company's liquidity management strategy is to maintain sufficient liquid assets to meet its claims and other liabilities. Liquidity requirements are kept into consideration while making investment decisions. Bank balance maintained with high rated scheduled banks amounts to Rs. 1,516 million (2019: 1,258 million). Further, liquid assets ratio is 1.3 times (2019: 1.2 times) as at 31 December 2020.

In order to further strengthen the liquidity position during Covid-19 related lockdowns, the Company acquired Rs. 178.6 million (2019; Nil) from MCB Bank Limited, a related party, under the State Bank of Pakistan's (SBP) Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns ('Refinance Scheme'), with the approval of SBP. Out of total payable balance of Rs. 166.37 million as at 31 December 2020, Rs. 90.31 million is payable in the year 2021. The management foresees that operations of the Company would generate sufficient funds to easily meet the repayment of the liability on timely basis.

Liquidity position is closely monitored on routine basis under the supervision of the Chief Financial Officer.

Significant plans and decisions such as corporate restructuring, business expansion and discontinuance of operations

In Pakistan, the insurance penetration is around 0.83% of GDP and if we compare it with other emerging markets it is recorded to be 6.3% of the GDP. Significant plans that are in-line with our mission & vision include the following:

- Expansion & Growth in our existing Portfolio
- Increase retail based product market including Health, Motor, Travel & Agricultural products
- Expansion of Window Takaful Operations in Pakistan
- Enhance Corporate Health Insurance in UAE
- Product innovation with digitalization of all products for consumers

Significant changes from prior years

There were no significant changes during the year except the one disclosed in liquidity management section relating to loan obtained from MCB Bank Limited under SBP's Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns ('Refinance Scheme').

CAPITALIZING ON EVERY SITUATION

RISKS AND OPPORTUNITIES



Enterprise Risk Management (ERM) Framework

At Adamjee Insurance Company Limited, the Enterprise Risk Management (ERM) Process is broken down into five steps, which is shown below:



Each step is explained in some detail below:

Risk Identification:

- By collaborating with a variety of departments at AICL, all the possible risks affecting the Company are identified, and to build an understanding about them, an in-depth knowledge about them is gathered.
- At this stage, immediate stakeholders are also identified. For example, for Capital Adequacy Risk, the immediate stakeholder would be the Finance Department.
- Risks are described in detail at this stage, and the source of the risk is exactly made clear.

Risk Estimation:

- Impact of the risk is estimated qualitatively, and how AICL will be affected by it directly.
- Impact and probability of the risks are rated at this step, which assists in making a judgment about the risk rating, which can either be Critical, High, Moderate or Low.
- A credible worst-case scenario is built and its impact on financial statements is checked based on its likelihood of occurrence. This helps in quantifying the risk to some extent.

Risk Evaluation:

At this stage, Risk is evaluated in terms of:

- Risk appetite of AICL, as per Board's guidance
- Tolerance level of the risk, as per Board's guidance
- Risk treatment stance, which is either to avoid the risk completely, or merely reduce it.

Risk Treatment:

- Clear risk strategies are documented regarding each risk. Existing controls are also reviewed and a potential action for improvement is noted.
- Residual risks are also established at this stage.

Risk Monitoring:

- A Key Risk Indicator is built for each risk, which rates the risk as Low, Medium, High, and Critical.
- Based on these ratings, it is assessed what kind of actions needs to be taken regarding risk mitigation.

Commitment of the Board on the ERM Process

The Board of Directors of AICL oversees the risk management framework to make sure that the risks affecting AICL are identified and dealt with properly. In the above ERM framework, the Board's input is mostly evident in the third, fourth and fifth steps. Following are the responsibilities of the Board of Directors with regards to ERM:

- Ensure that AICL has a comprehensive ERM framework.
- Advise on the risk appetite and tolerance regarding each risk, highlighted in Step 3.
- Approve and advise on any steps that are necessary to control risks once the residual risk assessment is complete, highlighted in Step 4.
- Make sure that risks are monitored appropriately, highlighted in Step 5.
- Sit with the Risk Management Committee on a quarterly basis and take feedback on progress and compliance.

Key Risks

Following are the key risks that affect AICL, their consequences, their risk rating, and how the company has a control over them.

Risk No.	Business Activity	Risk Name	Risk Description	Consequences	Impact	Probability	Risk Rating	Control
1	Strategic	Regulatory Risk	AICL may face regulatory risk because of the following events: a) Changes to existing law or regulations b) Introduction of new law and regulations c) New compliance laws, such as IFRS 17 d) Failure to address impact of such changes	This may result in: a) An increase in operating cost of doing business in some markets b) Impacting some lines of businesses, or overseas operations c) Forceful transformation of some business practices	Major	Moderate	High	Regular meetings are held with relevant stakeholders, such as Appointed Actuary and Management, and the key is to anticipate changes to regulatory framework and how it can affect existing business
2	Financial	Credit Risk	The company is exposed to credit risk against the following counterparts: a) Reinsurance / coinsurance counterparties b) Assets held with banks c) Insurance debtors (Policyholders, brokers, and development officers) d) Receivables from employees e) Receivables from other insurance companies	If any counterparty fails to meet its obligations in accordance with agreed terms, it will cause a financial loss to the company, which will affect: a) Capital requirements b) Credit rating c) Liquidity position	Significant	Moderate	High	AICL aims to transact with financially sound and reputable parties having high credit worthiness to avoid potential of loss.

Risk No.	Business Activity	Risk Name	Risk Description	Consequences	Impact	Probability	Risk Rating	Control
3	Financial	Reserve Risk	There is volatility associated with actual runoff of claims. There is volatility in frequency as well as severity. Note that this includes all reserves established by claims department as well.	AICL will face unanticipated losses in certain quarters due to inadequate reserves, in case the actual IBNR is higher than expected IBNR.	Major	Moderate	High	Reserves are calculated with built in margins, especially for long tail claims, to ensure inadequacy is never experienced.
4	Strategic	Capital Adequacy/Solvency Margin Risk	This risk may arise due to: a) Credit Risk, in case key debtors' default b) Market risk, in case there is a significant decline in investment value c) Inadequate claim reserves d) Poor underwriting e) Inappropriate reinsurance arrangements f) Changes in solvency regulations	This would result in: a) An inability to meet minimum capital requirements, which will affect company's trade license renewal b) Company's credit rating	Significant	Moderate	High	AICL aims to maintain strong capital adequacy ratio or solvency margin at least 25% above regulatory requirement. Moreover, regular assessments of capital needs are made.
5	Strategic	Sovereign Risk	AICL will be exposed to sovereign risk in case the following events happen: a) Worsening of foreign exchange balance of payments position b) Default by government of Pakistan/UAE in servicing of debts c) Unstable country credit rating by international rating agencies	The Company will face the following issues: a) Inability to maintain credit rating required by insurance law, which should impact the operations b) Relationships with international reinsurance companies will deteriorate, resulting in high reinsurance cost or no reinsurance arrangements	Major	Moderate	High	AICL aims to improve its foothold in the Middle East markets along with Pakistan. Hence, the company will: a) Regularly carry out sovereign risk assessments and the impact on operations b) Monitor economic indicators such as foreign reserves, discount rate and exchange rate c) Invest in assets that are not severely affected by country's default d) Keep the revenue mix diversified
6	Strategic	Political Risk	Company may fail to achieve its business objectives due to the following events: a) Political instability b) Riots, terrorism, or wars	Due to political instability in the country: a) The Company may fail to meet the business	Major	Moderate	High	AICL aims to achieve optimal level of service performance to its customers. Hence, the Company will:

Risk No.	Business Activity	Risk Name	Risk Description	Consequences	Impact	Probability	Risk Rating	Control
			<ul style="list-style-type: none"> c) Inadequate supplies of basic facilities in the country d) Deteriorating law and order situation e) Frequent power and gas outages 	<ul style="list-style-type: none"> targets b) Service to customers will be affected c) Cost of doing business will increase 				<ul style="list-style-type: none"> a) Regularly carry out political risk assessments and the impact on operations b) Monitor economic indicators such as foreign reserves, discount rate and exchange rate c) Keep the revenue mix diversified d) Issue instructions to underwriters to exercise prudent judgment before accepting risks, in case of deteriorating law and order situation 5. Maintain adequate catastrophic cover from reinsurer
7	Financial	Liquidity Risk	<p>AICL is exposed to liquidity risk if any of the following events occur:</p> <ul style="list-style-type: none"> a) Financial obligation falls due earlier than anticipated b) Credit default by significant counterparty 	<p>Company's inability to pay off its contractual obligations in a timely manner may result in:</p> <ul style="list-style-type: none"> a) Disputes with clients and litigations b) Delays in salaries to employees c) Delays in payment to government authorities d) Adverse impact on solvency and rating 	Significant	Unlikely	High	<p>AICL aims to maintain adequate liquidity to be able to meet liabilities when they fall due. Hence, it is preferred to avoid this risk. There are automated management information systems in place that help in managing this risk adequately.</p>
8	Operational	Processing of fake or fraudulent claims	<p>Company may be exposed to risk of financial loss on processing of fake or false claims due to:</p> <ul style="list-style-type: none"> a) Ineffective claim authentication process b) Collusion of surveyors and employees 	<p>This may result in financial loss to the Company. There is a possibility of fines and penalties by the regulator as well.</p>	Moderate	Moderate	High	<p>AICL has a strong control over claim payments as per approved claims authorization matrix. The protocols have been defined in</p>

Risk No.	Business Activity	Risk Name	Risk Description	Consequences	Impact	Probability	Risk Rating	Control
			c) Undocumented claims payment process					the internal claim manual. Moreover, claims are not processed without necessary documentation.
9	Operational	Credit Rating Risk	AICL faces a risk of not maintaining the credit rating. This will happen if AICL does not manage capital adequacy ratio, credit risk, market risk and liquidity risk appropriately.	Due to a deterioration in credit rating, AICL will face: a) Reputation risk b) Loss of customer confidence c) Loss of market share d) Risk of low reinsurance arrangements	Significant	Moderate	High	AICL aims to maintain a strong IFS rating and financial strength. Company will manage operational and financial aspects to keep its rating strong and steady. Company strength is benchmarked against rating agency criteria from time to time, and any concerns that are highlighted are raised immediately. Moreover, the management reviews financial strength quarterly, and how it impacts IFS rating.
10	Operational	Data Breach Risk	Company may be exposed to the risk of an incident in where sensitive, confidential, or protected data may be accessed or disclosed in unauthorized fashion. Data breaches may involve: a) Personal health information b) Personal identifiable information c) Trade secrets d) Intellectual property	This will affect AICL's: a) Reputation b) Business operations c) Financial results	Significant	Moderate	High	AICL aims to maintain high security protocols to avoid data breaches. The Company uses high quality encryption tools to ensure data is not useable to anyone in case of breach. Other protocols are also in place such as firewall, encrypted storage, multi-factor authentication security, etc.

Key Opportunities

Following are the opportunities that are available to AICL.

Opportunity	Description	Consequence	Strategy	Probability	Impact
Data	Data has become to most important thing in the modern world. It is not only important to gather all the data from target market, but it is also important to store it properly so that it can be used for the company's benefits.	AICL can make sure that all relevant data is gathered from the target market, such as policyholders. Once all data is gathered, it can be ensured that all data is stored properly, and can be extracted through relevant usable reports, where it shows key insights.	AICL can use new technology related to predictive analytics and data science to ensure that the stored data gives useful predictions and shows trends that might help AICL in decision making.	High	High
Reinsurance Needs	With the years of data that is available with AICL, the Company can predict how much reinsurance coverage is required.	By following adequate methodologies of assessing reinsurance requirements, the Company can ensure that appropriate reinsurance is purchased, so that there is minimum risk of over reinsurance or under reinsurance.	With the help of automated software AICL can predict with a certain level of confidence how much reinsurance is required, and what kind of reinsurance arrangements would be optimal.	High	High
Skilled Human Resources	The success of service industry mostly depends on customer satisfaction to some extent. With skilled human resources, AICL can ensure that customer facilitation is kept a priority.	With skilled human resources, AICL will be able to make sure that customers get complete guidance, from insurance policy selection to claim handling.	AICL can either hire new skilled resources who are experts in this service industry or carry out internal professional trainings to train the existing staff.	High	High
Automating Manual Processes	Most of the companies are highlighting manual processes that consume time and energy and finding ways to automate them.	By eliminating slow and tedious processes, AICL will be able to find overall efficiency and will be able to meet its obligations adequately. This will also save time of employees, who will then have more quality time to invest in the organization. Automation should also improve overall customer experience.	From time to time, AICL can do audits of different processes such as internal administration process of employee expense reimbursement, or process of policy cancellations. Time should be devoted to how the processes can be made quicker. If required, technology can be acquired.	High	Moderate
Changing Customer Needs	Considering how the market dynamics are changing, there is an opportunity to observe how the customer needs are changing and cater to them. For example, COVID-19 motivated people to buy health insurance, whereas some people discontinued their insurances due to slow economy.	AICL can observe how the customer demands are changing and try to fill in the gaps by launching new products. Moreover, the Company can also investigate and offer discounts on existing products in case there are margins, and in case that is what the mass population requires as per changing economic environment.	Several stakeholders in the Company, such as Actuarial, Marketing and Underwriting can collaborate and see if discounts are viable and invest time in Research and Development of new insurance products.	High	High

Adequacy of Capital Structure and information about default in payment of debts

The below table represents adequacy of capital structure:

Share Capital and Reserves	2020	2019
	Rupees in '000'	
Authorized Share Capital	3,750,000	<u>3,750,000</u>
Issued, Subscribed and Paid-Up Capital	3,500,000	3,500,000
Reserves	4,486,946	4,555,491
Unappropriated Profit	14,247,913	13,325,001
Total Equity	22,234,859	<u>21,380,492</u>

Further, the Company has maintained adequate funds during the year and there has been no instance of default in payment of any debt.

	2020	2019
	Rupees in '000'	
Cash and Bank	1,312,004	1,176,685



OUR PILLARS OF STRENGTH
**CORPORATE
GOVERNANCE**

Directors' Report

to the Members on Unconsolidated Financial Statements

On behalf of the Board of Directors, we are pleased to present the 60th Annual Report of your Company together with the audited unconsolidated financial statements for the year ended 31 December 2020.

ECONOMIC OVERVIEW

The year 2020 has seen unprecedented pressures on the world as well as on Pakistan's economy mainly due to the effects of COVID-19 pandemic and the related global and potential domestic lockdowns. During the fiscal year 2019-20, the growth of Pakistan's economy declined to negative 0.38%. In order to ease the pressure and curb the effects of the COVID-19 pandemic on the economy, State Bank of Pakistan took multiple measures including reduction of a cumulative 625 basis points in its policy rate, introduction of various financial assistance programs i.e. Refinance scheme for wages to prevent layoffs, Loan deferment and restructuring, Refinance scheme for Hospitals to combat COVID-19 and Refinance scheme for setting-up new projects or expansion. These programs contributed towards easing the pressure on the economy and substantial number of businesses availed the programs.

Concerning the Pakistan Stock Exchange (PSX), the KSE-100 Index remained volatile during the year with the Index reaching as low as 27,229 during first quarter of 2020 and then recovering in later quarters. However, the KSE-100 index posted return of 7.4% in 2020 as against return of 9.9% in 2019, closing at 43,755 in the year 2020, as compared to 40,735 in 2019.

Standard & Poor's assigned Pakistan's long-term credit rating to 'B-Negative' with stable outlook.

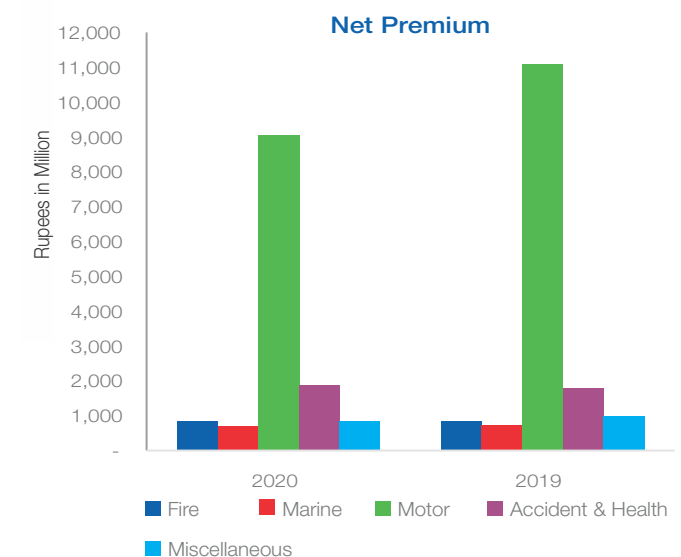
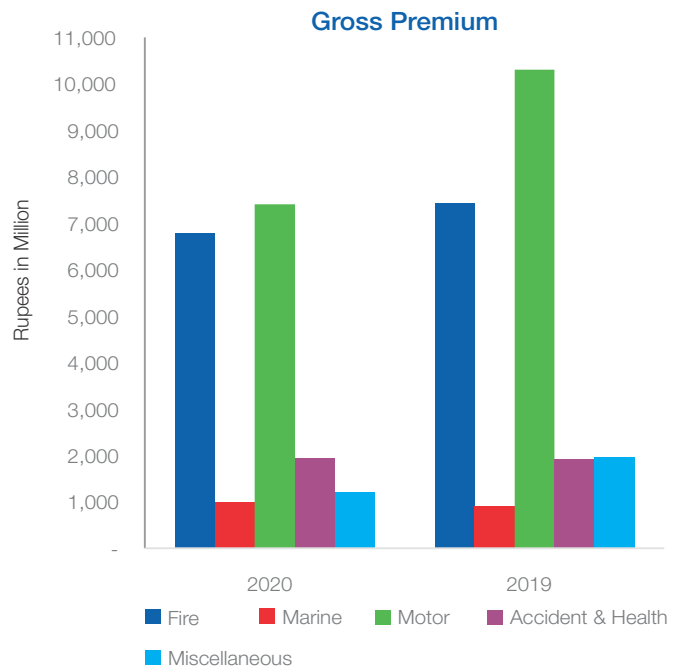
COMPANY PERFORMANCE REVIEW

The year under review has been a challenging one especially amid the lockdowns caused by the COVID-19 pandemic. However, due to the effective planning, efficient human resource and IT infrastructure, the Company sufficiently managed all of its operations from distant locations / under work-from-home mode during lockdown periods. Employees were provided with necessary hardware, software and connectivity resources to manage the work and maintain sufficient contact with all the stakeholders. Digital as well as conventional banking channels were utilized for collections of premiums and all types of payments.

Since the resumption of business activity in office premises, precautionary measures are strictly being followed with zero tolerance against violation of precautionary measures. Further, the Company has alternate sites as well in different cities to ensure continuity of operations in case any of its office has to be evacuated due to COVID-19 or any other unforeseen reason.

The Company's performance for 2020 was affected by the pandemic as well as other factors. However, the Company managed to minimize the adverse impact and foresees to follow the strategy of sustainable growth by focusing on further strengthening the risk and compliance management.

In 2020, the gross premium decreased to Rs. 18,279 million (excluding Rs. 1,525.5 million of contributions generated through Window Takaful Operations) as compared to Rs. 22,507 million in 2019 (excluding Rs. 1,212.5 million of contributions generated through Window Takaful Operations). The net premium retention was 73% (Rs. 13,295 million) of total gross premium underwritten as compared to the net premium retention of 69% (Rs. 15,434 million) in 2019.



The net claims ratio decreased to 60% as compared to last year's ratio of 64% per annum primarily due to decrease in loss ratio of UAE Operations.

The underwriting profit decreased to Rs. 375.7 million from Rs. 653.6 million in the preceding year.

The return on investment portfolio also decreased to 4% as compared to 5% last year.

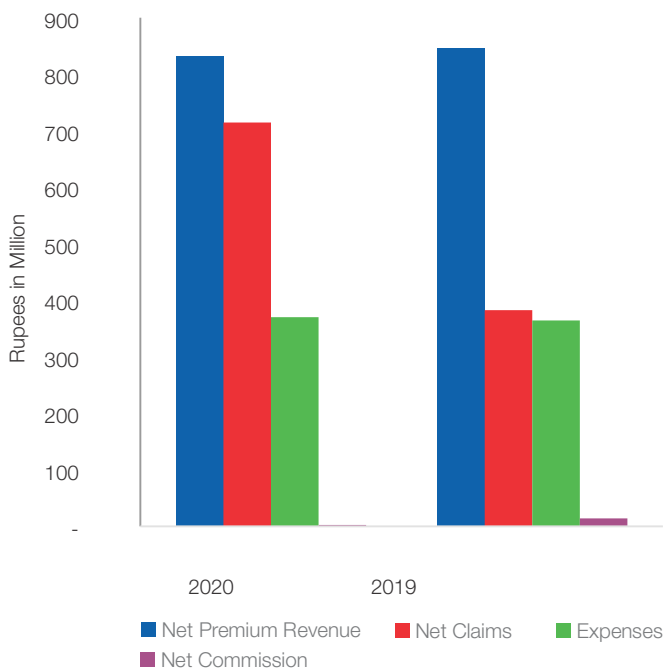
Profit before tax amounted to Rs. 1,910.1 million recording a decrease of 25% over last year at Rs. 2,532.9 million. While Profit after tax improved by 3.45% to Rs. 1,875.5 million as against profits of Rs. 1,812.9 million, of last year.

PORTFOLIO ANALYSIS

Fire & Property

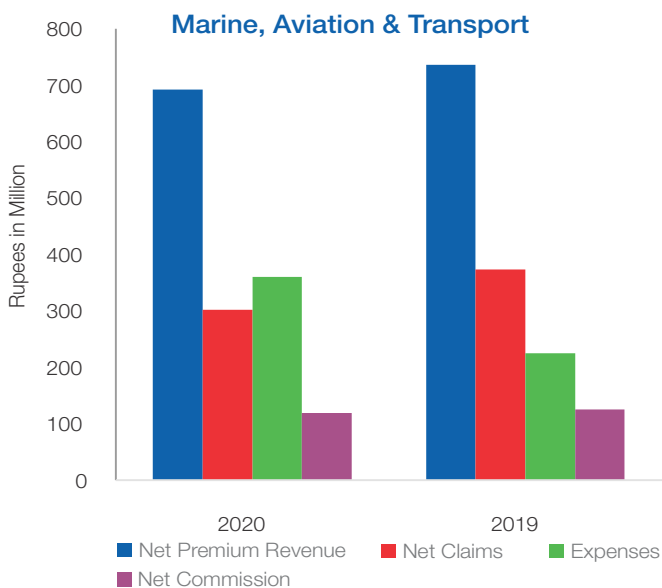
Fire and property class of business constitutes 37% of the total portfolio. During the year, the Company has underwritten a gross premium of Rs. 6,773.3 million (2019: Rs. 7,436.6 million). Net claims ratio to net premium increased to 86% this year as compared to 45% last year. As a result of high net claims ratio, fire and property class posted an underwriting loss of Rs. 255.7 million as compared to a profit of Rs. 85.1 million in 2019.

Fire & Property Damage



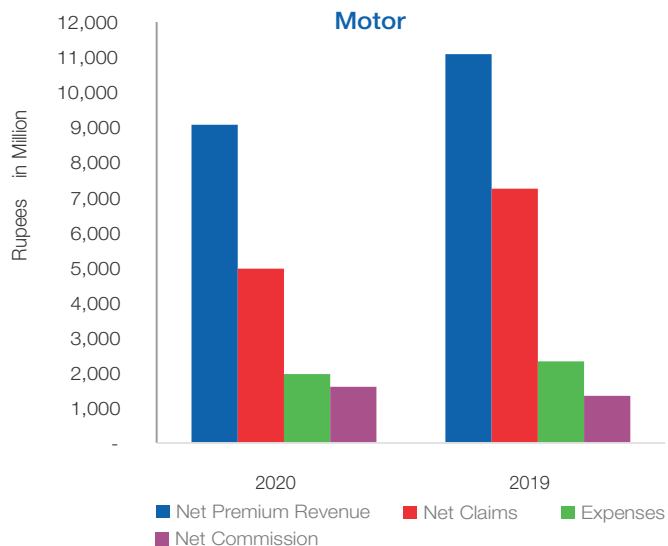
Marine, Aviation & Transport

Marine, Aviation & Transport constitutes 5% of the total portfolio. The Company has underwritten a gross premium of Rs. 981.7 million in current year as compared to Rs. 903.9 million in 2019. The net claims ratio has decreased to 44% as against 51% last year. This portfolio showed an underwriting loss of Rs. 90 million in current year as compared to a profit of Rs. 13 million in 2019.



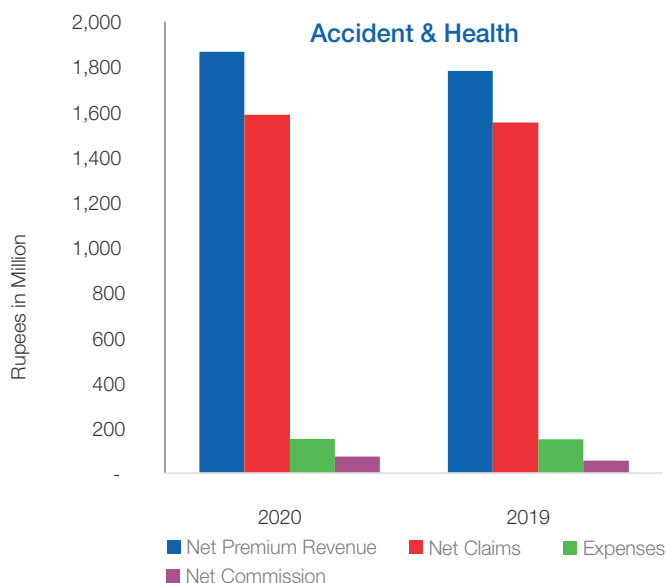
Motor

This class of business constitutes 40% of the total portfolio. During the year, the Company has underwritten a gross premium of Rs. 7,402.3 million as compared to Rs. 10,304.3 million in 2019. The ratio of net claims to net premium for the current year is 55% as compared to 65% in 2019. The portfolio showed an underwriting profit of Rs. 535.6 million as compared to Rs. 174.5 million in 2019.



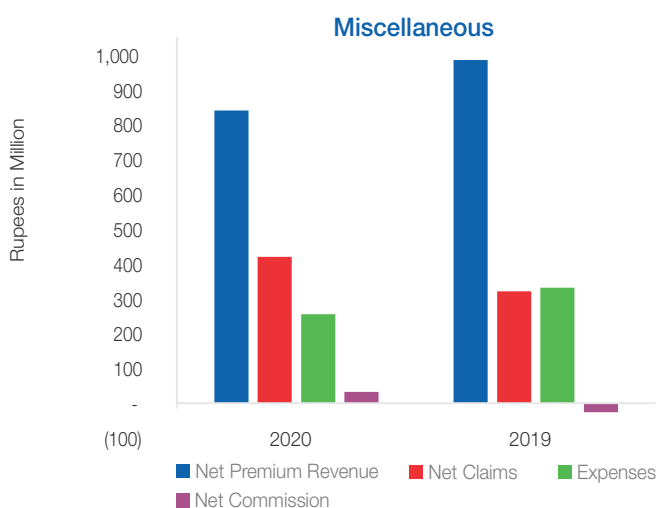
Accident & Health

The Accident & Health class of business constitutes 11% of the total portfolio. During the year, the Company has underwritten a gross premium of Rs. 1,923.8 million as compared to Rs. 1,909.8 million in 2019. The ratio of net claims to net premium was 85% as against 87% in 2019. This portfolio showed an underwriting profit of Rs. 53.7 million in the current year against Rs. 21.4 million in 2019.



Miscellaneous

The Miscellaneous class of business constitutes 7% of the total portfolio. The Company has underwritten a gross premium of Rs. 1,198 million as compared to Rs. 1,952.4 million in 2019. The ratio of net claims to net premium was 50% as compared to 33% in 2019. The portfolio showed an underwriting profit of Rs. 132.1 million in the current year as compared to Rs. 359.6 million in 2019.



INVESTMENT INCOME

Investment income of the Company witnessed a 20% decline in the current year mainly due to decrease in dividend income.

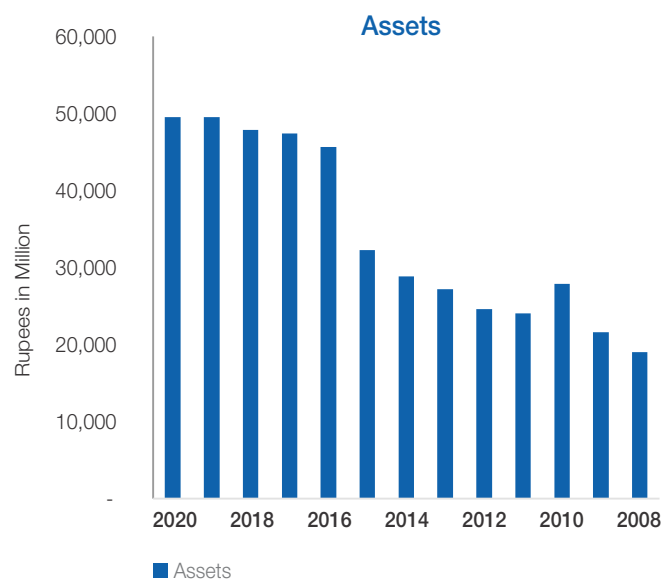
Dividend income decreased by 29% in 2020 owing to the temporary restriction on distribution of dividends imposed by the State Bank of Pakistan, restricting banks to distribute dividends for two quarters amid COVID-19 situation. As a result, the overall income from investments amounted to Rs. 1,093 million in 2020 as against Rs. 1,372 million in 2019.

The break-up of investment income is as under:

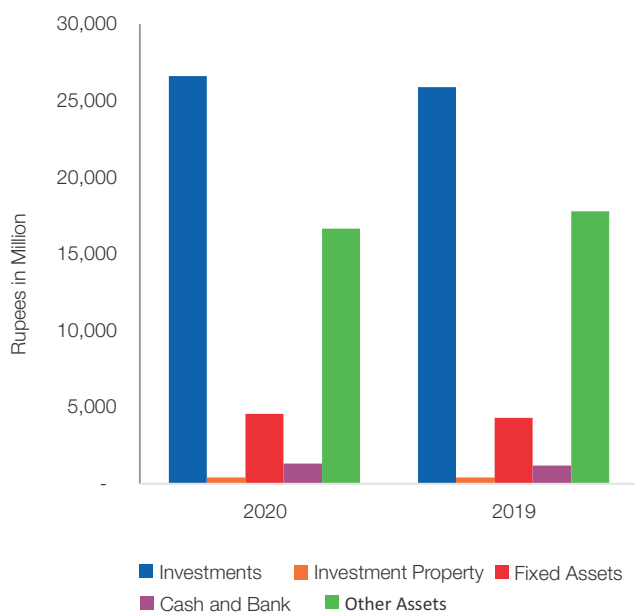
	2020 (Rupees in million)	2019 (Rupees in million)
Dividend income	1,000	1,407
Return on fixed income securities	39	48
Income from term deposits	171	170
Gain/(Loss) on sale of 'available-for-sale' investments (net of impairment)	(117)	(253)
Net investment income	1,093	1,372

COMPANY'S ASSETS

Total assets of the Company as on 31 December 2020 amounted to Rs. 49,520 million as against Rs. 49,538 million last year. Total investments increased by 2.74% at Rs. 26,596 million as compared to Rs. 25,888 million in 2019. The management's strategy is to optimize utilization of funds over a long-term investment horizon to maximize investment returns.



Assets Break-up



WINDOW TAKAFUL OPERATIONS

Company's Window Takaful Operations (WTO) closed the year with a growth of 26% in gross written contribution at Rs. 1,525.6 million as compared to Rs. 1,212.5 million in the year 2019 and has made a profit after tax of Rs. 116.4 million as compared to profit of Rs. 76.7 million last year.

OUTSIDE PAKISTAN OPERATIONS – UNITED ARAB EMIRATES & EXPORT PROCESSING ZONE

The Company has three fully functional branches located in Dubai, Sharjah and Abu Dhabi and one branch in Export Processing Zone (EPZ). The UAE branches are regulated under the relevant UAE laws applicable to the local insurance companies.

Outside Pakistan operations' witnessed significant decline of 37% in gross written premium. The decline in gross written premium was somewhat compensated by reduction in loss ratio from 71% in 2019 to 61% in 2020.

Outside Pakistan operations' profit before tax amounted to Rs. 246.2 million as compared to Rs. 244.7 million in 2019.

PROSPECTS FOR 2021

Following negative growth in FY20, the Country's economy is expected to grow at a modest rate of 1.5% to 2.5% despite successive waves of the Novel Coronavirus (COVID-19). Recent breakthroughs concerning vaccine approvals and

widespread availability of vaccination has brought great hopes for turnaround in the pandemic. However, future outlook still faces concerns presented by new variants of the virus and the renewed waves.

The Government is striving to revive sustainable growth by introducing favorable monetary and fiscal measures such as keeping lower policy interest rates while also ensuring that inflationary pressures on the economy do not significantly increase. Increase in foreign remittances and positive current account balance are very encouraging which can help the Country achieve targeted growth in the coming years if it becomes successful in implementing tangible measures and maintaining it in time. The government is also working hard for resumption of IMF program which was halted after the pandemic COVID-19 struck the country.

The financial sector, mainly the banking sector, has performed well during the period which is likely to have follow through impact on insurance sector as well in terms of the increase in potential business avenues specifically in lines of business for which growth is mainly driven by financing from financial institutions. The Company is aiming at healthy growth in the coming year in line with the positive GDP growth forecasts despite all the current volatility in the economy mainly brought about by the pandemic. The Company expects that its business growth strategies will help achieve its growth targets both in Pakistan and United Arab Emirates and the adverse effects of the current year's negative growth will also bottom out in the next year.

DIRECTORS

Total number of directors was 8 during the year 2020 and comprises as under:

1. Total Number of Directors:

- i. Male 7
- ii. Female 1

2. Composition of Board:

- i. **Independent Directors** 2
 - Muhammad Anees
 - Muhammad Arif Hameed
- ii. **Non-Executive Directors - Male** 4
 - Ibrahim Shamsi
 - Imran Maqbool
 - Shaikh Muhammad Jawed
 - Umer Mansha

- iii. **Non-Executive Director - Female** **1**
- Sadia Younas Mansha
- iv. **Executive Director** **1**
- Muhammad Ali Zeb

DIRECTORS' REMUNERATION

The Board of Directors has approved the remuneration of the members of the Board (Non-Executive Directors including independent directors) for attending meetings of the Board. The meeting fee of Rs. 10,000/- per meeting is paid to directors. Travel expenses by air from city of residence to the city of the meeting are paid with hotel accommodation, if availed.

The aggregate amount of remuneration is mentioned at Note 37 of the Unconsolidated Financial Statements.

BOARD MEETINGS & ATTENDANCE

During year 2020, four meetings of the Board of Directors were held and attended by the Directors as under

Umer Mansha	4
Ibrahim Shamsi	3
Imran Maqbool	4
Muhammad Anees	4
Mohammad Arif Hameed	2
Sadia Younas Mansha	2
Shaikh Muhammad Jawed	4
Muhammad Ali Zeb – CEO	4

BOARD COMMITTEES & ITS MEMBERS

The Board has formed following committees:

AUDIT COMMITTEE

Muhammad Anees	Independent Director	Chairman
Ibrahim Shamsi	Non-Executive Director	Member
Shaikh Muhammad Jawed	Non-Executive Director	Member
Umer Mansha	Non-Executive Director	Member

ETHICS, HUMAN RESOURCES & REMUNERATION COMMITTEE

Muhammad Anees	Independent Director	Chairman
Ibrahim Shamsi	Non-Executive Director	Member
Umer Mansha	Non-Executive Director	Member
Muhammad Ali Zeb	MD & CEO	Member

INVESTMENT COMMITTEE

Umer Mansha	Non-Executive Director	Chairman
Imran Maqbool	Non-Executive Director	Member
Muhammad Ali Zeb	MD & CEO	Member
Muhammad Asim Nagi	Chief Financial Officer	Member

STATEMENT OF COMPLIANCE WITH CODE(S) OF CORPORATE GOVERNANCE

Statement of compliance with code(s) of corporate governance is separately provided in Annual Report at page 84.

RISK MITIGATION

Risk Mitigation is a proactive review and plan for the organization's current and potential risks. One of the vital functions in risk mitigation at Adamjee Insurance is the Physical Risk Management of fixed assets being offered for insurance, whether Industrial, Infra-structure, Commercial or Private Dwellings. Risk Management involves assessment of the various sections, processes and departments and it analysis the perils to which these fixed assets are exposed to. Adamjee Insurance carries out risk surveys which give our underwriters an insight about pre-defined categories of risks and those risk which cross certain financial thresholds, sometimes even before issuing an insurance quotation and/or an insurance policy. This is the reason why we have a dedicated team of well qualified and experienced risk surveyors who carry out the largest number of risk-surveys every year in the industry. The underwriters equipped with maximum information about the risk are then in a better position to accept or reject the risk with more conviction and confidence.

Once the risk is accepted for underwriting, a right price and appropriate terms are provided for the benefit of our valued customers. The recommendations made by the risk surveyors help the customers in improving their processes and operations, thus mitigating the risk exposures significantly.

The Company pays particular attention to the underwriting controls. Each class of insurance is headed by qualified and experienced underwriters, who manage and control the underwriting in their respective class of business. The utmost aim in any underwriting process is to protect the bottom-line of the Company. This is achieved by accurately estimating the exposures and the probability of future losses and thereby developing appropriate terms and conditions for each proposed risk for insurance and also deciding carefully on the retention of each risk.

Underwriting involves a number of technical controlling protocols. These protocols include Risk Categorization Grid, defined underwriting authorities, Check Lists for underwriters, guidelines by class of business, rate monitoring mechanism, underwriting peer reviews and practice for seeking guidance on

large and intricate risks from Risk Exposure Group (REG). This Group is represented by Executive Director Technical, Executive Director Commercial, Head of Claims and Compliance and Executive Director Re-Insurance. The Risk Categorization Grid defines Very High Risks, High Risks, Medium Risks and Low Risks Categories.

The Company has a very effective Reinsurance Treaty Programme in place which along with Facultative Risk Wise arrangements provides a bespoke protection to the Company against different types of risks. Both Reinsurance and Coinsurance arrangements are effectively used as risk mitigating tools against all types of risk exposures and to augment Company's risk appetite.

PATTERN OF SHAREHOLDING

The pattern of shareholding is annexed in the Annual Report at page 368. The format of reporting, Form 34, has been slightly amended to comply with the reporting requirements under the Code of Corporate Governance for Insurers, 2016.

For the category of 'Executive', the Board of Directors has set the threshold for the year 2020. In addition to CEO, CFO, Head of Internal Audit and Company Secretary, officers in the cadre of Executive Director and above are included in the category of 'Executives'. The threshold is reviewed by the Board annually.

EARNINGS PER SHARE

During the year under review, earnings per share were Rs.5.36/- (2019: Rs. 5.18/-). Detailed working has been reported in Note 36 to the financial statements in this regard.

INTERNAL FINANCIAL CONTROLS AND ITS ADEQUACY

The Board has adopted policies and procedures for ensuring orderly and efficient conduct of its business including adherence to the Company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records and timely preparation of reliable financial disclosures. The system provides, though not absolute, but reasonable assurance that adequate control mechanisms have been established within the operational businesses.

The Company's internal control system is commensurate with its size, scale and complexities of its operations. The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of the internal control system and suggests improvements to strengthen the same. It also reviews the quarterly Internal Audit Reports. Internal financial controls deployed within the Company have been found satisfactory throughout the year.

CSR activities

The CSR initiatives taken during the year 2020 have been separately mentioned in the annual report at page 138.

Impact of Company's Business on Environment

The impact of the Company's business on environment is actually next to nothing, since Adamjee does not have any manufacturing and/or energy-resource based business set-up. With around 900 employees, we feel that we have a responsibility for environmental protection and have involved ourselves in areas that we can influence in a positive manner. We are focusing on reducing the use of paper and gradually moving towards a paperless environment. We are sensitizing our staff to behave in an environmentally friendly manner to save on electricity/power consumption and water usage. We have also achieved certification of environment from WWF for our main sites.

HUMAN RESOURCE

At Adamjee Insurance "It's all about People", as we truly believe that our employees are the greatest strength we have. Talent Management is a continuous process and we ensure that we hire right people on right jobs. Rewards are based on performance culture; culture is engaging and based on ethical values and ample career growth opportunities are provided to our employees.

As a result, all key employee satisfaction indicators i.e. employee productivity, engagement index, employee turnover and female diversity for 2020 are encouraging.

ISO 9001:2015 CERTIFICATION

"Adamjee Insurance has always strived to enhance customer satisfaction through continually improving its quality management system practices, processes and standards. By the new version of ISO 9001:2015, Adamjee has once again assured customers that it will continue to fulfill their insurance, regulatory and quality requirements, adding even more value to its customer services. This upgraded standard is conferred by Lloyd's Register Quality Assurance.

The certification has a continuation of our adherence to internationally established standards for quality system

At AICL, we are fully aware of how beneficial this standard (ISO 9001:2015) is for us which includes but not limited to enhanced organized operating environment, better working conditions, increased job satisfaction and enhanced customer satisfaction.

IFS Ratings

During the year, The Pakistan Credit Rating Agency Limited (PACRA) has maintained the Insurer Financial Strength (IFS) rating of the Company as “AA+” (Double A plus). This rating denotes a very strong capacity to meet policyholders’ contract obligations. Risk factors are considered modest and the impact of any adverse business and economic factors is expected to be very limited.

AM Best has affirmed the financial strength rating of the Company to “B (fair)” with stable outlook which denotes a strong risk-adjusted capitalization maintained by the Company.

SUBSIDIARY COMPANY

The Company has annexed its consolidated financial statements along with its separate financial statements. Adamjee Life Assurance Company Limited (ALACL) is a wholly owned subsidiary company of Adamjee Insurance Company Limited (AICL). A brief description of ALACL is given below.

ALACL was incorporated in Pakistan under the Repealed Companies Ordinance, 1984 on 4 August 2008 as a public unlisted company and commenced operations from 24 April 2009. Until February 2020 ALACL was a subsidiary of AICL and an associate of IVM Intersurer B.V. (IVM) having 74.28% and 25.72% holding respectively in the capital of ALACL.

In February 2020, the Company acquired the remaining stake of 25.72% in ALACL from IVM, which makes it a wholly owned subsidiary of the Company.

Financial performance and position of ALACL is given in the consolidated financial statements annexed to the Annual Report.

EVENTS AFTER BALANCE SHEET DATE

There are no significant events that took place between the date of financial statements and date of this report.

RECOMMENDATION FOR DIVIDEND

An interim dividend @ 12.5% (Rupee 1.25 per share) (2019: @ 10% [Rupee 1.00 per share]) was paid during the year. The Board recommended final cash dividend @ 12.5% (Rupees 1.25 per share) (2019: @15% [Rupees 1.50 per share]).

STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Corporate laws, rules and regulations framed there under spell out the overall functions of the Board of Directors of the Company. The Board is fully aware of its corporate responsibilities as envisaged under the Companies Act, 2017, the Code of Corporate Governance for Insurers, 2016 and the

Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Codes) and is pleased to give the following statements:

- The financial statements, prepared by the Company, present fairly its state of affairs, the results of its operation, cash flows and changes in equity.
- The Company has maintained proper books of accounts as required under the Companies Act, 2017.
- The Company has followed consistently appropriate accounting policies in preparation of the financial statements. Changes wherever made, have been disclosed, and accounting estimates made on the basis of prudent and reasonable judgment.
- Financial Statements have been prepared by the Company in accordance with the International Financial Reporting Standards as applicable in Pakistan. The departure therefrom (if any), is disclosed adequately and explained.
- The system of internal control is sound and is being implemented and monitored. However, such a system is designed to manage rather than eliminate the risk of failure to achieve objectives and provide reasonable, but not absolute assurance against material misstatements or loss.
- The fundamentals of the Company are strong and there are no doubts about its ability to continue as a going concern.
- Key operating and financial data for the last six years is included in this annual report in summarized form.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at 31 December 2020, except those disclosed in the financial statements.
- The value of investments including accrued income of provident and gratuity funds on the basis of un-audited accounts as on 31 December 2020, is as follows:

	(Rupees in ‘000)
Provident Fund	1,135,019
Gratuity Fund	230,138

AUDITORS

The present auditors, namely, Yousuf Adil, Chartered Accountants being eligible gave consent to act as auditors for the next term.

The Board of Directors on the suggestion of the Audit Committee recommended the appointment of Yousuf Adil, Chartered Accountants as statutory auditors for the next term.

STATUS OF PENDING INVESTMENT DECISIONS:

The decision to make investment in Nishat Hotels and Properties Ltd, Nishat Mills Ltd and Hyundai Nishat Motors (Pvt.) Ltd under the authority of resolution passed on April 28,

2014, May 28, 2016 and March 26, 2018 respectively was not implemented fully. The status of decision is explained to members as under as required vide Regulation 4 (2) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulation 2017.

STATUS OF INVESTMENT UNDER REGULATION 4 (2) OF THE COMPANIES (INVESTMENT IN ASSOCIATED COMPANIES OR ASSOCIATED UNDERTAKINGS) REGULATIONS, 2017:

Description	Nishat Hotels & Properties Ltd	Nishat Mills Ltd	Hyundai Nishat Motor (Pvt) Ltd
Date of approval	April 28, 2014	May 28, 2016	March 26, 2018
Total Investment	Rs 500 million	Rs 625 million	a) Rs. 1056 million – Equity b) Rs. 1277.10 – standby letter of credit
Amount of Investment made up to 31 December, 2020	-	Rs 161.053 million	a) Rs. 923.6 million – Equity b) Rs. 1209 million – standby letter of credit
Reasons for deviation from the approved timeline of investment, when investment decision was to be implemented in stipulated time	The special resolution is valid for 8 years, hence no deviation	The special resolution is valid for 6 years, hence no deviation	The special resolution is valid for 4 years, hence no deviation.
Material changes in financial statement since date of resolution passed			
a. Breakup value per share	<u>Jun 2013 Rs 12.26</u> Jun 2020 Rs 20.19	<u>Jun 2015 Rs 216.56</u> Jun 2020 Rs 203.15	<u>Dec 2017 Rs. 4.85</u> Dec 2020 Rs. 6.98
b. Earnings (loss) per share	<u>Jun 2013 Rs (0.37)</u> Jun 2020 Rs (0.79)	<u>Jun 2015 Rs 11.13</u> Jun 2020 Rs 9.97	<u>Dec 2017 Rs. (5.74)</u> Dec 2020 Rs. (2.64)
c. Balance Sheet footing	<u>Jun 2013 Rs 2.86 billion</u> Jun 2020 Rs 39.85 billion	<u>Jun 2015 Rs101.14 billion</u> Jun 2020 Rs 110.66 billion	<u>Dec 2017 Rs. 1.7 billion</u> Dec 2020 Rs. 25.34 billion

ACKNOWLEDGEMENT

The Company would like to thank its shareholders for the confidence they have shown in us. We express our sincere thanks to our customers, employees, strategic partners, vendors and suppliers.

We also appreciate the continuing support and guidance provided by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan during the year.

For and on behalf of the Board

Lahore : February 23, 2021



Ibrahim Shamsi
Director



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

قرارداد کے اختیار کے تحت نشاط ہو ملز اینڈ پروپرتیز لمیٹڈ، نشاط ملز لمیٹڈ اور ہنڈائی نشاط موٹرز (پرائیویٹ) لمیٹڈ میں سرمایہ کاری کے فیصلے پر پوری طرح عملدرآمد نہیں ہوا ہے۔ فیصلے کی صورت حال کی ذیل میں درج وضاحت اراکین سے کر دی گئی ہے جیسے کہ کمپنیز کے ضابطہ 4(2) (معاون کمپنیوں میں سرمایہ کاری یا معاون ضمانتیں) ضابطہ 2017 میں درکار ہوتا ہے۔

آڈٹ کمیٹی کی تجویز پر بورڈ آف ڈائریکٹرز نے ڈیلیٹ بوسف عادل، چارٹرڈ اکاؤنٹنٹس کو آئندہ مدت کے لئے قانونی آڈیٹرز کے طور پر تقرری کی سفارش کی ہے۔

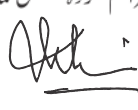
زیر التوا سرمایہ کاری کے فیصلے کی صورت حال:

28 اپریل 2014، 28 مئی 2016 اور 26 مارچ 2018 کو بالترتیب منظور شدہ

Description	Nishat Hotels & Properties Ltd	Nishat Mills Ltd	Hyundai Nishat Motor (Pvt) Ltd
Date of approval	April 28, 2014	May 28, 2016	March 26, 2018
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b. Earnings (loss) per share	Jun 2013 Rs (0.37) Jun 2020 Rs (0.79)	Jun 2015 Rs 11.13 Jun 2020 Rs 9.97	Dec 2017 Rs. (5.74) Dec 2020 Rs. (2.64)
c. Balance Sheet footing	Jun 2013 Rs 2.86 billion Jun 2020 Rs 39.85 billion	Jun 2015 Rs 101.14 billion Jun 2020 Rs 110.66 billion	Dec 2017 Rs. 1.7 billion Dec 2020 Rs. 25.34 billion

اعتراف

کمپنی اپنے حصص یافتگان کا شکریہ ادا کرنا چاہے گی کہ انہوں نے ہم پر اپنے اعتماد کا اظہار کیا۔ ہم اپنے صارفین، ملازمین، حکمت عملی میں شریک افراد، فروش کنندگان اور فراہم کنندگان کے دل سے شکر گزار ہیں۔ ہم سال کے دوران سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور بینک دولت پاکستان کی جانب سے فراہم کردہ مسلسل حمایت اور راہنمائی کو بھی سراہتے ہیں۔

بورڈ کے لئے اور اس کی طرف سے

محمد علی زید

ٹیجنگ ڈائریکٹر اور
چیف ایگزیکٹو آفیسر

ابراہیم شمسی

ڈائریکٹر

لاہور: 23 فروری 2021ء

آئی ایف ایس کی درجہ بندی

طور پر آگاہ ہے جیسا کہ کمپنیز ایکٹ 2017، بیمہ کاروں کے لئے کوڈ آف کارپوریٹ گورننس 2016 اور لسٹڈ کمپنیاں (کوڈ آف کارپوریٹ گورننس) ضوابط 2019 (کوڈز) کے تحت ہیں، مندرجہ ذیل بیانات تہیے پر رضامند ہیں:

- کمپنی کے تیار کردہ مالی بیانات، اس کے امور کی منصفانہ حیثیت، اس کے آپریشنز، نقد بہاؤ اور ایکویٹی میں تبدیلیوں کے نتائج پیش کرتے ہیں۔
- کمپنی نے کمپنیز ایکٹ 2017 کے تحت درکار حسابات کے کھاتے برقرار رکھے ہیں۔
- کمپنی نے مالی بیانات کی تیاری میں مسلسل اکاؤنٹنگ کی مناسب پالیسیوں کی پیروی کی ہے۔ تبدیلیاں جہاں بھی کی گئیں، ظاہر کی گئیں اور اکاؤنٹنگ کے تخمینے محاسبے اور معقول فیصلے کی بنیاد پر لگائے گئے۔

- کمپنی نے مالی بیانات بین الاقوامی مالیاتی رپورٹنگ معیارات کے مطابق تیار کئے جیسا کہ پاکستان میں لاگو ہے۔ اس میں سے کچھ خارج کیا گیا ہے (اگر کچھ ہے) تو اس کا اظہار اور وضاحت مناسب طور پر کی گئی ہے۔

- داخلی کنٹرول کا نظام مستحکم ہے اور اس پر عمل درآمد اور نگرانی کی جاتی ہے۔ تاہم اس طرح کا نظام مقصد کے حصول اور ناکامی ہونے کے خطرے کو ختم کرنے کے لئے بنایا گیا ہے لیکن اس میں مادی غلط بیانیوں یا نقصانات کے خلاف قطعی یقین دہانی نہیں ہوتی۔

- کمپنی کے بنیادی اصول مضبوط ہیں اور اس کے جاری رہنے کی صلاحیتوں میں کوئی شک و شبہات نہیں ہیں۔

- پچھلے چھ سالوں سے چلنے والے اہم آپریشنز اور مالی اعداد و شمار کو مختصر شکل میں سالانہ رپورٹ میں شامل کیا گیا ہے۔

- ٹیکسوں، ڈیوٹیوں، محصولات اور واجبات کے حساب میں قانونی طور پر کچھ واجب الادا نہیں ہے جو 31 دسمبر 2020 تک باقی ہو، علاوہ ان کے کہ جن کا اظہار مالی بیانات میں کیا گیا ہے۔

- 31 دسمبر 2020 تک غیر پڑتا شدہ کھاتوں کی بنیاد پر پروویڈنٹ اور گریجویٹ فنڈز کی حاصل شدہ آمدنی سمیت سرمایہ کاری کی قدر درج ذیل ہے:

(000' میں روپے)

1,135,019

230,138

پروویڈنٹ فنڈ

گریجویٹ فنڈ

آڈیٹرز

موجودہ آڈیٹرز بنام میسرز یوسف عادل، چارٹرڈ اکاؤنٹنٹس اہلیت کی بنیاد پر اگلی مدت کے لئے بطور آڈیٹرز کام کرنے پر رضامند ہیں۔

دوران سال، پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے کمپنی کی انشورنس فنانسئل اسٹریٹج (IFS) کی درجہ بندی کو "اے اے + " کے طور پر برقرار رکھا ہے۔ یہ درجہ بندی پالیسی ہولڈرز کے معاہدے کی ذمہ داریوں کو پورا کرنے کے لئے ایک بہت ہی بھرپور صلاحیت کی نشاندہی کرتی ہے۔ خطرے والے عوامل معمولی سمجھے جاتے ہیں اور کسی بھی منفی کاروبار اور معاشی عوامل کے اثرات بہت محدود ہونے کی امید کی جاتی ہے۔

اے ایم بیٹ نے مستحکم نقطہ نظر سے کمپنی کی فنانسئل اسٹریٹج ریٹنگ کی تصدیق "B(fair) کے طور پر کی ہے جو اس امر کی نشاندہی کرتی ہے کہ رسک ایڈجسٹڈ کمپیٹلٹریٹیشن کمپنی نے برقرار رکھی ہے۔

ذیلی کمپنی

کمپنی نے اپنے مجموعی مالی بیانات کے ساتھ اپنے علیحدہ مالی بیانات بھی منسلک کر دیئے ہیں۔ آدم جی لائف انشورنس کمپنی لمیٹڈ (ALACL) کئی طور پر آدم جی انشورنس کمپنی لمیٹڈ (AICL) کی ذیلی کمپنی ہے۔ ALACL کی مختصر وضاحت ذیل میں کی گئی ہے۔

14 اگست 2008 کو ری پبلڈ کمپنیز آرڈیننس کے تحت اے ایل اے سی ایل کو پاکستان میں قائم کیا گیا تھا اور 24 اپریل 2009 سے کام کا آغاز کیا گیا تھا۔

اے ایل اے سی ایل فروری 2020 تک اے ایل اے سی ایل کا ذیلی ادارہ رہی اور آئی وی ایم انٹرنیشنل ریوی وی (IVM) کی معاون رہی اور اے ایل اے سی ایل کے سرمائے میں بالترتیب 74.28% اور 25.72% کی حصہ دار رہی۔

فروری 2020 میں کمپنی نے بقایا سرمایہ آئی وی ایم سے حاصل کر لیا جو 25.72% تھا، اس طرح یہ کئی طور پر کمپنی کی ذیلی ملکیت میں آگئی۔

اے ایل اے سی ایل کی مالی کارکردگی اور حیثیت سالانہ رپورٹ کے مستحکم مالی بیانات سے منسلک کر دی گئی ہے۔

بیلنس شیٹ کی تاریخ کے بعد واقعات

مالی بیانات کی تاریخ اور اس رپورٹ کی تاریخ کے درمیان کوئی اہم واقعہ نہیں ہوا۔

منافع منقسمہ کے لئے سفارشات

ایک عبوری منافع 12.5% (1.25 روپے فی شیئر) کی شرح سے سال کے دوران ادا کیا گیا (2019): 10% کی شرح (1.00 روپے فی شیئر)۔ بورڈ نے حتمی نقد منافع 12.5% (1.25 روپے فی شیئر) کی شرح کی سفارش کی (2019): 15% کی شرح (1.50 روپے فی شیئر)۔

کارپوریٹ اور مالی رپورٹنگ فریم ورک کا بیان

کارپوریٹ قوانین، قواعد و ضوابط کمپنی کے بورڈ آف ڈائریکٹرز کی مجموعی کارگزاریوں کے تحت تیار کئے گئے ہیں۔ بورڈ اپنی کارپوریٹ ذمہ داریوں سے مکمل

CSR کی سرگرمیاں

سال 2020 میں سی ایس آر کے اقدامات کا الگ سے ذکر صفحہ 138 پر کیا گیا ہے

ماحولیات پر کمپنی کے کاروبار کا اثر

ماحولیات پر کمپنی کے کاروبار کے اثرات درحقیقت کسی بھی چیز کے آگے نہیں ہیں، کیوں کہ آدمی کے پاس کوئی مینوفیکچرنگ اور / یا توانائی وسائل پر مبنی کاروبار نہیں ہے۔ تقریباً 900 ملازمین کے ساتھ، ہم محسوس کرتے ہیں کہ ماحولیاتی تحفظ کی ہماری ذمہ داری ہے اور ہم نے خود کو ان شعبوں میں شامل کیا ہے جن پر ہم مثبت انداز میں اثر انداز ہو سکتے ہیں۔ ہم کاغذ کے استعمال کو کم کرنے اور آہستہ آہستہ پیپر لیس ماحول کی طرف بڑھنے پر توجہ دے رہے ہیں۔ ہم اپنے عملے کو ماحول دوست ماحول میں برتاؤ کر رہے ہیں تاکہ بجلی / بجلی کی کھپت اور پانی کے استعمال کو بچایا جاسکے۔ ہم نے اپنی اہم سائٹوں کے لئے WWF سے ماحولیات کی سند بھی حاصل کر لی ہے۔

انسانی وسائل

آدمی انشورنس میں، "یہ سب لوگوں کے بارے میں ہے"، جیسا کہ ہم واقعتاً یقین رکھتے ہیں کہ ہمارے ملازمین ہماری سب سے بڑی طاقت ہیں۔ ٹیلنٹ مینجمنٹ ایک مستقل عمل ہے اور ہم اس بات کو یقینی بناتے ہیں کہ ہم صحیح ملازمت پر صحیح لوگوں کی خدمات حاصل کریں۔ انعامات کارکردگی کی ثقافت پر مبنی ہیں۔ ثقافت کشش اور اخلاقی اقدار پر مبنی ہے اور ہمارے ملازمین کو کیریئر میں اضافے کے کافی مواقع فراہم کیے جاتے ہیں۔

اس کے نتیجے میں، تمام اہم ملازمین کے اطمینان کے اشارے یعنی ملازمت پیداوری، منگنی انڈیکس، ملازمت کا کاروبار اور خواتین کا تنوع 2020 کے لئے حوصلہ افزا ہے۔

ISO 9001:2015 سرٹیفیکیشن

آدم جی انشورنس نے ہمیشہ اپنے انتظامی خصوصیات، عمل اور معیار میں مسلسل بہتری سے اپنے صارفین کے اطمینان کو بڑھانے کی کوشش کی ہے۔ آئی ایس او 9001:2015 کے نئے ورژن سے آدم جی نے اپنے صارفین کو ایک بار پھر یقین دہانی کروائی ہے کہ وہ ان کی انشورنس، ضابطے اور معیاری ضروریات کو پورا کرتا رہے گا اور صارفین کی خدمات کی قدر میں اور بھی اضافہ کرے گا۔ یہ تجدید شدہ معیار لوئیڈر جسٹری کوالٹی انشورنس نے دیا ہے۔

یہ سند معیار کے مقرر کردہ عالمی سسٹم کے پیمانے پر ہمارے تسلسل کے ساتھ عمل پیرا رہنے کی دلیل ہے۔

آدم جی انشورنس کمپنی لمیٹڈ میں ہم اچھی طرح آگاہ ہیں کہ یہ معیار (ISO 9001:2015) ہمارے لئے کس قدر فائدہ مند ہے جس میں توسیع شدہ آپریٹنگ ماحول، کام کے بہتر حالات، ملازمت میں زیادہ اطمینان اور صارفین کا اطمینان شامل ہے لیکن صرف اس تک محدود نہیں ہے۔

ان پروٹوکولز میں رسک کی درجہ بندی گروڈ، تعریفی انڈر رائٹنگ اتھارٹی، انڈر رائٹنگ کے لئے چیک لسٹس، بزنس کلاس کے ذریعہ رہنما خطوط، شرح مانیٹرنگ میکانزم، انڈر رائٹنگ چیز کے جائزے اور رسک ایکسپوزر گروپ (آر ای جی) سے بڑے اور پیچیدہ خطرات سے متعلق رہنمائی حاصل کرنے کے لئے مشق شامل ہیں۔ اس گروپ کی نمائندگی ایگزیکٹو ڈائریکٹر ٹیکنیکل، ایگزیکٹو ڈائریکٹر کمرشل، ہیڈ آف کلائم اینڈ ریسورسز اور ایگزیکٹو ڈائریکٹر ری انشورنس کرتے ہیں۔ رسک کی درجہ بندی گروڈ میں بہت زیادہ خطرات، اعلی خطرات، درمیانی خطرات اور کم خطرات والے زمرے کی وضاحت کی گئی ہے۔

کمپنی کے پاس ایک بہت موثر ری انشورنس ٹریٹی پروگرام ہے جس میں فلو ٹیو رسک وائز انتظامات کے ساتھ ساتھ کمپنی کو مختلف قسم کے خطرات سے بچانے کے لئے ایک مؤثر تحفظ فراہم کرتا ہے۔ انشورنس اور کوانٹس انشورنس انتظامات مؤثر طریقے سے ہر قسم کے رسک کی نمائندگی کے خلاف اور کمپنی کی رسک بھوک کو بڑھانے کے لئے رسک کو کم کرنے کے اوزار کے طور پر استعمال ہوتے ہیں۔

شیر ہولڈنگ کا اسلوب

صفحہ 368 پر سالانہ رپورٹ میں حصص یافتگی کا انداز جوڑا گیا ہے۔ کارپوریٹ گورننس برائے انشورنس کمپنی، 2016 کے تحت رپورٹنگ کی ضروریات کی تعمیل کے لئے، فارم 34، کی شکل میں معمولی سی ترمیم کی گئی ہے۔

'ایگزیکٹو' کے زمرے کے لئے بورڈ آف ڈائریکٹرز نے سال 2020 کی حد مقرر کی ہے۔ سی ای او کے علاوہ سی ایف او، ہیڈ آف انٹرنل آڈٹ اور کمپنی سیکریٹری، ایگزیکٹو ڈائریکٹر کے زمرے میں افسران اور اس سے بالا افراد 'ایگزیکٹو' کے زمرے میں شامل ہیں۔ بورڈ اس حد کی نظر ثانی سالانہ بنیاد پر کرتا ہے۔

نی شیر آمدنی

زیر جائزہ سال کے دوران نی حصص آمدنی 5.36 روپے (2019: 5.18 روپے) رہی۔ اس ضمن میں مالی گوشواروں کے نوٹ 36 میں تفصیلی کام کی اطلاع دی گئی ہے۔

اندرونی مالیاتی نظم و نسق

بورڈ نے اپنے کاروبار کے منظم اور موثر طرز عمل کو یقینی بنانے کے لئے پالیسیاں اور طریقہ کار اپنایا ہے جس میں کمپنی کی پالیسیوں پر عمل پیرا ہونا، اس کے اثاثوں کی حفاظت، دھوکہ دہی اور غلطیوں کی روک تھام اور ان کا پتہ لگانا، اکاؤنٹنگ ریکارڈوں کی درستگی اور مکمل تیاری اور قابل اعتماد مالی انکشافات کی بروقت تیاری شامل ہے۔ یہ نظام اگرچہ مطلق نہیں، لیکن معقول یقین دہانی فراہم کرتا ہے کہ آپریٹنگ کاروباروں میں کنٹرول کے مناسب میکانزم قائم ہو گئے ہیں۔

کمپنی کا داخلی کنٹرول سسٹم اس کے سائز، پیمانے اور اس کی کارروائیوں کی پیچیدگیوں کے موافق ہے۔ بورڈ آف ڈائریکٹرز کی آڈٹ کمیٹی داخلی کنٹرول سسٹم کی قابلیت اور تاثیر کا فعال طور پر جائزہ لیتی ہے اور اس کو مستحکم کرنے کے لئے بہتری کی تجویز کرتی ہے۔ یہ سہ ماہی اندرونی آڈٹ رپورٹس کا بھی جائزہ لیتی ہے۔ پورے سال میں کمپنی کے اندر اندر داخلی مالی کنٹرول اطمینان بخش پایا گیا ہے۔

ڈائریکٹرز کا مشاہرہ

سرمایہ کاری کمیٹی

عمر منشا	غیر ایگزیکٹو ڈائریکٹر	چیئر مین
عمران مقبول	غیر ایگزیکٹو ڈائریکٹر	رکن
محمد علی زیب	ایم ڈی وی سی ای او	رکن
محمد عاصم ناگی	چیف فنانس آفیسر	رکن

ڈائریکٹرز کی مجلس عاملہ نے بورڈ کے اراکین (غیر ایگزیکٹو ڈائریکٹرز بشمول خود مختار ڈائریکٹرز) کی بورڈ کے اجلاس میں شرکت کے لئے -10,000 روپے مشاہرے کی منظوری دی ہے۔ اجلاس کی فیس -10,000 روپے فی اجلاس ڈائریکٹرز کو ادا کی جائے گی۔ رہائشی شہر سے اجلاس کے شہر تک ہوئی سفر خرچ معہ ہوٹل میں قیام کا خرچ، اگر ہو، ادا کیا جائے گا۔

مشاہرے کی مجموعی رقم غیر اشتمال شدہ مالی گوشوارے کی نوٹ 37 میں مذکور ہے۔

بورڈ کا اجلاس وحاضری

کورپوریٹ گورننس کا ضابطہ (ضابطے) معہ تعمیل کا بیان

کورپوریٹ گورننس کا ضابطہ (ضابطے) معہ تعمیل کا بیان سالانہ رپورٹ کے صفحہ 84 پر علیحدہ سے فراہم کیا گیا ہے۔

دوران سال 2020 میں ڈائریکٹرز کے بورڈ کے 14 اجلاس منعقد ہوئے اور شریک ہونے والے ڈائریکٹرز کے نام ذیل میں درج ہیں:

رسک کی تخفیف

رسک تخفیف ایک فعال جائزہ اور تنظیم کے حالیہ اور ممکنہ خطرات کے لئے منصوبہ ہے۔ آدھی انشورنس میں خطرے کے خاتمے میں ایک اہم کام انشورنس کے لئے پیش کیے جانے والے فکسڈ اثاثوں کی فزیکل رسک مینجمنٹ ہے، چاہے انڈسٹریل، انفراسٹرکچر، کمرشل یا نجی رہائش۔ رسک مینجمنٹ میں مختلف حصوں، عمل اور محکموں کا اندازہ ہوتا ہے اور اس میں ان خطرات کا تجزیہ کیا جاتا ہے جن میں ان طے شدہ اثاثوں کا سامنا کرنا پڑتا ہے۔ آدھی انشورنس خطرے کے سروے کرتے ہیں جو ہمارے انڈر رائٹرز کو خطرات کی پہلے سے طے شدہ اقسام اور ان خطرات کے بارے میں بصیرت فراہم کرتے ہیں جو بعض مالی دلیلیز کو عبور کرتے ہیں، بعض اوقات انشورنس کو ٹیشن اور / یا انشورنس پالیسی جاری کرنے سے پہلے بھی۔ یہی وجہ ہے کہ ہمارے پاس اچھی طرح سے اہل اور تجربہ کار رسک سروے کرنے والوں کی ایک سرشار ٹیم ہے جو ہر سال انڈسٹری میں سب سے زیادہ تعداد میں خطرے سے متعلق سروے کرتی ہے۔

عمر منشا	4
ابراہیم شمشی	3
عمران مقبول	4
محمد انیس	4
محمد عارف حمید	2
سعدیہ یونس منشا	2
شیخ محمد جاوید	4
محمد علی زیب۔ سی ای او	4

بورڈ کی کمیٹیاں اور اس کے اراکین

بورڈ نے درج ذیل کمیٹیاں تشکیل دی ہیں:

محاسبہ (آڈٹ) کمیٹی

خطرہ کے بارے میں زیادہ سے زیادہ معلومات سے آراستہ انڈر رائٹرز اس وقت زیادہ بہتر یقین اور اعتماد کے ساتھ اس خطرہ کو قبول کرنے یا مسترد کرنے کی بہتر پوزیشن میں ہیں۔ ایک بار خطرہ انڈرائٹنگ کے لئے قبول کر لیا گیا تو، ہمارے قابل قدر صارفین کے فائدے کے لئے ایک مناسب قیمت اور مناسب شرائط فراہم کی جاتی ہیں۔ خطرے کے سروے کرنے والوں کی سفارشات صارفین کو اپنے عمل اور امور کو بہتر بنانے میں مدد کرتی ہیں، اس طرح خطرے کے انکشافات کو نمایاں طور پر کم کر سکتے ہیں۔

محمد انیس	خود مختار ڈائریکٹر	چیئر مین
ابراہیم شمشی	غیر ایگزیکٹو ڈائریکٹر	رکن
شیخ محمد جاوید	غیر ایگزیکٹو ڈائریکٹر	رکن
عمر منشا	غیر ایگزیکٹو ڈائریکٹر	رکن

کمیٹی انڈر رائٹنگ کنٹرول پر خصوصی توجہ دیتی ہے۔ انشورنس کے ہر طبقے کی سربراہی کو ایفائی اور تجربہ کار انڈر رائٹرز کرتے ہیں، جو اپنے کاروبار کے اپنے طبقے میں کھٹاوت کا نظم و نسق اور انتظام کرتے ہیں۔

اخلاقی، وسائل فردی قوت و مشاہرہ کمیٹی

کسی بھی تحریری عمل کا حتمی مقصد کمیٹی کے نچلے طبقے کی حفاظت کرنا ہے۔ یہ نمائندوں اور مستقبل میں ہونے والے نقصانات کے امکانات کا درست اندازہ لگانے اور اس طرح انشورنس کے لئے ہر مجوزہ خطرے کے لئے مناسب قواعد و ضوابط تیار کر کے اور ہر خطرے کو برقرار رکھنے کے بارے میں احتیاط سے فیصلہ کرنے سے حاصل کیا جاتا ہے۔ انڈر رائٹنگ میں متعدد تکنیکی کنٹرول کرنے والے پروٹوکول شامل ہیں۔

محمد انیس	خود مختار ڈائریکٹر	چیئر مین
ابراہیم شمشی	غیر ایگزیکٹو ڈائریکٹر	رکن
عمر منشا	غیر ایگزیکٹو ڈائریکٹر	رکن
محمد علی زیب	ایم ڈی وی سی ای او	رکن

زر میں اضافے اور موجودہ کھاتوں میں مثبت توازن بہت حوصلہ افزا ہے جو کہ آئندہ برسوں میں افزائش کا ہدف حاصل کرنے میں ملک کے لئے مددگار ثابت ہو گا اگر ان ٹھوس اقدامات پر عمل میں کامیابی ہو اور افزائش کو بروقت برقرار رکھا جائے۔ حکومت آئی ایم ایف کے پروگرام کو دوبارہ جاری کرنے کے لئے بھی بھرپور طریقے سے کوشاں ہے، جسے ملک میں کووڈ-19 کی وبا پھیلنے کے بعد روک دیا گیا تھا۔

مالیاتی شعبے، خاص طور پر بینکاری کے شعبے کی کارکردگی بہت اچھی رہی ہے جس کا اثر انشورنس کے شعبے پر بھی ہوا ہے اور ساتھ ہی ساتھ استعداد میں اضافہ ہوا ہے خصوصاً ان کاروباروں میں جن میں سرمایہ کاری زیادہ تر مالیاتی اداروں کی مرہون منت ہوتی ہے۔ معیشت میں موجودہ تمام تر مدد و جزر، جو زیادہ تر بقاء کی وجہ سے پیدا ہوئے، کے باوجود آنے والے سال میں کمپنی جی ڈی پی کی مثبت پیش گوئی کے مطابق صحت مند نشوونما کی خواہشمند ہے۔ کمپنی کو یہ توقع ہے کہ اس کی کاروباری نشوونما کی حکمت عملی پاکستان اور متحدہ عرب امارات دونوں میں اس کی نشوونما کے اہداف حاصل کرنے میں مددگار ہو گی اور رواں سال کی منفی نشوونما کے برے اثرات اگلے سال میں زائل ہو جائیں گے۔

ڈائریکٹرز

سال 2020 کے دوران ڈائریکٹرز کی کل تعداد 8 تھی جو ذیل میں درج ہیں:

1- ڈائریکٹرز کی کل تعداد:

- i- مرد 7
- ii- خاتون 1

2- ڈائریکٹرز کی ترتیب

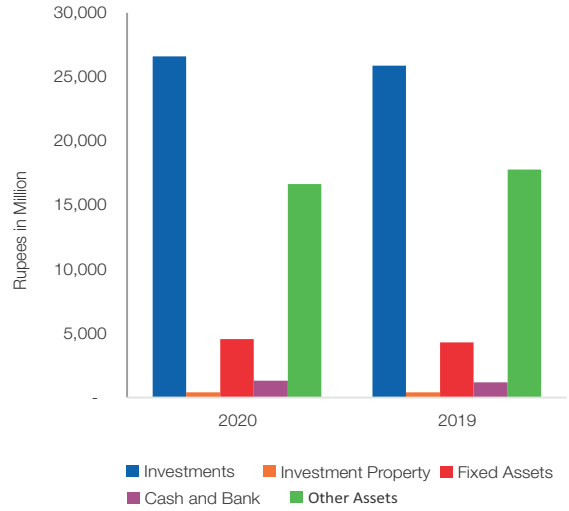
- i- خود مختار ڈائریکٹر 2
- محمد انیس
- محمد عارف حمید

- ii- غیر ایگزیکٹو ڈائریکٹر- مرد 4
- ابراہیم شمس
- عمران مقبول
- شیخ محمد جاوید

- عمر منشا
- iii- غیر ایگزیکٹو ڈائریکٹر- خاتون 1
- سعدیہ یونس منشا

- iv- ایگزیکٹو ڈائریکٹر 1
- محمد علی زیب

Assets Break-up



ونڈو ہیکافل امور

کمپنی کے ونڈو ہیکافل امور (ڈیلیٹیو او) اختتام سال پر کل درج شدہ شراکت میں 1,525.6 ملین روپے پر 26% فیصد کی افزائش کے ساتھ بند ہوئے، جبکہ 2019 میں یہ 1,212.5 ملین روپے رہے، اور بعد از ٹیکس منافع 116.4 ملین روپے ہوا جبکہ گزشتہ سال کا منافع 76.7 ملین روپے تھا۔

بیرون پاکستان امور- متحدہ عرب امارات اور ایکسپورٹ پروسیسنگ زون

کمپنی کی تین مکمل طور پر فعال شاخیں دوہئی، شارجہ اور ابو ظہبی میں واقع ہیں اور ایک شاخ ایکسپورٹ پروسیسنگ زون میں واقع ہے۔ متحدہ عرب امارات کی یہ شاخیں متحدہ عرب امارات کی مقامی بیمہ کمپنیوں پر لاگو متعلقہ قوانین کے تحت کام کام انجام دیتی ہیں۔

بیرون پاکستان امور میں درج شدہ مجموعی پریئم میں 37% خطیر زوال ظاہر ہوا۔ درج شدہ مجموعی پریئم میں زوال کی کسی حد تک تلافی خسارے کی شرح میں کمی نے کی جو 2019 میں 71% سے کم ہو کر 2020 میں 61% فیصد رہی۔

بیرون پاکستان امور کا منافع قبل از ٹیکس 246.2 ملین روپے رہا جو 2019 میں 244.7 ملین روپے تھا۔

2021 کے امکانات

مالی سال 2020 میں منفی افزائش کے بعد ملک کی معیشت میں 1.5% سے 2.5% کی معمولی شرح سے افزائش کی توقع کی جا رہی ہے۔ کورونا وبا کی موجودگی کے باوجود ویکسین کی منظوریوں اور وسیع پیمانے پر ویکسین کے استعمال کے سلسلے میں حالیہ کامیابیوں سے اس وباء کے ٹلنے کی بڑی امیدیں پیدا ہوئی ہیں۔ تاہم مستقبل کے لئے ابھی بھی وائرس کی نئی اقسام اور ان کی نئی لہروں کے خدشات کا سامنا ہے۔

حکومت سرگرداں ہے کہ پائیدار افزائش کو برقرار رکھا جائے جس کے لئے وہ مالیاتی و مالی اقدامات متعارف کروا رہی ہے جیسے کہ پالیسی کی شرح سود میں کمی واقع ہو جبکہ معیشت پر افراط زر کا دباؤ نہ بڑھنے کو بھی یقینی بنایا جا رہا ہے۔ غیر ملکی تریبلٹا

سرمایہ کاری کی آمدنی

کمپنی کی سرمایہ کاری کی آمدنی موجودہ سال میں 20% کم ہوئی جس کی بنیادی وجہ حصص کی آمدنی میں کمی تھی۔

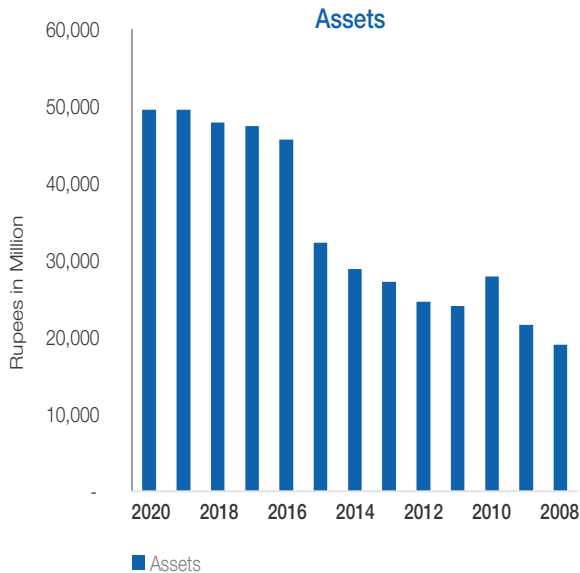
بینک دولت پاکستان کی جانب سے منافع کی تقسیم پر لگائی گئی عارضی پابندی کی وجہ سے منافع کی آمدنی 2020 میں 29% کم ہو گئی، اس میں بینکوں کو پابند کیا گیا کہ کووڈ-19 کی صورت حال کے دوران دوسرے ماہیوں کا منافع تقسیم نہ کیا جائے۔ اس کے نتیجے میں سرمایہ کاری سے کل آمدنی 2020 میں 1,093 ملین روپے رہی جو 2019 میں 1,372 ملین روپے تھی۔

سرمایہ کاری کی آمدنی مندرجہ ذیل ذرائع سے ہوئی:

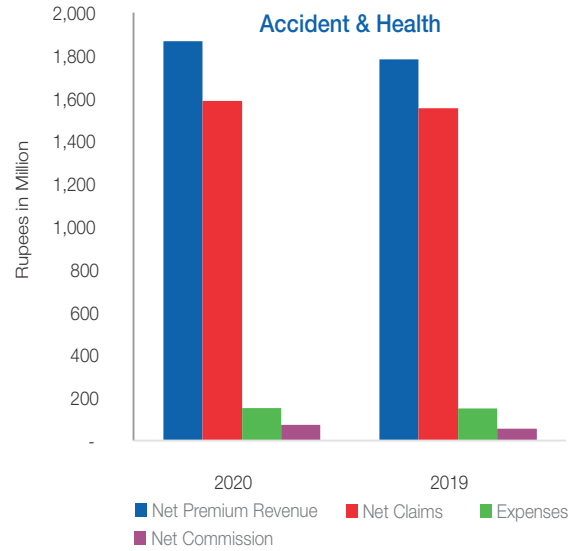
2019	2020	
(روپے ملین میں)		
1,407	1,000	حصص پر آمدنی
48	39	مقررہ آمدنی سیکورٹیز پر متین منافع
170	171	معینہ مدت کی سرمایہ کاری (ڈپازٹ) سے آمدنی
		”دستیاب برائے فروخت“ کی فروخت پر
(253)	(117)	منافع/ (خسارہ) (تخفیف کے بعد)
1,372	1,093	سرمایہ کاری کی خالص آمدنی

کمپنی کے اثاثے

گزشتہ سال 49,538 ملین روپے کے مقابلے میں 31 دسمبر 2020 کو کمپنی کے کل اثاثوں کی مالیت 49,520 ملین روپے تھی۔ کل سرمایہ کاری میں 2.74% اضافے سے 26,596 ملین روپے کی حد تک رہی 2019 میں یہ 25,888 ملین روپے تھی۔ انتظامیہ کی حکمت عملی یہ ہے کہ طویل المیعاد سرمایہ کاری کو فروغ دے کر سرمایہ کاری کے منافع میں زیادہ سے زیادہ اضافہ کیا جائے۔

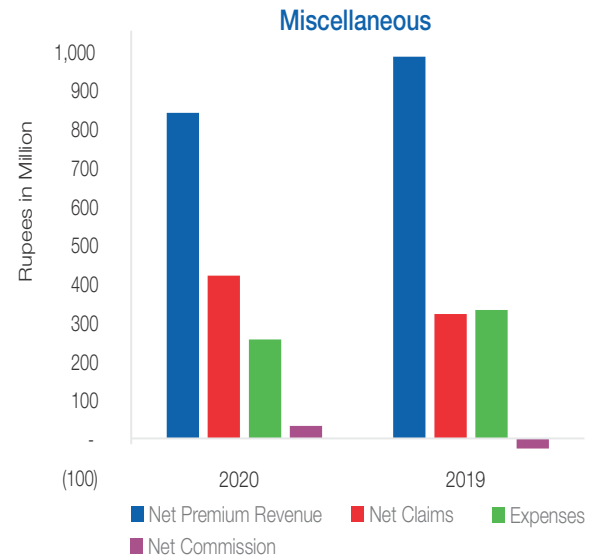


حادثے اور صحت کے شعبے کا کاروبار کل شعبہ کے 11% پر مشتمل ہے۔ اس سال کے دوران کمپنی نے خالص پریمیئم 1,923.8 ملین روپے درج کیا جس کے مقابلے میں 2019 کا اندراج 1,909.8 ملین روپے تھا۔ کل پریمیئم کے کل دعووں کی شرح 85% ہے جس کے مقابلے میں 2019 میں 87% تھی۔ یہ پورٹ فولیو موجودہ سال درج شدہ منافع 53.7 ملین روپے ظاہر کرتا ہے جس کے مقابلے میں 2019 میں 21.4 ملین روپے تھا۔



متفرق

متفرق کے شعبے کا کاروبار کل شعبہ کے 7% پر مشتمل ہے۔ کمپنی نے خالص پریمیئم 1,198 ملین روپے درج کیا جس کے مقابلے میں 2019 کا اندراج 1,952.4 ملین روپے تھا۔ کل پریمیئم کے کل دعووں کی شرح 50% ہے جس کے مقابلے میں 2019 میں 33% تھی۔ یہ پورٹ فولیو موجودہ سال درج شدہ منافع 132.1 ملین روپے ظاہر کرتا ہے جس کے مقابلے میں 2019 میں 359.6 ملین روپے تھا۔



درج شدہ خسارہ 90 ملین روپے ظاہر کرتا ہے جس کے مقابلے میں 2019 میں 13 ملین روپے منافع تھا۔

کل دعووں کی شرح گھٹ کر 60% ہو گئی گزشتہ سال 64% تھی جس کی بنیادی وجہ یو ای آپریٹرز کے نقصان کی شرح میں کمی تھی۔

ذمہ نویسی منافع سابقہ سال میں 653.6 ملین روپے سے گھٹ کر 375.7 ملین روپے ہو گیا۔

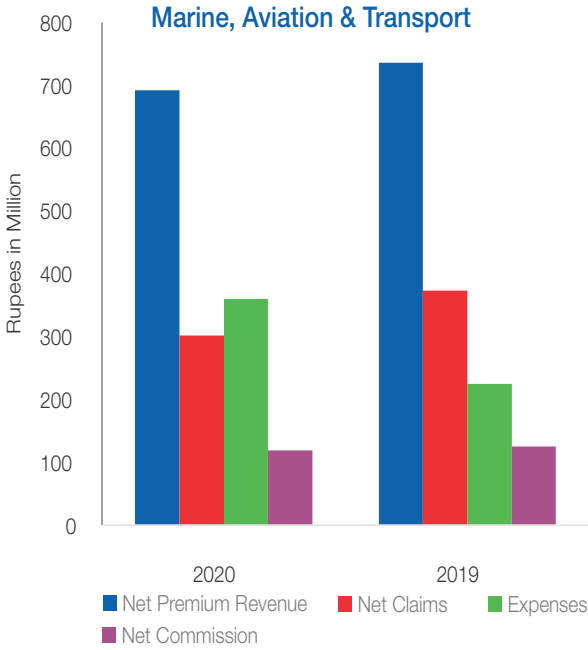
سرمایہ کاری پر منافع بھی گزشتہ سال کے 5% کے مقابلے میں 4% ہو گیا۔

منافع قبل از ٹیکس گزشتہ سال کے 2,532.9 ملین روپے کے مقابلے میں 1,910.1 ملین روپے یعنی 25% کم رہا۔ جبکہ منافع بعد از ٹیکس 1,875.5 ملین روپے رہا جو گزشتہ سال کے 1,812.9 ملین روپے کے مقابلے میں 3.45% زیادہ ہوا۔

شعبہ جات کا تجزیہ

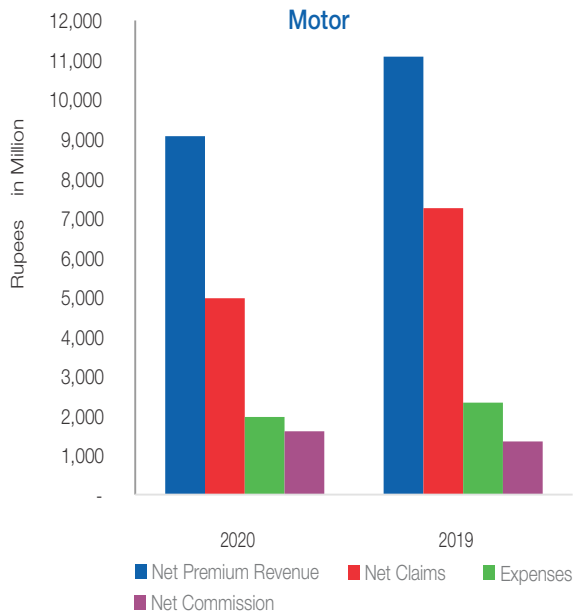
آتشزدگی اور املاک

آتشزدگی اور املاک کے شعبے کا حصہ کل شعبہ کے 37% پر مشتمل ہے۔ دوران سال کمپنی نے مجموعی پریمیئم 6,773.3 ملین روپے درج کیا (2019: 7,436.6 ملین روپے)۔ کل پریمیئم پر کل دعووں کی شرح گزشتہ سال کی 45% شرح کے مقابلے میں اس سال بڑھ کر 86% ہو گئی۔ کل دعووں کی متجاوز شرح کے نتیجے میں آگ اور املاک کے شعبے میں 2019 کے 85.1 ملین روپے کے منافع کے مقابلے میں 255.7 ملین روپے کا خسارہ درج کیا گیا۔

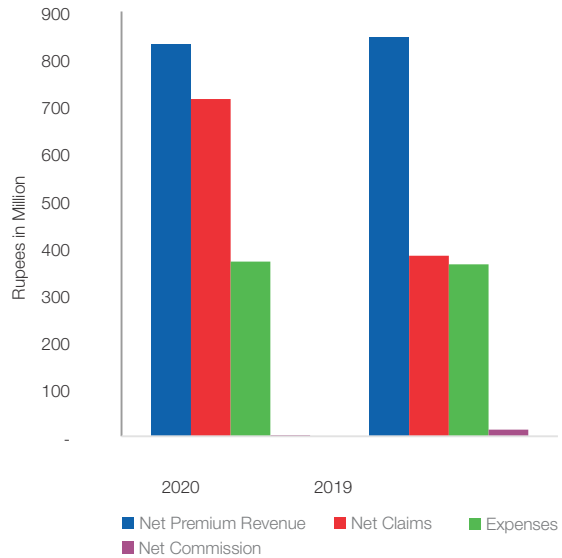


موٹر

اس شعبے کا کاروبار کل شعبہ کے 40% پر مشتمل ہے۔ دوران سال کمپنی نے مجموعی پریمیئم 7,402.3 ملین روپے درج کیا جس کے مقابلے میں 2019 میں یہ 10,304.3 ملین روپے تھا۔ کل پریمیئم کے کل دعووں کی شرح موجودہ سال 55% ہے جس کے مقابلے میں 2019 میں 65% تھی۔ یہ شعبہ موجودہ سال درج شدہ منافع 535.6 ملین روپے ظاہر کرتا ہے جس کے مقابلے میں 2019 میں 174.5 ملین روپے تھا۔



Fire & Property Damage



آبی فضائی اور ذرائع آمدورفت

آبی، فضائی اور ذرائع آمدورفت کا شعبہ کل شعبہ کے 5% پر مشتمل ہے۔ موجودہ سال کمپنی کا کل درج شدہ پریمیئم 981.7 ملین روپے رہا جس کے مقابلے میں 2019 میں کمپنی کا کل درج شدہ پریمیئم 903.9 ملین روپے تھا۔ خالص دعووں کی شرح گھٹ کر 44% ہو گئی جو گزشتہ سال 51% تھی۔ یہ پورٹ فولیو موجودہ سال

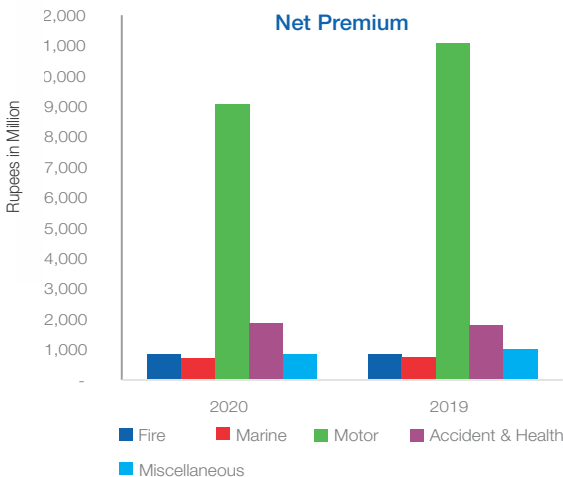
ڈائریکٹر کی رپورٹ

غیر اشتهال شدہ حسابات پر ممبران کو ڈائریکٹر کی رپورٹ

موجود ہیں تاکہ کووڈ-19 یا کسی بھی غیر متوقع حالات کی وجہ سے اگر دفتر کو خالی کرنا ناگزیر ہو تو اپنے کاموں کے تسلسل کو برقرار رکھنے کو یقینی بنایا جاسکے۔

کمپنی کی کارکردگی 2020 میں وبائی بیماری کے علاوہ دیگر عوامل کی بناء پر بھی متاثر ہوئی۔ تاہم کمپنی نے منفی اثرات کو کم سے کم کرنے اور پائیدار افزائش کی حکمت عملی کو جاری رکھنے کے لئے خطرات سے نبرد آزما ہونے کے لئے اپنی توجہ دور اندیشی سے مرکوز رکھی۔

سن 2020 میں مجموعی پریمیئم گھٹ کر 18,279 ملین روپے ہو گیا (ونڈو تکافل آپریشنز کے ذریعے حاصل کردہ 1,525.5 ملین روپے کے علاوہ) جو کہ سن 2019 میں 22,507 ملین روپے تھا (ونڈو تکافل آپریشنز کے ذریعے حاصل کردہ 1,212.5 ملین روپے کے علاوہ)۔ خالص پریمیئم (13,295 ملین روپے) کا تناسب جو درج شدہ کل خالص پریمیئم کا 73% فیصد تھا 2019 میں خالص پریمیئم برقرار رکھنے کا تناسب 69% (15,434 ملین روپے) تھا۔



ہم بورڈ آف ڈائریکٹرز کی جانب سے آپ کی کمپنی کی 60 ویں سالانہ رپورٹ بمعہ اختتام سال 31 دسمبر 2020 کے لئے پڑتا ل شدہ غیر اشتهال شدہ مالی گوشوارے، مسرت کے ساتھ پیش کر رہے ہیں۔

معاشی جائزہ

سال 2020 میں دنیا کی معیشت اور ساتھ ہی ساتھ پاکستان کی معیشت پر غیر معمولی دباؤ دیکھا گیا جس کی بنیادی وجہ کووڈ-19 کی دنیا بھر میں پھیلی واپاء اور اس سے متعلق عالمی اور مقامی لاک ڈاؤن کے اثرات ہیں۔ مالی سال 2019-20 کے دوران پاکستان کی معیشت کی افزائش منفی 0.38 فیصد تک ہو گئی۔ معیشت پر کووڈ-19 کی واپاء کے دباؤ کو کم کرنے اور اس پر قابو پانے کے لئے بینک دولت پاکستان نے متعدد اقدامات کئے جن میں اپنی پالیسی کی شرح میں اجتماعی طور پر 625 بنیادی پوائنٹس میں کمی، متعدد مالی امدادی پروگراموں کو متعارف کروانے، جیسے کہ اجرتوں میں ری فائنانسنگ اسکیم تاکہ برطرفیاں نہ کی جاسکیں، ادائیگیوں میں تاخیر اور تنظیم نو کی، اسپتالوں کو کووڈ-19 سے نبرد آزما ہونے کے لئے ری فائنانسنگ اسکیم اور نئے منصوبوں کے قیام یا توسیع کے لئے ری فائنانسنگ اسکیم شامل ہیں۔ ان پروگراموں نے معیشت پر دباؤ کو گھٹانے میں اہم کردار ادا کیا اور کاروباری اداروں کی بڑی تعداد نے ان پروگراموں سے استفادہ کیا۔

جہاں تک پاکستان اسٹاک ایکسچینج (پی ایس ایکس) کا تعلق ہے تو، کراچی اسٹاک ایکسچینج 100 اشاریہ دوران سال اونچ نیچ کا شکار رہا جس میں اشاریہ پہلی سہ ماہی میں گھٹنے ہوئے 27,229 پر آ گیا پھر اگلی سہ ماہیوں میں بہتری آئی۔ تاہم کراچی اسٹاک ایکسچینج 100 اشاریہ نے 2019 میں 9.9% کے ریٹرن کے برخلاف 2020 میں 7.4% کے ریٹرن درج کئے۔

Standard & Poor's کی پاکستان کی طویل مدتی کریڈٹ ریٹنگ 'بی- منفی' کو مستحکم نظریے کے ساتھ تقویض کر دی گئی ہے۔

کمپنی کی کارکردگی کا جائزہ

زیر جائزہ سال خاص طور پر کووڈ-19 کے وبائی امراض کی وجہ سے لاک ڈاؤن کے دوران ایک چیلنج رہا۔ تاہم ایک مؤثر منصوبہ بندی، مستعد افرادی قوت اور آئی ٹی کے بنیادی ڈھانچے کی بدولت کمپنی نے اپنے تمام امور لاک ڈاؤن کے دوران دور دراز مقامات پر گھریٹھے کام (ورک فرام ہوم) کے ذریعے منظم طور پر انجام دیئے۔ ملازمین کو کام کو جاری رکھنے اور تمام حصے داران کے ساتھ رابطے بحال رکھنے کے لئے ضروری ہارڈ ویئر، سوفٹ ویئر اور رابطے کے ذرائع فراہم کئے گئے پریمیئم جمع کرنے اور ہر قسم کی ادائیگیوں کی وصولی کے لئے ڈیجیٹل کے ساتھ ساتھ روایتی ذرائع استعمال کئے گئے۔

چونکہ دفتر کے احاطے میں کاروباری سرگرمیاں دوبارہ جاری ہو چکی تھیں، لہذا احتیاطی تدابیر پر سختی سے عمل کیا گیا اور خلاف ورزی کی صورت میں بالکل بھی رواداری نہیں برتی گئی۔ مزید یہ کہ کمپنی کے پاس مختلف شہروں میں متبادل مقامات

Statement of Compliance with Listed Companies

(Code of Corporate Governance) Regulations, 2019, and Code of Corporate Governance for Insurers, 2016

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

The Insurer has applied the principles contained in the Codes in the following manner:

1. The Insurer encourages representation of independent non-executive directors and directors representing minority interests on its Board of directors (the Board). At present, the Board includes 8 directors:

- I. 7 Male
- II. 1 Female

Category	Names
Independent Directors	Muhammad Anees Mohammad Arif Hameed
Executive Director	Muhammad Ali Zeb
Non-Executive Directors (Male)	Ibrahim Shamsi Imran Maqbool Shaikh Muhammad Jawed Umer Mansha
Non-Executive Director (Female)	Sadia Younas Mansha

All independent directors meet the criteria of independence as laid down under the Codes.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFIs or, being a member of stock exchange, has been declared as a defaulter by a stock exchange.
4. No casual vacancy occurred on the Board during the year 2020.
5. The Company has prepared a statement of ethics and business practices and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, and the key officers, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.
9. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and the Regulations.
10. The Board has established a system of sound internal control, which is effectively implemented at all levels within the Company. The Company has adopted and complied with all the necessary aspects of internal controls given in the Code.
11. The Board arranged one Orientation course(s)/training programs after election of directors in May 2019 for its directors to apprise them of their duties and responsibilities. During the year, a Directors Training Program could not be managed as few programs were offered due to Covid-19 pandemic.
12. There was no change of Chief Financial Officer and Company Secretary during the year. The appointment of Head of Internal Audit has been approved by the Board. The Board had approved the remuneration of Chief Financial Officer, Company Secretary and Head of Internal Audit Department.
13. The directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance for Insurers, 2016 and fully describes the salient matters required to be disclosed.
14. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
15. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding.
16. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance for Insurers, 2016.
17. The Board has formed the following Management Committees:

Underwriting Committee:

Name of the Member	Category
Umer Mansha	Chairman
Muhammad Ali Zeb	MD & CEO
Asif Jabbar	Head of Underwriting

Claim Settlement Committee:

Name of the Member	Category
Muhammad Ali Zeb	Chairman
Muhammad Asim Nagi	Chief Financial Officer
Syed Ameer Hassan Naqvi	Head of Claims

Risk Management & Compliance Committee:

Name of the Member	Category
Muhammad Ali Zeb	Chairman
Muhammad Asim Nagi	Chief Financial Officer
Asif Jabbar	Head of Risk Management
Syed Ameer Hassan Naqvi	Head of Compliance /Claims
Tameez ul Haque	Company Secretary
Imran Ali	Head of Internal Audit

Reinsurance & Coinsurance Committee:

Name of the Member	Category
Muhammad Ali Zeb	Chairman
Muhammad Salim Iqbal	Head of Reinsurance
Asif Jabbar	Head of Underwriting
Adnan Ahmad Chaudhry	Head of Commercial

18. The Board has formed the following Board Committees:

Ethics, Human Resources and Remuneration Committee:

Name of the Member	Category
Muhammad Anees	Chairman - Independent Director
Ibrahim Shamsi	Member - Non-Executive Director
Muhammad Ali Zeb	Member - Executive Director
Umer Mansha	Member - Non-Executive Director

Investment Committee:

Name of the Member	Category
Umer Mansha	Chairman - Non-Executive Director
Imran Maqbool	Member - Non-Executive Director
Muhammad Ali Zeb	Member - Executive Director
Muhammad Asim Nagi	Member - Chief Financial Officer

19. The Board has formed an Audit Committee. It comprises of four members, of whom one is an independent director and 3 are non-executive directors. The chairman of the Committee is an independent / non-executive director. The composition of the Audit Committee is as follows:

Audit Committee:

Name of the Member	Category
Muhammad Anees	Chairman - Independent Director
Ibrahim Shamsi	Member - Non-Executive Director
Shaikh Muhammad Jawed	Member - Non-Executive Director
Umer Mansha	Member - Non-Executive Director

20. The terms of references of the Committees have been formed, documented and advised to the Committees for compliance.

21. The frequency of meetings of the committees were as per following;

- a) Audit Committee: quarterly meetings;
- b) Ethics, Human Resource and Remuneration Committee: Once a year;
- c) Investment Committee: quarterly meetings
- d) Management Committees: quarterly meetings

22. The Board has outsourced the internal audit function to A.F. Ferguson & Co., Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they (or their representatives) are involved in the internal audit function on a full-time basis.

23. The Chief Executive Officer, Chief Financial Officer, Compliance Officer and the Head of Internal Audit possess such qualification and experience as required under the Code of Corporate Governance for Insurers, 2016. The Appointed Actuary of the Company also meets the conditions as laid down in the said Code. Moreover, the persons heading the underwriting, claims, reinsurance, risk management and grievance functions / departments possess qualification and experience of direct relevance to their respective functions, as required under Section 12 of the Insurance Ordinance, 2000 (Ordinance No XXXIX of 2000);

Name	Designation
Muhammad Ali Zeb	Chief Executive Officer
Muhammad Asim Nagi	Chief Financial Officer
Imran Ali	Compliance Officer
Shahraiz Hussain	Actuary
Tameez ul Haque	Company Secretary
Imran Ali	Head of Internal Audit
Asif Jabbar	Head of Underwriting
Syed Ameer Hassan Naqvi	Head of Claims
Muhammad Saleem Iqbal	Head of Reinsurance
Asif Jabbar	Head of Risk Management
Syed Ameer Hassan Naqvi	Head of Grievance Dept.

24. The statutory auditors of the Company have been appointed from the panel of auditors approved by the Commission in terms of Section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
25. The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
26. The Board ensures that the appointed actuary complies with the requirements set out for him in the Code of Corporate Governance for Insurers, 2016.
27. The Board ensures that the investment policy of the Company has been drawn up in accordance with the provisions of the Code of Corporate Governance for Insurers, 2016.
28. The Board ensured that the risk management system of the Company is in place as per the requirement of the Code of Corporate Governance for Insurers, 2016.
29. The Company has set up a risk management function / department, which carries out its task as covered under the Code of Corporate Governance for Insurers, 2016.
30. The Board ensures that as part of the risk management system, the Company gets itself rated from the credit rating agency which is being used by its risk management function / department and the respective Committee as a risk monitoring tool. The rating assigned by PACRA and AM Best was 'AA +' and 'B' in March 2020 and February 2020, respectively.
31. The Board has set up a grievance function, which fully complies with the requirements of the Code of Corporate Governance for Insurers, 2016.
32. We confirm that all other material principles contained in the Code of Corporate Governance for Insurers, 2016 and all the requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 have been complied with.

By Order of the Board


Umer Mansha
Chairman

Date: 23 February 2021

Independent Auditors' Review Report

TO THE MEMBERS OF ADAMJEE INSURANCE COMPANY LIMITED

REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2016 AND 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 (the Regulations) and the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors (the Board) of Adamjee Insurance Company Limited for the year ended December 31, 2020 in accordance with the requirements of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. 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.

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 Regulations as applicable to the Company for the year ended December 31, 2020.



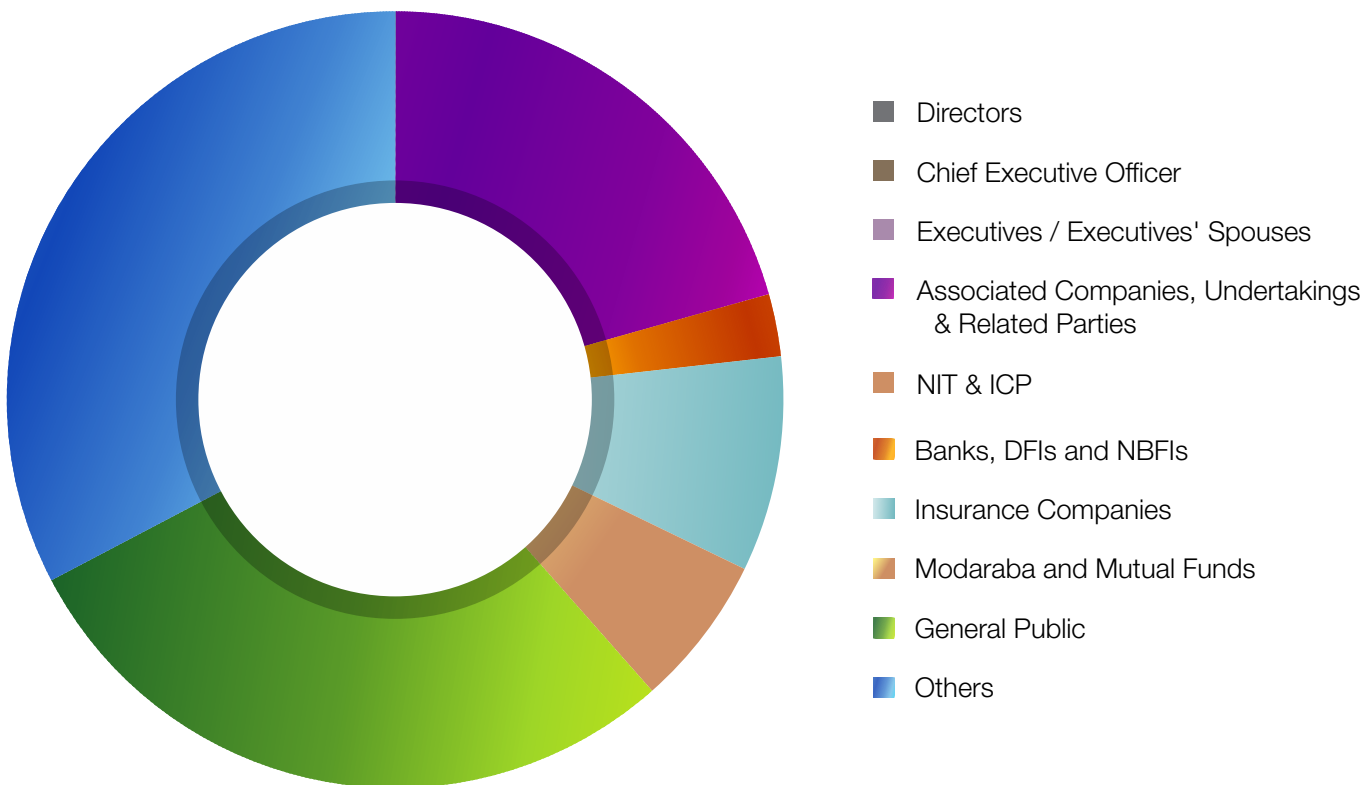
Chartered Accountants

Lahore: 23 February 2021

Ownership / Shareholding Structure

Ownership Structure

The Company has a diversified ownership structure as detailed below:



Categories Of Shareholders	Number of Shares	Stake %
Directors	111,705	0.032
Chief Executive Officer	7,073	0.002
Executives / Executives' Spouses	104	-
Associated Companies, Undertakings & Related Parties	72,047,050	20.585
NIT & ICP	2,164	0.001
Banks, DFIs and NBFIs	9,091,203	2.597
Insurance Companies	31,378,884	8.965
Modaraba and Mutual Funds	22,081,051	6.309
General Public	100,827,630	28.808
Others	114,453,136	32.701
	<u>350,000,000</u>	<u>100.000</u>

Operating Structure

The Board of Directors has delegated authority to the Chief Executive Officer (CEO) to manage the day to day operations of the Company. Board Meetings are held in every quarter to review the performance of the Company. The CEO presents details of the important events held during the period. The Board of Directors has constituted Board Committees which lays down guidelines for the functioning and operations of various departments. Departments are headed by learned and experienced professionals who run the operations through committed and skilled managers and staff.

Standing Operating Procedures have been formulated, documented and explained to all concerned and are available as ready reckoners. Responsibilities of each individual, may he/she be an executive, mid line manager or a lower staff have been defined and displayed at the sight of his/her duty.

Important, crucial and sensitive issues are resolved during the meetings of Head of Departments/ Team Leaders with the CEO and or during the Management Committee. Issues staying unresolved especially those relating to Underwriting, Re-insurance, Claim Settlement and Risk Management are put before the relevant Committee for review and decisions.

To effectively manage the employees and improve their emotions, teamwork, build trusting relationships and increase employee retention, AICL's core values "Humility - Empathy, Self-esteem & Respect in all relationships" and Fun at workplace - Work-life balance" are enforced.

Relationship with Group Companies & its Nature

Adamjee Life Assurance Company Limited is a wholly owned subsidiary of Adamjee Insurance Company Limited. Common directorship of Directors among the companies is the main basis of relationship. Such companies are categorised as associated companies, of the Company.

Name of independent Directors and justification for their independence

The Listed Companies (Code of Corporate Governance) Regulations, 2019 in Regulation 6 makes it mandatory that each Listed Company shall have at least two or one third members of the Board, whichever is higher, as independent directors.

The Companies Act, 2017 in Section 166 directs that an independent director to be appointed shall be selected from a data bank maintained by Pakistan Institute of Corporate Governance - an institute notified by the Commission.

In compliance with the above Regulations and the Act, the below two directors were selected:

- | | | |
|-----|--------------------------|----------------------|
| i. | Mr. Muhammad Anees | Independent Director |
| ii. | Mr. Mohammad Arif Hameed | Independent Director |

Statement on how Board operates

Under the Companies Act, 2017 and Memorandum & Articles of Association of the Company, the control of the Company's affairs vests with the Board. In order to facilitate them to operate, Chief Executive Officer is appointed by the Board executing a Power of Attorney in CEO's favor to delegate authority and empower him to run the Company's operations. CEO operates within the parameters of the delegated authority. Delegated authority is subject to review by the Board. The Board meets at regular intervals to keep an eye on operations and performance of the Company.

Decisions taken by the Board

The following are the important decisions taken by Board of Directors.

- To Issue shares.
- To Borrow moneys.
- To Invest the funds.
- To appoint or change Chief Executive of the Company & determine his remuneration.
- To fill the casual vacancy on the Board.
- To approve Financial Statements, quarterly, half yearly and yearly.
- To recommend final dividend and to declare interim dividend.
- To ensure that Rules and Regulations governing Company are complied with properly.
- To approve business plan including budget.

Decisions taken by the Management

All day to day operations are handled by the management team under the supervision of the CEO with a focus on the business plan and guidelines given by the Board. Management team performs duties within the powers delegated to them.

The management team sometimes comes across situation where they need guidance of superior authority the CEO refers these matters to the Chairman of the Board who either suggests the way to resolve or refers the matter to Board of Directors.

Performance evaluation of the Board members and its committees

The Board of Directors constituted a committee comprising of two directors to evaluate performance of the Board and its Committees. The Committee conducted a meeting which was coordinated by the Company Secretary. The performance of the Board and its Committees was evaluated and during the meeting various points were explained by the Secretary. The Committee submitted report on evaluation to all the Directors.

Board's Performance Evaluation by External Consultant

Performance of the Board was evaluated by the committee of directors formed for this purpose. However, the Company did not avail the services of external consultant during the year to evaluate performance of the Board.

Formal Orientation Courses for the Directors

The Board was constituted in May 2019 after election of directors. For the elected directors, an orientation session was held in October 2019. A consultant on corporate laws after board meeting, briefed the directors about their duties, responsibilities and about other matters, pertaining to them.

Directors Training Program

In the year 2020, none of the directors attended Directors' Training Program (DTP) nor any one availed exemption as few courses were offered due to Covid-19.

Directors' Remuneration

The Board of Directors has approved the remuneration of the members of the Board (Non-Executive Directors including independent directors) for attending meeting of the Board. The meeting fee of Rs. 10,000/- per meeting is paid to directors. Travel expense by air from city of residence to the city of the meeting are paid with hotel accommodation, if availed.

Policy regarding fee earned by Executive Director against his services as Non-Executive Director in other companies

Muhammad Ali Zeb – Managing Director & Chief Executive Officer of the Company serves in the board of following companies:

- Adamjee Life Assurance Company Limited (Subsidiary of Adamjee Insurance Company Limited)
- MCB Bank Limited
- Nishat Sutas Dairy Limited

Meeting fee earned by Muhammad Ali Zeb for serving on the Board of the above mentioned companies is retained by him because he does not serve on the board as nominee of AICL.

Policy for security clearance of foreign directors

The Company's Board of Directors consists of eight members and none of them is a foreign director. Hence, security clearance is not required.

Board's policy on diversity

Adamjee Insurance has a firm belief that diversity is an important factor in contributing to the Company's success as people with unique characteristics in terms of gender, knowledge, expertise and skills set add value and help the organization achieve its goals. At Adamjee, inclusiveness is always promoted in the organization's culture. Diversity and inclusion are the foundation for the Company's code of conduct and culture where every member of Board and employee comes from diverse backgrounds, at an individual level which includes capability, experiences, knowledge and at a social level which includes race, ethnicity, culture, religion and others. The Company believes that a diverse workforce plays a very significant role in enhancing efficiency at all levels of the organization.

Policy for Related Party transactions

The Company has formulated policy for related party transactions in accordance with the requirements of the Companies Act, 2017, Companies (Related Party Transactions and Maintenance of Related Records) Regulations, 2018 and Listed Companies (Code of Corporate Governance) Regulations, 2019. The policy has been duly approved by the Board of Directors.

The Company has related party relationships with its associates, subsidiary company, directors, employee retirement benefit plans, provident fund, key management personnel and other parties. Transactions are entered into with such related parties in ordinary course of business on arm's length basis for the issuance of policies to and disbursements of claims incurred by them, payments of rentals for the use of premises rented to / from them, payment & receipt of dividends and others.

These transactions have been reported and approved by the Board of Directors of the Company as recommended by the Audit Committee of the Board.

List of related parties along with summary of all transactions with them have been disclosed in annexed financial statements. Please refer to note 8, 9, 11, 15, 21 & 38 in unconsolidated financial statements.

Board meetings outside Pakistan

During the year 2020, all the Board meetings were convened in Pakistan using video-link facility.

Policy for actual and perceived conflict of interest

The Company is committed to the highest standards of corporate governance. In order to avoid, manage and monitor actual as well as perceived conflict of interest, the Chairman intimates in writing to all directors at the beginning of their term about their duties and making it obligatory for them to avoid or disclose any conflict of interest, whenever arises, in performing their professional duties for the Company.

Any director of the Company who is in any way interested in any contract or arrangement to be entered into by the Company is required to disclose the nature of his interest. Such director neither takes part in board meeting in which such contract or transaction is approved by the Board nor votes on such item.

The Company Secretary maintains a Register containing details of contracts in which directors have interest

Grievance policy

The Company assigns the grievances from investors as well as from policyholders their due importance and strives hard to resolve them as soon as possible. Handling the grievances to the satisfaction of the parties involved and in such a way that it turns out to be a win-win situation for stakeholders is important for the public image and as a learning for better service delivery in future.

The Company has provided all necessary details regarding lodging of complaints on its website.

Below is the detail, also available on the Company's website, of designated person for handling investors' as well as policyholders' complaints and grievances:

Mr. Imran Ali
Head of Internal Audit & Regulatory Compliance
Adamjee House 80/A, Block E-1, Main Boulevard, Gulberg-III, Lahore - 54000
Phone: 111-242-111 (Ext. 8056)
Email: info@adamjeeinsurance.com

Policy for safety records of the Company

The Company maintains records as per the requirements of the applicable laws and assigns due importance to the safety and availability of records stored in physical as well as digital form. Physical files and documents of the Company are placed in designated cabinets and racks in record rooms ensuring that these are protected from physical and environmental damages. Backups of records in digital forms are taken on regular basis and are stored on both onsite and offsite locations. Offsite backup tapes are maintained in secure and fire resistant storage locations. Samples from these backup tapes are restored on periodic basis to ensure the health of backup tapes.

IT Governance Policy

Information governance is an accountability and decision making framework put in place to ensure that the creation, storage, use, disclosure, archiving and destruction of information is handled in accordance with legal requirements and to maximize operational efficiency. It includes the processes, roles, policies and standards that ensure the compliant and effective use of information in enabling an organization to achieve its goals.

AICL IT governance policy is intended to set out the high level principles of information governance across the organization and to highlight key information and related policies to employees.

The primary goal of AICL IT Governance is to focus on:

- Stakeholder value of business investments in IT
- Financial transparency
- Customer-oriented service culture
- Agile responses to a changing business environment
- Optimization of service delivery costs
- Operational and staff productivity
- Compliance with internal policies
- Product and business innovation culture

Whistle blowing policy

The Company is committed to the highest possible standards of ethical, moral and legal business conduct. In keeping with this commitment, the Company has developed a 'Whistle Blowing Policy' detailing therein procedures to be followed for filing complaints under the policy and manners as to how these complaints are to be handled.

The objective of the whistle blowing policy is to provide an open communication channel to our employees and external parties such as shareholders, vendors, customer etc. to raise concerns, expose irregularities, help uncover financial malpractices, prevent fraud & forgeries, eliminate personal harassments, improper conduct or wrongdoing and to address the concerns or attend to grievances of those associated, without any fear of retaliation or adverse consequences.

Human Resource Management Policies including Succession Plan

Human Resource (HR) plays a pivotal role in smooth running of the routine operations of an organization and in achieving its goals. Therefore, the Company recognizes the importance of efficient and effective management of HR. The Company's talent-acquisition policies stems from unbiased criteria to hire individuals from any backgrounds provided they match the qualification and experience requirements. The Company also arranges various trainings, both, in-house and external, for the development of required skills among the employees. Other skill development technique i.e. job rotation, cross-functional transfers, assigning additional responsibilities etc. are also used to enhance knowledge and skill set of employees.

Succession planning is a process for identifying and developing new leaders, who can replace old leaders when they move on. Succession planning increases the availability of experienced and capable employees who are prepared to assume these roles as they become available. The Company has an effective and efficient 'Succession Plan' for its employees. Being an equal opportunity employer, the Company is committed to create a work environment that promotes employee safety, growth and goal attainment.

Social and environmental responsibility policy

Adamjee Insurance's social responsibility program addresses the key concerns in society related to health and education. The Company also reassures its responsibility towards its chief stakeholders in terms of overall sustainability through compliance, ethics and corporate citizenship. AICL has undertaken an array of initiatives, including improved communication and extensive training, to cultivate these aspects of its operations.

AICL has always strived to develop capabilities that are at par with the international players in the global insurance industry and this gives AICL an edge in the market. AICL ensures that initiatives are taken to include internal awareness campaigns, specific trainings in detailed regulatory areas and focused efforts on sensitive areas such as conflict of interest.

With environmental regulations becoming increasing strict and of utmost importance, environmental consciousness has become one of the key concepts in AICL's policy and consistently awareness sessions on environmental issues are conducted. AICL's advanced digital infrastructure allows it to work towards promoting paperless operations. Online services and electronic documentation help in reducing paper consumption which creates a very positive impact on the environment. In addition, AICL has also been awarded Certification of Green Office by WWF – 'To Reduce Ecological Footprint' which is a program that helps an organization cut down costs, reduce waste and create more environmental awareness. AICL has taken steps to reduce carbon footprint by reducing business travel and shifting to digital methods such as video conferencing.

Moreover, for energy conservation, AICL has installed LED technology in all of its offices and replaced conventional air conditioners with DC inverters. AICL also works towards reducing dry waste with proper system in place where the waste can be reused as raw material for other industries.

AICL aims to continue with its initiatives for environmental conservation in years to come and make sure that it adopts the global best practices.

Business continuity plan (BCP)

Businesses today face an unprecedented number of exposures with the potential to interrupt business activities. The frequency and severity of these exposures also seem to be increasing. Business continuity is a “holistic management process” that identifies potential threats to an organization and the impacts to business operations, those threats, if realized, might cause. It is the provision of a framework for building organizational resilience with the capability of an effective response that safeguards the interests of its key stakeholders, reputation, brand and value-creating activities.

- The Company has developed a comprehensive ‘Business Continuity & Disaster Recovery Plan’. Salient characteristics of the plan includes:
- Identification of key business services essential for the Company’s operations
- Identification and prioritization of the key activities and resources and policies and measures adopted for safeguarding of these activities and resources including but not limited to backing up of data
- Identification and evaluation of all sorts of possible threats that can interrupt business activities and can last over different time spans ranging from hour(s) to day(s) or even months
- Impact analysis that these threats could have on the business of the Company
- Recovery strategies to be followed, if any of such threats is materialized, to recover from disastrous situation with clear identification of roles of each member of disaster recovery team

The primary objective the Company’s BCP is to continue and manage business operations under certain circumstances by the introduction of appropriate resilience strategies, recovery objectives, business continuity, operational risk management considerations and crisis management to resume operations before unacceptable levels of impact arise.

The most recent example BCP in action was during Covid-19 lockdowns in 2020, when the Company’s BCP was triggered and executed successfully.

Salient features of TOR and attendance in meetings of the Board Committees

The Board of Directors of the Company has formed three Board Committees:

Audit Committee

Below are the salient features of the terms of reference of the Audit Committee:

- Determination of appropriate measures to safeguard the Company’s assets
- Review of annual and interim financial statements of the Company, prior to their approval by the Board, focusing on:
 - ✦ major judgmental areas
 - ✦ significant adjustments resulting from the audit
 - ✦ going concern assumption
 - ✦ any changes in accounting policies and practices
 - ✦ compliance with applicable accounting standards
 - ✦ compliance with these Regulations and other statutory and regulatory requirements and
 - ✦ all related party transactions

- Review of preliminary announcements of results prior to external communication and publication
- Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary)
- Review of management letter issued by external auditors and management's response thereto
- Ensuring coordination between the internal and external auditors of the Company
- Review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the company
- Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto
- Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of revenues and claims, receipts and payments, assets and liabilities and the reporting structure are adequate and effective
- Review of the Company's statement on internal control systems prior to endorsement by the Board and internal audit reports
- Instituting special projects, value for money studies or other investigations on any matter specified by the Board, in consultation with the Chief Executive Officer and to consider remittance of any matter to the external auditors or to any other external body
- Determination of compliance with relevant statutory requirements
- Monitoring compliance with these Regulations and identification of significant violations thereof
- Review of arrangement for staff and management to report to Audit Committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures
- Recommend to the Board the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the Company by the external auditors in addition to audit of its financial statements, measures for redressal and rectification of non-compliances with the Regulations. The Board shall give due consideration to the recommendations of the Audit Committee and where it acts otherwise it shall record the reasons thereof
- Consideration of any other issue or matter as may be assigned by the Board

Four meetings of the Audit Committee were convened during the year and below is the attendance of the members of the committee:

Name of Members	Status	Meetings Attended
Muhammad Anees	Chairman (Independent director)	4
Ibrahim Shamsi	Member (Non-executive director)	3
Shaikh Muhammad Jawed	Member (Non-executive director)	4
Umer Mansha	Member (Non-executive director)	4

Report of the Audit Committee

The Board Audit Committee (“the Committee”) comprises of four members, three of whom are Non-Executive Directors and one Independent Director who is the Chairman of the Committee.

Following are the members of the Committee:

Name of Members	Status	Role
Muhammad Anees	Independent Director	Chairman
Ibrahim Shamsi	Non-Executive Director	Member
Shaikh Muhammad Jawed	Non-Executive Director	Member
Umer Mansha	Non-Executive Director	Member

All the members of the Committee have relevant knowledge and experience of finance and accounting matters and most of them also fulfil the definition of being ‘financially literate’. Further, the Board is satisfied that the members of the Committee are competent and possess necessary skills and experience required to fulfil their responsibilities.

The Committee convened four meetings during the year.

Role of the Committee towards financial statements

The Committee is fully aware of its role in discharging its responsibilities for the significant issues in relation to the financial statements. Following are some of the key aspects the Committee considers in this regard:

- The Committee reviews the annual and interim financial statements of the Company, before these financial statements are recommended by the Committee to the Board for approval. This review by the Committee ensures the overall integrity of financial statements and focuses on:
 - ✦ Areas involving significant management judgements and assessing whether the judgements used by the management are appropriate.
 - ✦ Significant adjustments resulting from the audit, if any.
 - ✦ Validity of the Company’s ability to operate as going concern.
 - ✦ Compliance with applicable accounting standards along with any significant changes in accounting policies and practices.
 - ✦ All related party transactions.
 - ✦ Adequacy of disclosures
 - ✦ Proper and accurate accounting records have been maintained by the Company.

During this review, the Committee also obtains assurance from Head of Internal Audit that financial statements are prepared in accordance with all applicable regulatory requirements, present true and fair view of the state of the Company’s affairs and are free from material misstatements.

- The Committee reviews preliminary announcements of results before those are made public.
- The Committee reviews the management letter issued by external auditors and the management’s response to the observations highlighted by the external auditors.

Committee’s approach towards risk management and internal controls

The Committee oversees the Company’s Enterprise Risk Management (ERM) function and Internal Control Framework. Risk Management Committee of the management reports to the Audit Committee on quarterly basis regarding potential existing and emerging risks being faced by the Company along with monitoring mechanism in place to address the identified risks. These risks are analyzed with reference to their:

- Proper identification and categorization
- Consequences
- Impact on the Company's operations
- Probability of occurrence, and
- Controls in place to manage or mitigate the risks

The Committees also update the Board of Directors of these risks, monitoring mechanism and controls in place.

Role of Internal Audit to risk management and internal control

The internal audit is entrusted with the responsibility to assess the risk management process for its appropriateness and internal controls for their adequacy and effectiveness. The Company has an in-house Head of Internal Audit with unrestricted access to the Committee, while the internal audit activities are outsourced to one of the big four firms namely, A. F. Ferguson & Co. (A member firm of PwC network). The Internal Audit Team conducts audit of different functions and departments of the Company and submits its findings to the Audit Committee on quarterly basis. Both, Head of Internal Audit and Internal Audit Team have unrestricted access to management, staff, information systems and data files to ensure transparency and effectiveness of their audit processes.

Head of Internal Audit communicates the risks and deficiencies identified by the internal audit team to the Committee along with management responses thereto.

The Committee based on the findings of the internal audit function assesses the adequacy and effectiveness of the internal controls.

External Audit Process

The Committee has assessed the effectiveness of the external audit process by evaluation of the technical expertise, relevant experience, independence, adherence to timelines and satisfactory rating assigned by the Institute of Chartered Accountants of Pakistan to the audit firm.

Current statutory auditors, Yousuf Adil, Chartered Accountants, being eligible for reappointment expressed their consent and the Committee having assessed the effectiveness of their audit process recommended to the Board that 'Yousuf Adil, Chartered Accountants' be reappointed as statutory auditors of the Company for the year ending 31 December 2021.

The Company does not obtain non-audit services i.e. tax consultancy from the statutory auditors.

The Committee has evaluated the Annual Report of the Company and is satisfied that it is fair, balanced and understandable and it provides necessary information for the shareholders to assess the Company's position and performance, business model and strategy.

Covid-19 Pandemic related matters

The outbreak of Covid-19 pandemic brought many challenges for businesses in general during the current year. These challenges impacted many businesses adversely rendering their ability to operate as going concern in doubts. In order to evaluate the Company's ability to recover its receivables and maintain sufficient liquidity to meet the policyholder and other liabilities, the Committee exercised strict monitoring of cash and receivables position of the Company. The Committee using the video-link facility convened meetings with Chief Financial Officer (CFO) on quarterly basis where CFO updated the Committee regarding status of receivable balances, satisfactory pace of recovery of those receivables balances and cash & bank position of the Company.

Performance of the Audit Committee

The Board of Directors of the Company reviews the performance of the audit Committee on periodic basis. During the year, the Board constituted a committee comprising of two Non-Executive Directors to evaluate performance of the Audit as well as of other Board Committees. This evaluation of performance, in the context of Audit Committee, considers various factors including quality of the Audit Committee's report as well as various recommendations forwarded by the Audit Committee to the Board.



Muhammad Anees
Chairman Audit Committee
Adamjee Insurance Company Limited
Lahore

Ethics, Human Resources and Remuneration Committee

Below are the salient features of the terms of reference of the Committee:

- Recommendation to the Board for consideration and approval a policy framework for determining remuneration of directors (both executive and non-executive directors and members of senior management). The definition of senior management will be determined by the Board which shall normally include the first layer of management below the Chief Executive Officer level.
- Undertaking, annually, a formal process of evaluation of performance of the Board as a whole and its Committees either directly or by engaging external independent consultant and if so appointed, a statement to that effect shall be made in the Directors' Report disclosing therein name and qualifications of such consultant and major terms of his / its appointment.
- Recommending human resource management policies to the Board.
- Recommending to the Board the selection, evaluation, development, compensation (including retirement benefits) of chief operating officer, chief financial officer, company secretary and head of internal audit.
- Consideration and approval on recommendations of the Chief Executive Officer on such matters for key management positions who report directly to the Chief Executive Officer.

One meeting of the Committee was convened during the year with below attendance:

Name of Members	Status	Meetings Attended
Muhammad Anees	Chairman (Independent Director)	1
Ibrahim Shamsi	Member (Non-Executive Director)	1
Umer Mansha	Member (Non-Executive Director)	1
Muhammad Ali Zeb	MD & CEO (Executive Director)	1

Investment Committee

Below are the salient characteristics of the role and responsibilities of the Investment Committee:

- Formulate investment policy of the Company for Board's approval and ensure implementation of the policy.
- Define and monitor allowable exposure to various asset classes i.e. listed equities, unlisted equities, government securities, term finance certificates, mutual funds, real estate etc.
- Define and monitor allowable exposure in single entity and in related parties.
- Define, in investment policy, minimum rating requirement for rated instruments and other criterion for non-rated instruments.
- Define ineligible asset classes and securities.
- Ensure compliance with respect to issues relating to liquidity, exposure limits, stop loss limits including securities trading, management of all investment risks, management of assets and liabilities, scope of internal and external audit of investments and investment statistics and all other internal controls of investment operations.
- Monitor solvency position of the Company to ensure that requirement relating to minimum solvency as laid down in Insurance Ordinance, 2000 and rules and regulations made thereunder is met at all times.
- To assist the Board in reviewing the investment policy and its implementation at least once a year.

- Ensure adequate controls are implemented in investment functions and responsibilities are duly segregated into front, mid and back office.
- Review and approve investment and divestment proposals.
- Analyze performance of different sectors, impact of government policies on these sectors and decide line of action.
- Ensure that all proposed investment transactions comply with the investment policy and regulatory guidelines
- Review the overall investment portfolio of the Company with the objective of assessing adequacy of return being generated by the portfolio.

Four meetings of the Investment Committee were convened during the year and below is the attendance of the members of the committee:

Name of members	Status	Meetings attended
Mr. Umer Mansha	Chairman (Non-Executive director)	4
Mr. Imran Maqbool	Member (Non-executive director)	4
Mr. Muhammad Ali Zeb	MD & CEO (Executive director)	4
Mr. Muhammad Asim Nagi	Chief Financial Officer	4

Presence of the Chairman of Audit Committee in AGM

The Chairman of the Audit Committee remains present at the AGM to answer questions on the Audit Committee's activities and matters within the scope of the Audit Committee's responsibilities.

Use of external search consultancy in appointment of chairman or non-executive director

The Board of the Company was constituted in May 2019 after election of directors. At that time the Company used the database of 'Pakistan Institute of Corporate Governance' (PICG), an institute notified by the Commission, to appoint independent directors. However, during the year 2020, services of external search consultancy were not required.

Chairman's significant commitments and any changes

Chairman's significant commitments refer to his engagement in other entities. Umer Mansha, Chairman of the Board of Directors of the Company, has the following significant commitments:

Company	Designation
Nishat Mills Limited	Chief Executive Officer
Adamjee Life Assurance Company Limited	Chief Executive Officer
MCB Bank Limited	Non-Executive Director
Nishat Hotels & Properties Limited	Non-Executive Director
Nishat Developers (Pvt.) Limited	Non-Executive Director
Nishat Dairy (Pvt.) Limited	Non-Executive Director
Nishat (Raiwind) Hotels and Properties (Pvt.) Limited	Non-Executive Director
Nishat Agriculture Farming (Pvt.) Limited	Non-Executive Director
Hyundai Nishat Motor (Pvt.) Limited	Non-Executive Director
Nishat Agrotech Farms (Pvt.) Limited	Non-Executive Director
Nishat Sutas Dairy Limited	Non-Executive Director

Umer Mansha is also serving at MCB Bank Limited as the Chairman of the Board's Business Strategy & Development Committee, Information Technology Committee, Committee on Physical Planning & Contingency Arrangements and Write-off & Waiver Committee and is also a member of Audit Committee and Risk Management & Portfolio Review Committee.

Pandemic Recovery Plan by the Management and policy statement

Covid-19 pandemic has brought as many unexpected changes and has accelerated the needs for digitalization in nearly all service sector. AICL was well equipped with the digital infrastructure needed to cope with this change during and after the pandemic and as a result of it the pandemic has not affected.

However, this does not mean that the changing environment has been in favor of the business. The pandemic has been catastrophic for a lot of industries and has brought very unpredictable changes to the lifestyles and habits of the end consumers.

AICL aims to tackle this situation its high standards. It is continuously working on improving the customer experience through digital technology. AICL has set strict guidelines for compliance that are in line with international standards that match our customer expectations.

AICL has always worked for the betterment of its employees and customers during the difficult times of the pandemic, it continued working seamlessly with the support of its digital infrastructure and innovative techniques to bring best experience to its customers. Digital channels and online services are the new normal in the industry and future depends on digitalization of the business.

With the new challenges posed by the ongoing pandemic, business operation have been made more processes efficient and user friendly both employees and customers.

AICL continues to provide the best customer experience during the pandemic while is strictly adhering to the Government guidelines issued from time to time.

Cybersecurity policy

Insurance sector and cyber security in Pakistan has become highly competitive. To lead in this evolving market, insurance companies need to secure their information technology environment with strong security governance, latest technologies, security processes and mindset. This need has enabled AICL to be a market leader in security and protection of its policy holder's data with its secure architecture, skilled resources and stringent processes.

The SECP Guidelines on Cybersecurity Framework for Insurance Sector, 2020 became effective from 1st July 2020. AICL, always a step ahead, started adopting this framework prior to its official promulgation. The main objective was to protect the policy holder data and Company infrastructure from any unwarranted threats. Following steps have been taken to comply with the Cybersecurity guidelines issued by the SECP:

- A Cybersecurity Strategy has been developed in light of SECP's guidelines. It is based on our core guiding principles aligned with the Company's vision.
- A Cybersecurity Framework offers a blueprint for meeting all the regulatory requirements as well as putting in place the best possible defense against cyber-attacks. AICL has opted NIST (National Institute of Standards and Technology) as the Cybersecurity Framework (CSF) which is the best in its class.
- AICL has appointed a Virtual Chief Information Security Officer (vCISO) to develop and manage the implementation of its Cybersecurity program.
- ISO/IEC 27001 is being utilized for drafting Information Security Policies and Procedures.
- IT Risk Assessment is being carried out to ensure all vulnerabilities and shortfalls are addressed and managed properly. Assimilation of the assessment with Enterprise Risk Management of the organization is in progress.
- Vulnerability assessment and penetration testing (VAPT) is performed by a third party in order to identify and fill the gaps and to strengthen the security posture of the Company.
- AICL is in the process of implementing Security Information and Event Management (SIEM) solution to strengthen the security monitoring.
- AICL has developed and rolled out a comprehensive Cybersecurity Awareness Program for all the employees. This awareness has enabled the employees to think from security perspective before taking any action in their day-to-day work. The Cybersecurity Awareness trainings contain specialized content to highlight and address the importance of Information/Data Security, Privacy and Social Engineering. This training programs are also helping in enabling our employees to act as a human firewall in combating with any malicious attempt.

The idea is to incorporate Cybersecurity protocols in Adamjee Insurance's core so that it is easier to combat with any security threats or incidents in a more structured and efficient way.

Anti-Money Laundering and Countering Financing Terrorism Policy

Anti-Money Laundering and Counter Financing Terrorism (AML/ CFT) form the base line steps for the economies of this modern world, especially among the players of financial sector. Money Laundering (ML) and Terrorism Financing (FT) have harmful and injurious implications for a country's economic stability and good governance. Pakistan was grey-listed in June 2018 by Financial Action Task Force (FATF) because of its alleged ties with Islamist militant groups and its weak policies on anti-money laundering and combating the financing of terrorism (AML-CFT) regulations. Despite its best and concerted ongoing efforts necessary to ensure transparent and legal economic activity, it still continues with the same status of a non-cooperative nation running grey economy. Grey-listed nations suffer severe economic consequences such as: reduced foreign direct investments; imports and exports restrictions; sanctions on remittances, and limited access to international financial institutions.

Throughout the past decade, the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP) have been issuing various guidelines, circulars, and recently revised the most wanted and FATF centric regulations on AML / CFT 2020 for proper and vigorous enforcement, providing sufficient clarifications in improving domestic and international compliance.

Despite the fact that the risk level for ML / FT is not even rated as medium in the general insurance industry, Adamjee Insurance Company Limited (AICL) remained committed to fulfilling its obligations under above said directives and formulated a comprehensive policy and procedure approved by the Board of Directors of the Company. AICL's AML / CFT policy aims at safeguarding the interests of all stakeholders by combining modern techniques on the subject. This necessitated not only the Company's interest in its ongoing efforts for aligning its AML/ CFT steps with technological development in its operations/ procedures and equipping related tools with the most recent possible learning. At AICL, we are fully aware of the fact that the AML / CFT steps, once introduced will do well for some time, but will prove not sufficient to deal with the rapidly evolving aspects of new ML / TF risks. To face such arising eventualities and contingencies, the Board is committed to setting examples by leading from the front.

Access to Reports and Enquiries

Financial Reports

Annual Report 2020 and Quarterly reports may be downloaded from the Company's website: www.adamjeeinsurance.com or printed copies can be obtained by writing a request to the Company Secretary.

Shareholders' Enquiries

Shareholder's enquiries about their shares, dividends and share certificate can be directed to Company Secretary or Share Registrar at the following address.

Company Secretary
9th Floor, Adamjee House,
I.I. Chundrigar Road, Karachi.
CDC Share Registrar Services Limited
CDC House, 99-B, Block B, S.M.C.H.S,
Sharah-e-Faisal, Karachi.
Stock Exchange Listing

Adamjee Insurance Company Limited shares are listed on Pakistan Stock Exchange. The symbol code of the Company is AICL.

Chief Executive Officer's Review

CEO presentation video explaining the business overview, performance, strategy and outlook is available at the Company's website : <https://www.adamjeeinsurance.com/pak/investors.php#ceo-message>

Statement of Unreserved Compliance of International Financial Reporting Standards (IFRS) Issued by International Accounting Standards Board (IASB)

Management recognizes the responsibility of preparation and presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017, Insurance Ordinance, 2000, Insurance Rules, 2017, Insurance Accounting Regulations, 2017, Takaful Rules, 2012 and Takaful Accounting Regulations, 2019.

Accordingly, the Company's 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 Standards Board 'IASB' as are notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017, Takaful Rules, 2012 and the Takaful Rules, 2019.

In case the requirements differ, the provisions of or the directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017, Takaful Rules, 2012 and the Takaful Rules, 2019, shall prevail.

The annexed 2020 financial statements are duly audited by the statutory auditors of AICL in accordance with the International Standards of Auditing as applicable in Pakistan. Statutory auditors has issued an unqualified opinion and confirmed that the financial statements are prepared in conformity with the accounting and reporting standards as applicable in Pakistan.

The Board of Directors has reviewed and approved the annexed unconsolidated, consolidated and WTO financial statements. On behalf of the Board of Directors, the financial statements are signed by the Chairman, and two nominated Directors along with the Chief Executive Officer and the Chief Financial Officer.

Statement of Adherence with the International Integrated Reporting Framework

Economic dynamics have changed drastically and the Covid-19 Pandemic has brought many challenges and uncertainties. Digitalization is becoming the only way forward and is creating opportunities and avenues for further value creation for stakeholders, direct and indirect, of the Company. This value creation can be over different time frames; short, medium and long term. An integrated report describes this value creation process concisely including the business model, strategies, governance, processes, risks and opportunities.

The Company has vast experience and strong presence in the insurance sector, in Pakistan and abroad, with large and diverse customer base. The Company aims to deliver innovative customer solutions, owing to its wide-ranging line of products.

Since the Company always strives for best practices in corporate reporting for all stakeholders and general public, commitment towards adoption of International Integrated Reporting Framework is a step forward to give an overview of AICL's philosophy to explain connection between its financial and non-financial information, which would enhance the user's understanding as to how the Company works to improve its performance keeping in view the stakeholder's interests. The business strategy information is linked directly to business activities and non-financial information, and provides explanations accordingly. The Company will continue to hone the information produced to make it even easier to understand, while taking into account the interests of stakeholders reading this report.

The Company has included the following content elements for the users of this report:

- Organizational overview and external environment
- Strategy and resource allocation
- Risk and opportunities
- Governance
- Performance and position
- Outlook
- Stakeholders' relationship and engagement
- Sustainability and corporate social responsibility
- Business Model
- Excellence in corporate reporting

The Company's Annual Report 2020 covers the twelve month period from 1 January 2020 to 31 December 2020 and is consistent with our annual reporting cycle for financial and integrated reporting. The most recent published previous report was dated 31 December 2019.

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

The incharge of the Management of the business was Muhammad Ali Zeb, Managing Director & Chief Executive Officer and the report on the affairs of business during the year 2020 signed by Muhammad Ali Zeb, Ibrahim Shamsi and approved by the Board of Directors is part of the Annual Report 2020 under the title of “Directors’ Report to Members” and

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



Umer Mansha
Chairman



Ibrahim Shamsi
Director



Shaikh Muhammad Jawed
Director



Muhammad Asim Nagi
Chief Financial Officer



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer



A FORCE TO BE RECKONED WITH
**PERFORMANCE
AND POSITION**

Performance Evaluation Against Targets / Budgets

The Company prepares Annual Business Plan which mainly comprises of Annual Budget for the coming year. The objective of Annual Budget is to use it as a control tool to periodically gauge the operational performance of the Company against the preset annual targets. The Budget objectives are communicated to the relevant managers at the start of the year which also acts as a yard stick for evaluating the performance of different functions and departments on periodic basis and to make corrective decisions and actions where needed. Annual Budget is also broken down into monthly budget to compare the actual results with budgeted figures to identify monthly variances together with their reasons which are subject to rigorous review and follow up in subsequent monthly performance reviews. The process enables the management to ensure all the functions and departments are aligned towards the achievement of overall Company objectives.

During the year, the Company reassessed the Initial Budget figures and flexed it based on changes in initial high level assumptions.

Business Growth

The business growth during the year stayed negative compared with both initial yearly target and last year figures. This was mainly attributed to overall negative growth of economy and challenging conditions due to Covid-19 pandemic. The decline in premium is largely due to drop in retail portfolios whereas the Company continued to retain its majority portion of the corporate portfolio by offering best professional services to its customers.

Investment Income

Current year witnessed a decline in investment income both from last year and initial budgeted investment income. This is largely owed to lower dividend payout from the banking segment of the equity portfolio due to temporary restrictions on dividend distribution imposed by the State Bank of Pakistan for two quarters (2nd & 3rd) during Covid-19 situation. The Company cautiously followed the development of the changing conditions and flexed its initial Budget to make it more realistic. Management ensures that revised targets are met by careful monitoring the investment returns against the revised targets and carry out actions, if required.

Operational Profitability

The Company succeeded in meeting its operational profitability objectives based on revised profitability targets adjusted for changes in assumptions of business growth and overall economic indicators brought about by volatility in the overall economic environment surrounding the business. The Company had to make adjustments in initial forecasts due to unforeseen circumstances creative by Covid-19 pandemic as well as torrential rains and floods during August 2020.

Six Years Financial Performance (2015 - 2020)

		2020	2019	2018	2017	2016	2015
Balance Sheet							
Paid Up Capital	Rs. Mln	3,500	3,500	3,500	3,500	3,500	3,500
Reserves	""	4,487	4,555	3,784	5,001	6,278	1,409
Equity	""	22,235	21,380	19,663	20,364	21,872	14,561
Investments (Book Value)	""	22,589	21,781	21,006	18,649	17,359	16,220
Investments (Market Value)	""	26,596	25,888	24,114	23,749	24,337	20,780
Investment Property	""	402	402	-	-	-	-
Fixed Assets	""	4,556	4,301	3,593	2,632	1,250	1,301
Cash & Bank Deposits	""	1,312	1,177	2,211	2,279	3,811	2,072
Other Assets	""	16,654	17,770	17,926	18,727	16,242	12,787
Total Assets	""	49,520	49,538	47,845	47,388	45,640	32,380
Total Liabilities	""	27,285	28,158	28,182	27,023	23,768	17,819
Operating Data							
- Conventional							
Gross Premium	""	18,279	22,507	20,387	18,522	16,270	13,639
Net Premium	""	13,295	15,434	13,806	11,535	9,615	7,747
Net Claims	""	7,987	9,877	8,386	7,434	6,210	5,223
Net Commission	""	1,833	1,507	1,280	1,090	763	558
Underwriting Result	""	376	654	816	557	1,078	242
Financial Charges	""	15	8	-	-	-	-
Total Expenses	""	3,161	3,100	3,438	2,683	2,329	2,178
Investment Income	""	1,093	1,372	1,285	1,494	3,502	2,404
Profit Before Tax	""	1,910	2,533	2,174	2,121	4,054	2,214
Profit After Tax	""	1,876	1,813	1,239	1,221	3,492	1,943
- Window Takaful Operations							
Gross contribution written	""	1,526	1,213	1,102	743	187	-
Net contribution revenue	""	745	617	669	262	19	-
Net takaful claims - reported / settled	""	692	531	402	300	29	-
Underwriting Result - PTF	""	46	72	(8)	(38)	(5)	-
Surplus / (Deficit) - PTF	""	92	110	7	(31)	(5)	-
Wakala fee	""	409	324	253	176	23	-
Profit before taxation	""	164	108	79	67	4	-
Profit after taxation	""	116	77	53	47	3	-
Cash Flow Summary							
Operating activities	""	648	(93)	1,892	1,060	222	838
Investing activities	""	280	3	(1,274)	(1,210)	2,225	254
Financing activities	""	(793)	(944)	(685)	(1,383)	(1,036)	(1,071)
Share Information							
Break-Up Value Per Share	Rs.	63.53	61.09	56.18	58.18	62.49	45.00
No. of Shares	Rs. Mln	350	350	350	350	350	350
Share Price at Year End	Rs.	39.32	42.09	42.02	52.00	74.14	56.51
Highest Share Price During Year	Rs.	47.45	47.70	60.25	82.50	79.79	61.12
Lowest Share Price During Year	Rs.	24.10	26.00	38.10	43.02	46.70	38.08
KSE 100 Index		43,755.38	40,735.08	37,066.67	40,471.48	47,806.97	32,816.00
Market Price to Break-Up Value	Times	0.62	0.69	0.75	0.89	1.19	1.26
Face Value	Rs.	10.00	10.00	10.00	10.00	10.00	10.00
Market Capitalization - Amount	Rs. Mln	13,762.00	14,731.50	14,707.00	18,200.00	25,949.00	19,778.50
Distribution							
Dividend Per Share	Rs.	2.75	2.50	2.00	4.00	3.00	3.00
Total Dividend - Amount	Rs. Mln	962.50	875.00	700.00	1,400.00	1,050.00	1,050.00
Cash Dividend	%	27.50	25.00	20.00	40.00	30.00	30.00
Bonus Shares	%	-	-	-	-	-	-
Total Dividend	%	27.50	25.00	20.00	40.00	30.00	30.00

Six Years Financial Performance (2015 - 2020)

Horizontal Analysis - Balance Sheet and Income Statement

	2020	2019	2018	2017	2016	2015	2020	2019	2018	2017	2016	2015
	Rs. Mln						% increase /(decrease) over preceding year					
Balance sheet												
Assets												
Cash and Bank Deposits	1,312	1,177	2,211	2,279	3,811	2,898	11.5	(46.8)	(3.0)	(40.2)	31.5	0.7
Loans to Employees	45	49	45	43	18	17	(9.1)	10.0	4.7	138.9	5.9	21.4
Investments	26,596	25,888	24,114	23,749	24,337	15,393	2.7	7.4	1.5	(2.4)	58.1	14.2
Deferred Taxation	-	-	-	-	-	84	-	-	-	-	(100.0)	(13.4)
Current Assets-others	16,020	17,295	17,499	18,444	16,125	12,687	(7.4)	(1.2)	(5.1)	14.4	27.1	11.8
Fixed Assets	4,556	4,301	3,594	2,632	1,250	1,301	5.9	19.7	36.6	110.6	(3.9)	16.8
Investment Property	402	402	-	-	-	-	-	100.0	-	-	-	-
Total assets of WTO-OP	589	426	382	241	99	-	38.2	11.6	58.5	143.4	100.0	-
Total Assets	49,520	49,538	47,845	47,388	45,640	32,380	(0.0)	3.5	1.0	3.8	41.0	11.9
Liabilities and Equity												
Total Equity	22,235	21,380	19,663	20,365	21,872	14,561	4.0	8.7	(3.4)	(6.9)	50.2	6.6
Underwriting Provisions	19,380	20,848	20,784	20,639	17,184	13,125	(7.0)	0.3	0.7	20.1	30.9	11.7
Deferred Taxation	1,375	1,330	944	1,567	2,223	-	3.4	40.9	(39.8)	(29.5)	100.0	-
Deferred Liabilities	212	225	199	154	81	116	(5.8)	13.1	29.2	90.1	(30.4)	9.6
Borrowings	166	-	-	-	-	-	100.0	-	-	-	-	-
Creditors and Accruals	1,806	1,719	2,206	1,884	1,661	4,502	5.1	(22.1)	17.1	13.4	(63.1)	35.6
Other Liabilities	4,103	3,840	3,819	2,638	2,573	75	6.8	0.5	44.8	2.5	3,340.2	(21.6)
Total liabilities of WTO-OP	243	196	230	141	46	-	24.0	(14.8)	63.1	206.5	100.0	-
Total Equity and Liabilities	49,520	49,538	47,845	47,388	45,640	32,380	(0.0)	3.5	1.0	3.8	41.0	11.9
Profit and Loss Account												
Revenue account												
Net Premium Revenue	13,295	15,434	13,806	11,535	9,615	7,747	(13.9)	11.8	19.7	20.0	24.1	22.9
Net claims	7,987	9,877	8,386	7,434	6,210	5,223	(19.1)	17.8	12.8	19.7	18.9	15.2
Underwriting Expenses	3,099	3,397	3,324	2,576	1,615	1,556	(8.8)	2.2	29.0	59.5	3.8	4.9
Net Commission	1,833	1,507	1,280	1,090	763	558	21.6	17.8	17.4	42.9	36.7	54.1
Unexpired risk reserve	-	-	-	(122)	(50)	169	-	-	(100.0)	142.5	(129.8)	100.0
Underwriting Result	376	654	816	557	1,078	242	(42.5)	(19.9)	46.5	(48.3)	346.0	(422.2)
Investment Income	1,093	1,372	1,285	1,494	3,502	2,404	(20.4)	6.8	(14.0)	(57.3)	45.7	16.7
Rental Income	113	30	7	9	6	6	275.2	329.1	(22.2)	39.6	1.7	5.7
Other income	231	64	95	96	178	185	260.6	(32.7)	(1.0)	(46.0)	(3.7)	51.4
Change in fair value of investment property	-	12	-	-	-	-	(100.0)	100.0	-	-	-	-
Other / General And Administration Expenses	62	59	73	44	630	571	5.7	(19.2)	65.9	(93.0)	10.4	17.7
Exchange Gain / (Loss)	12	5	6	5	(2)	6	167.3	(23.1)	20.0	(412.5)	(127.1)	100.0
Finance Charges on Lease Liabilities	15	8	-	-	-	-	80.1	100.0	-	-	-	-
Workers' welfare fund charge / (reversal)	-	(356)	41	63	83	58	100.0	(967.7)	(34.9)	(23.8)	43.4	37.3
Profit before tax from WTO-OP	164	108	79	67	4	-	52.1	36.3	17.9	1,559.2	100.0	-
Profit Before Tax	1,910	2,533	2,174	2,121	4,054	2,214	(24.6)	16.5	2.5	(47.7)	83.1	39.5
Provision for taxation	35	720	935	900	561	272	(95.2)	(23.0)	3.9	60.4	106.3	80.1
Profit after Tax	1,875	1,813	1,239	1,221	3,493	1,942	3.4	46.3	1.5	(65.0)	79.8	35.3

Six Years Financial Performance (2015 - 2020)

Vertical Analysis - Balance Sheet and Income Statement

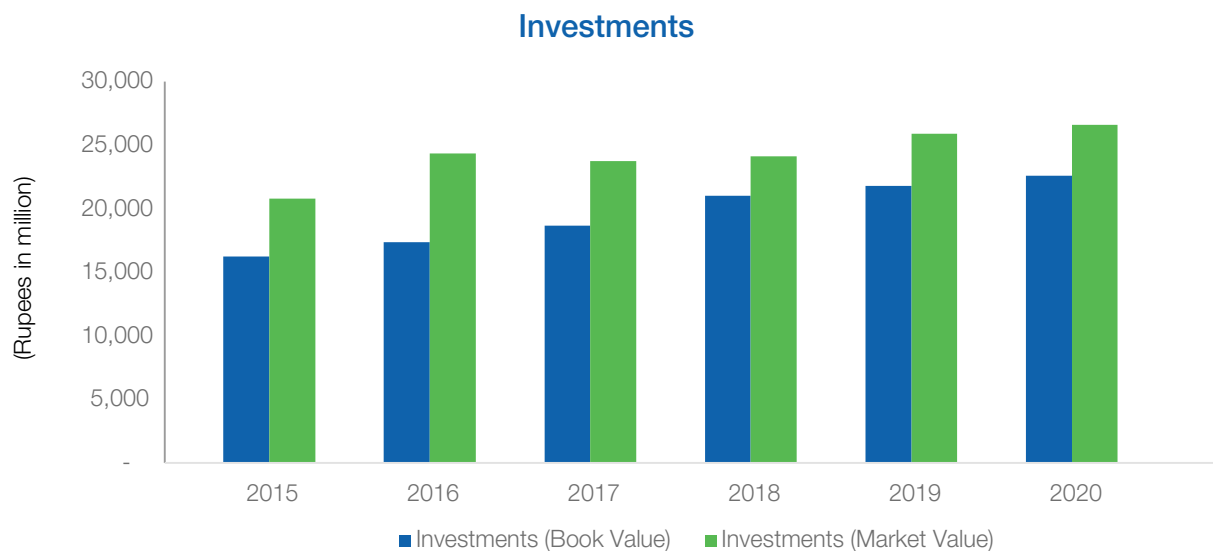
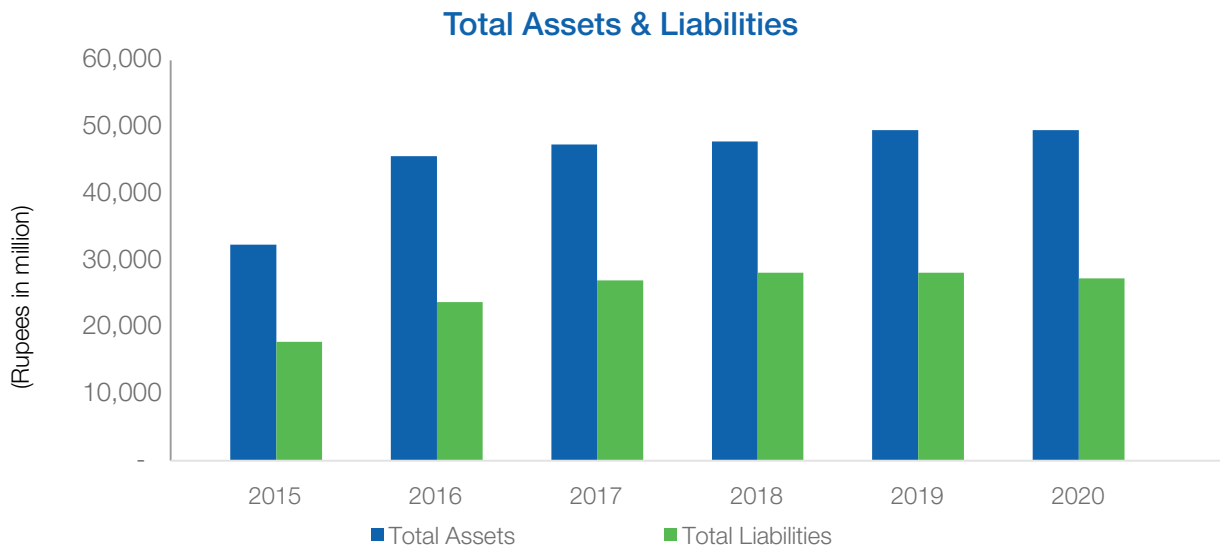
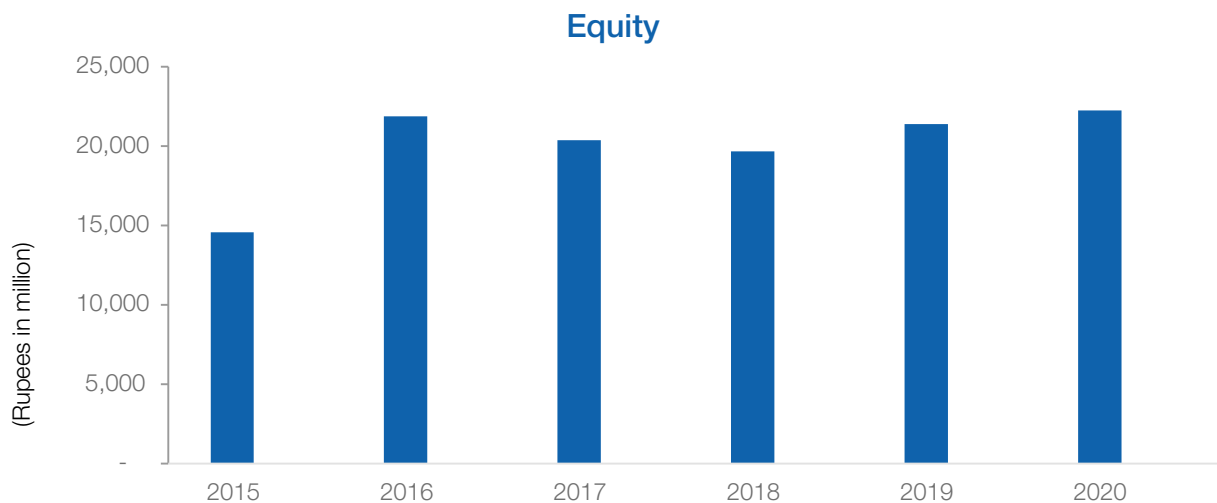
	2020		2019		2018		2017		2016		2015	
	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%
Balance sheet												
Assets												
Cash and Bank Deposits	1,312	2.6	1,177	2.4	2,211	4.6	2,279	4.8	3,811	8.4	2,898	8.9
Loans to Employees	45	0.1	49	0.1	45	0.1	43	0.1	18	0.0	17	0.1
Investments	26,596	53.7	25,888	52.3	24,114	50.4	23,749	50.1	24,337	53.3	15,393	47.5
Deferred Taxation	-	-	-	-	-	-	-	-	-	-	84	0.3
Current Assets-others	16,020	32.4	17,295	34.9	17,499	36.6	18,444	38.9	16,125	35.3	12,687	39.2
Fixed Assets	4,556	9.2	4,301	8.7	3,594	7.5	2,632	5.6	1,250	2.7	1,301	4.0
Investment Property	402	0.8	402	0.8	-	-	-	-	-	-	-	-
Total assets of WTO-OP	589	1.2	426	0.9	382	0.8	241	0.5	99	0.2	-	-
Total Assets	49,520	100.0	49,538	100.0	47,845	100.0	47,388	100.0	45,640	100.0	32,380	100.0
Liabilities and Equity												
Total Equity	22,235	44.9	21,380	43.2	19,663	41.1	20,365	43.0	21,872	47.9	14,561	45.0
Underwriting Provisions	19,380	39.1	20,848	42.1	20,784	43.4	20,639	43.6	17,184	37.7	13,125	40.5
Deferred Taxation	1,375	2.8	1,330	2.7	944	2.0	1,567	3.3	2,223	4.9	-	-
Deferred Liabilities	212	0.4	225	0.5	199	0.4	154	0.3	81	0.2	116	0.4
Borrowings	166	0.3	-	-	-	-	-	-	-	-	-	-
Creditors and Accruals	1,806	3.6	1,719	3.5	2,206	4.6	1,884	4.0	1,661	3.6	4,502	13.9
Other Liabilities	4,103	8.3	3,840	7.8	3,819	8.0	2,638	5.6	2,573	5.6	75	0.2
Total liabilities of WTO-OP	243	0.5	196	0.4	230	0.5	141	0.3	46	0.1	-	-
Total Equity and Liabilities	49,520	100.0	49,538	100.0	47,845	100.0	47,388	100.0	45,640	100.0	32,380	100.0
Profit and Loss Account												
Revenue Account												
Net Premium Revenue	13,295	100.0	15,434	100.0	13,806	100.0	11,535	100.0	9,615	100.0	7,747	100.0
Net Claims	7,987	60.1	9,877	64.0	8,386	60.7	7,434	64.4	6,210	64.6	5,223	67.4
Underwriting Expenses	3,099	23.3	3,397	22.0	3,324	24.1	2,576	22.3	1,615	16.8	1,556	20.1
Net Commission	1,833	13.8	1,507	9.8	1,280	9.3	1,090	9.4	763	7.9	558	7.2
Unexpired risk reserve	-	-	-	-	-	-	(122)	(1.1)	(50)	(0.5)	169	2.2
Underwriting Result	376	2.8	654	4.2	816	5.9	557	4.8	1,078	11.2	242	3.1
Investment Income	1,093	8.2	1,372	8.9	1,285	9.3	1,494	13.0	3,502	36.4	2,404	31.0
Rental Income	113	0.8	30	0.2	7	0.1	9	0.1	6	0.1	6	0.1
Other income	231	1.7	64	0.4	95	0.7	96	0.8	178	1.9	185	2.4
Change in fair value of investment property	-	-	12	0.1	-	-	-	-	-	-	-	-
General And Administration Expenses	62	0.5	59	0.4	73	0.5	44	0.4	630	6.6	571	7.4
Exchange Gain / (Loss)	12	0.1	5	0.0	6	0.0	5	0.0	(2)	(0.0)	6	0.1
Finance Charges on Lease Liabilities	15	0.1	8	0.1	-	-	-	-	-	-	-	-
Workers' welfare fund charge / (reversal)	-	-	(356)	(2.3)	41	0.3	63	0.5	83	0.9	58	0.7
Profit before tax from WTO-OP	164	1.2	108	0.7	79	0.6	67	0.6	4	0.0	-	-
Profit Before Tax	1,910	14.4	2,533	16.4	2,174	15.7	2,121	18.4	4,054	42.2	2,214	28.6
Provision for Taxation	35	0.3	720	4.7	935	6.8	900	7.8	561	5.8	272	3.5
Profit After Tax	1,875	14.1	1,813	11.7	1,239	9.0	1,221	10.6	3,493	36.3	1,942	25.1

Six Years Financial Performance (2015 - 2020)

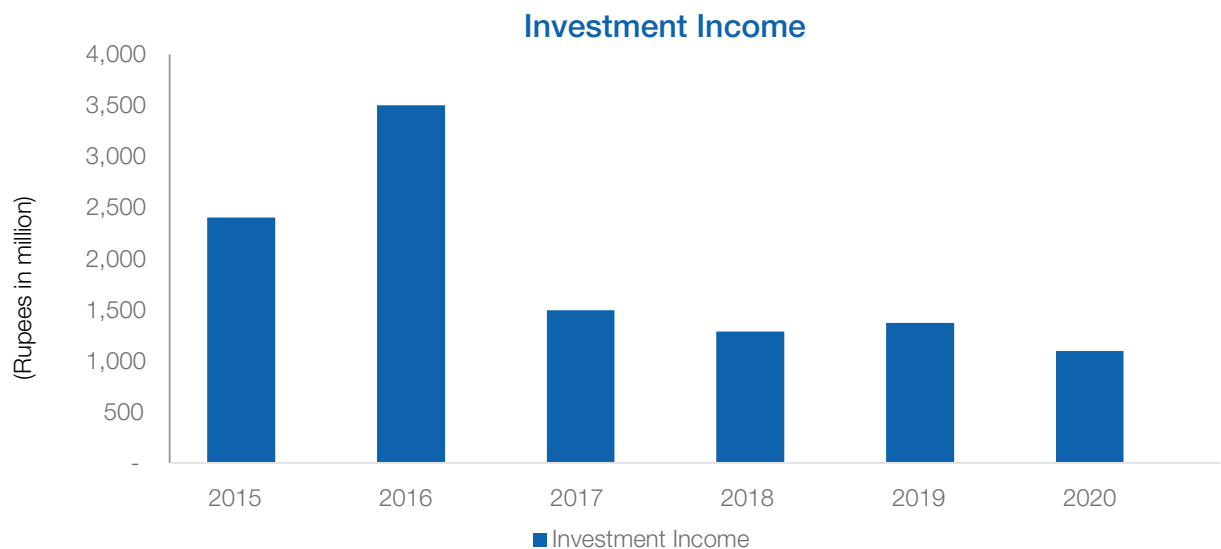
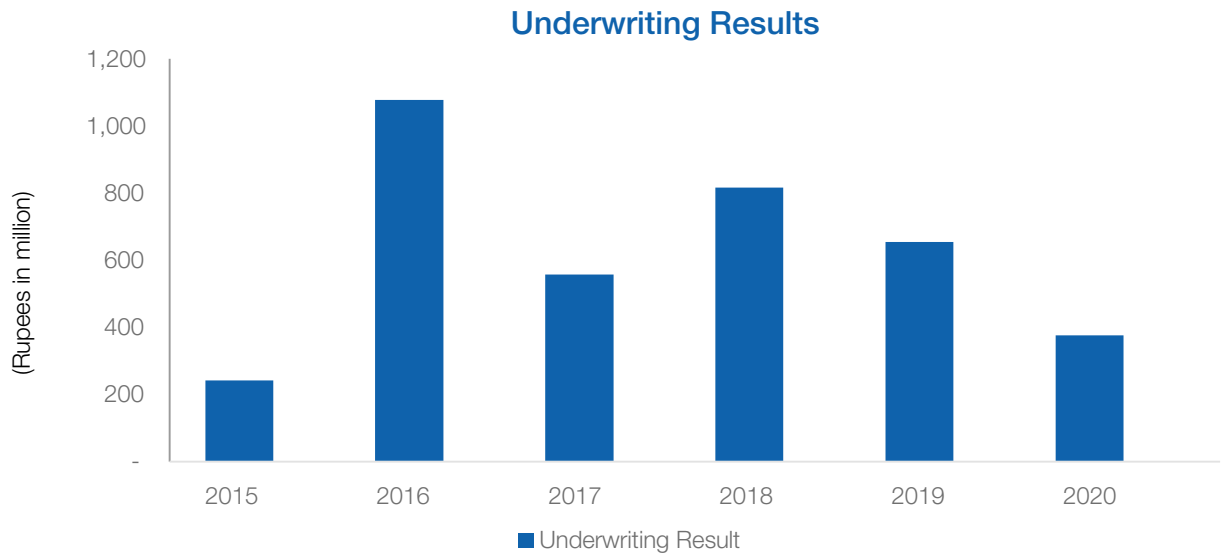
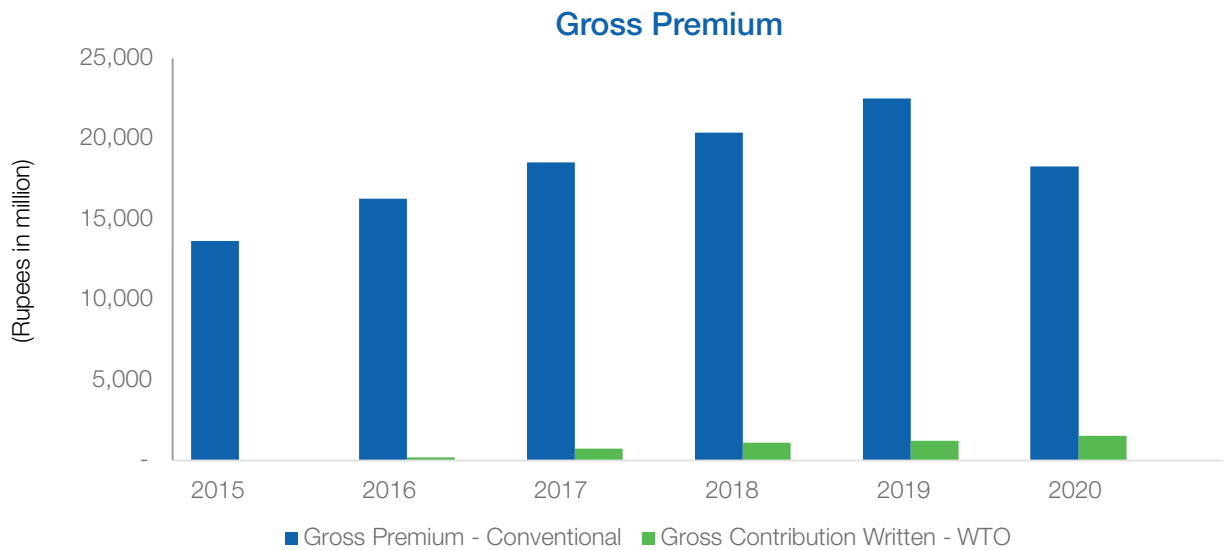
Financial Ratios

		2020	2019	2018	2017	2016	2015
Profitability Ratios							
Profit / (Loss) Before Tax / Gross Premium	(%)	10.4	11.3	10.7	11.5	24.9	16.2
Profit / (Loss) Before Tax / Net Premium	(%)	14.4	16.4	15.7	18.4	42.2	28.6
Profit After Tax / Gross Premium	(%)	10.3	8.1	6.1	6.6	21.5	14.2
Profit After Tax / Net Premium	(%)	14.1	11.7	9.0	10.6	36.3	25.1
Combined Ratio	(%)	97.2	95.8	94.1	95.2	88.8	96.9
Expenses / Gross Premium	(%)	17.3	13.8	16.9	14.5	14.3	16.0
Expenses / Net Premium	(%)	23.8	20.1	24.9	23.3	24.2	28.1
Underwriting Result / Net Premium	(%)	2.8	4.2	5.9	4.8	11.2	3.1
Net Claims / Net Premium	(%)	60.1	64.0	60.7	64.4	64.6	67.4
Investment Income / Net Premium	(%)	8.2	8.9	9.3	12.9	36.4	31.0
Underwriting Result / Written Premium	(%)	2.1	2.9	4.0	3.0	6.6	1.8
Profit / (Loss) Before Tax / Total Income	(%)	12.8	14.9	14.4	16.1	30.5	21.4
Profit / (Loss) After Tax / Total Income	(%)	12.6	10.6	8.2	9.3	26.3	18.8
Net Commission / Net Premium	(%)	13.8	9.8	9.3	9.4	7.9	7.2
Return To Shareholders Ratios							
Return On Equity - PBT	(%)	8.6	11.8	11.1	10.4	18.5	15.2
Return On Equity - PAT	(%)	8.4	8.5	6.3	6.0	16.0	13.3
Earnings Per Share	(Rs.)	5.36	5.18	3.54	3.49	9.98	5.55
P/E Ratio	(Times)	7.3	8.1	11.9	14.9	7.4	10.2
Return On Capital Employed	(%)	8.6	11.8	11.1	10.4	18.5	15.2
Dividend Yield	(%)	7.0	5.9	4.8	7.7	4.0	5.3
Dividend Payout	(%)	51.3	48.3	56.5	114.7	30.1	54.1
Dividend Cover	(Times)	1.9	2.1	1.8	0.9	3.3	1.9
Return On Total Assets	(%)	3.8	3.7	2.6	2.6	7.7	6.0
Earnings Growth	(%)	3.5	46.3	1.4	(65.0)	79.8	2.8
Liquidity / Leverage Ratios							
Current Ratio	(Times)	1.7	1.7	1.6	1.8	1.7	1.8
Cash / Current Liabilities	(%)	6.0	4.8	8.2	9.0	20.2	16.4
Earning Assets / Total Assets	(%)	56.9	55.3	50.4	50.1	53.3	50.1
Liquid Ratio	(Times)	1.3	1.2	1.1	0.9	1.0	1.0
Liquid Assets / Total Assets	(%)	66.5	66.7	48.5	44.2	46.4	56.5
Total Assets Turnover	(Times)	0.3	0.3	0.3	0.2	0.2	0.2
Fixed Assets Turnover	(Times)	2.9	3.6	3.8	4.4	7.7	6.0
Total Liabilities / Equity	(%)	122.7	131.7	143.3	132.7	108.7	122.4
Paid Up Capital / Total Assets	(%)	7.1	7.1	7.3	7.4	7.7	10.8
Equity / Total Assets	(%)	44.9	43.2	41.1	43.0	47.9	45.0

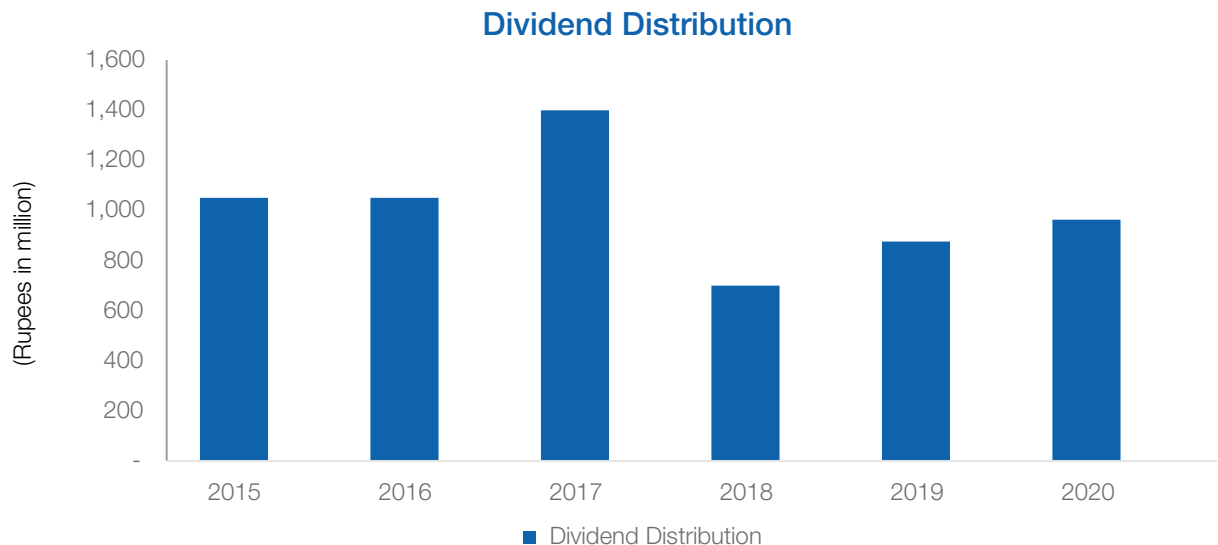
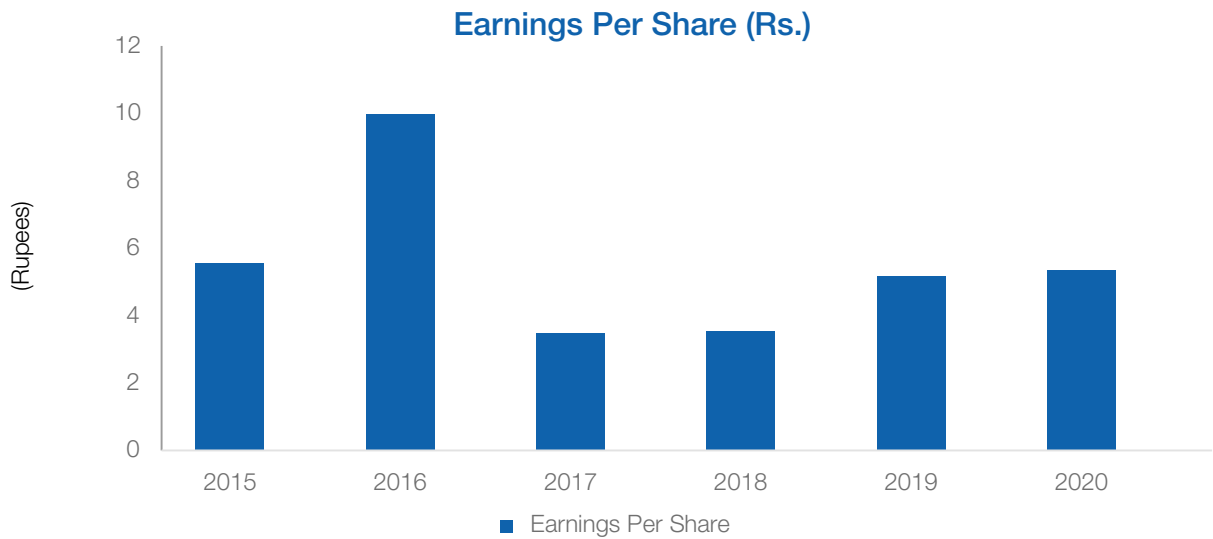
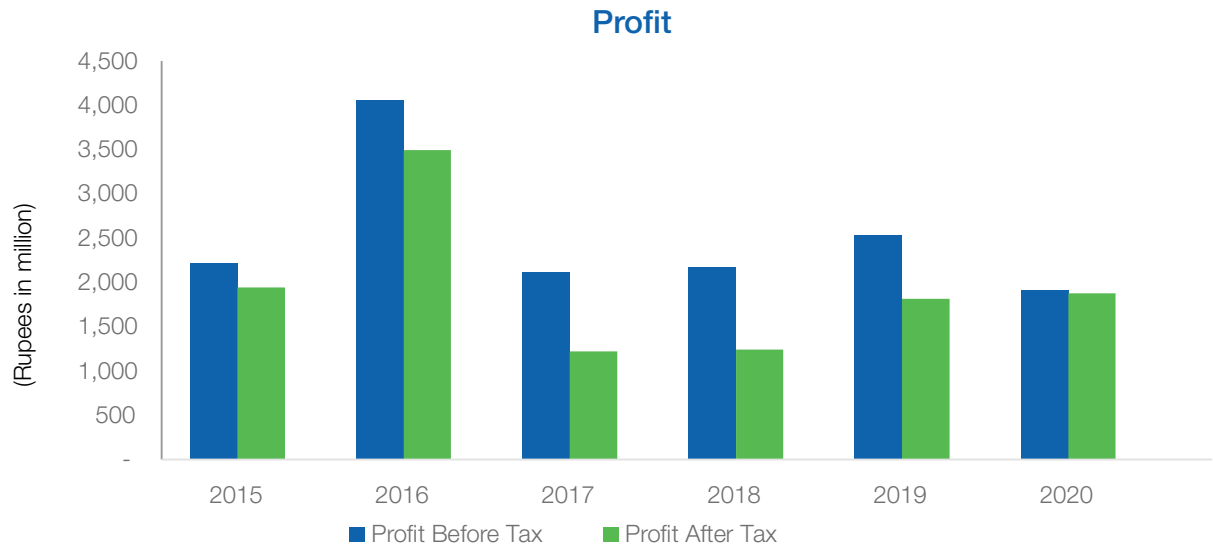
Six Years Graphical Summary (2015 - 2020)



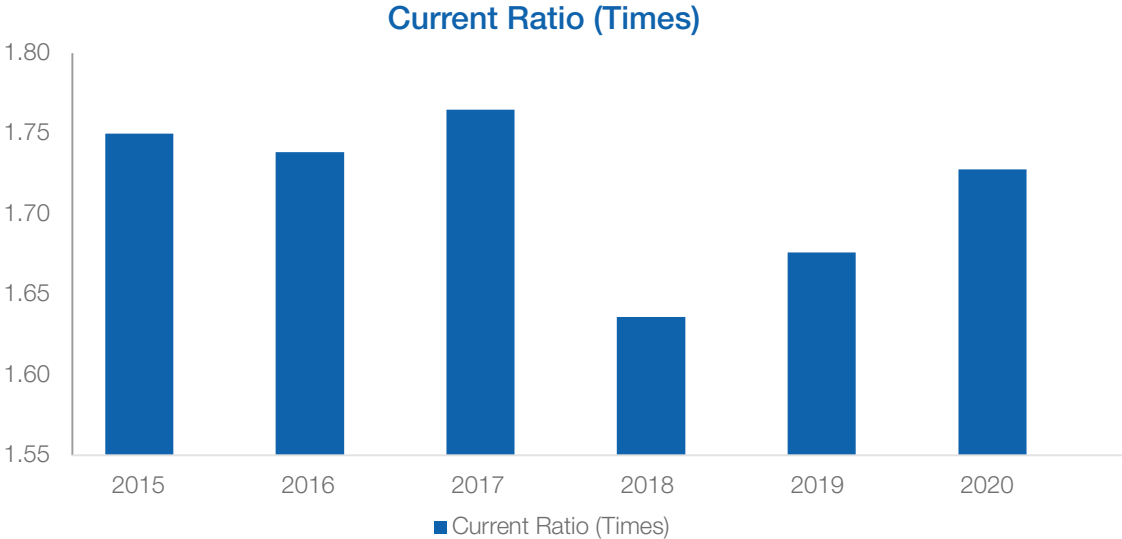
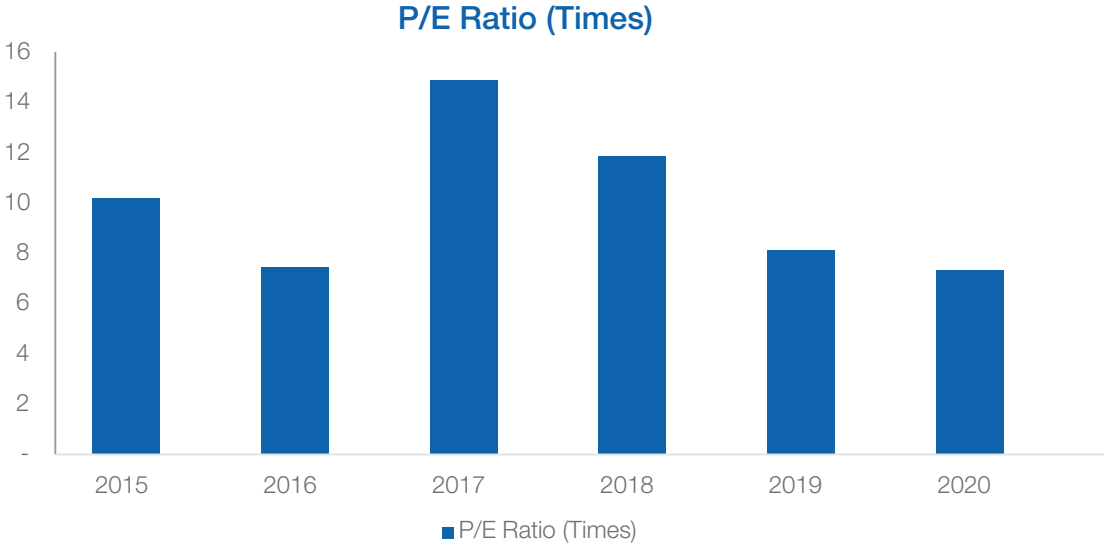
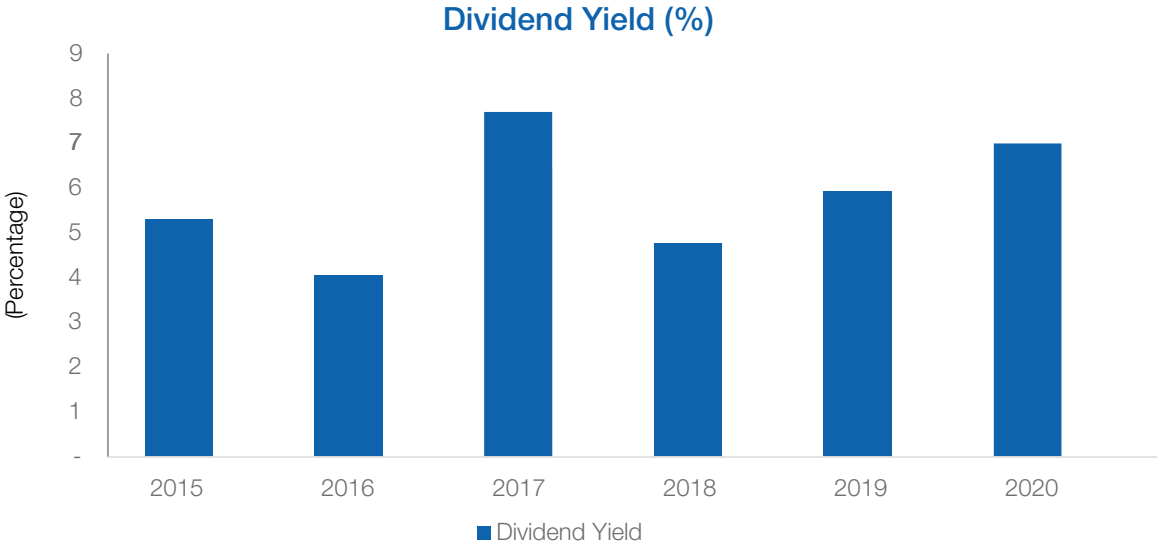
Six Years Graphical Summary (2015 - 2020)



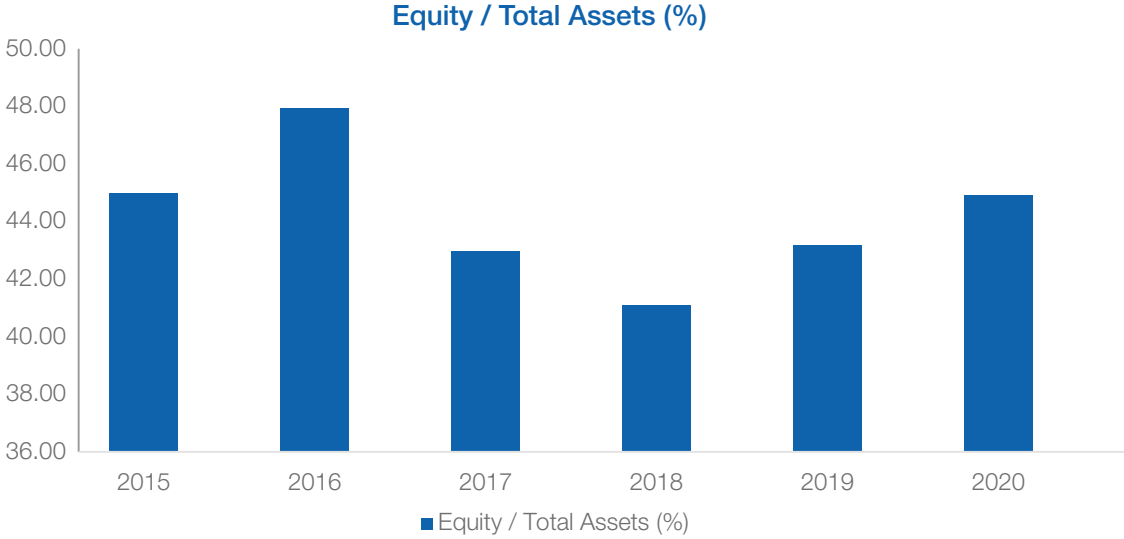
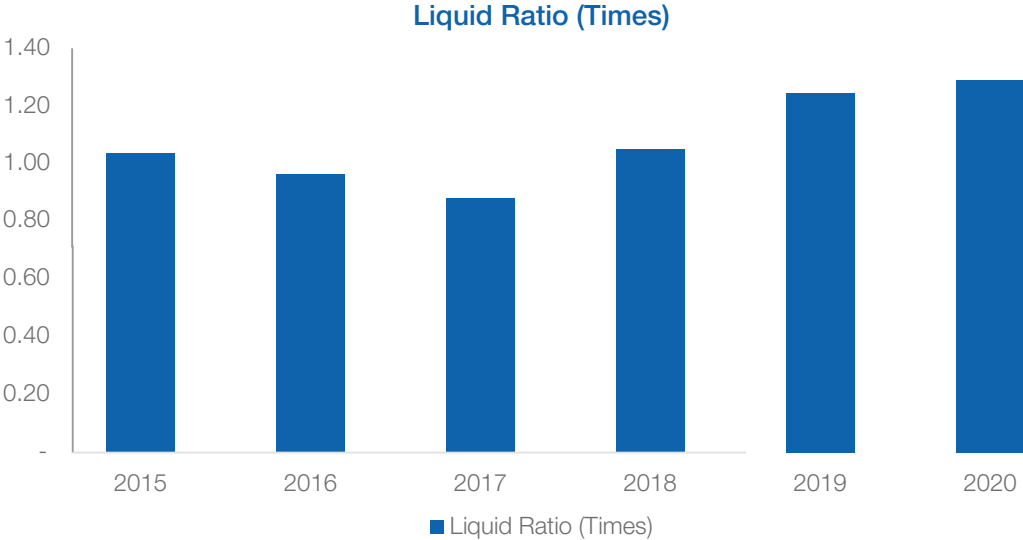
Six Years Graphical Summary (2015 - 2020)



Six Years Graphical Summary of Ratios (2015 - 2020)



Six Years Graphical Summary of Ratios (2015 - 2020)



Comments on Horizontal and Vertical Analysis

Profit & Loss Account

Over the years 2015 to 2019, the Company continued to grow its business at a healthy rate. However, owing to the unforeseen circumstances caused by the Covid-19 pandemic, the gross written premium of the Company's conventional business witnessed a 19% decrease from last year. Major decrease was witnessed in Outside Pakistan Operation where gross written premium decreased by 37% year on year. This contraction in top line resulted in 14% decline in Net Premium Revenue over last year.

Net claims expense decreased by 19% during the year resulting in 'Claim ratio' to reduce to 60% in current year as against 64% in last year. Management / underwriting expenses also decreased by 9% in current year as compared to year 2019.

Underwriting profit of the Company decreased by 42.5% in the current year, while Investment income of the Company also witnessed a decline of 20%, year on year.

On the other hand, The Window Takaful Operations (WTO) of the Company, showed significant increase in gross contribution which increased to Rs. 1.5 billion in 2020 as against Rs. 1.2 billion in 2019. WTO operator's fund contributed Rs. 164 million towards the profit before tax to the overall profits of the Company.

Profit after tax for the year 2020 has increased by 3% amounting to Rs. 1,875 million as against Rs. 1,813 million in 2019 resulting in Earning per Share (EPS) of Rs. 5.38 in current year as against Rs. 5.18 in last year.

Balance Sheet

The Company has the largest paid up capital in the industry amounting to Rs. 3,500 million.

Overall asset base of the Company declined by 0.04% (Rs. 18 million) reaching at Rs. 49,520 million as compared to Rs. 49,538 million in 2019.

Investments are the biggest asset which constitute approximately 54% of the total assets of the Company. With an increase of 2.7%, investments of the Company stood at Rs. 26,596 million as against Rs. 25,888 million in 2019. The Company's Investments have shown continues growth over the last six years, except for 2017 where a slight decline was witnessed, due to adverse market conditions.

Cash and Bank balance of the Company increased by 12% approximately amounting to Rs. 1,312 million in current year as against Rs. 1,177 million in 2019 (excluding cash and bank balance of Window Takaful Operations).

Equity & Reserves increased by 4% amounting to Rs. 22,235 million in current year as against Rs. 21,380 million which reflects the improving strength of the Company.

Underwriting liabilities decreased by 7% amounting to Rs. 19,380 million in current year as against Rs. 20,848 million in 2019.

Net Assets of the Company's 'Window Takaful Operations - Operator's Fund' increased significantly from Rs.230 million to Rs. 346 million registering a growth of 50% year on year.

Comments on Ratios

Profitability Ratios

Profitability Ratios during the year depicted downward trends. Underwriting results stood at 2.58% of net premium in current year as against 4.2% in last year. Investment income decreased to 4% in current year as against 5% in last year. Profit after tax ratio, however, improved to 12.6% in current year as against 10.6% in last year. This is mainly related to reversal of tax charge amounting to Rs. 579 million as explained in note 35.2 to the unconsolidated financial statements of the Company.

Return to Shareholders Ratios

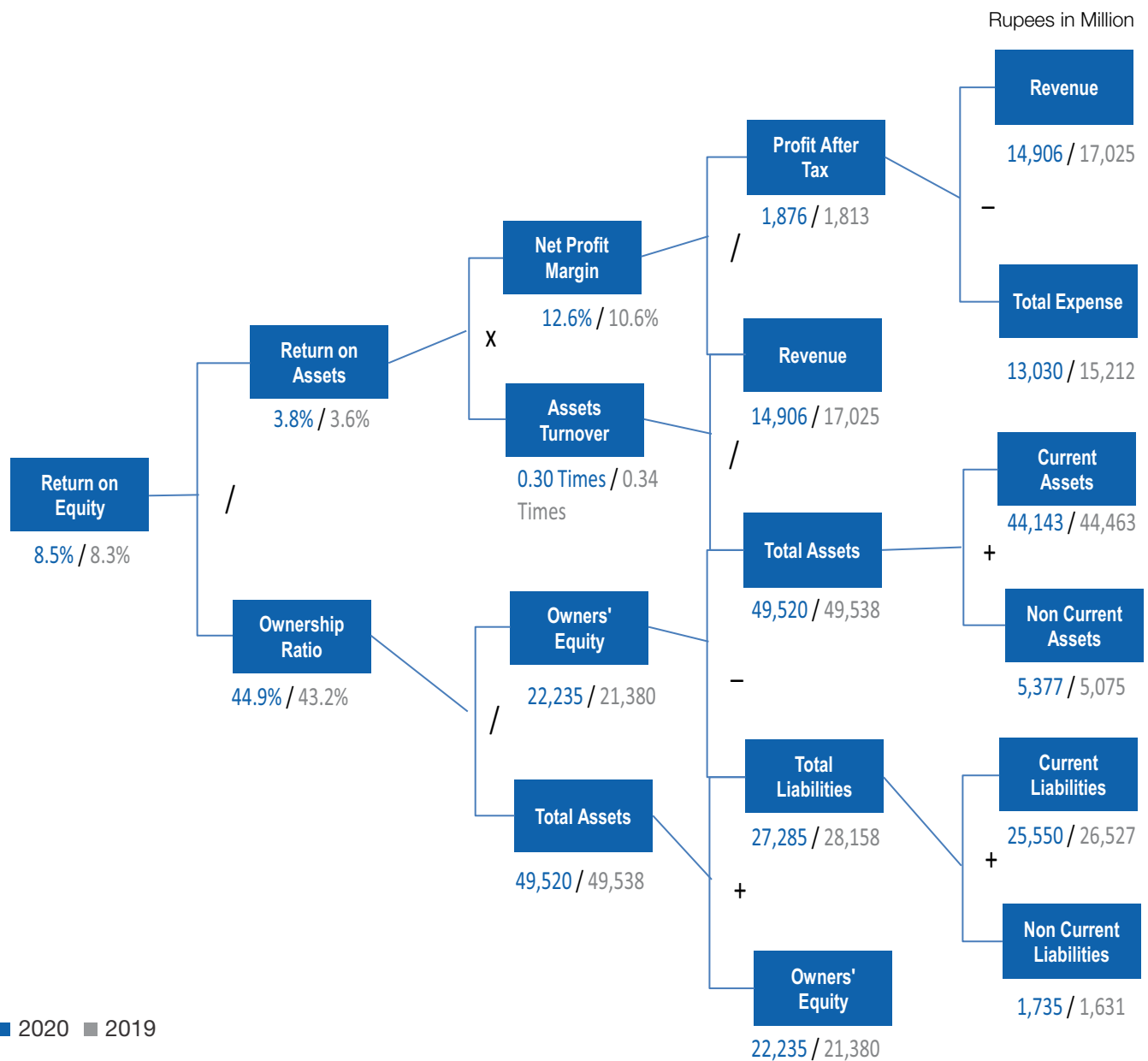
Return to shareholders / investors' Ratios depicted mixed trends during the year. 'Return on equity' slightly decreased to 8.4% in current year as against 8.5% in last year. While 'Return on total assets' increased to 3.8% in current year as against 3.7% in last year.

During the year, the Company has distributed Rs. 2.75 per share as dividend (Rs. 1.5/- per share as final dividend relating to year 2019 and Rs. 1.25/- per share as interim dividend relating to year 2020). Total dividend distribution amounted to Rs. 962.5 million.

Liquidity Ratios

Liquidity Ratios of the Company improved from last year which reflects a better working capital and cash flow management of the Company. The Company was able to maintain current ratio at 1.7 times while cash and bank balance to current liabilities ratio improved to 6% in current year as against 4.8% last year. The proportion of 'Earning assets' to 'Total assets' also improved to 56.9% as against 55.3% while the proportion of 'Liquid assets' to 'Total assets', however, slightly declined to 66.5% in current year as against 66.7% last year.

DuPont Analysis

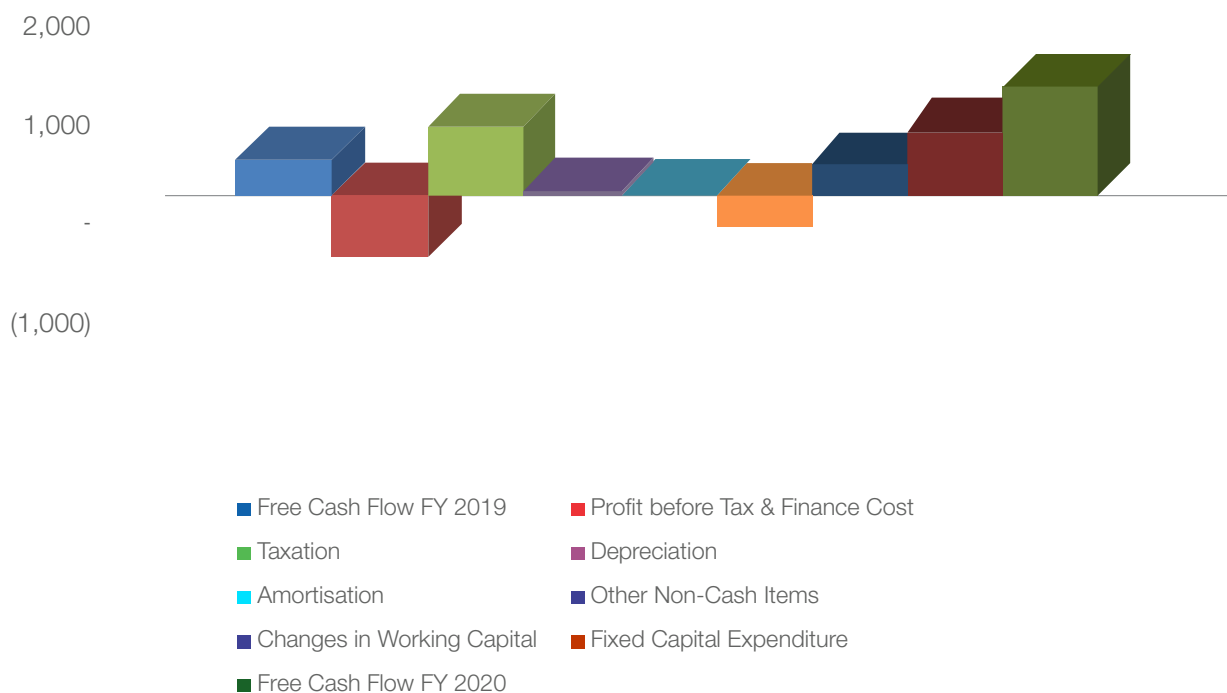


Analysis

- The Net Profit Margin has increased by 2% in year 2020 due to decrease in net claims ratio and decrease in management expenses from last year.
- Return on assets and return on equity have marginally increased from last year by 0.2% showing Company's improved profitability despite slow economic growth.
- Owners' equity and ownership ratio have also improved from last year despite higher dividend distribution of 27.5% during current year as compared with 25% of last year.
- The Company has shown growth in profitability despite negative growth in top line revenues brought in by economic down-turn and uncertainty caused by Covid-19 pandemic.

Free Cashflows to the Company

	2020	2019
	Rupees in Million	
Profit before Tax & Finance Cost	1,925	2,541
Less: Taxation	(35)	(720)
	1,890	1,821
Add: Depreciation	264	226
Add: Amortisation	23	25
Add: Other Non-Cash Items	85	411
Changes in Working Capital	(657)	(963)
Less: Fixed Capital Expenditure	(521)	(1,168)
	(806)	(1,469)
Free Cash flow to the Company	1,084	352



Six Years' Summary of Cashflow Statements

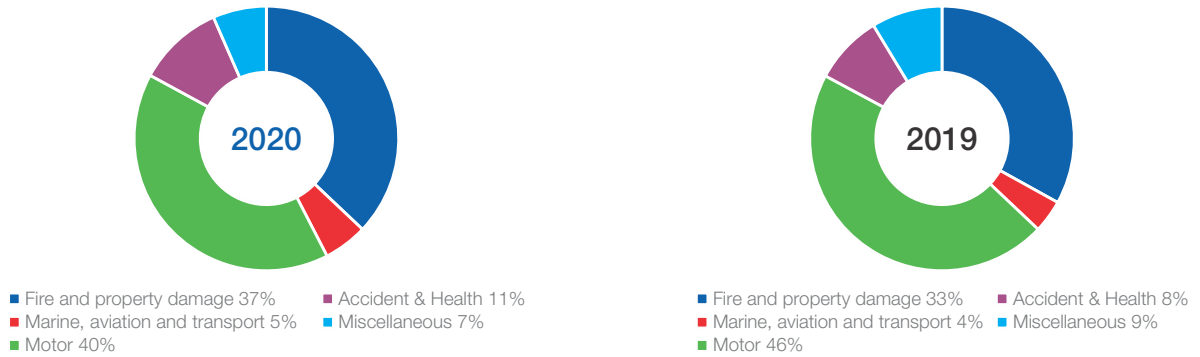
	2020	2019	2018	2017	2016	2015
	Rupees in Million					
Cashflow Summary						
Cash inflow / (outflow) from operating activities	648	(93)	1,892	1,060	222	838
Cash inflow / (outflow) from investing activities	280	3	(1,275)	(1,210)	2,225	254
Cash outflow from financing activities	(793)	(944)	(685)	(1,382)	(1,035)	(1,071)
Net cash inflow / (outflow) from all activities	135	(1,034)	(68)	(1,532)	1,412	21
Cash and cash equivalent at beginning of the year	1,177	2,211	2,279	3,811	2,889	2,868
Cash and cash equivalent at end of the year	1,312	1,177	2,211	2,279	4,301	2,889

Analysis

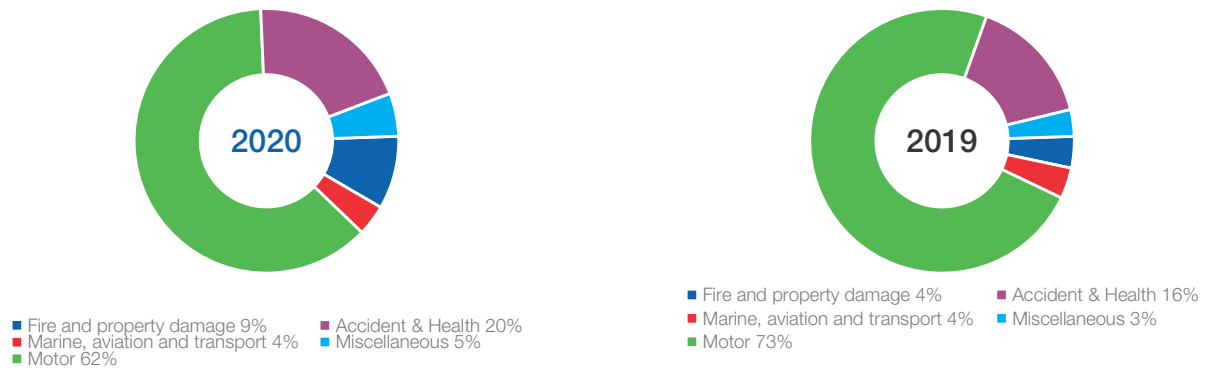
Analysis of the last 6 years cashflow statements reveals that the Company has been able to maintain sufficient liquidity in the form of cash and highly liquid assets ensuring Company's strong ability to timely discharge its short term obligations mainly involving claims, reinsurance cessions and commission payments in addition to maintaining cash reserves for CAPEX, additional investments and dividend payout requirements as they arise.

Graphical Presentation of Financial Statements

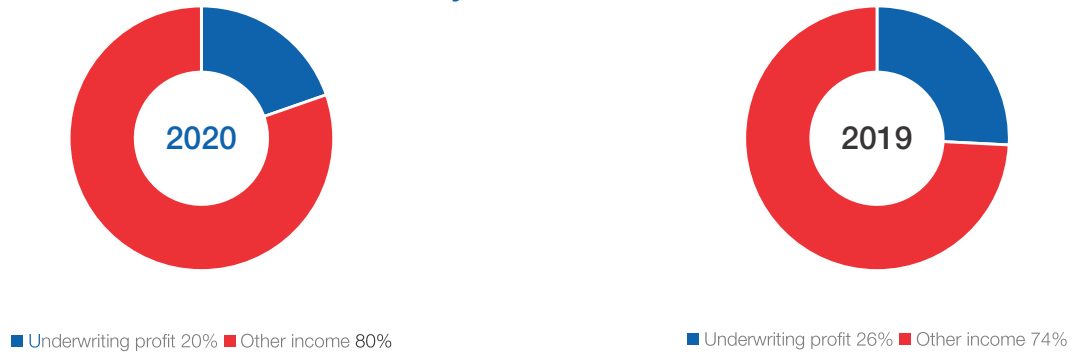
Gross Premium



Net Claims



Analysis of Income

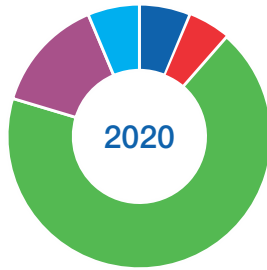


Total Equity and Liabilities

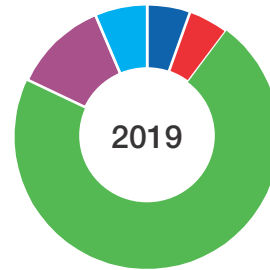


Graphical Presentation of Financial Statements

Net Premium Revenue

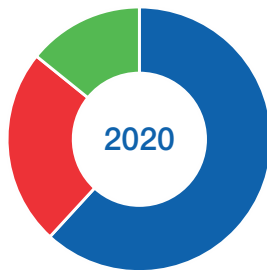


■ Fire and property damage 6% ■ Accident & Health 14%
 ■ Marine, aviation and transport 5% ■ Miscellaneous 7%
 ■ Motor 68%

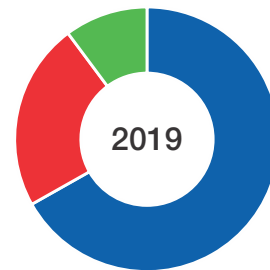


■ Fire and property damage 5% ■ Accident & Health 12%
 ■ Marine, aviation and transport 5% ■ Miscellaneous 6%
 ■ Motor 72%

Combined Expenses

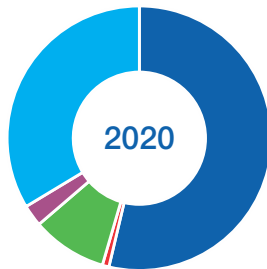


■ Net claims 62% ■ Expenses 24% ■ Net commission 14%

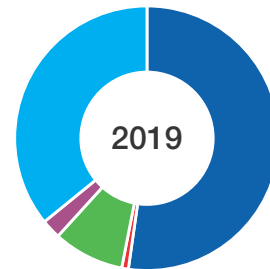


■ Net claims 67% ■ Expenses 23% ■ Net commission 10%

Total Assets

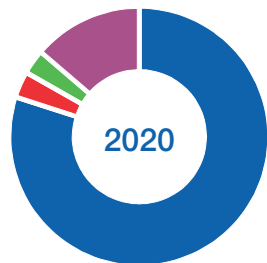


■ Investments 54% ■ Investment Property 1%
 ■ Fixed assets 9% ■ Cash and bank deposits 3%
 ■ Other Assets 33%

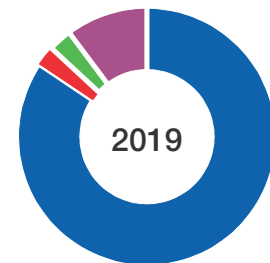


■ Investments 52% ■ Investment Property 1%
 ■ Fixed assets 9% ■ Cash and bank deposits 2%
 ■ Other Assets 36%

Investment Income

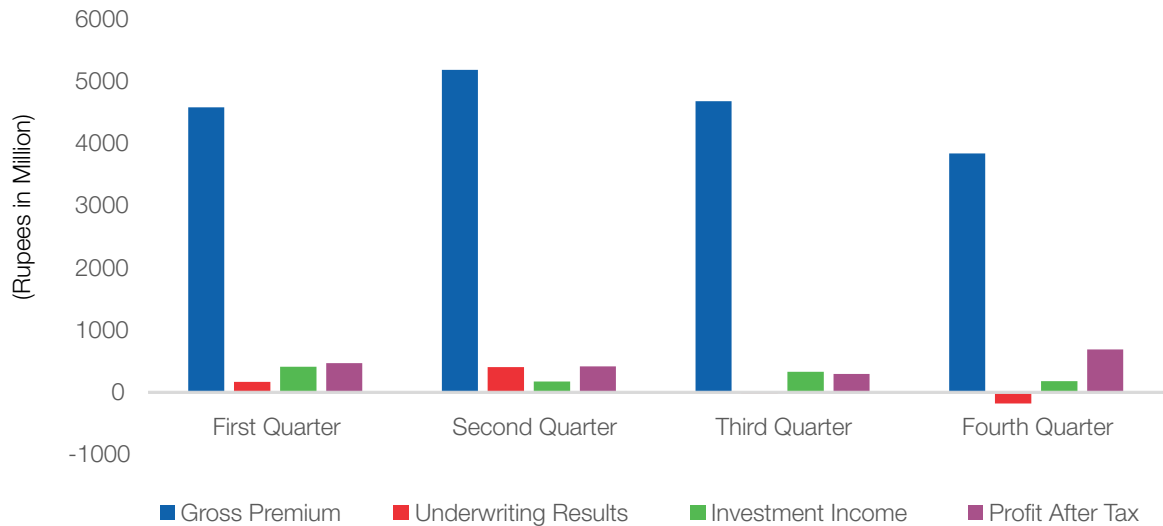


■ Dividend Income 80% ■ Income from Govt. Securities 3%
 ■ Capital Gains 3% ■ Income from Term Deposits 14%



■ Dividend Income 84% ■ Income from Govt. Securities 3%
 ■ Capital Gains 3% ■ Income from Term Deposits 10%

Quarterly Performance Analysis 2020



Gross Premium

The gross premium written at entity level decreased by 19% from last year due to economic slowdown and uncertainty brought about by Covid-19 pandemic. In contrast to last year trend, fourth quarter only contributed 21% to overall gross premium written compared with 37% contribution of corresponding period of last year.

Investment Income

Current year witnessed 20% decline in investment income mainly due to decrease in dividend income of Rs. 406 million. This is largely because of the lower dividend payout from the banking segment of the equity portfolio due to temporary restrictions on dividend distribution imposed by the State Bank of Pakistan for two quarters (2nd & 3rd) during Covid-19 situation.

Profitability Analysis

Quarter wise profitability remained volatile during the year with fourth quarter being the major contributor towards annual profit after tax of Rs. 1,876 million as compared to Rs. 1,813 million of last year showing growth of 3% from last year. This increase is largely contributed to tax charge reversal of Rs. 579 million during the current year which pertains to tax assessments of prior years.

Methods and Assumptions in Compiling Indicators

The Company takes into account both internal and external performance measuring tools and sector specific KPIs in opting for indicators that objectively evaluate Company's performance against standard benchmarks.

Financial

Operating Performance

For evaluating the Company's operating performance, the management analyses for each line of business and its subsidiary classes the premium growth trends, loss ratio, commission ratio, combined ratio, operating profitability ratio and net margin ratio across the sector to gauge its own standing and identify the possible areas of improvement.

Investor KPIs

To analyze the Company's performance with regards to return to shareholders, the indicators mainly used involve return on equity, P/E ratio, price to book value, dividend yield, return on assets and earnings growth.

Liquidity Strength

Company's liquidity strength is measured by KPIs such as current ratio, quick ratio, liquid ratio, assets turnover and equity to total assets ratio.

Non-Financial

Underwriting

The management realizes the importance of customer satisfaction and measures its performance by client reviews, client retention rate and client turnover ratio.

Claims

The Company closely monitors the claim turn around time to ensure claims are timely processed once they are intimated to the Company. These turn around time are set for each class of business.

Human Resource

The Company is keen to engage and develop Human Resource that adds value to the Company and to ensure the overall corporate objectives are achieved. The Company periodically evaluates employee turnover and employee satisfaction for each department whilst investing in employee training and development drills to facilitate job rotation, job enrichment and succession planning.

Change in Indicators and Performance Measures

The performance measures are subject to periodic reviews and are regularly updated to help management scale the competitive environment. Revised KPIs are agreed with functional managers to ensure management/employee have their buy-in.

Market Statistics of AICL Share

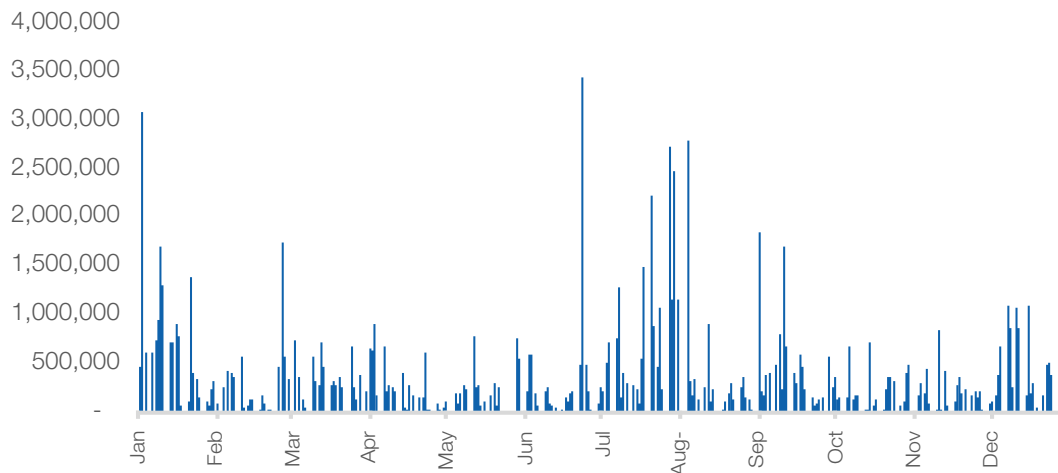
AICL's share price along with daily trading volume from Pakistan Stock Exchange (PSX) on key dates during the year 2020 are given below:

	High	Low	Closing	Daily Trading Volume
	Rupees			No of shares
December 31, 2020	39.74	38.56	39.32	154,500
September 30, 2020	41.95	40.00	40.10	356,500
June 30, 2020	33.49	32.80	33.11	245,000
March 31, 2020	27.00	25.25	26.63	652,500

Share Price in 2020



Trading Volume in 2020



Share price sensitivity analysis

The Company's share price is affected by various internal and external factors as below:

- a. Operating performance of the Company
- b. Performance of entities in which Company has invested (impacts investment income of the Company)
- c. Announcement of dividends
- d. Political stability
- e. Law & Order situation
- f. General economic conditions
- g. Changes in regulatory environment
- h. Stock market sentiment

Sensitivity analysis of change in market capitalization

Market capitalization is the aggregate value of a company based on its share price and total number of outstanding shares. It simply refers to how much a company is worth as determined by its share price.

Below is market capitalization of AICL along with sensitivity analysis with change in market share price:

Share price on December 31, 2020 (PSX)	Rs. 39.32
Market capitalization on December 31, 2020	Rs. 13,762 million

10% change in share price would have the following impact on the market capitalization of AICL:

10% increase	Rs. 1,376 million
10% decrease	Rs. (1,376) million

Sensitivity to Foreign Currency Fluctuations

The Operations of the Company within Pakistan, at present are not materially exposed to fluctuations in foreign currency exchange rates as all transactions within Pakistan are carried out and financial statements prepared in Pak Rupees (PKR). The amount of asset, liabilities, revenues and expenditures are also not sensitive to the fluctuation in exchange rates of foreign currencies. The branches at United Arab Emirates (UAE) and Export Processing Zone (EPZ) are however considered as "exchange translation reserve", because these branches operate in foreign currencies, i.e. United Arab Emirates Dirham (AED) and US Dollar respectively.

Transactions in foreign currencies (other than the results of foreign branches) are accounted for in Pak Rupees at the rates prevailing on the date of the transaction and exchange differences are taken to the profit and loss account.

The assets and liabilities of foreign branches are translated into Pak Rupees at exchange rates prevailing at the reporting date. The results of the foreign branches are translated into Pak Rupees at the average rate of exchange for the year.

Translation gains and losses arising on the translation of the Company's net investments in foreign branches are taken to the capital reserves 'Exchange Translation Reserve'.

Major Capital Expenditures:

During the year, the Company has incurred Rs. 521 million (2019: Rs. 1,168 million) on capital items relating to both tangible and intangible infrastructure. Major portion of this expenditure was incurred on the construction of Adamjee House Lahore Building and renovation of Adamjee House Karachi Building along with office furniture and equipments. Before construction of Adamjee House Lahore Building, the Company was operating in Lahore through rented premises at different locations. Both the buildings have enabled the Company to consolidate all offices in one place to save operational cost, all rental income from spare office space and to improve coordination among the staff.

The Company has planned capital expenditure for the year 2021. This expenditure would primarily be relating to IT related projects and routine replacements of tangible capital nature items.

Major Events during the year

Financial Results	Announcement Date	Dividend Declared/Proposed
First Quarter Ended 31 March 2020	22 May 2020	Nil
Half Year Ended 30 June 2020	24 August 2020	@ 12.5% (Rs. 1.25 per share)
Third Quarter Ended 30 September 2020	28 October 2020	Nil
Year Ended 31 December 2020	23 February 2021	@ 12.5% (Rs. 1.25 per share)

Investor Relations Events	Month/Year
Corporate Briefing Session	03 December 2020
60th Annual General Meeting Scheduled on	27 April 2021

Company Events	Month/Year
Farmers Meetings at Vehari, Multan & Muzaffargarh for Agriculture Insurance Development	January 2020
Farmers Awareness Campaign with Partner Banks	February 2020
Livestock Insurance Awareness Sessions with Farms Managements in Lahore, Faisalabad and Chiniot	March 2020
Webinar on Sales Development Program by Head of Window Takaful Operations on Takaful Market Development	July 2020
Webinar on Management Development Program	July 2020
Webinar Training Session for Employees on Cyber Security Awareness	September 2020
Webinar Training Session on Motor Insurance Portal with Automobile Industry	October 2020
Cyber Security Insurance Awareness Session in Collaboration with Partner Banks	December 2020

A SAFER FUTURE
OUTLOOK



Forward Looking Statement

Adamjee Insurance's forward-looking statement sets out its financial outlook, past information and future expectations and uncertainties. This statement shows that certain factors can cause the actual performance to be quite different from the future projections. The statement is based on the assumptions of the Company's management; hence, these changes may not happen as it is hard to predict the future with absolute accuracy. Being one of the largest general insurance companies of Pakistan, our management possesses the required experience and skills to develop business plans based on current and past trends.

Overview on Economic Outlook of Pakistan

Despite, the challenges of the Covid-19 pandemic, the economy has started to recover but there are many challenges ahead. With the availability of Covid-19 vaccine in sight, Pakistan has the potential to recover its economy from the grip of the pandemic at a much faster pace.

Inflation is one of the major challenges that Pakistan's economy faces. Amid lockdowns imposed by the Government due to the Covid-19 pandemic, the economic activities slowed down. However, the consumer price inflation rose from 6.8% in FY19 to 10.7% in FY20. Major factors which contributed towards higher inflation included rising Food & Energy prices and depreciation of Pak Rupee by 13.8% against U.S. Dollar. Various measures were taken by the Government as well as the State Bank of Pakistan to stabilize the worsening situation.

On the other hand, the current account deficit decreased to 1.1% of the GDP in FY20 due to falling net imports and increase in remittances, which ease off pressure on our currency.

The economic situation is expected to recover; however, the duration of the pandemic will define the pace of recovery and growth rate, which for now is expected to be on the lower side with uncertainties surrounding the general economic and political environment.

Overview on Economic Outlook of United Arab Emirates

According to the published report of IMF on Economic Prospects and Policy Changes in GCC Countries; the Covid-19 pandemic is having far-reaching consequences for the global economy. Measures to contain the spread of the virus have led to sharp declines in economic activity across the globe, particularly in second and third quarters of the year 2020. The hardest hit sectors have been those requiring intensive human contact, such as tourism, transportation, services, and construction, while, in general, IT-intensive activities have performed better.

The economic contraction is most significant in advanced economies. The GCC countries faced dual pressure on their economies caused by the coronavirus and lower oil prices. GCC authorities have implemented a range of measures to mitigate the economic damage, including fiscal packages, relaxation of monetary and macroprudential rules, and the injection of liquidity into the banking system, and there are recent signs of improvement. Low oil prices have caused a sharp deterioration of external and fiscal balances, and fiscal strains are evident in countries with higher debt levels.

Adamjee Insurance - Year 2020

The year 2020 has been the most challenging year for all the businesses across the globe as the world economy faced unprecedented pressures and restrictions on businesses which were never experienced in the recent history. Pakistan's economy was no exception. The Company's performance was also affected by these restrictions; the top line suffered a substantial decline over the previous year. Major decrease in top line revenues was witnessed in Outside Pakistan operations which experienced a 37% decline, while Inside Pakistan business also reported a decrease in revenues of about 10% year-on-year. Despite, the challenging times, the Company was able to report improved operating profits due to a strict check on its operational costs and a sharp reduction in its claims expense during Covid-19 lockdown period, especially in Motor and Health lines of business. During the lockdown periods, the Company managed all its operations from home. This was possible due to the effective planning, efficient human resource, robust IT infrastructure and support, and an effective Business Continuity Plan. The Company's ability to

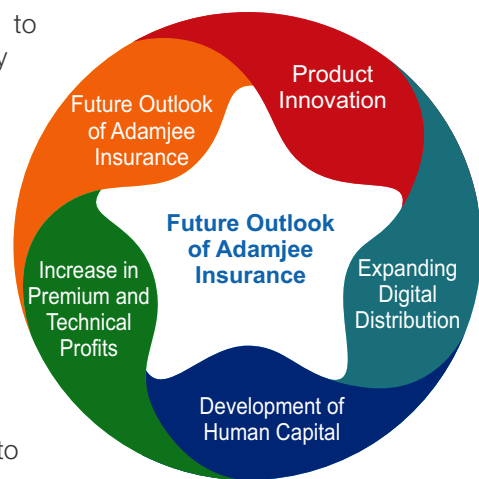
continue its operations and meet the needs of its customers among unprecedented circumstances helped greatly towards mitigating the adverse effects faced by many other businesses. The Company foresees that its strategy of sustainable growth will be achieved by focusing on rapidly changing customer needs, experiences and consumption patterns, whilst adhering to its underwriting philosophy.

Adamjee Insurance’s Future Outlook

Use of digital technologies supported by an appropriate infrastructure is the future of the insurance industry and embracing digital technologies is the way forward. Adamjee Insurance has always been at the forefront when it comes to enhancing and upgrading its processes to encourage innovation. By adopting the latest and advanced digital technologies such as Artificial Intelligence (AI) and Chatbots, the Company has redefined customer experience by providing a superior interface with convenience. In addition to improving the customer experience, AICL has visibly improved the efficiency of its business processes by employing advanced digital technologies such as, Robotic Process Automation (RPA), which simplifies operations and facilitates sustainable long-term growth.

With the advanced digital infrastructure, improved customer services and better stakeholder relations, the Company is committed to meet its targets in terms of premiums growth. Furthermore, the Company will continue to expand its distribution network to maintain its leadership position.

To achieve the objective of providing customers the unparalleled service, the Company invests towards empowering employees through performance-based rewards, employee training and engagement activities. AICL will continue to hire and retain the best talent in the industry.



Uncertainties that could affect Company’s performance:

Uncertainties can always cause the actual performance to differ from the budgeted or projected performance. These uncertainties stem from various factors including political stability, law and order situation, geopolitical developments in the region, general economic conditions and regulatory requirements, etc. Largely, these risks relate to the general macroeconomic environment in which the Company operates and are considered to be beyond the management’s control. Hence, any adverse change in these risks or uncertainties may affect the performance of the Company which may positively or negatively differ from the projected performance. Moreover, discovery of the new variants of Covid-19 virus may pose further uncertainties surrounding the duration and ultimate end of the pandemic may adversely impact the businesses to suffer.

The performance of the Company may also be affected by factors such as rise in inflation, increase in healthcare costs, increase in energy prices and changes in other general indicators of the economy as these may result in reduced demand and increased pressure on already competitive prices of insurance products.

The Company’s performance may be affected by the performance of the stock market as a major portion of the Company’s investment portfolio is based on equity stocks. Stable outlook of stock market contributes towards better performance of the Company while risk of volatility in the equity market may adversely affect the Company’s investment returns and hence, its operating performance.

Natural disasters and environmental changes may also affect the performance of the Company as these may result in high claims ratios causing the performance of the Company to vary as against projected trends of losses for each line of business. In order to minimize the impact of such volatilities in the claim ratios, appropriate protection and coverages are in place supported by world’s leading reinsurers.

Project Status in Year 2020:

Project details	Status
New Branding design implementation across all branches	In Process
UAE Website – Online Selling Module Integration with ERP System	To be launched in 2nd Qtr of 2021
Creating Awareness of Cyber Security among all users of Company	In Process
Motor Insurance Portal – Advance Version for Underwriting	In Process

Quantitative Projections

Targets	Associated Risks
Premium growth to recover in 2021 after decline in 2020	Cut throat competition in market to retain existing and acquire new business
Claim ratio to remain around last 3 years' average	Risk management to evaluate high risk businesses whilst following the Company's underwriting philosophy
Operational expenses percentage growth to remain in single digit	Inflation may pose minor risk in meeting the operational cost target
Improvement in Investment income is expected to be achieved	Stock market volatility would be the key associated risk to achieve the target

IFRS 17 Implementation Status

The Insurance businesses are subject to face major changes in reporting environment as IFRS 17 'Insurance Contracts', a new accounting and reporting standard, is applicable from 1 January 2023. The standard was initially applicable from 1 January 2021. However, the date of initial application was extended to 1 January 2022 and then again to 1 January 2023. The said new standard is set to bring major structural changes to reporting of insurance revenues, assets and liabilities. IFRS 17 has a major bearing on the life insurance business.

Insurance Association of Pakistan (IAP) has formed a working committee which is evaluating the accounting, reporting and structural changes to be introduced by the standard. The Company is part of this working committee. IAP has hired services of a consultant firm at industry level to assist the industry towards adoption and implementation of IFRS 17. The purpose of uniting under the platform of IAP is to adopt a unanimous approach across the industry. Following implementation phases have been identified:

- Gap analysis
- Assessment of Financial Impact
- Design and Methodology
- Implementation and testing

In UAE, the Gap Analysis stage has been completed and reported to the local regulator. Financial Impact Assessment is due to be completed and submitted to the regulator by 31 March 2021.

The Company is confident of successful implementation of IFRS 17 by the applicable date.



GROWING STRONGER TOGETHER
**STAKEHOLDERS
RELATIONSHIP AND
ENGAGEMENT**

Stakeholder Relationship and Engagement

Healthy and sustained relationship with the stakeholder is important for any organization to perform well in short term and achieve its strategic objectives in the long term. The table below highlights the various types of stakeholders who are generally engaged with the Company along with their expectations, role in achieving strategic objectives of the Company and frequency of their engagements:

Stakeholder	What matters to them	Reasons to engage them	Engagement method	Frequency of engagement
Shareholders, Investors and Analysts	<ul style="list-style-type: none"> Availability of transparent information on timely basis Efficient management Clear business objectives and strategies Enhanced business value and positive image of the Company 	They are the providers of capital and expect sustainable growth and return on their investment. They perform independent analysis of the Company's financial position and performance.	Quarterly, half yearly and annual reports. Board meetings, Annual General Meeting, Extraordinary General Meetings, Corporate Briefing Session, press releases and regular investor calls.	Quarterly, half yearly and annually. As and when required.
Customers	<ul style="list-style-type: none"> Customized solutions Customer satisfaction and protection Convenience Innovative products to fulfil their emerging needs Simple and smooth process Efficient claim processing 	Customers are the center of our attention as they are the buyers of our policies through which the Company generates its revenue.	Connecting with our customers using physical channels i.e. meetings, direct relationship through our branches as well as digital channels i.e. website, social media, call center, etc.	Continuous as well as on specific requirements.
Employees	<ul style="list-style-type: none"> Career growth Continuous professional development through trainings Work life balance Recognition of their efforts Flexible culture Performance based rewards 	Employees are one of the most important pillars on which the Company stands and help us to achieve our overall objectives.	Employee engagement modes include team building sessions, meetings with management, appraisals, employee recreational events, newsletters, website and social media.	Daily, annually, quarterly, continuous availability
Regulator	<ul style="list-style-type: none"> Statutory and legal Compliance Development of the insurance sector Transparent information and disclosures Timely reporting Guidance 	They develop laws and policies to regulate the business environment ensuring transparency in business operations and securing the interest of public at large.	Submission of regulatory information required under the applicable laws and responding to the specific queries requiring certain information	Specific timeless and as and when required
Media	<ul style="list-style-type: none"> Fair advertisement Providing true information 	Ability to create brand awareness and influence public perception towards specific products or services.	Marketing campaigns, interaction through social media and press releases	As and when required
Supplier & Service Providers	<ul style="list-style-type: none"> Business opportunity Fair dealing Sustained business relationship 	Suppliers and service providers including reinsurers & reinsurance brokers are our business partners who provide us with goods and services necessary to achieve our goals and strategic objectives.	Interaction is maintained through direct relationship, meetings, provision of information, Company's website and social media.	On regular basis

Steps to encourage minority shareholders to attend the general meetings

General meeting of an organization provides a platform to decide the important matters as well as solicit the viewpoints of shareholders, especially minority shareholders, regarding performance of the organization. The Company takes immense interest in encouraging minority shareholders to participate in the general meetings of the Company. Below are the steps taken by the Company for this purpose:

- To ensure they know:

Notice of the general meetings specifying time and place of the meeting is forwarded to each shareholder and published in Urdu as well as English newspapers at least 21 days before the date of the meeting. Further, the notice of general meetings is also made available on the Company's website.

- To ensure they attend:

All shareholders are entitled to attend, speak and vote at the meetings of the Company and are entitled to appoint proxy to attend the meeting on their behalf. Annual Report of the Company is provided to all shareholders before Annual General Meeting (AGM) so that they can review performance of the Company. Further, a detailed briefing on Company's performance is provided in AGM and all shareholders, including minority shareholders, are encouraged to raise their queries and provide suggestion relating to performance of the Company.

- Covid-19:

During the Covid-19 pandemic and even to date, the general meeting are being conducted virtually through video link which enables and increases participation of shareholders from all over country and globe.

Investors' Relations section on the Company's website

As one of the leading insurance companies, AICL is committed to providing the best service to its investors / shareholders and creating long term value for them. We ensure consistent and transparent reporting. The Company strives to provide the investors/shareholders with accurate financial information and this information is disseminated through various channels such as Annual and Quarterly reports, press releases, and the Company's official website. The information on the website is always kept up to date. The website contains section for investors which covers all the areas that an investor might be interested in. Furthermore, a complaint form is also available on the website and the Company's management ensures efficient handling of any grievance or query.

Issues raised in last AGM, decisions taken and their implementation status

The Company takes keen interest in soliciting viewpoints of the shareholders regarding its performance. However, at the last Annual General Meeting (AGM) held on 22 May 2020, no specific issues were raised and all agenda items were unanimously adopted by the shareholders.

Stakeholder engagement policy, Corporate Briefing Session and Analyst briefing

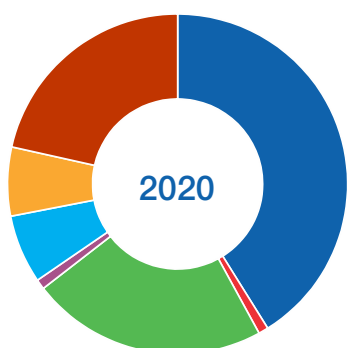
The Company engages wide range of stakeholders for the purpose of its business as detailed above as well and believes in maintaining effective, transparent and frequent interaction with them to share financial performance of the Company, significant changes in regulatory environment, future outlook and Company's view on implications of the general economic conditions on the operations of the Company.

As mandated by the Pakistan Stock Exchange, the Company conducted its annual 'Corporate Briefing Session' on 3 December, 2020 using video-link facility. The session was conducted by the Company's Chief Executive Officer and the Chief Financial Officer and was attended by a large number of shareholders and analysts. The Management presented an analysis of the Company's performance, plans, outlook and answered the queries raised by the attendants, in detail.

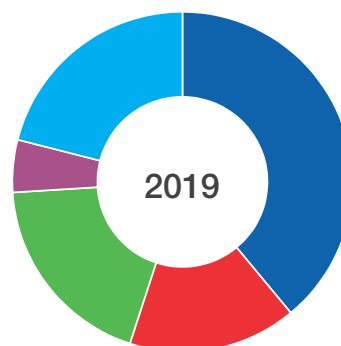
The Company also interacts with local as well as international credit rating agencies for the purpose of securing IFS ratings. Local credit rating agency 'PACRA' has assigned the Company with 'AA+' rating, while one of the most renowned international agency AM Best (UK) assigned the Company with IFS rating of 'B'.

Statement of Value Addition and its Distribution

WEALTH GENERATED	2020		2019	
	(Rupees In '000')	%	(Rupees In '000')	%
Gross premium earned	20,308,335		22,860,092	
Investment and all other income	1,599,533		1,586,343	
	21,907,868		24,446,435	
Management and other expenses	(17,932,153)		(19,847,506)	
	3,975,715	100.00	4,598,929	100.00
WEALTH DISTRIBUTED				
To employees	1,743,361	43.85	1,797,252	39.08
To government	34,680	0.87	720,019	15.66
	1,778,041	44.72	2,517,271	54.74
To share holders				
Cash dividend	962,500	24.21	875,000	19.03
To providers of financial capital as finance cost	15,044	0.38	8,352	0.18
To society as donation	10,400	0.26	1,150	0.03
Retained in business				
Depreciation and amortization	286,818	7.21	251,313	5.46
Retained profit / (Loss)	922,912	23.21	945,843	20.57
	1,209,730	30.43	1,197,156	26.03
	3,975,715	100.00	4,598,929	100.00



- To employees
- To Government
- Cash Dividend
- Finance cost
- Donations
- Depreciation / amortization
- Retained Profit



- To employees
- To Government
- Cash Dividend
- Depreciation / amortization
- Retained Profit



STEADYING THE WORLD AROUND US

SUSTAINABILITY AND CORPORATE SOCIAL

Sustainability and Corporate Social Responsibility

Adamjee Insurance's Corporate Social Responsibility (CSR) Program aims to address key concerns in society such as health and education. The Company also stresses on reassuring its chief stakeholders of overall sustainability through compliance, ethics and corporate citizenship. These elements combined together, form the basis of AICL's corporate philosophy and CSR.

Our policy revolves around taking an array of initiatives, including contributing to the society and an environment compliant with rules and regulations in all our practices, conduct business activities in line with our organizational values, promoting a culture of inclusion and diversity, extensive training and employee engagement activities.

AICL's CSR is primarily focused on achieving compliance, upholding ethical standards, actively participating in corporate citizenship and maintaining overall sustainability. AICL has undertaken an array of initiatives, including improved communication and extensive training, to cultivate these aspects of its operations.

AICL recognizes its responsibility in reducing the impact of Covid-19 on its employees, customers and society at large. AICL too measures to ensure that employees and customers can operate in a safe environment. AICL was well equipped with the digital infrastructure which enabled it to serve its customers efficiently while ensuring the safety of customers and employees. All the directed SOPs were implemented efficiently and effectively and all social distancing measures were taken very seriously when the offices started operations after lockdown.



Health, Safety & Environment

Health, Safety and Environmental (HSE) responsibilities constitute an essential part of Adamjee Insurance's operations. These become the core of the Company's activities. AICL's management and employees share the belief that good HSE contributes positively and productively to business development and ultimate success.

It is this belief that urges Adamjee Insurance to take measures to safeguard its employees' health and minimize the environmental impact of their jobs. AICL's HSE policy observes all existing laws, regulations and amendments.

AICL believes in setting the benchmark in the industry when it comes to serving the community and lighting in meeting its environmental regulations. At AICL, we promote Green Office Environment conservation by using LED inverter at all our offices, efficient water usage, paperless operations to reduce carbon footprint. We aim to take more initiatives technology for maintaining appropriate temperature in future to make sure we are always adopting the best practices.

Commitment to Excellence

In an era of intense hectic competition, AICL stays afloat with its unwavering commitment to operational and financial discipline in producing unparalleled results; keeping its promises and continually fulfilling its customers' needs.

During the year, Adamjee Insurance was engaged in various activities with organizations including Rehman Keyani Memorial Foundation, Saleem Memorial Trust Hospital, Hussaini Hematology and Oncology Trust, SAFCO Support Foundation, Sindh Rural Support Organization and others.

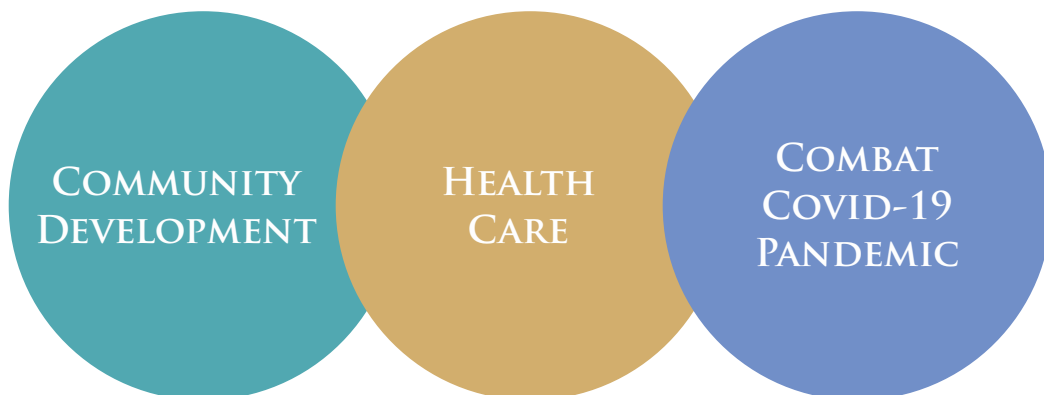
Adamjee Insurance Re-creational Club organized extra-curricular activities including cricket tournaments, badminton, and table tennis competition for the promotion of healthy activities among employees and also have active participation in the insurance association events.

Certifications Acquired for Best Sustainability and CSR Practices

Adamjee insurance has been awarded various certifications for its robust approach towards environmental sustainability and social responsibility. These include:

- Certification of Green Office by WWF – 'To Reduce Ecological Footprint'
- Environment, Health, Safety & Security Award 2016.
- CSR Award 2013 to 2015, Environmental and Quality Standard Award 2015

Investing in Communities



BY THE NUMBERS

UNCONSOLIDATED FINANCIAL STATEMENTS



Independent Auditor's Report

To the members of Adamjee Insurance Company Limited Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of Adamjee Insurance Company Limited (the Company), which comprise the unconsolidated statement of financial position as at December 31, 2020, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, and the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated 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 unconsolidated statement of financial position, unconsolidated of profit and loss account, unconsolidated statement of comprehensive income, unconsolidated the statement of changes in equity and the unconsolidated 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 the Company's affairs as at December 31, 2020 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Unconsolidated 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 unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matter(s):

Sr No.	Key audit matter(s)	How the matter was addressed in our audit
1.	<p>Revenue Recognition Risk</p> <p>Refer note 3.13 and 27 to the unconsolidated financial statements relating to revenue recognition and details in respect of net insurance premium respectively.</p> <p>The Company receives its revenue primarily from two main sources namely; premiums and investments income. Premiums from insurance policies comprise of 92.41% of the total revenue.</p>	<p>Our audit procedures in respect of this matter included the following:</p> <ul style="list-style-type: none">• Obtained the understanding, evaluated the design and tested the controls over the process of capturing, processing and recording of premiums;• Assessed the appropriateness of the Company's accounting policy for recording of premiums and that it is in line with the requirements of applicable law, accounting and reporting standards;• Traced the premium recorded on sample basis from the underlying policies issued to insurance contract holders;

Sr No.	Key audit matter(s)	How the matter was addressed in our audit
	<p>We identified revenue recognition from premium income as a key audit matter because it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not be recognized in the appropriate period.</p>	<ul style="list-style-type: none"> • 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 • Recalculated the unearned portion of premium income and ensured that appropriate amount has been recorded as provision for unearned premium in liabilities.
2.	<p>Valuation of Claim Liabilities</p> <p>Refer note 3.18 and 28 to the unconsolidated financial statements for accounting policies and details in respect of claim liabilities.</p> <p>The Company's claim liabilities represent 21.74% of its total liabilities. Valuation of these claim liabilities involves significant management judgment regarding uncertainty in the estimation of claims payments and assessment of frequency and severity of claims. Claim liabilities are recognized on intimation of the insured event based on management judgment and estimate. The Company maintains provision for claims incurred but not reported (IBNR) based on the advice of an independent actuary. The actuarial valuation process involves significant judgment and the use of actuarial assumptions.</p> <p>Therefore, we have identified the valuation of claim liabilities as key audit matter.</p>	<p>Our audit procedures in respect of this matter included the following:</p> <ul style="list-style-type: none"> • Assessed the appropriateness of the Company's accounting policy for recording of claims in line with requirements of applicable accounting and reporting standards; • Tested claims transactions on a sample basis with underlying documentation to evaluate whether the claims reported during the year are recorded in accordance with the requirements of the Company's policy and insurance regulations; • Inspected significant arrangements with reinsurer to obtain an understanding of contracts terms and assessed on a sample basis that recoveries from reinsurance on account of claims reported have been accounted for based on agreed terms and conditions; • Used an external actuarial specialist to assist us in evaluation of general principles, actuarial assumptions and methods adopted for actuarial valuations by the actuary of the Company for determination of IBNR; • Assessed competence, capability and objectivity of management's expert; • Assessed the data provided by the Company to its actuary for completeness and accuracy and ensured that the same has been provided to us; and • Considered the adequacy of Company's disclosures about the estimates used and the sensitivity to key assumptions.

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 company's annual report, but does not include the unconsolidated financial statements and our auditor's report thereon.

Our opinion on the unconsolidated 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 unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated 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 when available, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the unconsolidated 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated 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 unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on 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 unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to 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 unconsolidated financial statements, including the disclosures, and whether the unconsolidated 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 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 unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);
- b) the unconsolidated statement of financial position, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Rana M. Usman Khan.



Chartered Accountants

Lahore : February 23, 2021

Unconsolidated Statement of Financial Position

As at 31 December 2020

	Note	2020	2019
Rupees in thousand			
ASSETS			
Property and equipment	5	4,467,919	4,232,130
Intangible assets	6	88,187	68,927
Investment properties	7	401,896	401,896
Investment in subsidiary	8	1,097,900	694,895
Investments			
Equity securities	9	19,194,460	18,843,017
Debt securities	10	374,331	465,868
Term deposits	11	5,929,062	5,883,892
Loans and other receivables	12	582,896	477,264
Insurance / reinsurance receivables	13	4,759,151	5,810,164
Reinsurance recoveries against outstanding claims		5,922,296	5,931,928
Salvage recoveries accrued		270,275	301,420
Deferred commission expense / acquisition cost	29	731,319	1,190,146
Taxation - payment less provisions		376,484	-
Prepayments	14	3,422,781	3,633,739
Cash and bank	15	1,312,044	1,176,685
		48,931,001	49,111,971
Total assets of Window Takaful Operations - Operator's Fund	16	589,148	426,291
Total Assets		49,520,149	49,538,262
EQUITY AND LIABILITIES			
Capital and reserves attributable to the Company's equity holders			
Ordinary share capital	17	3,500,000	3,500,000
Reserves	18	4,486,946	4,555,491
Unappropriated profit		14,247,913	13,325,001
Total Equity		22,234,859	21,380,492
LIABILITIES			
Underwriting provisions			
Outstanding claims including IBNR	28	10,768,040	10,367,347
Unearned premium reserves	27	8,366,434	10,242,348
Unearned reinsurance commission	29	245,318	237,751
Retirement benefit obligations	19	197,232	225,177
Deferred taxation	20	1,375,394	1,329,898
Borrowings	21	166,367	-
Deferred grant income	22	14,767	-
Premium received in advance		399,494	363,002
Insurance / reinsurance payables	23	3,030,884	2,701,164
Other creditors and accruals	24	1,806,196	1,719,334
Deposits and other liabilities	25	672,367	723,618
Taxation - provision less payments		-	52,259
		27,042,493	27,961,898
Total liabilities of Window Takaful Operations - Operator's Fund	16	242,797	195,872
Total Equity and Liabilities		49,520,149	49,538,262
Contingencies and commitments			
	26		

The annexed notes 1 to 49 form an integral part of these unconsolidated financial statements.



Umer Mansha
Chairman



Ibrahim Shamsi
Director



Shaikh Muhammad Jawed
Director



Muhammad Asim Nagi
Chief Financial Officer



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Unconsolidated Profit and Loss Account

For the year ended 31 December 2020

	Note	2020	2019
		Rupees in thousand	
Net insurance premium	27	13,294,626	15,433,989
Net insurance claims	28	(7,986,856)	(9,876,537)
Net commission and other acquisition costs	29	(1,833,190)	(1,507,205)
Insurance claims and acquisition expenses		(9,820,046)	(11,383,742)
Management expenses	30	(3,098,880)	(3,396,625)
Underwriting results		375,700	653,622
Investment income	31	1,092,506	1,372,373
Rental income	32	112,717	30,040
Other income	33	242,866	68,551
Fair value adjustment to investment property	7	-	12,298
Other expenses	34	(62,333)	(58,992)
Workers' welfare fund reversal / (charge)	24.1	-	355,761
Results of operating activities		1,761,456	2,433,653
Finance cost		(15,044)	(8,352)
Profit from Window Takaful Operations - Operator's fund	16	163,774	107,693
Profit before taxation		1,910,186	2,532,994
Income tax expense	35	(34,680)	(720,019)
Profit after taxation		1,875,506	1,812,975
		Rupees	
Earnings (after tax) per share - basic and diluted	36	5.36	5.18

The annexed notes 1 to 49 form an integral part of these unconsolidated financial statements.



Umer Mansha
Chairman



Ibrahim Shamsi
Director



Shaikh Muhammad Jawed
Director



Muhammad Asim Nagi
Chief Financial Officer



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Unconsolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	2020	2019
	Rupees in thousand	
Profit after taxation	1,875,506	1,812,975
Items that will not be subsequently reclassified to profit and loss account		
- Re-measurement of retirement benefit obligations	9,906	7,868
Items that may be subsequently reclassified to profit and loss account		
- Unrealized (loss) / gain on 'available-for-sale' investments - net of tax	(145,278)	490,824
- Reclassification adjustment relating to 'available for sale' investments disposed of in the year - net of tax	73,704	218,255
- Unrealized (loss) / gain on 'available for sale' investment from Window Takaful Operations - net of tax	(473)	1,338
- Net effect of translation of foreign branches	3,502	60,874
Other comprehensive (loss) / income for the year	(58,639)	779,159
Total comprehensive income for the year	1,816,867	2,592,134

The annexed notes 1 to 49 form an integral part of these unconsolidated financial statements.



Umer Mansha
Chairman



Ibrahim Shamsi
Director



Shaikh Muhammad Jawed
Director



Muhammad Asim Nagi
Chief Financial Officer



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Unconsolidated Cash Flow Statement

For the year ended 31 December 2020

	2020	2019
	Rupees in thousand	
Cash flows from operating activities		
Underwriting activities		
Insurance premiums received	19,452,743	23,936,602
Reinsurance premiums paid	(6,488,542)	(8,174,534)
Claims paid	(11,973,346)	(14,686,699)
Surrenders paid	(55,690)	(68,640)
Reinsurance and other recoveries received	4,326,300	4,599,404
Commissions paid	(1,952,076)	(2,539,507)
Commissions received	532,528	622,744
Other underwriting payments	(2,873,666)	(3,192,498)
Net cash inflow from underwriting activities	968,251	496,872
Other operating activities		
Income tax paid	(341,322)	(549,667)
Finance cost paid on lease liability	(7,373)	(8,352)
Other operating payments	(30,192)	(58,993)
Loans advanced	(45,178)	(69,345)
Loans repayments received	49,691	65,832
Other operating receipts	53,910	30,300
Net cash outflow from other operating activities	(320,464)	(590,225)
Total cash inflow / (outflow) from operating activities	647,787	(93,353)
Cash flows from investing activities		
Profit received on bank deposits	280,219	151,655
Income received from Pakistan Investment Bonds	10,221	383
Income from Treasury Bills	24,641	36,740
Dividends received	997,266	1,406,649
Rentals received	121,113	27,180
Payments made for investments	(11,103,896)	(9,561,029)
Proceeds from disposal of investments	10,367,467	9,065,908
Fixed capital expenditure - operating assets	(495,237)	(1,158,726)
Fixed capital expenditure - intangible assets	(25,837)	(8,933)
Proceeds from disposal of operating assets	104,134	42,948
Total cash inflow from investing activities	280,091	2,775
Cash flows from financing activities		
Payments against lease liability	(44,092)	(73,660)
Dividends paid	(926,576)	(870,521)
Loan obtained	178,609	-
Interest expense against loan paid	(460)	-
Net cash outflows from financing activities	(792,519)	(944,181)
Net cash inflow / (outflow) from all activities	135,359	(1,034,759)
Cash and cash equivalent at beginning of the year	1,176,685	2,211,444
Cash and cash equivalent at end of the year	1,312,044	1,176,685

Unconsolidated Cash Flow Statement

For the year ended 31 December 2020

2020

2019

Rupees in thousand

Reconciliation to profit and loss account

Operating cash flows	647,787	(93,353)
Depreciation expense	(263,522)	(226,400)
Provision for retirement benefit obligations	(50,016)	(48,934)
Finance cost on borrowing	(7,671)	-
Provision for doubtful balances against insurance / reinsurance receivables	(44,062)	(187,764)
Other income - bank & term deposits	280,987	215,103
Gain / (loss) on disposal of operating assets	74,944	(6,763)
Rental income	114,576	35,503
Fair value adjustment to investment property	-	12,298
Decrease in assets other than cash	(1,486,218)	(35,331)
(Increase) / decrease in liabilities	(635,352)	1,171,838
Gain on disposal of investments	41,112	41,668
Amortization expense	(23,296)	(24,913)
Decrease / (increase) in unearned premium	1,875,914	(141,447)
(Decrease) / increase in loans	(4,513)	3,513
Income tax paid	341,322	549,667
Increase in tax liabilities	(34,680)	(720,019)
Provision for impairment of 'available-for-sale' investments	(158,641)	(294,179)
Dividend and other income	1,000,315	1,406,649
Income from Treasury Bills	27,218	46,263
Income from Pakistan Investment Bonds	11,284	1,883
Income against deferred grant	4,243	-
Profit for the year from Window Takaful Operations - Operator's fund	163,774	107,693
Profit after taxation	1,875,505	1,812,975

2020

2019

Rupees in thousand

Cash and bank for the purposes of the cash flow statement consists of:

Cash and cash equivalents	5,141	10,413
Current and saving accounts	1,306,903	1,166,272
Total cash and cash equivalents	1,312,044	1,176,685

The annexed notes 1 to 49 form an integral part of these unconsolidated financial statements.



Umer Mansha
Chairman



Ibrahim Shamsi
Director



Shaikh Muhammad Jawed
Director



Muhammad Asim Nagi
Chief Financial Officer



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Unconsolidated Statement of Changes in Equity


For the year ended 31 December 2020

	Share capital	Capital reserve			Revenue reserve		Total	
	Issued, subscribed and paid up	Reserve for exceptional losses	Investment fluctuation reserve	Exchange translation reserve	Fair Value Reserve	General reserve		Unappropriated Profit
Rupees in thousand								
Balance as at January 01, 2019	3,500,000	22,859	3,764	614,062	2,207,015	936,500	12,379,158	19,663,358
Profit after taxation	-	-	-	-	-	-	1,812,975	1,812,975
Other comprehensive income	-	-	-	60,874	710,417	-	7,868	779,159
Total comprehensive income for the year ended December 31, 2019	-	-	-	60,874	710,417	-	1,820,843	2,592,134
Transactions with owners of the company								
Final cash dividend at Rs. 1.5 per share - December 31, 2018	-	-	-	-	-	-	(525,000)	(525,000)
Interim cash dividend at Rs. 1.0 per share - June 30, 2019	-	-	-	-	-	-	(350,000)	(350,000)
	-	-	-	-	-	-	(875,000)	(875,000)
Balance as at December 31, 2019	3,500,000	22,859	3,764	674,936	2,917,432	936,500	13,325,001	21,380,492
Profit after taxation	-	-	-	-	-	-	1,875,506	1,875,506
Other comprehensive income	-	-	-	3,502	(72,047)	-	9,906	(58,639)
Total comprehensive income for the year ended December 31, 2020	-	-	-	3,502	(72,047)	-	1,885,412	1,816,867
Transactions with owners of the Company								
Final cash dividend at Rs. 1.5 per share - December 31, 2019	-	-	-	-	-	-	(525,000)	(525,000)
Interim cash dividend at Rs. 1.25 per share - June 30, 2020	-	-	-	-	-	-	(437,500)	(437,500)
	-	-	-	-	-	-	(962,500)	(962,500)
Balance as at December 31, 2020	3,500,000	22,859	3,764	678,438	2,845,385	936,500	14,247,913	22,234,859

The annexed notes 1 to 49 form an integral part of these unconsolidated financial statements.



Umer Mansha
Chairman



Ibrahim Shamsi
Director



Shaikh Muhammad Jawed
Director



Muhammad Asim Nagi
Chief Financial Officer



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

1 Legal status and nature of business

Adamjee Insurance Company Limited ('the Company') is a public limited Company incorporated in Pakistan on September 28, 1960 under the repealed Companies Act, 1913 (now the Companies Act, 2017). The Company is listed on Pakistan Stock Exchange limited and is principally engaged in the general insurance business. The registered office of the Company is situated at Adamjee House Building, 80/A Block E-1, Main Boulevard Gulberg-III, Lahore. The Company operates 60 (2019: 91) branches within Pakistan.

The Company also operates 3 (2019: 3) branches in the United Arab Emirates (UAE) and 1 (2019: 1) branch in the Export Processing Zone, Karachi (EPZ).

The Company was granted authorization on December 23, 2015 under Rule 6 of the Takaful Rules, 2012 to undertake Window Takaful Operations in respect of general takaful products by the Securities and Exchange Commission of Pakistan (SECP) and commenced Window Takaful Operations on January 01, 2016.

2 Basis of preparation and statement of compliance

2.1 These unconsolidated 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 Standards Board 'IASB' as are notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017, the Takaful Rules, 2012 and Takaful Accounting Regulation, 2019.

In case requirements differ, the provisions of or the directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017, the Takaful Rules, 2012 and Takaful accounting regulations, 2019, shall prevail.

These financial statements represent separate unconsolidated financial statements of the Company, prepared in accordance with the format of financial statements prescribed under Insurance Rules, 2017 and Accounting Regulations, 2017. The consolidated financial statements of the group are issued separately.

As per the requirements of the Takaful Rules, 2012 and SECP Circular No. 25 of 2015 dated July 09, 2015, the assets, liabilities and profit and loss account of the Operator's Fund of the Window Takaful Operations of the Company have been presented as a single line item in the statement of financial position and profit and loss account of the Company respectively. A separate set of financial statements of the Window Takaful Operations has been annexed to these unconsolidated financial statements as per the requirements of the Takaful Rules, 2012.

2.2 Basis of measurement

These unconsolidated financial statements have been prepared under historical cost convention except for certain foreign currency translation adjustments, certain financial instruments carried at fair value, and retirement benefit obligations under employees benefits carried at present value. All transactions reflected in these financial statements are on accrual basis except for those reflected in cash flow statement.

2.3 Functional and presentation currency

Items included in the unconsolidated financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency. All the financial information presented in Rupees has been rounded off to the nearest thousand rupees, except otherwise stated.

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

2.4 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are effective in current year

The following standards, amendments and interpretations of accounting and reporting standards that will be effective for accounting periods beginning on or after January 01, 2020:

Standards or Interpretations	Effective from annual period beginning on or after:
IFRS 14 'Regulatory Deferral Accounts'	July 01, 2019
Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business.	January 01, 2020
Amendments to the Conceptual Framework for Financial Reporting, including amendments to references to the Conceptual Framework in IFRS Standards.	January 01, 2020
Amendments to IAS 39, IFRS 7 and IFRS 9 – The amendments will affect entities that apply the hedge accounting requirements of IFRS 9 or IAS 39 to hedging relationships directly affected by the interest rate benchmark reform.	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material.	January 01, 2020
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	January 01, 2020

2.5 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after January 01, 2021:

Standards or Interpretations	Effective from annual period beginning on or after:
Amendments to IFRS 16 'Leases' - Provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification.	June 01, 2020
IBOR 2 'Interest Rate Benchmark Reform – Phase 2' Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates.	January 01, 2021
Amendments to IAS 16 'Property, Plant and Equipment', prohibiting the Company from deducting from the cost of property plant and equipment, amount received from selling items produce while the Company is preparing the asset for its intended use.	January 01, 2022
Amendments to IFRS 3 'Business Combinations' that updated an outdated reference in IFRS 3 without significantly changing its requirements.	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' regarding the costs of fulfilling the contract to include when assessing whether a contract is Onerous.	January 01, 2022

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

Standards or Interpretations

Effective from annual period
beginning on or after:

Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current.

January 01, 2023

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.

Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

There are certain other new and amended standards and interpretations that are mandatory for the insurance accounting periods beginning on or after January 01, 2021 but are considered either not to be relevant or do not have any significant impact on these financial statements.

IFRS 9 - Financial Instruments

IFRS 9 'Financial Instruments' has become applicable, however as an insurance company, the management has opted temporary exemption from the application of IFRS 9 as allowed by International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance. Additional disclosures, as required by the IASB, for being eligible to apply the temporary exemption from the application of IFRS 9 are given below:

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

	AS at December 31, 2020				
	Fail the SPPI test		Pass the SPPI test		
	Fair value	Change in unrealized gain / (loss) during the period	Carrying Value	Cost less Impairment	Change in unrealized gain / (loss) during the period
Financial assets					
Cash and Bank*	1,312,044	-	-	-	-
Investment in subsidiary*	1,097,900	-	-	-	-
Investments in equity securities - available-for-sale	19,194,460	(100,811)	-	-	-
Investment in debt securities - held to maturity	-	-	374,331	-	-
Term deposits*	-	-	5,929,062	-	-
Loans and other receivables*	579,411	-	3,485	-	-
Total	22,183,815	(100,811)	6,306,878	-	-

Rupees in thousand

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

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

3 Summary of significant accounting policies

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

3.1 Property and equipment

Owned operating assets, other than freehold land which is not depreciated are stated at cost, signifying historical cost, less accumulated depreciation and any provision for accumulated impairment. Freehold land and capital work-in-progress are carried at cost less accumulated impairment losses, if any. Depreciation is charged to profit and loss account applying reducing balance method depending upon the nature of the asset, at the rates specified for calculation of depreciation after taking into account residual value, if any. The useful lives, residual values and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

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 benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. All other repairs and maintenance costs are charged to profit and loss account as and when incurred.

Depreciation on additions is charged from the month the assets are available for use while on disposals, no depreciation is charged in the month in which the assets are disposed off.

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the assets disposed off. These are taken to profit and loss account.

3.2 Capital work in progress

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

3.3 Intangible assets

These are stated at cost less accumulated amortization and provision for accumulated impairment, if any.

Amortization is calculated from the month the assets are available for use using the straight-line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortization methods are reviewed, and adjusted if appropriate, at each reporting date.

Software development costs are only capitalized to the extent that future economic benefits are expected to be derived by the Company.

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

3.4 Investment properties

Investment property is measured at purchase cost on initial recognition including directly attributable to the acquisition of the investment property and subsequently at fair value with any change therein recognized in profit and loss account.

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

Subsequent costs are included in the carrying amount of the investment property, only when it is probable that the future economic benefits associated with the items will flow to the Company and the cost of the item can be measured reliably. Other repair and maintenance costs are charged to profit and loss account as and when incurred.

3.5 Insurance contracts

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

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

Insurance contracts issued by the Company are generally classified in five basic categories i.e. Fire & property, Marine, aviation & transport, Motor, Accident & health and Miscellaneous, and are issued to multiple types of clients with businesses in engineering, automobiles, cement, power, textiles, paper, agriculture, services and trading sectors etc. and individuals as well. The tenure of these insurance contracts depends upon terms of the policies written and vary accordingly.

- Fire and property insurance contracts generally cover the assets of the policy holders against damages by fire, earthquake, riots and strike, explosion, atmospheric disturbance, flood, electric fluctuation and impact, burglary, loss of profit followed by the incident of fire, contractor's all risk, erection all risk, machinery breakdown and boiler damage, etc. according to the terms and conditions of the policy.
- Marine, aviation and transport insurance contracts generally provide cover against damages by cargo risk and damages occurring during transit between the points of origin and final destination including loss of or damage to carrying vessel etc. according to the terms and conditions of the policy.
- Motor insurance contracts provide indemnity for accidental damage to or total loss of insured vehicle including loss of or damage to third party and other comprehensive car coverage etc. according to term and conditions of the policy.
- Accident and health insurance contracts mainly compensate hospitalization and out patient medical coverage to the insured according to term and conditions of the policy.
- Miscellaneous insurance contracts provide variety of coverage including cover against burglary, loss of cash in safe, cash in transit and cash on counter, fidelity guarantee, personal accident, workmen compensation, travel and crop, mobilization and performance bond etc. according to term and conditions of the policy.

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

3.6 Deferred commission expense / acquisition cost

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

Other acquisition costs are charged to profit and loss account at the time the policies are accepted.

3.7 Unearned premium

The unearned premium represents the portion of premium written relating to the unexpired period of insurance coverage at the reporting date. It is recognized as a liability. Such liability is calculated as a the ratio of the unexpired period of the policy and the total policy period, both measured to the nearest day except:

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

- for marine cargo, as a ratio of the unexpired shipment period to the total expected shipment period, both measured to the nearest day.
- for crop business, as a ratio of the unexpired crop period to the total expected crop period, both measured to the nearest day.

Policy for recognition of premium revenue is disclosed in detail in note 3.13 to these financial statements. Unearned premium reserve calculated by the Company is also confirmed by an independent actuary.

3.8 Premium deficiency

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

For this purpose, premium deficiency reserve is determined by independent actuaries. The actuary determines the prospective loss ratios for each class of business and applies factors of unearned and earned premiums and uses assumptions appropriate to arrive at the expected claims settlement cost which when compared with unearned premium reserve (UPR) shows whether UPR is adequate to cover the unexpired risks. If these ratios are adverse, premium deficiency is determined.

Based on actuary's advice the management creates a reserve for the same in these unconsolidated financial statements. The movement in the premium deficiency reserve on net basis is recorded as an expense / income in profit and loss account for the year.

3.9 Reinsurance contracts held

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Reinsurance contracts includes treaty reinsurance, whereby certain agreed proportion of risks are shared with the participating companies, hence higher underwriting capacity with larger spread becomes available. Depending upon the nature and / or size of the risk at times reinsurance of excess of capacity is also placed on case to case basis under facultative reinsurance arrangement. The Company also accepts facultative reinsurance from other local insurance companies provided the risk meets the underwriting requirements of the Company.

Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or accepted reinsurance business being reinsured.

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

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

Reinsurance assets or liabilities are derecognized when the contractual rights or obligations are extinguished or expired. Furthermore, reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contract are not off set against income or expenses from related insurance assets.

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

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

The portion of reinsurance premium not recognized as an expense is shown as a prepayment.

Prepayment (i.e. premium ceded to reinsurers) is recognized as follows:

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

Commission income from reinsurers is recognized at the time of issuance of the underlying insurance policy by the Company. This income is deferred and brought to profit and loss account as commission income in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit commission and no claim bonus (if any), which the Company may be entitled to under the terms of reinsurance, is recognized on accrual basis.

3.10 Receivables and payables related to insurance contracts

Insurance / reinsurance receivable and payable including premium due but unpaid, relating to insurance contracts are recognized when due and carried at cost less provision for impairment (if any) . The cost is the fair value of the consideration to be received / paid in the future for services rendered / received. These amounts also include due to and from other insurance companies and brokers.

Premium received in advance is recognized as liability till the time of issuance of insurance contract there against.

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

3.11 Segment reporting

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

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

3.12 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. It comprises cash in hand, policy stamps and bank balances.

3.13 Revenue recognition

3.13.1 Premiums

Premiums including administrative surcharge under an insurance contract are recognized as written from date of issuance to the date of attachment of risk to the policy / cover note. Where premium for a policy is payable in installments, full premium for the duration of the policy is recognized as written, where the first such installment has

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

been duly received by the Company, at the inception of the policy and related assets is recognized as premium receivable.

Revenue from premiums is determined after taking into account the unearned portion of premiums. The unearned portion of premium income is recognized as a liability as explained in note 3.7.

Reinsurance premium is recognized as expense after taking into account the proportion of prepaid reinsurance premium which is recognized as a proportion of the gross reinsurance premium of each policy, determined as the ratio of the unexpired period of the policy and the total period, both measured to the nearest day. The prepaid portion of premium is recognized as a prepayment as explained in note 3.7.

3.13.2 Commission Income

Commission income from other insurers / reinsurers is deferred and recognized as liability and recognized in the profit and loss account as commission income in accordance with the pattern of recognition of the reinsurance premiums.

3.13.3 Investment income

Following are recognized as investment income:

- Income from held to maturity investments is recognized on a time proportion basis taking into account the effective yield on the investments. The difference between the redemption value and the purchase price of the held to maturity investments is amortized and taken to the profit and loss account over the term of the investment.
- Dividend income is recognized when the Company's right to receive the dividend is established.
- Gain / loss on sale of available-for-sale investments is recognized in profit and loss account in the year of sale.
- Return on bank deposits is recognized on a time proportion basis taking into account the effective yield.

3.14 Investment in Subsidiary

Investment in subsidiary is measured at cost less any identified impairment loss in the Company's separate financial statements. Cost represents the fair value of the consideration given, including any transaction costs paid, by the Company at the time of purchase of such equity instruments. In case of an increase in the investment in a subsidiary the accumulated cost represents the carrying value of the investment.

At each statement of financial position date, the Company reviews the carrying amounts of the investments in subsidiary to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognised as expense in the statement of profit or loss. Investment in subsidiary that suffered an impairment, are reviewed for possible reversal of impairment at each reporting date. Impairment losses recognised in the statement of profit or loss are reversed through the statement of profit or loss.

The carrying amount of an investment carried at cost is derecognised when it is sold or otherwise disposed of. The difference between the fair value of any consideration received on disposal and the carrying amount of the investment is recorded in the statement of profit or loss as a gain or loss on disposal.

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

3.15 Investments

Investments are recognized and classified as follows:

- Investment at fair value through profit or loss
- Held to maturity
- Available-for-sale

The classification depends on the purpose for which the financial assets were acquired. The Company does not have any 'investment at fair value through profit and loss account' at the statement of financial position date.

3.15.1 Held to maturity

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

Subsequently, these are measured at amortized cost less provision for impairment, if any.

Any premium paid or discount availed on government securities and term finance certificates is deferred and amortized over the period to maturity of investment using the effective yield.

3.15.2 Available-for-sale

Investments which are not eligible to be classified as 'fair value through profit or loss' or 'held to maturity' are classified as 'available-for-sale'. These investments are intended to be held for an indefinite period of time which may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates.

These are initially measured at cost and subsequently re-measured at fair value at each reporting date. The unrealized gains and losses arising from changes in fair values are directly recognized in equity in the year in which these arise. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the profit and loss account as gains and losses from investment securities. The Company assesses at each statement of financial position date whether there is an objective evidence that the financial asset is impaired. If any such evidence exists for an 'available for sale' asset, the accumulated loss is removed from equity and recognized in the profit and loss account.

Quoted

Subsequent to initial recognition, these investments are re-measured at fair value. Gains or losses on investments on re-measurement of these investments are recognized in statement of comprehensive income.

Unquoted

Fair value of unquoted investments is determined on the basis of appropriate valuation techniques as allowed by IAS 39 'Financial Instruments: Recognition and Measurement'. Where fair value cannot be measured reliably, these are carried at cost. The valuation of unquoted investment as at December 31, 2020 has been carried out by independent valuer for determination of fair value of these investments.

3.15.3 Fair / market value measurements

For investments in Mutual funds, fair / market value is determined by reference to rates quoted by Mutual Fund Association of Pakistan (MUFAP). For investments in quoted marketable securities, other than Term Finance Certificates, fair / market value is determined by reference to Pakistan Stock Exchange quoted market price at the close of business on reporting date. The fair market value of Term Finance Certificates is as per the rates issued.

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

3.15.4 Date of recognition

Regular way purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognized at the trade date. Trade date is the date on which the Company commits to purchase or sell the investment.

3.16 Off setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position when the Company has a legally enforceable right to set-off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.17 Provisions

Provision 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 of the amount of obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

3.18 Provision for outstanding claims including IBNR

The Company recognizes liability in respect of all claims incurred up to the reporting date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in the insurance contract. The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR), expected claims settlement costs, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

SECP through its circular 9 of 2016 dated March 09, 2016 issued 'SEC guidelines for estimation of incurred but not reported (IBNR) claims reserve 2016' for non-life insurance Companies and required to comply with all provisions of these guidelines with effect from July 01, 2016.

The Guidelines require that estimation for provision for claims incurred but not reported (IBNR) for each class of business, by using prescribed Method 'Chain Ladder Method' and other alternate method as allowed under the provisions of the Guidelines. The Chain Ladder Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level to derive an IBNR estimate.

The actuarial valuation as at December 31, 2020 has been carried out by independent firm of actuaries for determination of IBNR for each class of business. The actuarial valuation is based on a range of standard actuarial claim projection techniques, based on empirical data and current assumptions as explained in preceding paragraph that may include a margin for adverse deviation as required / allowed by the circular 9 of 2016. The methods used, and the estimates made, are reviewed regularly.

3.19 Taxation

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

Current

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

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

Deferred

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

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

3.20 Retirement benefit obligations

The main feature of the scheme operated by the company for its employees are as follows:

3.20.1 Defined contribution plan

The Company operates an approved contributory provident fund scheme for all its eligible employees. Equal monthly contributions to the fund are made by the Company and the employees at the rate of 8.33% of basic salary. Contributions made by the company are recognized as expense. The Company has no further payment obligations once the contributions have been paid. Obligation for contributions to defined contribution plan is recognized as an expense in the profit and loss account as and when incurred.

3.20.2 Defined benefit plans

The Company operates the following defined benefit plans:

- (a) an approved funded gratuity scheme for all its permanent employees in Pakistan. Annual contribution are made to this scheme on the basis of actuarial recommendations. The Company recognizes expense in accordance with IAS 19 'Employee Benefits'. The contributions have been made to gratuity fund in accordance with the actuary's recommendations based on the actuarial valuation of these funds as at December 31, 2020.
- (b) unfunded gratuity scheme covering the employees in the UAE branches as per the requirements of the applicable regulations. Provision is made in these unconsolidated financial statements on the basis of the actuarial valuation carried out by an independent actuary using the projected unit credit method. The latest valuation has been carried at December 31, 2020.

Past-service costs are recognized immediately in profit and loss account, unless the changes to the plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit and loss account.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit and loss account. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

3.20.3 Employees' compensated absences

The Company accounts for these benefits in the period in which the absences are earned.

The Company provides annually for the expected cost of accumulating compensated absences on the basis of actuarial valuation. Regular employees of the Company are entitled to 30 days earned leaves in a calendar year and they can accumulate the unutilised privilege leaves upto 60 days (2019: 60). The most recent valuation is carried out as at December 31, 2020 using the LIFO method. The liabilities are presented as a current employees benefit obligations in the statement of financial position.

3.21 Impairment of assets

Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Non financial assets

The carrying amounts of Company's non-financial assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

3.22 Dividend distribution

Dividend distribution to the Company's shareholders and other appropriations are recognized in the Company's financial statements in the period in which these are approved. Appropriations of profit are reflected in the statement of changes in equity in the period in which such appropriations are approved.

3.23 Management expenses

Expenses of management both direct and indirect are allocated on the basis of activity in each class of business. Expenses not allocable to the underwriting business are charged as other expenses.

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

3.24 Leases

As a lessee, the Company recognizes right of use asset and lease liability at the lease commencement date.

Right of use assets

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payment made at or before the commencement date, plus any initial direct cost incurred and less any lease incentives received.

The right of use assets are subsequently depreciated using the straight-line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for the certain remeasurement of the lease liability.

Lease liability

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index, or a rate, initially measured using the index or rate as at commencement date;
- amount expected to be payable under a residual guarantee; and
- the exercise under purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change 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 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 and loss account if the carrying amount of the right of use asset has been reduced to zero.

3.25 Foreign currencies

Transactions in foreign currencies (other than the result of foreign branches) are accounted for in Pak Rupees at the rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the reporting date. Exchange differences are taken to the profit and loss account.

The assets and liabilities of foreign branches are translated to Pak Rupees at exchange rates prevailing at the reporting date. The results of the foreign branches are translated to Pak Rupees at the average rate of exchange for the year. Translation gains and losses are included in the profit and loss account, except those arising on the translation of the Company net investments in foreign branches, which are taken to the capital reserves (exchange translation reserve).

3.26 Financial instruments

Financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and de-recognized 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, cancelled or expired. Any gain or loss on the de-recognition of the financial assets and liabilities is included in the profit and loss account.

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

Financial instruments carried in the statement of financial position include cash and bank, loans, investments, premiums due but unpaid, amount due from other insurers / reinsurers, premium and claim reserves retained by cedants, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amounts due to other insurers / reinsurers, accrued expenses, other creditors and accruals, liabilities against asset subject to finance lease and unclaimed dividends. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.27 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 ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated if there is any potential dilutive effect on the Company's reported net profits.

3.28 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit and loss over the period of the borrowings using the effective interest rate. Finance costs are accounted for on accrual basis and are reported under accrued markup to the extent of the amount remaining unpaid.

3.29 Government grant

Government grants are transfers of resources to the Company by a government entity in return for compliance with certain past or future conditions related to the Company's operating activities - e.g. a government subsidy. The definition of 'government' refers to governments, government agencies and similar bodies, whether local, national or international.

The Company recognises government grants when it is reasonably probable that grants will be received and the Company will be able to comply with conditions associated with grants.

Government grants are recognized at fair value, as a deferred income, when there is reasonable assurance that the grants will be received and the Company will be able to comply with the conditions associated with the grants.

Grants that compensate the Company for expenses incurred, are recognized on a systematic basis in the income for the year in which the related expenses are recognized. Grants that compensate for the cost of an asset are recognized in income on a systematic basis over the expected useful life of the related asset.

Loan at subsidized rate under SBP refinancing scheme for payment of wages and salaries is initially measured at the fair value i.e. the present value of the expected future cash flows discounted at a market-related interest rate. The difference between the amount received and the fair value is recognized as a government grant.

4 Critical accounting estimates and judgments

4.1 Use of estimates and judgments

The preparation of these unconsolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments 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 year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

The areas involving a higher degree of judgment and complexity, or areas where assumptions and estimates are significant to these financial statements or judgment was exercised in application of accounting policies, are as follows:

	Note
- Premium deficiency	3.8
- Provision for doubtful insurance / reinsurance receivables	3.10
- Provision for outstanding claim including claims incurred but not reported (IBNR)	3.18
- Retirement benefit obligation	3.20
- Valuation of unquoted investments	3.15.2
- Provision for taxation including the amount relating to tax contingency	3.19
- Impairment of assets - Financials / Non financial assets	3.21
- Useful lives, pattern of economic benefits and impairments - Property and Equipment	3.1
- Segment Reporting	3.11

	Note	2020	2019
Rupees in thousand			
5 Property and Equipment			
Operating assets	5.1	4,356,133	4,067,536
Capital work in progress	5.2	11,170	64,020
Right of use asset	5.3	100,616	100,574
		4,467,919	4,232,130

5.1 Operating assets - owned

	2020													
	Cost					Depreciation					Net Book value			
	As at Jan 01	Additions / Transfers	Exchange differences and other adjustments	Disposals	Transfer to investment property	As at Dec 31	As at Jan 01	Charge for the year	Exchange differences and other adjustments	On disposals	Transfer to investment property	As at Dec 31		As at Dec 31
Rupees in thousand												%		
Land	1,285,992	-	-	-	-	1,285,992	-	-	-	-	-	1,285,992	-	-
Buildings*	2,025,725	254,005	15,364	(4,945)	-	2,290,149	287,589	54,421	8,615	(4,353)	-	346,272	1,943,877	3.0%
Furniture and fixtures	264,638	98,177	3,022	(509)	-	365,328	112,434	25,039	809	(337)	-	137,945	227,383	15.0%
Motor vehicles	751,133	26,596	1,577	(59,034)	-	720,272	395,857	53,300	1,201	(32,255)	-	418,103	302,169	15.0%
Machinery and equipment	605,110	108,615	734	(990)	-	713,469	125,929	74,678	423	(713)	-	200,317	513,152	15.0%
Computer equipment	302,342	45,645	806	(1,807)	-	346,986	245,595	17,633	635	(437)	-	263,426	83,560	30.0%
Total	5,234,940	533,038	21,503	(67,285)	-	5,722,196	1,167,404	225,071	11,683	(38,095)	-	1,366,063	4,356,133	

	2019													
	Cost					Depreciation					Net Book value			
	As at Jan 01	Additions / Transfers	Exchange differences and other adjustments	Disposals	Transfer to investment property	As at Dec 31	As at Jan 01	Charge for the year	Exchange differences and other adjustments	On disposals	Transfer to investment property	As at Dec 31		As at Dec 31
Rupees in thousand												%		
Land	1,285,992	-	-	-	-	1,285,992	-	-	-	-	-	1,285,992	-	-
Buildings*	713,369	1,306,069	51,742	-	(45,455)	2,025,725	237,255	42,795	15,428	-	(7,889)	287,589	1,738,136	3.0%
Furniture and fixtures	273,780	57,971	8,949	(76,062)	-	264,638	143,190	20,234	2,988	(53,978)	-	112,434	152,204	15.0%
Motor vehicles	691,825	106,078	5,751	(52,521)	-	751,133	372,536	52,981	2,398	(32,058)	-	395,857	355,276	15.0%
Machinery and equipment	196,841	430,366	1,519	(23,616)	-	605,110	123,956	16,977	1,447	(16,451)	-	125,929	479,181	15.0%
Computer equipment	276,244	23,963	2,135	-	-	302,342	228,574	14,694	2,327	-	-	245,595	56,747	30.0%
Total	3,438,051	1,924,447	70,096	(152,199)	(45,455)	5,234,940	1,105,511	147,681	24,588	(102,487)	(7,889)	1,167,404	4,067,536	

* The Company owns 5 buildings and the resulting area of land and 8 corporate offices in Pakistan and 1 corporate office in U.A.E..

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5.1.1 Details of tangible assets disposed off during the year are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Relationship	Particulars of purchaser
————— Rupees in thousand —————							
Building							
Japan Plaza Premises	484	407	77	11,090	Negotiation	Independent Third Party	Syed Mustafa Naqvi
Shahwar Trade Centre Premises	2,168	2,016	152	28,474	Negotiation	Independent Third Party	Fawad Yousuf
Amber Estate Premises	2,293	1,930	363	24,000	Negotiation	Independent Third Party	Gasco Engineering Pvt Ltd
	4,945	4,353	592	63,564			
Furniture and fixtures							
Items having book value below Rs. 50,000	509	337	172	160			
	509	337	172	160			
Motor vehicles							
MERCEDES BENZ (ASV-244)	6,550	4,111	2,439	4,275	Auction	Independent Third Party	Akhter Jamil
TOYOTA COROLLA GLI (AFV-732)	1,208	1,089	119	622	Auction	Independent Third Party	Kamal Ahmed
HONDA CITI (AQY-937)	1,019	875	144	901	Auction	Independent Third Party	Asim Ali
HONDA CIVIC VTI ORIEL (BBW-436)	2,510	1,507	1,003	2,025	Auction	Independent Third Party	Augmentech Business Solutions (Private) Limited
HONDA CITI AUTOMATIC (BBT-637)	1,663	1,002	661	1,539	Auction	Independent Third Party	Augmentech Business Solutions (Private) Limited
HONDA CITI (AXU-447)	1,643	1,181	462	1,513	Auction	Independent Third Party	Augmentech Business Solutions (Private) Limited
HONDA ACCORD (ZU-300)	5,910	717	5,193	4,250	Auction	Independent Third Party	Augmentech Business Solutions (Private) Limited
HONDA CIVIC VTI ORIEL (ASU-921)	1,849	1,526	323	1,310	Auction	Independent Third Party	Shahid Pervaiz Khan
HONDA CIVIC VTI (AYV-988)	2,381	1,629	752	1,783	Auction	Independent Third Party	Augmentech Business Solutions (Private) Limited
TOYOTA COROLLA GLI (AZV-863)	1,552	1,035	517	1,376	Auction	Independent Third Party	Augmentech Business Solutions (Private) Limited
KOMATSU (JS-3144)	1,650	1,439	211	800	Auction	Independent Third Party	Syed Mehmood Ali
HONDA CIVIC (BNT-507)	2,679	681	1,998	2,600	Insurance claim recovery	Independent Third Party	Alfalah Insurance Limited
SUZUKI CULTUS (LEC-17A-2363)	1,277	434	843	843	Auction	Related Party	Adamjee Insurance Company Limited - WTO
HONDA CIVIC VTI (LEE-14-5991)	2,069	1,336	733	1,900	Auction	Independent Third Party	Muhammad Shahzad
HONDA CITI (ASF-273)	1,209	1,014	195	1,275	Auction	Independent Third Party	Augmentech Business Solutions (Private) Limited
HONDA CITI (ASG-196)	1,209	1,014	195	1,225	Auction	Independent Third Party	Augmentech Business Solutions (Private) Limited
TOYOTA COROLLA GLI (LED-14-1833)	2,023	1,277	746	1,625	Auction	Independent Third Party	Augmentech Business Solutions (Private) Limited
TOYOTA COROLLA ALTIS 1.6 (BRC-667)	3,547	399	3,148	3,455	Insurance claim recovery	Independent Third Party	Security General Insurance Company Limited
TOYOTA FORTUNER (64988)	2,203	1,623	580	771	Negotiation	Employee	Awais Khalid
TOYOTA FORTUNER (12982)	2,203	1,455	748	969	Negotiation	Employee	Asif Khan
TOYOTA COROLLA (41580)	1,718	899	819	705	Negotiation	Employee	Wasif Ullah
BMW 5X (11923)	2,864	730	2,134	1,192	Negotiation	Employee	Absar Azim Burney
Items having book value below Rs. 50,000	8,098	5,282	2,816	1,817			
	59,034	32,255	26,779	38,771			
Machinery and equipment							
Items having book value below Rs. 50,000	990	713	277	272			
	990	713	277	272			
Computer equipment							
Items having book value below Rs. 50,000	1,807	437	1,370	1,367			
	1,807	437	1,370	1,367			
Grand Total	67,285	38,095	29,190	104,134			

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

	2020	2019
	Rupees in thousand	
5.2 Capital work in progress		
Building	-	32,859
Mobilization advance	5,868	10,810
Civil & electrical works	-	-
Advance for ERP software's	5,302	20,351
	11,170	64,020
5.3 Right of use asset		
As at January 01	100,574	-
Effect of initial application of IFRS - 16 as at January 01	-	171,918
Additions during the year	40,955	5,189
Depreciation charge during the year	(38,451)	(78,719)
Exchange differences and other adjustments	(2,462)	2,186
Closing Net Book Value	100,616	100,574

5.3.1 All the right of use assets include premises obtained on rent for branch operations (inside and outside of Pakistan).

	2020	2019
	Rupees in thousand	
6 Intangible assets		
Cost		
As at January 01	310,990	290,740
Additions during the year	40,886	8,933
Exchange differences and other adjustments	3,707	11,317
As at December 31	355,583	310,990
Accumulated amortization		
As at January 01	242,063	211,555
Amortization charged during the year	23,296	24,913
Exchange differences and other adjustments	2,037	5,595
As at December 31	267,396	242,063
Net book value as at December 31	88,187	68,927
Rate of amortization	20.00%	20.00%
7 Investment Properties		
Net book value as at January 01	401,896	-
Additions and capital improvements	-	389,598
Unrealized fair value gain	-	12,298
Net book value as at December 31	401,896	401,896

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

These consist of the following:

- 5 floor of Adamjee House, Karachi which are rented out to related parties. Rent received from these parties is disclosed in note 38.
- 2 floors of Adamjee House, Lahore which are not rented out as at December 31, 2020. The Company's management intends to rent it out subsequently.

Market value of these investment properties amounts to Rs. 402 million based on a valuation carried out by independent valuer, as at December 31, 2020.

The fair value of investment properties was determined by external, independent property valuers having adequate qualifications and experience in the location and category of the property being valued. Investment properties of the Company are valued every year.

The valuation has been carried out considering the segment and location of the property, size, utilization and current trends in price of real estate in close proximity and current market rents for similar properties including assumptions that ready buyers are available in the current market and analyzed through detailed market surveys and, the properties that have recently been sold or purchased or offered/quoted for sale into the same vicinity to determine the better estimates of the fair value.

	Note	2020	2019
		Rupees in thousand	
8 Investment in subsidiary			
Adamjee Life Assurance Company Limited - At cost	8.1, 8.2 & 8.3	1,097,900	694,895
		<u>1,097,900</u>	<u>694,895</u>

8.1 Number of shares

2020	2019	Face value	Company's Name	2020	2019
No. of Shares		Rupees		Rupees in thousand	
93,549,400	69,489,545	10	Adamjee Life Assurance Company Limited [Equity held 100.00% (2019: 74.28%)]	1,097,900	694,895

8.2 The Company's interests in its subsidiary is as follow:

Name	Country of Incorporation	Total assets	Total liabilities	Total revenues	Total profit	% interest held
Rupees in thousand						
Adamjee Life Assurance Company Limited	Pakistan	50,839,416	49,348,801	17,100,887	191,014	100.00%
Total at the end of 2020		<u>50,839,416</u>	<u>49,348,801</u>	<u>17,100,887</u>	<u>191,014</u>	<u>100.00%</u>
Adamjee Life Assurance Company Limited	Pakistan	40,433,668	39,114,377	12,969,421	217,106	74.28%
Total at the end of 2019		<u>40,433,668</u>	<u>39,114,377</u>	<u>12,969,421</u>	<u>217,106</u>	<u>74.28%</u>

Notes to the Unconsolidated Financial Statements

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8.3 Adamjee Life Assurance Company Limited was incorporated in Pakistan on August 04, 2008 as a public unlisted company under repealed Companies Ordinance, 1984 (now Companies Act, 2017). The registered office of the Company is located at 1st floor, Islamabad Stock Exchange Towers, 55-B, Jinnah Avenue, Blue Area, Islamabad while its principal place of business is located at Adamjee House, 3rd and 4th Floor, I.I Chundrigar Road, Karachi.

9 Investment in equity securities

Available-for-sale

Note	2020			2019			
	Cost	Impairment / Provision	Carrying value	Cost	Impairment / Provision	Carrying value	
Rupees in thousand							
Related parties							
Listed shares	9.1	8,318,076	-	8,318,076	7,962,628	-	7,962,628
Unlisted shares	9.2	924,333	-	924,333	698,226	-	698,226
		9,242,409	-	9,242,409	8,660,854	-	8,660,854
Unrealized gain			1,307,313				1,853,236
			10,549,722				10,514,090
Others							
Listed shares	9.3	7,135,270	(2,163,210)	4,972,060	6,789,795	(2,004,569)	4,785,226
Unlisted shares	9.4	925,360	-	925,360	925,360	-	925,360
Mutual Funds	9.5	48,130	-	48,130	364,265	-	364,265
NIT Units	9.6	161	-	161	161	-	161
		8,108,921	(2,163,210)	5,945,711	8,079,581	(2,004,569)	6,075,012
Unrealized gain				2,699,027			2,253,915
				8,644,738			8,328,927
Total		17,351,330	(2,163,210)	19,194,460	16,740,435	(2,004,569)	18,843,017

9.1 Related Parties - Listed shares

No. of Shares	Face value	Company's Name	Cost		Market Value	
			2020	2019	2020	2019
Rupees in thousand						
Commercial Banks						
47,827,287	47,827,287	10	7,962,484	7,962,484	8,861,440	9,801,724
						[Equity held 4.036% (2019: 4.036%)]
Textile Composite						
2,050	2,050	10	144	144	208	218
						[Equity held 0.001% (2019: 0.001%)]
Power Generation & Distribution						
25,631,181	-	10	355,448	-	504,934	-
						[Equity held 6.889% (2019: Nil)]
73,460,518	47,829,337		8,318,076	7,962,628	9,366,582	9,801,942

9.1.1 3,716,710 (2019 : 3,716,710) shares of MCB have been pledged against SBLC (Standby Letter of Credit) issued in favour of Meezan Bank Limited on behalf of Hyundai Nishat Motor (Private) Limited.

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9.2 Related Parties - Unlisted shares

No. of Shares		Face value Rupees	Company's Name	Cost		Market Value	
2020	2019			2020	2019	2020	2019
92,360,700	69,750,000	10	Automobile Assembler Hyundai Nishat Motor (Private) Limited	924,333	698,226	1,183,140	712,148

9.2.1 This represents investment in the ordinary shares of Hyundai Nishat Motor (Private) Limited (HNMPL) which is principally engaged in vehicle assembling. Since HNMPL's ordinary shares are not listed, an independent valuer engaged by the Company has estimated a fair value of Rs. 12.81 per ordinary share as at December 31, 2020 (Rs. 10.21 per ordinary share as at December 31, 2019) through a valuation technique based on discounted cash flows. Hence, it has been classified under level 3 of the fair value hierarchy as further explained in note 43 to these unconsolidated financial statements.

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

- Discount rate of 14.87% per annum.
- Terminal growth rate in revenue of 2% per annum.

9.2.2 Sensitivity analysis

Sensitivity analysis of the significant assumptions used in the valuation technique are as follows:

- If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at December 31, 2020 would be Rs. 137,617 thousand lower.
- If the terminal growth rate increase by 1% with all other variables held constant, the impact on fair value as at December 31, 2020 would be Rs. 96,055 thousand higher.

9.3 Others - listed shares

No. of Shares		Face value Rupees	Company's Name	Cost		Market Value	
2020	2019			2020	2019	2020	2019
731,701	731,701	10	Automobile Assembler Millat Tractors Limited	591,172	591,172	800,547	515,425
148,131	148,131	10	Cable & Electrical Goods Siemens (Pakistan) Engineering Company Limited	116,770	116,770	80,760	120,771
3,358,344	3,358,344	10	Cement D.G. Khan Cement Company Limited	434,035	434,035	384,799	249,424
645,100	645,100	10	Fecto Cement Limited	77,534	77,534	22,133	16,450
4,113,500	4,113,500	10	Close - End Mutual Fund HBL Investment Fund 'A'	27,235	27,235	13,040	16,865
6,277,500	6,277,500	10	Commercial Banks Allied Bank Limited	641,638	641,638	535,910	600,129
330,300	330,300	10	Habib Bank Limited	88,086	88,086	43,692	51,996
8,240,950	8,240,950	10	National Bank of Pakistan	504,670	504,670	354,031	356,833
1,250,000	1,250,000	10	United Bank Limited	242,721	242,721	157,325	205,625
105,600	105,600	10	Engineering Aisha Steel Mills Limited	282	282	2,460	1,013
100,000	100,000	10	Crescent Steel & Allied Products Limited	20,324	20,324	8,411	5,542
300,000	300,000	10	International Steel Limited	46,811	46,811	27,969	17,367
-	1,298,500	10	Mughal Iron & Steel Industries Limited	-	91,572	-	53,200

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No. of Shares		Face value Rupees	Company's Name	Cost		Market Value	
2020	2019			2020	2019	2020	2019
			Rupees in thousand				
Fertilizer							
2,220,100	2,220,100	10	Dawood Hercules Corporation	324,933	324,933	269,831	342,362
1,481,000	2,477,000	10	Engro Fertilizers Limited	105,935	177,179	93,644	181,886
9,998,900	-	10	Fauji Fertilizer Company Limited	1,050,979	-	1,084,881	-
Food & Personal Care Products							
5,740	5,740	10	Nestle Pakistan Limited	59,278	59,278	38,257	46,207
70,304	70,304	10	Rafhan Maize Products Limited	223,250	223,250	688,909	509,782
Insurance							
4,800	4,800	10	EFU General Insurance Company Limited	211	211	576	529
230,000	230,000	10	IGI Holdings Limited	66,917	66,917	46,791	46,920
286,843	286,843	10	Pakistan Reinsurance Company Limited	6,326	6,326	7,894	8,436
Investment Companies							
5,462,000	5,462,000	10	MCB Arif Habib Savings & Investment Limited	149,789	149,789	153,428	120,109
Oil & Gas Exploration Companies							
1,524,300	1,524,300	10	Oil & Gas Development Company Limited	245,134	245,134	158,177	216,938
5,696,595	9,145,095	10	Sui Northern Gas Pipelines Limited	309,302	496,542	253,043	696,582
Paper & Board							
11,750	11,750	10	Packages Limited	6,144	6,144	7,014	4,685
Pharmaceuticals							
369,400	369,400	10	Abbott Laboratories Pakistan Limited	320,902	320,902	279,033	165,041
Power Generation & Distribution							
5,731,000	5,731,000	10	Kot Addu Power Company Limited	491,086	491,086	155,883	180,698
27,348,388	27,348,388	10	Lalpir Power Limited	371,516	371,516	350,606	396,825
923,500	923,500	10	Nishat Power Limited	42,001	42,001	21,804	25,165
-	25,631,181	10	Pakgen Power Limited	-	355,448	-	469,563
4,935,882	4,935,882	10	Saif Power Limited	163,072	163,072	71,669	103,456
Refinery							
37,500	37,500	10	Attock Refinery Limited	13,133	13,133	6,827	4,188
506,450	506,450	10	National Refinery Limited	394,084	394,084	177,176	71,450
				7,135,270	6,789,795	6,296,520	5,801,462

9.3.1 3,582,000 (2019: Nil) shares of Fauji Fertilizer Company Limited have been pledged against Standby Letter of Credit (SBLC) issued in favour of Meezan Bank Limited on behalf of Hyundai Nishat Motor (Private) Limited, a related party of the Company.

9.4 Others - Unlisted shares

No. of Shares		Face value Rupees	Company's Name	Cost		Market Value	
2020	2019			2020	2019	2020	2019
			Rupees in thousand				
9,681,374	9,681,374	10	Security General Insurance Company Limited	925,360	925,360	2,301,069	2,162,335
			[Equity held 14.224% (2019: 14.224%)]				

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9.4.1 This represents investment in the ordinary shares of Security General Insurance Company Limited ("SGI") which is principally engaged in general insurance business. Since SGI's ordinary shares are not listed, an independent valuer engaged by the Company has estimated a fair value of Rs. 237.68 per ordinary share as at December 31, 2020 (Rs. 223.35 per ordinary share as at December 31, 2019) through a valuation technique based on discounted cash flow analysis of SGI. Hence, it has been classified under level 3 of the fair value hierarchy as further explained in note 43 to these unconsolidated financial statements.

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

- Discount rate of 15% per annum.
- Terminal growth rate of 2% per annum.

9.4.2 Sensitivity analysis

Sensitivity analysis of the significant assumptions used in the valuation technique are as follows:

- If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at December 31, 2020 would be Rs. 6,002 thousand lower.
- If the terminal growth rate increases by 1% with all other variables held constant, the impact on fair value as at December 31, 2020 would be Rs. 3,679 thousand higher.

9.5 Others-Mutual Fund Certificates

Open-Ended-Mutual Funds

No. of Units		Face value Rupees	Fund's Name	Cost		Market Value	
				2020	2019	2020	2019
2020	2019			Rupees in thousand			
-	-	10	ABL Cash Fund	-	-	-	-
42,779	3,275,323	100	Alfalah GHP Money Market Fund	4,206	321,448	4,201	321,410
20,880	19,269	100	HBL Cash Fund	2,104	1,941	2,122	1,963
4,234,546	4,113,500	10	HBL Investment Fund - Class B	41,820	40,876	39,956	40,961
				48,130	364,265	46,279	364,334

9.6 Open-Ended Equity Funds

No. of Units		Fund's Name	Cost		Market Value	
			2020	2019	2020	2019
2020	2019		Rupees in thousand			
12,540	12,540	National Investment Trust	161	161	870	796
		Grand Total	17,351,330	16,740,435	19,194,460	18,843,017

Notes to the Unconsolidated Financial Statements

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10 Investment in debt securities	2020		2019	
	Rupees in thousand			
Held to maturity				
Treasury Bills	275,631			370,491
Pakistan Investment Bonds	98,700			95,377
Total	374,331			465,868

Treasury Bills

Face value Rupees	Yield Rate%	Profit Payment	Type of security	Maturity date	Cost		Carrying amount	
					2020	2019	2020	2019
Rupees in thousand								
100,000,000	10.67%	On maturity	12 Month Treasury Bills	25-Mar-21	90,382	-	97,801	-
100,000,000	7.32%	On maturity	12 Month Treasury Bills	22-Apr-21	93,195	-	97,900	-
82,000,000	7.43%	On maturity	12 Month Treasury Bills	6-May-21	76,344	-	79,930	-
382,000,000	13.83%	On maturity	6 Month Treasury Bills	26-Mar-20	-	357,358	-	370,491
					259,921	357,358	275,631	370,491

Pakistan Investment Bonds

Face value Rupees	Yield Rate%	Profit Payment	Type of security	Maturity date	Cost		Carrying amount	
					2020	2019	2020	2019
Rupees in thousand								
100,000,000	11.7130%	On maturity	3 Years Pakistan Investment Bonds	19-Sep-22	96,136	-	98,700	-
100,000,000	11.7130%	On maturity	3 Years Pakistan Investment Bonds	19-Sep-22	-	93,877	-	95,377
					96,136	93,877	98,700	95,377

11 Investments in Term Deposits

Held to maturity

Deposits maturing within 12 months

Inside Pakistan

- related parties
- others

Outside Pakistan

- related parties
- others

Deposits maturing after 12 months

Inside Pakistan

- related parties
- others

Note	2020		2019	
	Rupees in thousand			
	6,811			6,811
	175,066			175,066
	181,877			181,877
	1,305,429			1,264,698
	4,364,568			4,387,207
	5,669,997			5,651,905
	5,851,874			5,833,782
	2,000			2,000
	75,188			48,110
	77,188			50,110
11.1	5,929,062			5,883,892

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11.1 These include fixed deposits amounting to Rs. 4,904,014 thousands (AED 112,698,915) [2019: Rs. 4,848,009 thousands (AED 115,000 thousands)] kept in accordance with the requirements of Insurance Regulations applicable to the United Arab Emirates (UAE) branches for the purpose of carrying on business in (UAE). These also include liens against cash deposits of Rs. 259,065 thousands (2019: Rs. 231,987 thousands) with banks in Pakistan essentially in respect of guarantees issued by the banks on behalf of the Company for claims under litigation filed against the Company, bid bond guarantees and guarantee to Meezan Bank Limited (MBL) against the loan provided by MBL to Hyundai Nishat Motor (Private) Limited, a related party.

	Note	2020	2019
Rupees in thousand			
12 Loans and other receivables - considered good			
Rent receivable		7,776	14,313
Receivable from related parties	12.1	43,135	27,523
Accrued income		129,361	125,544
Security deposits		46,713	58,399
Advances to employees and suppliers		237,051	152,012
Advance agent commission		4,478	3,003
Loans to employees		45,336	49,484
Other receivables		69,046	46,986
		582,896	477,264

12.1 This represents receivable from Adamjee Life Assurance Company Limited, subsidiary of the Company, in respect of cash value of life policies obtained for key management personnel of the Company. The Company is the beneficiary in respect of policies obtained for the employees.

	Note	2020	2019
Rupees in thousand			
13 Insurance / reinsurance receivables - unsecured and considered good			
Due from insurance contract holders	13.1	4,723,214	5,730,843
Provision for impairment of receivables from insurance contract holders	13.2	(932,384)	(868,586)
		3,790,830	4,862,257
Due from other insurers / reinsurers		1,169,623	1,149,209
Provision for impairment of due from other insurers / reinsurers	13.3	(201,302)	(201,302)
		968,321	947,907
		4,759,151	5,810,164

13.1 Due from insurance contact holders include an amount Rs. 192,060 thousands (2019: Rs. 212,014 thousands) held with related parties.

	2020	2019
Rupees in thousand		
13.2 Reconciliation of provision for impairment of receivables from insurance contract holders		
Balance as at January 01	868,586	629,668
Charge for the year	44,062	187,764
Exchange difference	19,736	51,154
Balance as at December 31	932,384	868,586

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	2020	2019
	Rupees in thousand	
13.3 Reconciliation of provision for impairment of due from other insurers / reinsurers		
Balance as at January 01	201,302	201,302
Charge for the year	-	-
Write off against provision for the year	-	-
Balance as at December 31	<u>201,302</u>	<u>201,302</u>
14 Prepayments		
Prepaid reinsurance premium ceded	3,307,863	3,500,512
Prepaid miscellaneous expenses	114,918	133,227
	<u>3,422,781</u>	<u>3,633,739</u>
15 Cash and bank		
Cash and cash equivalents		
Inside Pakistan		
Cash in hand	438	476
Policy, revenue stamps and bond papers	4,703	9,937
	5,141	10,413
Cash at bank		
Inside Pakistan		
Current accounts	237,821	133,822
Savings accounts	931,898	967,605
	1,169,719	1,101,427
Outside Pakistan		
Current accounts	136,313	59,333
Savings accounts	871	5,512
	137,184	64,845
	<u>1,306,903</u>	<u>1,166,272</u>
	<u>1,312,044</u>	<u>1,176,685</u>

15.1 Cash at bank includes an amount of Rs. 368,010 thousands (2019: Rs. 433,504 thousands) held with MCB Bank Limited, a related party of the Company.

15.2 Lien of Rs. 440,000 thousands (2019: Rs. 291,000 thousands) is marked on cash deposits in saving accounts against SBLC (Standby Letter of Credit) issued in favor of Meezan Bank Limited on behalf of Hyundai Nishat Motor (Private) Limited, a related party of the Company.

15.3 Saving / Profit and loss accounts carry expected profit rates ranging from 4.50% to 11.35% (2019: 6.50% to 12.50%).

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	2020	2019
	Rupees in thousand	
16 Window Takaful Operations - Operator's Fund		
Assets		
Cash and bank deposits	209,446	91,895
Qard e Hasna to Participants' Takaful Fund	146,460	146,460
Investments	35,873	32,958
Intangible assets	12,421	17,650
Property and equipment	20,793	17,733
Current assets - others	164,155	119,595
Total Assets	589,148	426,291
Total liabilities	242,797	195,872
Wakala income	408,608	324,314
Commission expense	(119,082)	(99,434)
Management expenses	(143,206)	(131,872)
Investment income	3,584	1,345
Other income	14,170	15,856
Mudarib's share of PTF investment income	3,521	1,323
Other expenses	(3,821)	(3,839)
Profit before taxation	163,774	107,693
Taxation	(47,369)	(30,987)
Profit after taxation	116,405	76,706

Details of assets, liabilities and segment disclosures of Window Takaful Operations are stated in the annexed financial statements.

17 Share capital

17.1 Authorized share capital

	2020	2019	2020	2019
	No. of Shares		Rupees in thousand	
Ordinary shares of Rs. 10 each	375,000,000	375,000,000	3,750,000	3,750,000
17.2 Issued, subscribed and paid up capital				
Ordinary shares of Rs. 10 each fully paid in cash	250,000	250,000	2,500	2,500
Ordinary shares of Rs. 10 each issued as fully paid bonus shares	349,750,000	349,750,000	3,497,500	3,497,500
	350,000,000	350,000,000	3,500,000	3,500,000

17.3 As at December 31, 2020, associated undertakings MCB Bank Limited, Nishat (Aziz Avenue) Hotels & Properties Limited and Nishat Mills Limited held 70,861,241 (2019: 70,861,241), 1,083,000 (2019: Nil) and 102,809 (2019: 102,809) ordinary shares of the Company.

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	Note	2020	2019
		Rupees in thousand	
18 Reserves			
Capital reserves			
Reserves for exceptional losses	18.1	22,859	22,859
Investment fluctuation reserves	18.2	3,764	3,764
Exchange translation reserves	18.3	678,438	674,936
Fair value reserves	18.4	2,845,385	2,917,432
		3,550,446	3,618,991
Revenue reserves			
General reserves		936,500	936,500
		936,500	936,500
		4,486,946	4,555,491

18.1 The reserve for exceptional losses represents the amount set aside by the Company in prior years up to December 31, 1978, in order to avail the deduction while computing the taxable income under the old Income Tax Act of 1922. Subsequent to the introduction of repealed Income Tax Ordinance, 1979, which did not permit such deduction, the Company discontinued the setting aside of reserves for exceptional losses.

18.2 This amount has been set aside by the Company in prior years for utilization against possible diminution in the value of investments.

18.3 The exchange translation reserve represents the gain resulted from the translation of foreign branches (having business in foreign currencies) of the Company into Pak Rupees. For the purpose of exchange translation reserve, the UAE and Export Processing Zone branches are treated as foreign branches since their functional currencies are AED and US Dollars, respectively.

18.4 The fair value reserve represents the net cumulative unrealized gain / (loss) on available for sale investments held by the Company as at December 31, 2020.

	Note	2020	2019
		Rupees in thousand	
19 Retirement benefit obligations			
Unfunded gratuity scheme	19.1	64,359	82,708
Funded gratuity scheme	19.2	132,873	142,469
		197,232	225,177

19.1 Unfunded gratuity scheme

19.1.1 This provision relates to the Company's operations in UAE branches. The eligible employees under the scheme are 66 (2019 : 94). The latest actuarial valuation of gratuity scheme was carried out as at December 31, 2020 under the Projected Unit Credit Method as per the requirements of approved accounting standard - International Accounting Standard 19, the details of which are as follows:

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

19.1.2 Movement in the net assets / (liabilities) recognized in the statement of financial position are as follows:

	2020	2019
	Rupees in thousand	
Present value of defined benefit obligation at January 01	82,708	65,853
Charge for the year	14,605	13,689
Benefits paid	(20,984)	(12,744)
Remeasurement (gain) / loss on obligation	(14,899)	8,035
Exchange loss	2,929	7,875
Present value of defined benefit obligation at December 31	<u>64,359</u>	<u>82,708</u>

19.1.3 Principal actuarial assumptions used are as follows:

	2020	2019
	(Percentages)	
- Valuation discount rate	2.20	2.20
- Expected rate of increase in salary level	2.00	2.00

19.1.4 The amount charged in profit and loss account is as follows:

	2020	2019
	Rupees in thousand	
Service cost	12,934	12,265
Interest cost	1,671	1,424
Expense for the year	<u>14,605</u>	<u>13,689</u>

19.1.5 The amounts charged to statement of comprehensive income are as follows:

	2020	2019
Remeasurement of the present value of defined benefit obligation due to:		
- Changes in financial assumptions	-	-
- Experience adjustments	(14,899)	8,035
	<u>(14,899)</u>	<u>8,035</u>

19.2 Funded gratuity scheme

19.2.1 The Company operates an approved funded gratuity scheme for all employees. The eligible employees under the scheme are 718 (2019 : 738). The latest actuarial valuation of gratuity scheme was carried out as at December 31, 2020 under the Projected Unit Credit Method as per the requirements of approved accounting standard - International Accounting Standard 19, the details of which are as follows:

Principal actuarial assumptions used are as follows:

	2020	2019
	(Percentages)	
- Discount rate	8.50	12.50
- Expected rate of increase in salary level	6.50	10.50

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	2020	2019
	Rupees in thousand	
Movement in the net liabilities recognized in the statement of financial position are as follows:		
Net liabilities at January 01	142,469	133,127
Expenses recognized	35,411	35,245
Contribution paid during the year	(50,000)	(10,000)
Remeasurement loss / (gain) recognized - net	4,993	(15,903)
Net liabilities at December 31	<u>132,873</u>	<u>142,469</u>
The amounts recognized in the profit and loss account are as follows:		
- Service cost	20,728	19,550
- Interest cost	40,594	38,373
- Interest income on plan assets	(25,911)	(22,678)
	<u>35,411</u>	<u>35,245</u>
The amounts recognized in statement of comprehensive income are as follows:		
Remeasurement of plan obligation from:		
- Experience on obligation	(6,608)	(16,327)
- Change in financial assumptions	-	-
Remeasurement of plan assets:		
- Investment return	11,601	424
	<u>4,993</u>	<u>(15,903)</u>
19.2.2 The amounts recognized in the statement of financial position are as follows:		
Fair value of plan assets	(230,138)	(198,745)
Present value of defined benefit obligation	363,011	341,214
	<u>132,873</u>	<u>142,469</u>
19.2.3 Movement in fair value of plan assets		
Present value as at January 01	198,745	193,756
Interest income on plan assets	25,911	22,678
Actual benefits paid during the year	(32,917)	(27,265)
Contribution made during the year	50,000	10,000
Remeasurement loss due to investment return	(11,601)	(424)
Fair value of plan assets as at December 31	<u>230,138</u>	<u>198,745</u>
Actual return on plan assets		
Expected return on plan assets	25,911	22,678
Remeasurement loss due to investment return	(11,601)	(424)
	<u>14,310</u>	<u>22,254</u>
19.2.4 Movement in present value of defined benefit obligation		
Present value of defined benefit obligation as at January 01	341,214	326,883
Current service cost	20,728	19,550
Interest cost	40,594	38,373
Actual benefits paid during the year	(32,917)	(27,265)
Remeasurement (loss) / gain on obligation	(6,608)	(16,327)
Present value of defined benefit obligation as at December 31	<u>363,011</u>	<u>341,214</u>

Notes to the Unconsolidated Financial Statements

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19.2.5 Comparison for five years

Funded gratuity scheme

	2020	2019	2018	2017	2016
	Rupees in thousand				
Present value of defined obligation	363,011	341,214	326,883	283,925	267,714
Fair value of plan assets	230,138	198,745	193,756	199,482	241,970
Deficit	132,873	142,469	133,127	84,443	25,744
Experience adjustments					
Gain / (loss) on plan assets (% age of plan assets)	(5.04)	(0.21)	(5.92)	(19.27)	5.48
Gain / (loss) on obligations (% age of obligation)	(1.82)	(4.78)	5.54	(1.26)	(4.91)
Unfunded gratuity schemes					
Present value of defined obligation	64,359	82,708	65,853	69,953	55,655
Experience adjustments					
Gain / (loss) on obligations (% age of obligation)	23.15	(9.71)	(2.44)	(3.10)	(10.89)

	2020	2019	2020	2019
	(Percentage)		Rupees in thousand	

19.2.6 Plan assets consist of the following:

Mutual funds - Equity	17.92	36.96	41,252	73,459
Mutual funds - Debt	17.06	-	39,255	-
Government Bonds - Debt	46.43	40.26	106,842	80,024
Shares, bank deposits & cash equivalents - Others	18.59	22.78	42,789	45,262
Benefits due	-	-	-	-
	100.00	100.00	230,138	198,745

19.2.7 Plan assets do not include any investment in the Company's ordinary shares as at 2020 : Nil (2019: Nil).

19.2.8 Expected cost to be recorded in the profit and loss account for the year ending December 31, 2021 is Rs. 31,497 thousands.

19.2.9 The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the fund, at beginning of the year.

19.2.10 The weighted average duration of the defined benefit obligation for gratuity plan is 3.2 years (2019: 3.3 years).

19.2.11 These defined benefit plans expose the Company to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

19.2.12 The main features of the gratuity schemes are as follows:

- All confirmed employees are eligible to the scheme and the normal retirement age for all employees is 60 years.
- A member shall be entitled to gratuity on resignation, termination, retirement, early retirement, retrenchment, death and dismissal based on the Company's Service rules.
- The scheme is subject to the regulations laid down under the Income Tax Rules, 2002.

19.2.13 The implicit objective is that the contribution to the gratuity schemes should remain reasonably stable as a percentage of salaries, under the actuarial cost method employed.

19.2.14 Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows:

Change in assumptions		Impact on Gratuity plans			
		Unfunded		Funded	
		Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Rupees in thousand					
Discount rate	1%	(2,524)	2,747	(10,239)	10,911
Salary growth rate	1%	2,725	(2,553)	11,016	(10,521)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit obligation recognized within the statement of financial position.

20 Deferred taxation	2020	2019
	Rupees in thousand	
Deferred tax debits arising in respect of:		
Provision for gratuity	18,664	23,986
Lease liability	29,461	30,473
	48,125	54,459
Deferred tax credits arising in respect of:		
Tax depreciation allowance	(232,501)	(164,116)
Right of use assets	(29,179)	(29,166)
Investments - Available for sale	(1,161,839)	(1,191,075)
	(1,423,519)	(1,384,357)
	(1,375,394)	(1,329,898)
20.1 Movement in deferred tax balances is as follows:		
As at January 01	1,329,898	944,446
Recognized in profit and loss account:		
- provision for gratuity	5,322	(4,888)
- lease liability against right of use asset	1,012	(30,473)
- right of use assets	13	29,166
- tax depreciation allowance	68,385	102,024
	74,732	95,829
Recognized in statement of comprehensive income:		
- investments - Available for sale	(29,236)	289,623
As at December 31	1,375,394	1,329,898

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

	2020	2019
	Rupees in thousand	
21 Borrowings		
Loan from financial institution - MCB Bank Limited	166,367	-
Current portion	90,310	-
Non-current portion	76,057	-
	166,367	-

This represents long term financing facility availed from MCB Bank Limited, a related party of the company under State Bank of Pakistan's (SBP) Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns ('Refinance Scheme'), with the approval of SBP. The total facility available amounts to Rs 183 million. The interest rate applicable is SBP rate + 1.00%. 125,000 shares of Millat Tractors Limited, 690,000 shares of Dawood Hercules Corporation Limited and 850,000 shares of United Bank Limited have been pledged with security margin of 30% as security for the loan.

	2020	2019
	Rupees in thousand	
22 Deferred grant income		
Deferred grant income	14,767	-

Government grant has been recorded during the year which is measured as the difference between the fair value of the loan on initial recognition and the amount received, which is accounted for according to the nature of the grant. In accordance with the terms of the facility, the Company is prohibited to lay-off the employees at least during three months period from the date of first disbursement except in case of any disciplinary action.

	Note	2020	2019
		Rupees in thousand	
23 Insurance / reinsurance payables			
Due to other insurers / reinsurers		3,030,884	2,701,164
This amount represents amount payable to other insurers and reinsurers.			

	Note	2020	2019
		Rupees in thousand	
24 Other creditors and accruals			
Agents commission payable		554,372	630,736
Federal Excise Duty / Sales tax / VAT		94,242	50,149
Federal Insurance Fee payable		29,854	33,785
Workers' welfare fund payable	24.1	76,485	76,485
Tax deducted at source		92,945	92,873
Accrued expenses		204,872	170,872
Unpaid and unclaimed dividend		161,753	125,829
Payable to employees' provident fund		143	2,676
Sundry creditors		591,530	535,929
		1,806,196	1,719,334

	Note	2020	2019
24.1 Workers' welfare fund			
Balance as at 01 January		76,485	432,246
Provision for the year		-	-
Reversal during the year	24.1.1	-	(355,761)
Balance as at 31 December	24.1.2	76,485	76,485

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

24.1.1 Based on legal advice available with the Company, the management reversed its provision of Rs. 355,761 thousands in 2019.

24.1.2 The Finance Act 2008 introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were passed by the Honorable Lahore High Court, the Honorable Sindh High Court and the Honorable Peshawar High Court.

The Honorable Supreme Court of Pakistan vide its judgment dated November 10, 2016, has upheld the view of Honorable Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act, 2008 are ultra-vires to the Constitution.

The Federal Board of Revenue has filed Civil Review Petitions in respect of above judgment with the prayer that the judgment dated November 10, 2016 passed in the Civil Appeal may kindly be reviewed in the interest of justice.

	Note	2020	2019
————— Rupees in thousand —————			
25 Deposits and other liabilities			
Cash margin against performance bonds	25.1	570,776	618,540
Lease liability	25.2	101,591	105,078
		672,367	723,618

25.1 This represents margin deposit on account of performance and other bond policies issued by the Company.

	2020	2019
————— Rupees in thousand —————		
25.2 Maturity analysis		
Not later than 1 year	34,105	34,163
Later than 1 year and not later than 5 years	67,486	70,915
	101,591	105,078

26 Contingencies and commitments

26.1 Contingencies

The Company has filed appeals in respect of certain assessment years mainly on account of the following:

Income tax

(a) Deputy Commissioner Inland Revenue (DCIR) passed order u/s 161/205 of the Ordinance for tax year 2013 raising an income tax demand of Rs. 9,066 thousands. The Company agitated the order before Commissioner Inland Revenue - Appeals (CIR - Appeals). CIR - Appeals decided the case in the favor of the Company. Following the said order, the learned DCIR has passed an appeal effect order in which certain directions of the learned CIR-Appeals have not been followed for which a rectification appeal under section 221 of the Ordinance has been filed before learned DCIR which is still to be processed.

(b) The Company received a notice from Additional Commissioner Inland Revenue (ACIR) pertaining to the amendment of tax year 2008. Amongst others, the Additional Commissioner raised an issue with respect to the claim of exemption claimed on capital gains on listed securities by way of incorrect application of the provisions of law. The Company preferred to contest this matter by way of filing a constitutional petition before the Honorable Sindh High Court (the Court). The Court has ordered for stay of proceedings.

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

(c) The Taxation Officer has passed an order in the tax years 2005 and 2006 under section 221 of the Income Tax Ordinance, 2001 (the Ordinance) levying minimum tax liability aggregating to Rs. 38,360 thousands. An appeal was filed before the CIR - Appeals who upheld the order of the Taxation Officer. The Company has filed an appeal before the Additional Tribunal Inland Revenue (ATIR) which is yet to be heard.

(d) The Tax Authorities amended the assessments for tax years 2003 to 2005 on the ground that the Company has not apportioned management and general administration expenses against capital gain and dividend income. The Company filed constitutional petition in the Honorable Sindh High Court (the Court) against the amendment in the assessment order. The Company may be liable to pay Rs. 5,880 thousands in the event of decision against the Company, out of which Rs. 2,730 thousands have been provided resulting in a shortfall of Rs. 3,150 thousands.

(e) Learned DCIR has passed an order under section 161/205 of the Ordinance for tax year 2017 creating a demand of Rs. 22,105 thousands on account of Non-Deduction of Income Tax while making payments. The Company has paid partial payment of Rs. 9,065 thousands under protest and agitated the order before learned CIR - Appeals I and the appeal has not yet been fixed.

Pending resolution of the above-mentioned appeals filed by the Company, no provision has been made in these unconsolidated financial statements for the aggregate amount of Rs. 72,681 thousands (2019: Rs. 72,681 thousands) as the management is confident that the eventual outcome of the above matters will be in favor of the Company.

Others

The Company has provided a guarantee to Meezan Bank Limited (MBL) against the loan provided by MBL to Hyundai Nishat Motor (Private) Limited, a related party, amounting to Rs. 1,209,000 thousands (2019: Rs. 841,000 thousands).

The Company has issued letter of guarantees of AED 251,500 amounting to Rs.10,944 thousands (2019: AED 449,000 amounting to Rs. 18,928 thousands) relating to UAE branch.

	2020	2019
	Rupees in thousand	
27 Net insurance premium		
Written gross premium	18,279,110	22,507,035
Unearned premium reserve - opening	10,242,348	10,100,901
Unearned premium reserve - closing	(8,366,434)	(10,242,348)
Currency translation effect	153,311	494,504
Premium earned	20,308,335	22,860,092
Reinsurance premium ceded	(6,818,262)	(8,055,014)
Prepaid reinsurance premium - opening	(3,500,512)	(2,866,980)
Prepaid reinsurance premium - closing	3,307,863	3,500,512
Currency translation effect	(2,798)	(4,621)
Reinsurance expense	(7,013,709)	(7,426,103)
	13,294,626	15,433,989
27.1 Net insurance premium - Business underwritten inside Pakistan		
Written gross premium	13,469,232	14,915,468
Unearned premium reserve - opening	6,197,501	5,508,453
Unearned premium reserve - closing	(6,021,464)	(6,197,501)
Premium earned	13,645,269	14,226,420
Reinsurance premium ceded	(6,583,537)	(7,716,041)
Prepaid reinsurance premium - opening	(3,425,355)	(2,838,973)
Prepaid reinsurance premium - closing	3,260,277	3,425,355
Reinsurance expense	(6,748,615)	(7,129,659)
	6,896,654	7,096,761

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

	2020	2019
	Rupees in thousand	
27.2 Net insurance premium - Business underwritten outside Pakistan		
Written gross premium	4,809,878	7,591,567
Unearned premium reserve - opening	4,044,847	4,592,448
Unearned premium reserve - closing	(2,344,970)	(4,044,847)
Currency translation effect	153,311	494,504
Premium earned	6,663,066	8,633,672
Reinsurance premium ceded	(234,725)	(338,973)
Prepaid reinsurance premium - opening	(75,157)	(28,007)
Prepaid reinsurance premium - closing	47,586	75,157
Currency translation effect	(2,798)	(4,621)
Reinsurance expense	(265,094)	(296,444)
	6,397,972	8,337,228
28 Net insurance claims expense		
Claim paid	11,973,346	14,686,699
Outstanding claims including IBNR - closing	10,768,040	10,367,347
Outstanding claims including IBNR - opening	(10,367,347)	(10,461,975)
Currency translation effect	(196,160)	(594,102)
Claim expense	12,177,879	13,997,969
Reinsurance and other recoveries received	(4,346,714)	(4,599,078)
Reinsurance and other recoveries in respect of outstanding claims - closing	(6,192,571)	(6,233,348)
Reinsurance and other recoveries in respect of outstanding claims - opening	6,233,348	6,397,245
Currency translation effect	114,914	313,749
Reinsurance and other recoveries revenue	(4,191,023)	(4,121,432)
	7,986,856	9,876,537
28.1 Net insurance claims expense - Business underwritten inside Pakistan		
Claim paid	5,799,654	6,413,550
Outstanding claims including IBNR - closing	4,920,475	4,398,967
Outstanding claims including IBNR - opening	(4,398,967)	(5,386,215)
Claim expense	6,321,162	5,426,302
Reinsurance and other recoveries received	(1,684,522)	(2,268,805)
Reinsurance and other recoveries in respect of outstanding claims - closing	(3,526,278)	(2,948,471)
Reinsurance and other recoveries in respect of outstanding claims - opening	2,948,471	3,769,658
Reinsurance and other recoveries revenue	(2,262,329)	(1,447,618)
	4,058,833	3,978,684
28.2 Net insurance claims expense - Business underwritten outside Pakistan		
Claim paid	6,173,692	8,273,149
Outstanding claims including IBNR - closing	5,847,565	5,968,380
Outstanding claims including IBNR - opening	(5,968,380)	(5,075,760)
Currency translation effect	(196,160)	(594,102)
Claim expense	5,856,717	8,571,667
Reinsurance and other recoveries received	(2,662,192)	(2,330,273)
Reinsurance and other recoveries in respect of outstanding claims - closing	(2,666,293)	(3,284,877)
Reinsurance and other recoveries in respect of outstanding claims - opening	3,284,877	2,627,587
Currency translation effect	114,914	313,749
Reinsurance and other recoveries revenue	(1,928,694)	(2,673,814)
	3,928,023	5,897,853

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

28.3 Claim development table

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

	2015 & prior	2016	2017	2018	2019	2020	Total
	Rupees in thousand						
At the end of accident year	6,857,672	11,752,724	11,307,403	13,278,246	14,544,497	12,607,367	70,347,909
One year later	5,059,319	7,075,979	6,362,632	6,250,676	6,218,787	-	30,967,393
Two years later	1,255,685	2,369,539	1,978,478	1,880,335	-	-	7,484,037
Three years later	1,791,844	1,662,339	956,949	-	-	-	4,411,132
Four years later	132,679	646,905	-	-	-	-	779,584
Five years later	431,043	-	-	-	-	-	431,043
Current estimate of cumulative claims	431,043	646,905	956,949	1,880,335	6,218,787	12,607,367	22,741,386
Less: Cumulative payments to date	29,486	159,145	158,096	968,709	4,358,842	6,299,068	11,973,346
Liability recognized in statement of financial position	401,557	487,760	798,853	911,626	1,859,945	6,308,299	10,768,040

29 Net commission and other acquisition costs

	2020	2019
	Rupees in thousand	
Commission paid or payable	1,867,093	2,449,810
Deferred commission expense - opening	1,190,146	788,431
Deferred commission expense - closing	(731,319)	(1,190,146)
Currency translation effect	32,239	65,731
Net Commission	2,358,159	2,113,826
Commission received or recoverable	(532,528)	(622,744)
Unearned reinsurance commission - opening	(237,751)	(221,371)
Unearned reinsurance commission - closing	245,318	237,751
Currency translation effect	(8)	(257)
Commission from reinsurance	(524,969)	(606,621)
	1,833,190	1,507,205

29.1 Net commission and other acquisition costs - Business underwritten Inside Pakistan

Commission paid or payable	857,203	991,010
Deferred commission expense - opening	352,673	297,403
Deferred commission expense - closing	(285,324)	(352,673)
Net Commission	924,552	935,740
Commission received or recoverable	(523,673)	(597,710)
Unearned reinsurance commission - opening	(236,381)	(218,690)
Unearned reinsurance commission - closing	240,971	236,381
Commission from reinsurance	(519,083)	(580,019)
	405,469	355,721

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

	Note	2020	2019
		Rupees in thousand	
29.2 Net commission and other acquisition costs - Business underwritten Outside Pakistan			
Commission paid or payable		1,009,890	1,458,800
Deferred commission expense - opening		837,473	491,028
Deferred commission expense - closing		(445,995)	(837,473)
Currency translation effect		32,239	65,731
Net Commission		1,433,607	1,178,086
Commission received or recoverable		(8,855)	(25,034)
Unearned reinsurance commission - opening		(1,370)	(2,681)
Unearned reinsurance commission - closing		4,347	1,370
Currency translation effect		(8)	(257)
Commission from reinsurance		(5,886)	(26,602)
		1,427,721	1,151,484
30 Management expenses			
Employee benefit costs	30.1	1,753,267	1,805,120
Travelling expenses		39,015	71,711
Advertisement & sales promotion		48,223	64,044
Printing & stationary		28,155	32,720
Depreciation		263,522	226,400
Amortization		23,296	24,913
Rent, rates & taxes		4,665	17,252
Legal & professional charges - business related		116,822	111,414
Electricity, gas & water		62,191	58,633
Entertainment		13,128	25,940
Vehicle running expenses		87,135	110,261
Office repairs & maintenance		51,612	50,007
Bank charges		38,739	39,945
Postages, telegrams & telephone		23,574	37,528
Supervision fee		52,768	61,943
IT related costs		98,373	87,551
Tracking and monitoring charges		179,587	216,640
Provision for doubtful balances against due from insurance contract holders		44,062	187,764
Regulatory fee		117,028	130,154
Miscellaneous		53,718	36,685
		3,098,880	3,396,625
30.1 Employee benefit costs			
Salaries, allowances and other benefits		1,662,908	1,719,336
Charges for post employment benefit		90,359	85,784
		1,753,267	1,805,120

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

31 Investment Income

Business underwritten Inside Pakistan

Income from equity securities

Available-for-sale

Dividend income

- related parties
- others

Income from debt securities

Held to maturity

- Return on Pakistan Investment Bonds
- Profit on Treasury Bills

Income from term deposits

- related parties
- others

Net realized gains on investments

Available-for-sale

Realized gains on equity securities

- related parties
- others

Provision of impairment in value of
'available-for-sale' investments

Business underwritten Outside Pakistan

Income from equity securities

Available-for-sale

Dividend income

- related parties
- others

Net realized gains on investments

- related parties
- others

Return on term deposits

- related parties
- others

Net investment income

2020

2019

— Rupees in thousand —

	535,951	768,603
	462,049	583,835
	998,000	1,352,438
	11,284	1,883
	27,218	46,263
	38,502	48,146
	336	-
	14,765	9,618
	15,101	9,618
	-	-
	40,413	34,370
	40,413	34,370
	1,092,016	1,444,572
	(158,641)	(294,179)
	933,375	1,150,393
	-	-
	2,315	54,211
	2,315	54,211
	-	-
	699	7,298
	699	7,298
	27,871	29,746
	128,246	130,725
	156,117	160,471
	159,131	221,980
	1,092,506	1,372,373

Notes to the Unconsolidated Financial Statements

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	Note	2020	2019
		Rupees in thousand	
32 Rental income			
Rental income		114,576	35,503
Expenses of investment property		(1,859)	(5,463)
		<u>112,717</u>	<u>30,040</u>
33 Other income			
Return on bank balances		109,769	45,014
Gain / (loss) on sale of operating assets		74,944	(6,763)
Return on loans to employee		210	263
Income against deferred grant		4,243	-
Exchange gain		12,330	4,612
Shared expenses received		12,980	11,830
Miscellaneous		28,390	13,595
		<u>242,866</u>	<u>68,551</u>
34 Other expenses			
Legal & professional charges other than business		23,776	30,478
Auditor's remuneration	34.1	14,318	12,065
Subscription Fee		7,250	5,749
Donations	34.2	10,400	1,150
Directors` fee		236	220
Central depository expense		1,905	3,075
Others		4,448	6,255
		<u>62,333</u>	<u>58,992</u>
34.1 Auditors' remuneration			
Inside Pakistan:			
Audit fee		2,850	2,380
Interim review fee		500	469
Special certifications and sundry advisory services		556	520
Out-of-pocket expenses		463	463
		4,369	3,832
Outside Pakistan			
Audit fee		8,275	6,939
Interim review fee		1,101	490
Out-of-pocket expenses		573	804
		9,949	8,233
		<u>14,318</u>	<u>12,065</u>

34.2 The company has paid the donation amounting to Rs. 10 million (2019: Nil) to Saleem Memorial Trust Hospital and Rs. 0.4 million (2019: Rs. 0.4 million) to SAFCO Support Foundation during the current year.

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

	Note	2020	2019
		Rupees in thousand	
35 Taxation			
Current taxation			
For the year			
- General		491,854	593,203
- Window Takaful Operations - Operator's fund		47,605	31,110
Prior year	35.2	(579,273)	-
		(39,814)	624,313
Deferred taxation			
For the year			
- General		74,730	95,829
- Window Takaful Operations - Operator's fund		(236)	(123)
		74,494	95,706
		34,680	720,019
		(Effective tax rate)	
		2020	2019
		(Percentage)	
35.1 Tax Charge Reconciliation			
Tax at the applicable rate of 29% (2019: 29%)		29.00	29.00
Prior year		(30.33)	-
Tax effect of provision for impairment of investments		2.41	3.37
Others		0.74	(3.94)
		1.82	28.43
35.2			
The income tax assessments of the company have been completed from 2016 to 2019. Further the contention of the Company, with respect to the exemption of capital gains on listed securities having completed holding period of one year upto June 30, 2015, has been accepted by Appellate Tribunal Inland Revenue. Therefore, the Company has made reversal of the tax charge of Rs. 579.27 million in these financial statements, which was already booked as current tax charge in the financial statements of previous years.			
36 Earnings per share - basic and diluted		2020	2019
		Rupees in thousand	
There is no dilutive effect on the basic earnings per share which is based on:			
Profit after tax for the period attributable to ordinary shareholders		1,875,506	1,812,975
		Number of shares	
Weighted average number of ordinary shares outstanding		350,000,000	350,000,000
		Rupees	
Earnings (after tax) per share - basic and diluted		5.36	5.18

Notes to the Unconsolidated Financial Statements

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37 Compensation of Directors and Executives

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

	Chief Executive Officer		Directors		Executives	
	2020	2019	2020	2019	2020	2019
	Rupees in thousand					
Fees	-	-	236	220	-	-
Managerial remuneration	27,691	24,614	-	-	866,120	866,422
Leave encashment	-	2,188	-	-	32,470	30,713
Bonus	4,360	4,000	-	-	59,727	81,119
Charge of defined benefit plan	2,400	246	-	-	36,094	37,553
Contribution to defined contribution plan	1,384	1,231	-	-	24,251	22,020
House rent allowance	-	-	-	-	124,277	122,499
Utilities	556	549	-	-	-	-
Medical	-	-	-	-	57,737	27,528
Conveyance	-	-	-	-	87,162	86,506
Special allowance	1,800	1,800	-	-	-	-
Other allowance	473	835	-	-	-	-
	38,664	35,463	236	220	1,287,838	1,274,360
Number	1	1	7	7	354	381

37.1 In addition, the Chief Executive Officer (CEO) is also provided with Company maintained car (s), residence, certain household items, furniture and fixtures and equipment in accordance with the policy of the Company.

37.2 No remuneration was paid to non - executive directors of the Company except for meeting fees.

Notes to the Unconsolidated Financial Statements

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38 Transactions with related parties

The Company has related party relationships with its associates, subsidiary company, employee retirement benefit plans, key management personnel and other parties. Transactions are entered into with such related parties for the issuance of policies to and disbursements of claims incurred by them and payments of rentals for the use of premises rented from / to them. There are no transactions with key management personnel other than those specified in their terms of employment.

Investments, bank deposits and borrowing arrangements with related parties have been disclosed in note 8, 9, 11, 15 & 21 to these unconsolidated financial statements. Other transactions with related parties are summarized as follows:

		2020	2019
		Rupees in thousand	
i) Transactions	Relationship with the Company		
Premiums underwritten	Subsidiary company	17,713	14,492
Premiums received	Subsidiary company	19,659	15,389
Claims paid	Subsidiary company	11,731	12,813
Claims received	Subsidiary company	6,000	7,000
Premium paid	Subsidiary company	20,839	5,153
Security deposit received	Subsidiary company	3,190	-
Rent paid / payable	Subsidiary company	-	1,913
Rent / service charges / expenses received	Subsidiary company	66,694	1,360
Premiums underwritten	Common directorship	1,699,869	1,412,496
Premiums received	Common directorship	1,573,675	1,540,424
Claims paid	Common directorship	665,463	632,467
Security deposit received	Common directorship	-	3,050
Security deposit paid	Common directorship	115	-
Commission Paid	Common directorship	33,537	76,623
Guarantee commission received	Common directorship	8,460	-
Rent paid	Common directorship	8,067	7,676
Rent received	Common directorship	39,247	28,887
Dividends received	Common directorship	459,884	653,313
Dividends paid	Common directorship	197,582	237,695
Income on bank deposits	Common directorship	88,763	43,682
Investments made	Common directorship	226,107	397,500
Investments sold	Common directorship	-	-
Fixed assets sold	Common directorship	3,538	2,347
Purchases	Common directorship	-	-
Fee / service charges paid	Common directorship	10,931	17,262
Fee / service charges income	Common directorship	10,485	3,982
Payments made to provident fund	Employees' fund	35,124	33,368
ii) Period end balances			
Balances receivable	Subsidiary company	48,364	35,962
Balances payable	Subsidiary company	5,684	2,048
Balances receivable	Common directorship	206,040	215,212
Balances payable	Common directorship	313,285	359,782
Payable to provident fund	Employees' fund	143	2,676

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38.1 Following are the particulars of the related parties of the Company at the reporting date.

Name of Related Party	Basis of relationship	Aggregate % of Shareholding in the Company
AA Joyland (Private) Limited	Common directorship	Nil
Adamjee Life Assurance Company Limited	Subsidiary	100.000%
Agro Hub International (Private) Limited	Common directorship	Nil
Cotton Web Limited	Common directorship	Nil
D G Khan Waste Management Company Limited	Common directorship	Nil
Dupak Developers Pakistan (Private) Limited	Common directorship	Nil
Dupak Properties (Private) Limited	Common directorship	Nil
Dupak Tameer Limited	Common directorship	Nil
Export Development Funds	Common directorship	Nil
Fortress Financials Services (Private) Limited	Common directorship	Nil
Fortress Square Services (Private) Limited	Common directorship	Nil
Fortress Supplies (Private) Limited	Common directorship	Nil
Golf View Land (Private) Limited	Common directorship	Nil
Hyundai Nishat Motor (Private) Limited	Common directorship	10.000%
Joyland (Private) Limited	Common directorship	Nil
Mahmood Textile Mills Limited	Common directorship	Nil
Masood Spinning Mills Limited	Common directorship	Nil
MCB Bank Limited	Common directorship	4.036%
MCB Employees Foundation	Common directorship	Nil
MCB Financial Services Limited	Common directorship	Nil
MCB Islamic Bank Limited	Common directorship	Nil
Multan Waste Management Company Limited	Common directorship	Nil
Nishat (Aziz Avenue) Hotels & Properties Limited	Common directorship	Nil
Nishat (Gulberg) Hotels & Properties Limited	Common directorship	Nil
Nishat (Raiwind) Hotels & Properties Limited	Common directorship	Nil
Nishat Agriculture Farming (Private) Limited	Common directorship	Nil
Nishat Agrotech Farms (Private) Limited	Common directorship	Nil
Nishat Dairy (Private) Limited	Common directorship	Nil
Nishat Developers (Private) Limited	Common directorship	Nil
Nishat Hotels & Properties Limited	Common directorship	Nil
Nishat Mills Limited	Common directorship	0.001%
Nishat Sutas Dairy Limited	Common directorship	Nil
Pakgen Power Limited	Common directorship	6.889%
Pakistan Single Window	Common directorship	Nil
Punjab Industrial Estate Development & Management Company	Common directorship	Nil
Punjab Social Security Health Management Company	Common directorship	Nil
Roomi Foods (Private) Limited	Common directorship	Nil
Roomi Poultry (Private) Limited	Common directorship	Nil
Shakarganj Limited	Common directorship	Nil
Siddiqsons Limited	Common directorship	Nil
Siddiqsons Tin Plate Limited	Common directorship	Nil
Siddiqsons Energy Limited	Common directorship	Nil
Soxlinks (Private) Limited	Common directorship	Nil
U&S Gulberg Filling Station	Common directorship	Nil

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39.1 Segment Information

	2019												
	Fire & property damage		Marine, aviation & transport		Motor		Accident & health		Miscellaneous		Total		
	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	
Premium receivable (Inclusive of federal excise duty, Federal insurance fee and Administrative surcharge)	8,534,754	43,324	998,598	23,862	3,229,489	7,862,923	1,931,695	23,660	2,128,708	18,125	16,823,244	7,971,894	24,795,138
Federal excise duty / VAT	(1,065,951)	(2,961)	(109,294)	(352)	(684,924)	(374,829)	(25,442)	(1,127)	(174,476)	(904)	(1,760,087)	(980,173)	(2,140,260)
Federal insurance fee	(72,465)	(105)	(8,866)	(44)	(28,409)	-	(18,942)	-	(19,007)	(5)	(147,689)	(154)	(147,843)
	7,396,338	40,258	880,438	23,466	2,816,156	7,488,094	1,887,311	22,533	1,935,225	17,216	14,915,468	7,591,567	22,507,035
Gross written premium (Inclusive of administrative surcharge)	7,396,338	40,258	880,438	23,466	2,816,156	7,488,094	1,887,311	22,533	1,935,225	17,216	14,915,468	7,591,567	22,507,035
Gross direct premium	7,343,446	40,067	857,397	23,404	2,714,540	7,483,357	1,887,211	22,533	1,890,507	17,108	14,693,101	7,586,469	22,279,570
Facultative inward premium	32,659	-	1,009	-	-	-	-	-	33,026	-	66,694	-	66,694
Administrative surcharge	20,233	191	22,032	62	101,616	4,737	100	-	11,692	108	155,673	5,098	160,771
Insurance premium earned	7,396,338	40,258	880,438	23,466	2,816,156	7,488,094	1,887,311	22,533	1,935,225	17,216	14,915,468	7,591,567	22,507,035
Insurance premium ceded to reinsurers	(6,109,923)	(29,662)	(185,885)	-	(51,873)	(230,269)	-	(29,297)	(781,978)	(7,216)	(7,129,659)	(296,444)	(7,426,103)
Net insurance premium	832,513	13,073	704,400	32,086	2,808,850	8,275,999	1,775,880	7,149	977,118	8,921	7,085,761	8,337,228	15,433,989
Commission income	420,858	6,994	1,457	-	4,274	16,706	-	-	153,430	2,902	580,019	26,602	606,621
Net underwriting income	1,253,371	20,067	705,857	32,086	2,813,124	8,292,705	1,775,880	7,149	1,130,548	11,823	7,676,780	8,363,830	16,040,610
Insurance claims	(1,492,018)	(26,083)	(466,446)	(10,691)	(1,431,840)	(8,478,203)	(1,543,254)	(48,846)	(492,744)	(7,844)	(5,426,302)	(8,571,667)	(13,997,969)
Insurance claim recoveries from reinsurer	1,106,292	29,516	103,688	-	62,849	2,600,066	-	39,030	174,789	5,202	1,447,618	2,673,814	4,121,432
Net claims	(385,726)	3,433	(362,758)	(10,691)	(1,368,991)	(5,878,137)	(1,543,254)	(9,816)	(317,955)	(2,642)	(3,978,684)	(5,897,853)	(9,876,537)
Commission expense	(435,597)	(6,575)	(120,683)	(5,815)	(195,795)	(1,163,728)	(54,469)	(900)	(129,196)	(1,170)	(935,740)	(1,178,086)	(2,113,826)
Management expense	(362,635)	(1,317)	(213,527)	(11,420)	(1,094,632)	(1,230,054)	(138,262)	(13,046)	(331,095)	(737)	(2,140,051)	(1,256,574)	(3,396,625)
Net insurance claims and expenses	(1,183,858)	(4,459)	(696,968)	(27,926)	(2,659,418)	(8,271,917)	(1,735,985)	(23,662)	(778,246)	(4,549)	(7,054,475)	(8,332,513)	(15,386,988)
Underwriting result	69,513	15,608	8,889	4,160	153,706	20,788	37,895	(16,513)	352,302	7,274	622,305	31,317	653,622
Net investment income													
Rental income											1,150,393	221,980	1,372,373
Other income											28,203	1,837	30,040
Change in fair value of investment property											61,744	6,807	68,551
Other expenses											12,298	-	12,298
Finance cost											(46,407)	(12,585)	(58,992)
Workers' welfare fund reversal											(3,660)	(4,692)	(8,352)
Profit from Window Takaful Operations - Operator's fund											355,761	-	355,761
Profit before taxation											107,693	-	107,693
Segment Assets	6,992,773	95,788	489,767	5,187	1,062,812	5,552,814	568,513	33,510	1,923,756	19,249	11,027,621	5,706,548	16,734,169
Unallocated assets											26,257,955	6,546,138	32,804,093
Segment Liabilities	7,060,540	111,211	624,861	25,552	2,359,101	9,993,415	1,366,492	40,351	2,307,325	22,763	37,285,576	12,252,686	49,538,262
Unallocated Liabilities											13,718,319	10,193,292	23,911,611
											3,567,097	679,062	4,246,159
											17,285,416	10,872,354	28,157,770

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40 Movement in investments

	Investment in subsidiary	Available for sale	Held to Maturity	Total
	— Rupees in thousand —			
As at January 01, 2019	694,895	18,685,087	4,734,142	24,114,124
Additions	-	2,283,096	7,277,933	9,561,029
Disposals (sales and redemptions)	-	(2,829,689)	(6,194,544)	(9,024,233)
Fair value net gains (excluding net realized gain)	-	998,702	-	998,702
Currency translation effect	-	-	520,825	520,825
Unwinding of discount on debt securities	-	-	11,404	11,404
Impairment losses	-	(294,179)	-	(294,179)
As at December 31, 2019	694,895	18,843,017	6,349,760	25,887,672
Additions	403,005	1,580,251	9,120,640	11,103,896
Disposals (sales and redemptions)	-	(969,356)	(9,356,998)	(10,326,354)
Fair value net gains (excluding net realized gain)	-	(100,811)	-	(100,811)
Currency translation effect	-	-	184,091	184,091
Unwinding of discount on debt securities	-	-	5,900	5,900
Impairment losses	-	(158,641)	-	(158,641)
As at December 31, 2020	1,097,900	19,194,460	6,303,393	26,595,753

41 Management of insurance and financial risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest / mark-up rate risk, price risk and currency risk). The Company's overall risk management programme 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 risk without any material change from previous period in the manner described in notes below. The Board of Directors (the Board) has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing the Company's risk management policies.

The individual risk wise analysis is given below :

41.1 Insurance risk

The principal risk that the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof may differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities. The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Further, strict claims review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims and similar procedures are put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policy holders and thus

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a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. Reinsurance policies are written with approved reinsurers on either a proportionate basis or non-proportionate basis. The reinsurers are carefully selected and approved and are dispersed over several geographical regions.

Experience shows that larger the portfolio is in similar reinsurance contracts, smaller will be the relative variability about the expected outcome. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Company principally issues the general insurance contracts e.g. Fire & property, Marine, aviation & transport, Motor, Accident & health and other Miscellaneous. Risks under non-life insurance policies usually cover twelve month or lesser duration. For general insurance contracts the most significant risks arise from accidental fire, atmospheric disaster and terrorist activities. Insurance contracts at times also cover risk for single incidents that expose the Company to multiple insurance risks.

41.1.1 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.

41.1.2 Reinsurance arrangements

Keeping in view the maximum exposure in respect of key zone aggregate, 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 the multiple of the treaty capacity or the primary recovery from the proportional treaty, any loss over and above limit would be recovered from the non-proportional treaty which is very much in line with the risk management philosophy of the Company.

	Gross sum insured		Reinsurance		Net	
	2020	2019	2020	2019	2020	2019
	Rupees in thousand					
Fire & property damage	5,362,654,044	5,155,573,587	4,603,407,292	4,452,484,421	759,246,752	703,089,166
Marine aviation & transport	2,745,235,895	2,405,075,840	327,249,038	275,255,894	2,417,986,857	2,129,819,946
Motor	226,188,600	273,300,696	5,677,579	5,609,902	220,511,021	267,690,794
Accident & health	115,702,675	88,346,549	1,188,805	494,075	114,513,870	87,852,474
Miscellaneous	432,883,227	537,845,680	340,447,752	400,087,997	92,435,475	137,757,683
	8,882,664,441	8,460,142,352	5,277,970,466	5,133,932,289	3,604,693,975	3,326,210,063

41.1.3 Sources of uncertainty in estimation of future claim payments

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

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the statement of financial position date.

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41.1.4 Key assumptions for claim estimation

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case the information about the claim event is available. IBNR provision is initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries.

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

41.1.5 Sensitivity analysis

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

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 / (loss) before tax, net of reinsurance.

	Pre tax profit / (loss)	
	2020	2019
	Rupees in thousand	
10% increase in claims liability		
Net:		
Fire & property	(71,406)	(38,229)
Marine, aviation and transport	(30,222)	(37,345)
Motor	(496,307)	(724,713)
Accident & health	(158,730)	(155,307)
Miscellaneous	(42,021)	(32,060)
	(798,686)	(987,654)
10% decrease in claims liability		
Net:		
Fire & property	71,406	38,229
Marine, aviation and transport	30,222	37,345
Motor	496,307	724,713
Accident & health	158,730	155,307
Miscellaneous	42,021	32,060
	798,686	987,654

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Statement of Age-wise breakup of unclaimed insurance benefits

Particulars	Total	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months
Rupees in thousand						
Claims not encashed	846,364	615,401	39,276	53,984	56,872	80,831

41.2 Financial Risk

Maturity profile of financial assets and liabilities:

2020

	Interest / markup bearing			Non - interest / markup bearing			Total
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
Rupees in thousand							
Financial assets							
Investment							
Equity securities- quoted	-	-	-	15,710,251	-	15,710,251	15,710,251
Equity securities- unquoted	-	-	-	3,484,209	-	3,484,209	3,484,209
Debt securities	275,631	98,700	374,331	-	-	-	374,331
Term deposits	5,851,874	77,188	5,929,062	-	-	-	5,929,062
Investment in subsidiary	-	-	-	-	1,097,900	1,097,900	1,097,900
Investments of Window Takaful	-	-	-	35,873	-	35,873	35,873
Operations - Operator's Fund							
Loans and other receivables	521	2,964	3,485	518,611	60,800	579,411	582,896
Insurance / reinsurance receivables	-	-	-	4,759,151	-	4,759,151	4,759,151
- unsecured and considered good							
Reinsurance recoveries against outstanding claims	-	-	-	5,922,296	-	5,922,296	5,922,296
Salvage recoveries accrued	-	-	-	270,275	-	270,275	270,275
Prepayments	-	-	-	3,422,781	-	3,422,781	3,422,781
Cash and bank	932,769	-	932,769	379,275	-	379,275	1,312,044
Other Assets of Window Takaful	-	-	-	520,061	-	520,061	520,061
Operations - Operator's Fund							
	7,060,795	178,852	7,239,647	35,022,783	1,158,700	36,181,483	43,421,130
Financial liabilities							
Outstanding claims	-	-	-	10,768,040	-	10,768,040	10,768,040
Borrowings	90,310	76,057	166,367	-	-	-	166,367
Insurance / reinsurance payables	-	-	-	3,030,884	-	3,030,884	3,030,884
Other creditors and accruals	-	-	-	2,176,391	-	2,176,391	2,176,391
Total liabilities of Window Takaful	-	-	-	242,797	-	242,797	242,797
	90,310	76,057	166,367	16,218,112	-	16,218,112	16,384,479
	6,970,485	102,795	7,073,280	18,804,671	1,158,700	19,963,371	27,036,651

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	2019						Total
	Interest / markup bearing			Non - interest / markup bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
Rupees in thousand							
Financial assets							
Investment							
Equity securities- quoted	-	-	-	15,968,534	-	15,968,534	15,968,534
Equity securities- unquoted	-	-	-	2,874,483	-	2,874,483	2,874,483
Debt securities	370,491	95,377	465,868	-	-	-	465,868
Term deposits	5,833,782	50,110	5,883,892	-	-	-	5,883,892
Investment in subsidiary	-	-	-	-	694,895	694,895	694,895
Investments of Window Takaful	-	-	-	32,958	-	32,958	32,958
Loans and other receivables	625	3,727	4,352	431,701	41,211	472,912	477,264
Insurance / reinsurance receivables	-	-	-	5,810,164	-	5,810,164	5,810,164
Reinsurance recoveries against outstanding claims	-	-	-	5,931,928	-	5,931,928	5,931,928
Salvage recoveries accrued	-	-	-	301,420	-	301,420	301,420
Prepayments	-	-	-	3,633,739	-	3,633,739	3,633,739
Cash and bank	973,117	-	973,117	203,568	-	203,568	1,176,685
Other Assets of Window Takaful	-	-	-	357,950	-	357,950	357,950
	7,178,015	149,214	7,327,229	35,546,445	736,106	36,282,551	43,609,780
Financial liabilities							
Outstanding claims	-	-	-	10,367,347	-	10,367,347	10,367,347
Insurance / reinsurance payables	-	-	-	2,701,164	-	2,701,164	2,701,164
Other creditors and accruals	-	-	-	2,177,455	-	2,177,455	2,177,455
Total liabilities of Window Takaful	-	-	-	195,872	-	195,872	195,872
	-	-	-	15,441,838	-	15,441,838	15,441,838
	7,178,015	149,214	7,327,229	20,104,607	736,106	20,840,713	28,167,942

Interest / mark - up rate risk

Interest / mark-up rate risk is the risk that the 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 mismatching of financial assets and liabilities that mature or are repaid in a given period. The Company manages this mismatch through risk management strategies where significant changes in gap position can be adjusted. At the reporting date the interest / mark-up rate profile of the Company's significant interest / mark-up bearing financial instruments was as follows:

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	Effective interest rate (%)		Carrying amounts	
	2020	2019	2020	2019
	Rupees in thousand			
Fixed rate of financial instruments				
Financial assets:				
Investments- PIBs and Treasury Bills	7.32% - 11.71%	10.30% - 14.22%	374,331	465,868
Loans	5%	5%	3,485	4,352
Floating rate financial instruments				
Financial assets:				
Bank and term deposits	4.50% - 11.35%	6.50% - 12.50%	6,861,831	6,857,009

Sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss account. Therefore, a change in interest rate will not affect the fair value of any financial instruments. 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. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variation in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	Effect on profit before tax		Effect on equity	
	Increase	Decrease	Increase	Decrease
	Rupees in thousand			
As at December 31, 2020 - Fluctuation of 100 bps				
Cash flow sensitivity - variable rate financial liabilities	-	-	-	-
Cash flow sensitivity - variable rate financial assets	68,618	(68,618)	48,719	(48,719)
As at December 31, 2019 - Fluctuation of 100 bps				
Cash flow sensitivity - variable rate financial liabilities	-	-	-	-
Cash flow sensitivity - variable rate financial assets	68,570	(68,570)	48,685	(48,685)

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried out in Pak Rupees and its exposure to foreign exchange risk arises primarily with respect to AED and US dollars in respect of foreign branches. Assets and liabilities exposed to foreign exchange risk amounted to Rs. 10,892,805 thousands (2019: Rs. 12,262,552 thousands) and Rs. 9,043,537 thousands (2019: Rs. 10,882,221 thousands), respectively, at the end of the year.

The following significant exchange rates were applied during the year:

	2020	2019
	Rupees	
Rupees per US Dollar		
Average rate	161.8459	149.9303
Reporting date rate	159.8344	154.8476
Rupees per AED		
Average rate	44.0622	40.8181
Reporting date rate	43.5143	42.1566

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

Price risk

Price risk represents the risk that the fair value of financial instruments 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 individual financial instrument or its issuer, or factors affecting all or similar financial instrument traded in the market. The Company is exposed to equity price risk that arises as a result of changes in the levels of PSE - Index and the value of individual shares. The equity price risk arises from the Company's investment in equity securities for which the prices in the future are uncertain. The Company policy is to manage price risk through selection of blue chip securities.

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

The Company has investments in quoted equity securities amounting to Rs. 15,710,251 thousands (2019: Rs. 15,968,534 thousands) at the reporting date. The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the reporting date. Market prices are subject to fluctuation which may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions.

Sensitivity analysis

For the equity investment portfolio, a 10% increase / (decrease) in redemption value and share prices at year end would have increased / (decreased) impairment loss of investment recognized in profit and loss account as follows:

	Impact on profit before tax	Impact on equity
	————— Rupees in thousand —————	
2020		
Effect of increase in share price	999,344	709,534
Effect of decrease in share price	(489,780)	(347,744)
2019		
Effect of increase in share price	783,162	556,045
Effect of decrease in share price	(405,302)	(287,764)

41.3 Credit risk and concentration of credit risk

Credit risk is the risk that arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposure by undertaking transactions with a large number of counterparties in various sectors and by continually assessing the credit worthiness of counterparties.

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result any change in economic, political or other conditions would affect their ability to meet contractual obligations in a similar manner. The Company's credit risk exposure is not significantly different from that reflected in these unconsolidated financial statements. The management monitors and limits the Company's exposure and makes conservative estimates of provisions for doubtful assets, if any. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in entities of sound financial standing, covering various industrial sectors.

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

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

	2020	2019
	Rupees in thousand	
Investments	26,595,753	25,887,672
Loans and other receivable	582,896	477,264
Due from insurance contract holders	3,790,830	4,862,257
Due from other insurers / reinsurers	968,321	947,907
Reinsurance recoveries against outstanding claims	5,922,296	5,931,928
Salvage recoveries accrued	270,275	301,420
Bank deposits	1,306,903	1,166,272
	39,437,274	39,574,720

Provision for impairment is made for doubtful receivables according to the Company's policy. The impairment provision is written off when the Company expects that it cannot recover the balance due. The movement in the provision for doubtful debt account is shown in note 13.2 and 13.3 to these unconsolidated financial statements.

Age analysis of due from insurance contact holders (net of provision) is as follows:

	2020	2019
	Rupees in thousand	
Age analysis of due from insurance contact holders (net of provision) is as follows:		
Upto one year	3,261,295	4,264,249
Above one year	1,461,919	1,466,594
	4,723,214	5,730,843
Provision for doubtful balances	(932,384)	(868,586)
	3,790,830	4,862,257

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

	Rating		Rating Agency	2020	2019
	Short Term	Long Term		Rupees in thousand	
Abu Dhabi Commercial Bank	A1	A	S&P	141,791	(161,781)
Allied Bank Limited	A1+	AAA	PACRA	5,020	3,805
Askari Bank Limited	A1+	AA+	PACRA	46	46
Bank Alfalah Limited	A1+	AA+	PACRA	690,417	403,391
Bank Al Habib Limited	A1+	AA+	PACRA	24,757	30,862
Habib Bank Limited	A1+	AAA	JCR-VIS	59,015	148,360
Habib Metropolitan Bank	A1+	AA+	PACRA	(149)	(149)
FINCA Micro Finance Bank Limited	A1	A	PACRA	2,369	11,963
Khushhali Microfinance Bank Limited	A1	A+	JCR-VIS	5,706	3,679
MCB Bank Limited	A1+	AAA	PACRA	368,010	433,504
Mobilink Micro Finance Bank	A1	A	PACRA	8,781	9,631
National Bank of Pakistan	A1+	AAA	PACRA	1,703	2,141
The Punjab Provincial Cooperative Bank Limited	Not available	Not available	Not available	3,425	3,425
Samba Bank Limited	A1	AA	JCR-VIS	33,710	20,950
Soneri Bank Limited	A1+	AA-	PACRA	1	1
United Bank Limited	A1+	AAA	JCR-VIS	(46,594)	129,427
Zarai Taraqiati Bank Limited	A1+	AAA	JCR-VIS	8,895	127,017
				1,306,903	1,166,272

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

The credit quality of amount due from other insurers (gross of provisions) can be assessed with reference to external credit rating as follows:

	Amounts due from other insurers / reinsurers	Reinsurance and other recoveries against outstanding claims	2020	2019
Rupees in thousand				
A or Above (including PRCL)	1,165,736	4,287,911	5,453,647	4,888,920
BBB	29	1,053,264	1,053,293	1,839,450
Others	3,858	581,121	584,979	352,767
Total	1,169,623	5,922,296	7,091,919	7,081,137

41.4 Capital risk management

The Company's goals and objectives when managing capital are :

- To be an appropriately capitalized institution in compliance with the paid-up capital requirement set by the SECP. Minimum paid-up capital requirement for non-life insurers as at December 31, 2020 is Rs. 500,000 thousands. The Company's current paid-up capital is well in excess of the limit prescribed by the SECP;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for the other stakeholders;
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk;
- To maintain strong ratings and to protect the Company against unexpected events / losses; and
- To ensure a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

42 Statement of Solvency

2020

Rupees in thousand

Assets

Property and equipment	4,467,919
Intangible assets	88,187
Investment properties	401,896
Investment in subsidiary	1,097,900
Investments	
Equity securities	19,194,460
Debt securities	374,331
Term deposits	5,929,062
Loans and other receivables	582,896
Insurance / reinsurance receivables	4,759,151
Reinsurance recoveries against outstanding claims	5,922,296
Salvage recoveries accrued	270,275
Deferred commission expense / acquisition cost	731,319
Taxation - payment less provisions	376,484
Prepayments	3,422,781
Cash and bank	1,312,044
	48,931,001
Total assets of Window Takaful Operations - Operator's Fund	589,148
Total assets	49,520,149

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

2020

Rupees in thousand

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

Loans to employees	41,852
Investment in subsidiary	1,097,900
Premium due from insurance contract holder	1,312,634
Due from other insurers / reinsurers	859,958
Intangible assets	194,105
Lien on term deposits	5,603,079
Other prepayments and sundry receivables	206,994
Bank balances subject to encumbrances	570,776
Equity investment	9,322,311
Movable properties	1,132,132
Inadmissible assets of Window Takaful Operations - Operator's Fund	39,272
Total of in-admissible assets	(20,381,013)
Total admissible assets	29,139,136
Liabilities	
Underwriting provisions:	
Outstanding claims including IBNR	5,864,026
Unearned premium reserve	8,366,434
Unearned reinsurance commission	245,318
Retirement benefits obligations	197,232
Deferred taxation	1,375,394
Borrowings	166,367
Deferred grant income	14,767
Premium received in advance	399,494
Insurance / reinsurance payables	3,030,884
Other creditors and accruals	1,806,196
Deposits and other liabilities	672,367
Taxation - provision less payment	-
	22,138,479
Total liabilities of Window Takaful Operations - Operator's Fund	242,797
Total liabilities	22,381,276
Total net admissible assets	6,757,860
Minimum solvency requirement (higher of following)	
- Method A - U/s 36(3)(a)	150,000
- Method B - U/s 36(3)(b)	2,658,925
- Method C - U/s 36(3)(c)	2,588,381
	2,658,925
Excess in Net Admissible Assets over minimum requirement	4,098,935

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

43 Fair value measurement of financial instruments

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

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

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs (Level 3)

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

		2020										
Note	Available for sale	Held to maturity	Receivables and other financial assets	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total		
Rupees in thousand												
Financial assets - measured at fair value												
Investment												
	Equity securities- quoted	9	15,710,251	-	-	-	15,710,251	-	-	15,710,251		
	Equity securities- unquoted	9	3,484,209	-	-	-	-	-	3,484,209	3,484,209		
	Debt securities	10	-	374,331	-	-	-	374,331	-	374,331		
	Investments of Window Takaful Operations - Operator's Fund	16	35,873	-	-	-	35,873	-	-	35,873		
Financial assets - not measured at fair value												
	Loans and other receivables *	12	-	-	582,896	-	-	-	-	582,896		
	Investment - Term deposits*	11	-	5,929,062	-	-	-	-	-	5,929,062		
	Investment in subsidiary*	8	-	-	1,097,900	-	-	-	-	1,097,900		
	Insurance / reinsurance receivables											
	- unsecured and considered good *	13	-	-	4,759,151	-	-	-	-	4,759,151		
	Reinsurance recoveries against outstanding claims *				5,922,296	-	-	-	-	5,922,296		
	Salvage recoveries accrued *				270,275	-	-	-	-	270,275		
	Prepayments *	14	-	-	3,422,781	-	-	-	-	3,422,781		
	Cash and bank *	15	-	-	-	1,312,044	-	-	-	1,312,044		
	Other Assets of Window Takaful Operations - Operator's Fund*	16	-	-	310,615	209,446	-	-	-	520,061		
			19,230,333	6,303,393	16,365,914	1,521,490	-	43,421,130	15,746,124	374,331	3,484,209	19,604,664
Financial liabilities - not measured at fair value												
Underwriting provisions:												
	Borrowings*	21	-	-	-	166,367	166,367	-	-	-		
	Outstanding claims (including IBNR)*	28	-	-	-	10,768,040	10,768,040	-	-	-		
	Insurance / reinsurance payables *	23	-	-	-	3,030,884	3,030,884	-	-	-		
	Other creditors and accruals*		-	-	-	2,176,391	2,176,391	-	-	-		
	Total liabilities of Window Takaful Operations - Operator's Fund*	16	-	-	-	242,797	242,797	-	-	-		
			-	-	-	16,384,479	16,384,479	-	-	-		

* The Company has not disclosed the fair value of these items because their carrying amounts are a reasonable approximation of fair value.

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

43.1 Fair value measurement of financial instruments

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

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

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs (Level 3)

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

		2019										
Note	Available for sale	Held to maturity	Receivables and other financial assets	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total		
Rupees in thousand												
Financial assets - measured at fair value												
Investment												
	Equity securities- quoted	9	15,968,534	-	-	-	15,968,534	-	-	15,968,534		
	Equity securities- unquoted	9	2,874,483	-	-	-	-	-	2,874,483	2,874,483		
	Debt securities	10	-	465,868	-	-	-	465,868	-	465,868		
	Investments of Window Takaful Operations - Operator's Fund	16	32,958	-	-	-	32,958	-	-	32,958		
Financial assets - not measured at fair value												
	Loans and other receivables *	12	-	-	477,264	-	-	-	-	477,264		
	Investment - Term deposits*	11	-	5,883,892	-	-	-	-	-	5,883,892		
	Investment in subsidiary*	8	-	-	694,895	-	-	-	-	694,895		
	Insurance / reinsurance receivables											
	- unsecured and considered good *	13	-	-	5,810,164	-	-	-	-	5,810,164		
	Reinsurance recoveries against outstanding claims *		-	-	5,931,928	-	-	-	-	5,931,928		
	Salvage recoveries accrued *		-	-	301,420	-	-	-	-	301,420		
	Prepayments *	14	-	-	3,633,739	-	-	-	-	3,633,739		
	Cash and bank *	15	-	-	-	1,176,685	-	-	-	1,176,685		
	Other Assets of Window Takaful Operations - Operator's Fund*	16	-	-	266,055	91,895	-	-	-	357,950		
			18,875,975	6,349,760	17,115,465	1,268,580	-	43,609,780	16,001,492	465,868	2,874,483	19,341,843
Financial liabilities - not measured at fair value												
Underwriting provisions:												
	Outstanding claims (including IBNR)*	28	-	-	-	10,367,347	10,367,347	-	-	-		
	Insurance / reinsurance payables *	23	-	-	-	2,701,164	2,701,164	-	-	-		
	Other creditors and accruals*		-	-	-	2,177,455	2,177,455	-	-	-		
	Total liabilities of Window Takaful Operations- Operator's Fund*	16	-	-	-	195,872	195,872	-	-	-		
			-	-	-	15,441,838	15,441,838	-	-	-		

* The Company has not disclosed the fair value of these items because their carrying amounts are a reasonable approximation of fair value.

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

44 Provident fund related disclosure

The following information is based on unaudited financial statements for the year ended December 31, 2020 and audited financial statements for the year ended December 31, 2019.

	2020	2019
	Rupees in thousand	
Size of fund - Total assets	1,092,815	1,080,225
Cost of investments	1,043,193	1,051,390
Fair value of investments	1,171,154	1,153,697
Investments made (Percentage)	100.00	100.00

44.1 The break-up of cost of investments is as follows:

	2020	2019	2020	2019
	(Percentage)		Rupees in thousand	
Investment in Money Market Collective Investment Scheme	12.14	9.38	126,672	98,645
Investment in Equity Collective Investment Schemes	4.47	6.85	46,599	71,997
Investment in Debt Collective Investment Schemes	-	5.21	-	54,764
Investment in Listed Debt Securities	4.15	4.72	43,333	49,581
Investment in Listed Equity Securities	6.19	7.24	64,543	76,132
Investment in Government Securities	63.00	60.19	657,182	632,906
Bank balances	6.59	3.05	68,729	32,058
Others	3.46	3.36	36,135	35,307
	100.00	100.00	1,043,193	1,051,390

The above investments / placement of funds in special bank account has been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

45 Non - Adjusting events after the statement of financial position date

45.1 The Board of Directors of the Company in their meeting held on February 23, 2021 proposed a final cash dividend for the year ended December 31, 2020 @ 12.5% i.e. Rupees 1.25/- share (2019: 15% i.e. Rupees 1.5/- share). This is in addition to the interim cash dividend @ 12.5% i.e. Rupee 1.25/- per share (2019: 10% i.e. Rupee 1/- per share) resulting in a total cash dividend for the year ended December 31, 2020 of Rupees 2.5/- per share (2019: Rupees 2.5/- share). The approval of the members for the final dividend will be obtained at the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2020 do not include the effect of final dividend which will be accounted for in the financial statements for the year ending December 31, 2021.

45.2 The Company follows the development of the Covid-19 corona virus and evaluates the extent to which this may affect the Company's operations in the short and long term. With the high levels of uncertainty surrounding the situation and potential additional initiatives by authorities and customers, it is very difficult to predict the full financial impact that the situation may have on the Company.

Notes to the Unconsolidated Financial Statements

For the year ended 31 December 2020

46 Number of employees

The average number of employees during the year and as at December 31, 2020 and 2019, are as follows:

	2020	2019
	Numbers	
At December 31	900	944
Average during the year	930	956

47 Corresponding figures

Reclassification / rearrangement of corresponding figures have been made in these financial statements wherever necessary.

48 Date of authorization for issue

These unconsolidated financial statements were authorized for issue on February 23, 2021 by the Board of Directors of the Company.

49 General

Figures have been rounded off to the nearest thousand rupees unless other wise stated.



Umer Mansha
Chairman



Ibrahim Shamsi
Director



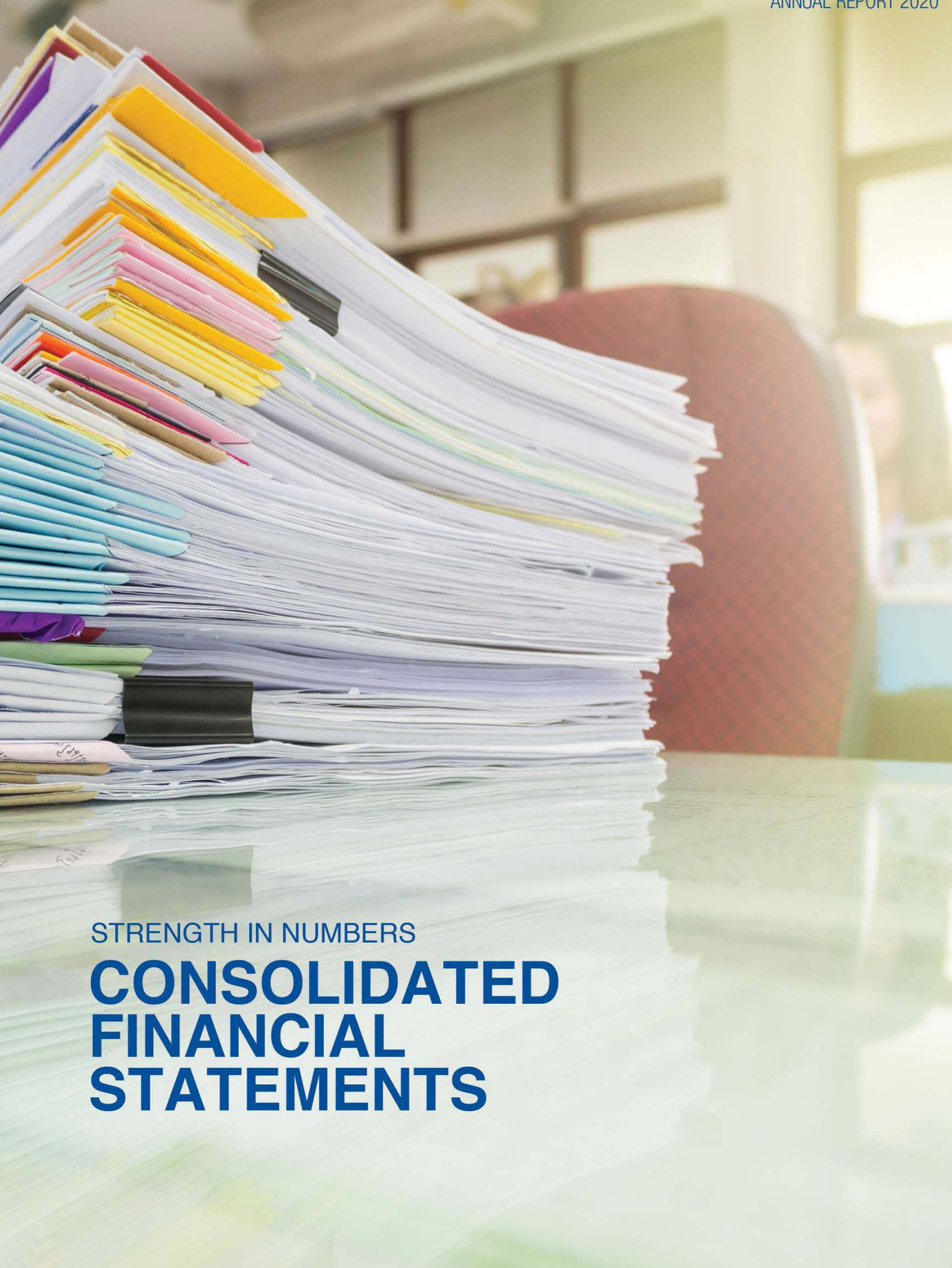
Shaikh Muhammad Jawed
Director



Muhammad Asim Nagi
Chief Financial Officer



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer



STRENGTH IN NUMBERS

CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditors' Report

To the Members of Adamjee Insurance Company Limited

Opinion

We have audited the annexed consolidated financial statements of Adamjee Insurance Company Limited and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

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 Consolidated Financial Statements section of our report. We are independent of the Group 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.

Emphasis of Matter

We draw attention to note 27.2 of the consolidated financial statements, which describes that the Group has challenged the scope and applicability of Punjab Sales Tax (PST) and Sindh Sales Tax on life insurance services.

Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Following are the Key audit matter(s):

Sr No.	Key audit matter(s)	How the matter was addressed in our audit
1.	<p>Revenue Recognition Risk</p> <p>Refer notes 3.3 and 28 to the consolidated financial statements relating to revenue recognition and details in respect of net insurance premium respectively.</p> <p>The Group receives its revenue primarily from two main sources namely; premiums and investments income. Premiums from insurance policies comprise of 85.44% of the total revenue.</p> <p>We identified revenue recognition from premium income as a key audit matter because it is one of the key performance indicators of the Group and because of the potential risk that revenue transactions 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">▪ Obtained the understanding, evaluated the design and tested the controls over the process of capturing, processing and recording of premiums;▪ Assessed the appropriateness of the Company's accounting policy for recording of premiums and that it is in line with the requirements of applicable law, accounting and reporting standards;▪ Traced the premium recorded on sample basis from the underlying policies issued to insurance contract holders;▪ 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▪ Recalculated the unearned portion of premium income and ensured that appropriate amount has been recorded as provision for unearned premium in liabilities.

Sr No.	Key audit matter(s)	How the matter was addressed in our audit
2.	<p>Valuation of Claim Liabilities</p> <p>Refer notes 3.2.7, 19.2 and 29 to the consolidated financial statements for accounting policies and details in respect of claim liabilities including incurred but not reported (IBNR) respectively.</p> <p>The Group's claim liabilities represents 14.25% of its total liabilities. Valuation of these claim liabilities involves significant management judgment regarding uncertainty in the estimation of claims payments and assessment of frequency and severity of claims. Claim liabilities are recognized on intimation of the insured event based on management judgment and estimate. The Group maintains provision for claims IBNR based on the advice of an independent actuary. The actuarial valuation process involves significant judgment and the use of actuarial assumptions.</p> <p>We have identified the valuation of claim liabilities as key audit matter because estimation of claims liabilities 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"> ▪ Assessed the appropriateness of the Company's accounting policy for recording of claims in line with requirements of applicable accounting and reporting standards; ▪ Tested claims transactions on a sample basis with underlying documentation to evaluate whether the claims reported during the year are recorded in accordance with the requirements of the Company's policy and insurance regulations; ▪ Inspected significant arrangements with reinsurer to obtain an understanding of contracts terms and assessed on a sample basis that recoveries from reinsurance on account of claims reported have been accounted for based on agreed terms and conditions; ▪ Used an external actuarial specialist to assist us in evaluation of general principles, actuarial assumptions and methods adopted for actuarial valuations by the actuary of the Company for determination of IBNR; ▪ Assessed competence, capability and objectivity of management's expert; ▪ Assessed the data provided by the Group to its actuary for completeness and accuracy and ensured that the same has been provided to us; and ▪ Considered the adequacy of Company's disclosures about the estimates used and the sensitivity to key assumptions.

Information Other than the Financial Statements and Auditors' Report Thereon

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

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 when available, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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.

The engagement partner on the audit resulting in this independent auditor's report is Rana M. Usman Khan.



Chartered Accountants

Lahore : February 23, 2021

Directors' Report to the Members on Consolidated Financial Statements

For the year ended December 31, 2020

On behalf of the Board, We are pleased to present the consolidated financial statements of Adamjee Insurance Company Limited and its subsidiary, Adamjee Life Assurance Company Limited, for the year ended 31 December 2020.

The following appropriation of profit has been recommended by the Board of Directors:

	2020	2019
	Rupees in thousand	
Profit before tax	2,230,566	2,814,175
Taxation	<u>(153,858)</u>	<u>(784,094)</u>
Profit after tax	2,076,708	2,030,081
Less: Profit attributable to non-controlling interest	<u>(2,786)</u>	<u>(58,036)</u>
Profit attributable to ordinary shareholders	2,073,922	1,972,045
Unappropriated profit brought forward	<u>13,610,534</u>	<u>12,521,272</u>
Profit available for appropriation	15,684,456	14,493,317
Final dividend for the year ended 31 December 2019 @ 15% (Rupees 1.5/- per share) [31 December 2018 @ 15% (Rupees 1.5/- per share)]	(525,000)	(525,000)
Interim dividend for the half year ended 30 June 2020 @ 12.5% (Rupee 1.25/- per share) [30 June 2019 @ 10% (Rupee 1/- per share)]	(437,500)	(350,000)
Acquisition of non-controlling interest	(57,794)	-
Other Comprehensive Loss – remeasurement of defined benefit obligation	<u>(13,707)</u>	<u>(7,783)</u>
Profit after appropriation	<u><u>14,650,455</u></u>	<u><u>13,610,534</u></u>
	2020	2019
	Rupees	
Earnings per share - Basic and diluted	<u><u>5.93</u></u>	<u><u>5.63</u></u>

Lahore: 23 February 2021



Ibrahim Shamsi
Director



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

For and on behalf of the Board

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	2020	2019
Rupees in thousand			
ASSETS			
Property and equipment	5	4,758,982	4,626,364
Intangible assets	6	127,381	131,236
Investment properties	7	1,183,026	1,204,026
Investments			
Equity securities	8	34,863,749	32,184,555
Debt securities	9	15,290,166	8,617,474
Term deposits	10	13,891,062	15,468,892
Loan secured against life insurance policies		29,912	32,785
Loans and other receivables	11	985,744	716,839
Insurance / reinsurance receivables	12	4,991,328	5,865,967
Reinsurance recoveries against outstanding claims		5,922,296	5,931,928
Salvage recoveries accrued		270,275	301,420
Deferred commission expense / acquisition cost	30	731,319	1,190,146
Taxation - payment less provisions		691,558	198,833
Prepayments	13	3,468,952	3,671,070
Cash and bank	14	11,267,096	8,437,244
		98,472,846	88,578,779
Total assets of Window Takaful Operations - Operator's Fund (Parent Company)	15	589,148	426,291
Total Assets		99,061,994	89,005,070
EQUITY AND LIABILITIES			
Capital and reserves attributable to Parent Company's equity holders			
Ordinary share capital	16	3,500,000	3,500,000
Reserves	17	4,487,307	4,552,846
Unappropriated profits		14,650,455	13,610,534
Equity attributable to equity holders of the Parent Company		22,637,762	21,663,380
Non-controlling interest	18	-	341,508
Total Equity		22,637,762	22,004,888
LIABILITIES			
Insurance liabilities	19	46,990,343	36,708,430
Underwriting provisions:			
Outstanding claims including IBNR	29	10,768,040	10,367,347
Unearned premium reserves	28	8,366,434	10,242,348
Premium deficiency reserve		-	-
Unearned reinsurance commission	30	245,318	237,751
Retirement benefits obligations	20	309,581	262,203
Deferred taxation	21	1,581,977	1,425,938
Borrowings	22	330,849	-
Deferred grant income	23	28,574	-
Premium received in advance		724,448	623,336
Insurance / reinsurance payables	24	3,161,519	2,826,429
Other creditors and accruals	25	2,892,994	3,212,270
Deposits and other liabilities	26	781,358	898,258
		29,191,092	30,095,880
Total liabilities of Window Takaful Operations - Operator's Fund (Parent Company)	15	242,797	195,872
Total Equity and Liabilities		99,061,994	89,005,070
Contingencies and commitments	27		

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.




Umer Mansha
Chairman



Ibrahim Shamsi
Director



Shaikh Muhammad Jawed
Director



Muhammad Asim Nagi
Chief Financial Officer



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Consolidated Profit and Loss Account

For the year ended 31 December 2020

	Note	2020	2019
		Rupees in thousand	
Net insurance premium	28	29,808,605	27,800,508
Net insurance claims	29	(14,825,487)	(16,600,419)
Net commission and other acquisition costs	30	(4,525,262)	(4,207,683)
Insurance claims and acquisition expenses		(19,350,749)	(20,808,102)
Management expenses	31	(4,051,227)	(4,422,568)
Net change in insurance liabilities (other than outstanding claims)		(9,937,066)	(5,125,588)
Underwriting results		(3,530,437)	(2,555,750)
Investment income	32	4,339,163	4,031,643
Net fair value gain on financial assets			
at fair value through profit or loss	33	738,783	435,397
Fair value adjustment to investment property	7	(21,000)	33,298
Rental income	34	69,812	28,604
Other income	35	559,041	460,351
Other expenses	36	(68,689)	(67,448)
Workers' welfare fund reversal/charge	25	-	355,761
Results of operating activities		2,086,673	2,721,856
Finance cost		(19,881)	(15,374)
Profit from Window Takaful Operations			
- Operator's Fund (Parent Company)	15	163,774	107,693
Profit before taxation		2,230,566	2,814,175
Income tax expense	37	(153,858)	(784,094)
Profit after taxation		2,076,708	2,030,081
Profit attributable to:			
Equity holders of the parent		2,073,922	1,972,045
Non-controlling interest	18	2,786	58,036
		2,076,708	2,030,081
		Rupees	
Earnings per share - basic and diluted	38	5.93	5.63

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.



Umer Mansha
Chairman



Ibrahim Shamsi
Director



Shaikh Muhammad Jawed
Director



Muhammad Asim Nagi
Chief Financial Officer



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	2020	2019
	Rupees in thousand	
Profit after taxation	2,076,708	2,030,081
Items that will not be subsequently reclassified to profit and loss account		
Re-measurement of retirement benefit obligations - net of tax	(13,707)	(13,202)
Items that may be subsequently reclassified to profit and loss account		
Unrealized (loss) / gain on 'available-for-sale' investments - net of tax	(141,355)	495,035
Reclassification adjustment relating to 'available for sale' investments disposed off in the year - net of tax	73,704	214,411
Unrealized (loss) / gain on 'available for sale' investment from Window Takaful Operations - net of tax	(473)	1,338
Net effect of translation of foreign branches	3,502	60,874
Other comprehensive (loss) / income for the year	(78,329)	758,456
Total comprehensive income for the year	1,998,379	2,788,537
Total comprehensive income attributable to:		
Equity holders of the parent	1,994,896	2,735,826
Non-controlling interest	3,483	52,711
	1,998,379	2,788,537

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.



Umer Mansha
Chairman



Ibrahim Shamsi
Director



Shaikh Muhammad Jawed
Director



Muhammad Asim Nagi
Chief Financial Officer



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Consolidated Cash Flow Statement

For the year ended 31 December 2020

	2020	2019
	Rupees in thousand	
Cash flows from operating activities		
Underwriting activities		
Insurance premiums received	36,589,154	36,682,230
Reinsurance premiums paid	(6,632,269)	(8,188,954)
Claims paid	(19,072,381)	(21,896,201)
Reinsurance and other recoveries received	4,326,300	4,599,404
Commissions paid	(4,021,112)	(4,832,917)
Commissions received	532,528	622,744
Other underwriting payments	(4,973,401)	(3,499,824)
Net cash inflow from underwriting activities	6,748,819	3,486,482
Other operating activities		
Income tax paid	(411,376)	(658,499)
Finance cost paid on lease liability	(31,483)	(16,229)
Other operating payments	(30,192)	(58,992)
Loans advanced	(45,178)	(69,345)
Loans repayments received	49,691	65,832
Other operating receipts	113,738	30,300
Net cash outflow from other operating activities	(354,800)	(706,933)
Total cash inflow from operating activities	6,394,019	2,779,549
Cash flows from investing activities		
Profit / return received from bank deposits	874,898	1,161,519
Income from Debt Securities	1,054,181	487,849
Dividends received	1,352,787	1,966,075
Rentals received	124,863	29,430
Payments made for investments	(180,332,348)	(142,382,975)
Acquisition of Non controlling interest	(403,005)	-
Loan to policy holder	5,998	1,710
Proceeds from disposal of investments	173,248,318	139,573,363
Fixed capital expenditure - operating assets	(540,093)	(1,224,548)
Fixed capital expenditure - intangible assets	(27,247)	(8,933)
Proceeds from disposal of operating assets	104,832	47,807
Total cash outflow from investing activities	(4,536,816)	(348,703)
Cash flows from financing activities		
Payments against lease liability	(80,213)	(81,178)
Loan obtained	357,351	-
Interest expense against loan paid	(913)	-
Dividends paid	(926,576)	(870,521)
Total cash outflow from financing activities	(650,351)	(951,699)
Net cash inflow from all activities	1,206,852	1,479,147
Cash and cash equivalents at beginning of year	18,022,244	16,543,097
Cash and cash equivalents at end of the year	19,229,096	18,022,244

Consolidated Cash Flow Statement

For the year ended 31 December 2020

2020

2019

Rupees in thousand

Reconciliation to profit and loss account

Operating cash flows	6,394,019	2,779,549
Depreciation and amortization expense	(367,157)	(366,571)
Finance cost on borrowing	(13,664)	(19,840)
Provision for retirement benefit obligations	(26,403)	(70,705)
Provision for doubtful balances against insurance / reinsurance receivables	(47,968)	(187,764)
Other income - bank & term deposits	934,440	1,383,694
Gain / (loss) on disposal of operating assets	72,039	(19,836)
Rental income	71,671	33,217
Revaluation of investment	738,783	435,397
Fair value adjustment to investment property	(21,000)	33,298
Increase in assets other than cash	(1,032,963)	(253,291)
Decrease in liabilities	(10,901,509)	(5,430,977)
Gain on disposal of investments	700,910	161,320
Decrease / (Increase) in unearned premium	1,875,914	(141,447)
(Decrease) / Increase in loans	(4,513)	3,513
Income tax paid	411,376	658,499
Provision for impairment of 'available-for-sale' investments	(158,641)	(294,179)
Dividend and other income	1,362,106	1,927,964
Capital contribution from Shareholders' Fund	-	(3,240)
Income from Debt Securities	1,925,494	1,293,787
Profit for the year from Window Takaful Operations - Operator's fund (Parent Company)	163,774	107,693
Profit after taxation	2,076,708	2,030,081
Cash and bank for the purposes of the cash flow statement consists of:		
Cash and other equivalents	11,079	25,812
Current and other accounts	11,256,017	8,411,432
Term deposit maturing within three months	7,962,000	9,585,000
	19,229,096	18,022,244

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.



Umer Mansha
Chairman



Ibrahim Shamsi
Director



Shaikh Muhammad Jawed
Director



Muhammad Asim Nagi
Chief Financial Officer



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital	Capital reserves				Revenue reserves		Equity	Non-controlling	Total Equity
	Issued, subscribed and paid up	Reserve for exceptional losses	Investment fluctuation reserve	Exchange translation reserve	Fair Value Reserve	General reserve	Unappropriated profits	attributable to equity holders of the Parent	interest	
Rupees in thousand										
Balance as at January 01, 2019	3,500,000	22,859	3,764	614,062	2,204,097	936,500	12,521,272	19,802,554	288,797	20,091,351
Profit after taxation	-	-	-	-	-	-	1,972,045	1,972,045	58,036	2,030,081
Other comprehensive income	-	-	-	60,874	710,690	-	(7,783)	763,781	(5,325)	758,456
Total comprehensive income for the year ended December 31, 2019	-	-	-	60,874	710,690	-	1,964,262	2,735,826	52,711	2,788,537
Transactions with owners, recognized directly in equity										
Final cash dividend at Rs. 1.5 per share - December 31, 2018	-	-	-	-	-	-	(525,000)	(525,000)	-	(525,000)
Interim cash dividend at Rs. 1.0 per share - June 30, 2019	-	-	-	-	-	-	(350,000)	(350,000)	-	(350,000)
	-	-	-	-	-	-	(875,000)	(875,000)	-	(875,000)
Balance as at December 31, 2019	3,500,000	22,859	3,764	674,936	2,914,787	936,500	13,610,534	21,663,380	341,508	22,004,888
Profit after taxation	-	-	-	-	-	-	2,073,922	2,073,922	2,786	2,076,708
Other comprehensive income	-	-	-	3,502	(68,821)	-	(13,707)	(79,026)	697	(78,329)
Total comprehensive income for the year ended December 31, 2019	-	-	-	3,502	(68,821)	-	2,060,215	1,994,896	3,483	1,998,379
	3,500,000	22,859	3,764	678,438	2,845,966	936,500	15,670,749	23,658,276	344,991	24,003,267
Transactions with owners, recognized directly in equity										
Acquisition of Non-controlling interest	-	-	-	-	(220)	-	(57,794)	(58,014)	(344,991)	(403,005)
Final cash dividend at Rs. 1.5 per share - December 31, 2019	-	-	-	-	-	-	(525,000)	(525,000)	-	(525,000)
Interim cash dividend at Rs. 1.25 per share - June 30, 2020	-	-	-	-	-	-	(437,500)	(437,500)	-	(437,500)
	-	-	-	-	(220)	-	(1,020,294)	(1,020,514)	(344,991)	(1,365,505)
Balance as at December 31, 2020	3,500,000	22,859	3,764	678,438	2,845,746	936,500	14,650,455	22,637,762	-	22,637,762

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.



Umer Mansha
Chairman



Ibrahim Shamsi
Director



Shaikh Muhammad Jawed
Director



Muhammad Asim Nagi
Chief Financial Officer



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

1 The Group and its operations:

These consolidated financial statements comprise of Adamjee Insurance Company Limited ('the Parent Company') and Adamjee Life Assurance Company Limited ('the Subsidiary Company'), together referred to as 'the Group'. Equity of the Subsidiary Company held by the Parent Company is 100.00% (2019: 74.28%). The operations of the Group are described below:

Adamjee Insurance Company Limited

Adamjee Insurance Company Limited ('the Parent Company') is a public limited Company incorporated in Pakistan on September 28, 1960 under the repealed Companies Act, 1913 (now the Companies Act, 2017). The Parent Company is listed on Pakistan Stock Exchange limited and is principally engaged in the general insurance business. The registered office of the Parent Company is situated at Adamjee House Building, 80/A Block E-1, Main Boulevard Gulberg-III, Lahore. The Parent Company operates 60 (2019: 91) branches within Pakistan.

The Parent Company also operates 3 (2019: 3) branches in the United Arab Emirates (UAE) and 1 (2019: 1) branch in the Export Processing Zone, Karachi (EPZ).

The Parent Company was granted authorization on December 23, 2015 under Rule 6 of the Takaful Rules, 2012 to undertake Window Takaful Operations in respect of general takaful products by the Securities and Exchange Commission of Pakistan (SECP) and commenced Window Takaful Operations on January 01, 2016.

Adamjee Life Assurance Company Limited

Adamjee Life Assurance Company Limited ("the Subsidiary Company") was incorporated in Pakistan on August 04, 2008 as a public unlisted company under the Companies Act, 2017. The Subsidiary Company started its operations from April 24, 2009. Registered office of the Subsidiary Company is at 1st floor, Islamabad Stock Exchange Towers, 55-B, Jinnah Avenue, Blue Area, Islamabad while its principal place of business is at Adamjee House, 3rd and 4th Floor, I.I Chundrigar Road, Karachi. The Subsidiary Company is a wholly owned subsidiary of Adamjee Insurance Company Limited.

The shareholders of the Parent Company in their Extra Ordinary General Meeting (EOGM) held on February 25, 2019 had approved acquisition of 24,059,855 ordinary shares at par value of Rs. 10 each of Non controlling interest of the Subsidiary Company from IVM intersurer B.V. at share price of Rs.16.68 per share, for an aggregate price of Rs. 403,005 thousands including transaction processing charges. The Parent Company after obtaining the approval for payment of State Bank of Pakistan credited the sum to IVM's bank account on February 25, 2020. After the acquisition of aforementioned shares (representing 25.72%) Adamjee Life Assurance Company Limited has become a wholly owned subsidiary of the Parent Company.

The Subsidiary Company is engaged in life insurance business carrying on non-participating business only. In accordance with the requirements of the Insurance Ordinance, 2000, the Subsidiary Company has established a shareholders' fund and the following statutory funds in respect of each class of its life insurance business:

- Conventional Business
- Accident and Health Business
- Individual Life Non-unitized Investment Linked Business
- Individual Life Unit Linked Business
- Individual Family Takaful Business
- Group Family Takaful Business

The Subsidiary Company was granted authorisation on May 04, 2016 under Rule 6 of Takaful Rules, 2012 to undertake Takaful Window Operations in respect of family takaful products by Securities and Exchange Commission of Pakistan (SECP) and subsequently the Subsidiary Company commenced Window Takaful Operations from July 14, 2016. The Subsidiary Company formed a Waqf Fund namely the Adamjee Life Assurance Company Limited - Window Takaful Operations Waqf Fund (here-in-after referred to as the Participant Takaful Fund (PTF)) on December 22, 2015 under a Waqf

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

deed executed by the Subsidiary Company with the cede amount of Rs. 500,000. The cede money is required to be invested in Shariah compliant investments and any profit thereon can be utilised only to pay benefits to participants or defray PTF expenses. Waqf deed also governs the relationship of the Subsidiary Company and policyholders for the management of Takaful operations, investment of policyholders' funds and shareholders' funds as approved by the Shariah Advisor appointed by the Subsidiary Company.

The Subsidiary Company issued supplemental policies to the Window Takaful Operations Waqf Fund on October 29, 2019 to include Group Family Participant's Takaful Fund business in existing Window Takaful Operations Waqf Fund and the same was authorised by the Securities and Exchange Commission of Pakistan (SECP) on December 11, 2019 and the Subsidiary Company commenced its Group Family Takaful Business in the second Quarter of 2020.

2 Basis of preparation and statement of compliance

2.1 These consolidated 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 Standards Board 'IASB' as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP), as are notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017, the Takaful Rules, 2012 and Takaful Accounting Regulation, 2019.

In case requirements differ, the provisions of or the directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017, the Takaful Rules, 2012 and Takaful accounting regulations, 2019, shall prevail.

As per the requirements of the Takaful Rules, 2012 and SECP Circular No. 25 of 2015 dated July 09, 2015, the assets, liabilities and profit and loss account of the Operator's Fund of the Window Takaful Operations of the Parent Company have been presented as a single line item in the statement of financial position and profit and loss account of the Parent Company respectively. A separate set of financial statements of the Window Takaful Operations of Parent Company has been annexed to these consolidated financial statements as per the requirements of the Takaful Rules, 2012.

2.2 Consolidation

2.2.1 Subsidiary Company

The Subsidiary Company is the entity in which the Parent Company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. The financial statements of the Subsidiary Company are included in the consolidated financial statements from the date the control commences until the date that control ceases.

The assets and liabilities of the Subsidiary Company have been consolidated on a line by line basis and carrying value of investments held by the Parent Company is eliminated against the Parent Company's share in paid up capital of the Subsidiary Company. Intragroup balances and transactions have been eliminated.

Non-controlling interests are that part of net results of the operations and of net assets of the Subsidiary Company attributable to interest which are not owned by the Parent Company. Non-controlling interests are presented as separate line item in the consolidated financial statements.

2.3 Basis of measurement

These consolidated financial statements have been prepared under historical cost convention except for certain foreign currency translation adjustments, certain financial instruments carried at fair value, and retirement benefit obligations under

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

employees benefits carried at present value. All transactions reflected in these financial statements are on accrual basis except for those reflected in cash flow statement.

2.4 Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency. All the financial information presented in Rupees has been rounded off to the nearest thousand rupees, except otherwise stated.

2.5 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are effective in current year

The following standards, amendments and interpretations of accounting and reporting standards that will be effective for accounting periods beginning on or after January 01, 2020:

Standards or Interpretations	Effective from annual period beginning on or after:
IFRS 14 'Regulatory Deferral Accounts'	July 01, 2019
Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business.	January 01, 2020
Amendments to the Conceptual Framework for Financial Reporting, including amendments to references to the Conceptual Framework in IFRS Standards.	January 01, 2020
Amendments to IAS 39, IFRS 7 and IFRS 9 – The amendments will affect entities that apply the hedge accounting requirements of IFRS 9 or IAS 39 to hedging relationships directly affected by the interest rate benchmark reform.	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material.	January 01, 2020
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	January 01, 2020

2.6 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after January 01, 2021:

Standards or Interpretations	Effective from annual period beginning on or after:
Amendments to IFRS 16 'Leases' - Provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification.	June 01, 2020
IBOR 2 'Interest Rate Benchmark Reform – Phase 2' Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates.	January 01, 2021
Amendments to IAS 16 'Property, Plant and Equipment', prohibiting the Company from deducting from the cost of property plant and equipment, amount received from selling items produce while the Company is preparing the asset for its intended use.	January 01, 2022

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Effective from annual period beginning on or after:

Amendments to IFRS 3 'Business Combinations' that updated an outdated reference in IFRS 3 without significantly changing its requirements.

January 01, 2022

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' regarding the costs of fulfilling the contract to include when assessing whether a contract is Onerous.

January 01, 2022

Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current.

January 01, 2023

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.

Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 - First Time Adoption of International Financial Reporting Standards
- IFRS 17 - Insurance Contracts

There are certain other new and amended standards and interpretations that are mandatory for the insurance accounting periods beginning on or after January 01, 2021 but are considered either not to be relevant or do not have any significant impact on these consolidated financial statements.

IFRS 9 - Financial Instruments

IFRS 9 'Financial Instruments' has become applicable, however as an insurance company, the management has opted temporary exemption from the application of IFRS 9 as allowed by International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance. Additional disclosures, as required by the IASB, for being eligible to apply the temporary exemption from the application of IFRS 9 are given below:

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(b) All other financial assets

as at December 31, 2020				
Fail the SPPI test		Pass the SPPI test		
Fair value	Change in unrealized gain / (loss) during the period	Carrying Value	Cost less Impairment	Change in unrealized gain / (loss) during the period
---- (Rupees in thousand) ----				

Financial assets

Cash and Bank*	11,267,096	-	-	-	-
Investments in equity securities	34,863,749	712,949	-	-	-
Investment in debt securities	-	-	15,290,166	-	-
Term deposits*	-	-	13,891,062	-	-
Loan secured against life insurance policies	-	-	29,912	-	-
Loans and other receivables*	982,259	-	3,485	-	-
Total	<u>47,113,104</u>	<u>712,949</u>	<u>29,214,625</u>	<u>-</u>	<u>-</u>

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

3 Summary of significant accounting policies

The significant accounting policies adopted in preparation of these consolidated financial statements are set out below. Accounting policies relating to Window Takaful Operations of Parent Company are disclosed in a separate financial statements of Window Takaful Operations which have been annexed to these financial statements. These accounting policies have been consistently applied to all the years presented.

3.1 Insurance contracts

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

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

Insurance contracts issued by the Group are generally classified in eleven basic categories among them five categories are covered by the Parent Company i.e. Fire & property, Marine, aviation & transport, Motor, Health and Miscellaneous and six categories i.e. Conventional Business, Accident and Health Business, Individual Life Non-unitized Investment Linked Business, Individual Life Unit Linked Business, Individual Family Takaful Business and General Family Takaful Business are covered by the Subsidiary Company. These are issued to multiple types of clients with businesses in engineering, automobiles, cement, power, textiles, paper, agriculture, services & trading sectors and individuals as well. The tenure of these insurance contracts depends upon terms of the policies written and vary accordingly.

General Insurance Business

The non-life general insurance consist of the following categories:

- Fire and property insurance contracts generally cover the assets of the policy holders against damages by fire, earthquake, riots and strike, explosion, atmospheric disturbance, flood, electric fluctuation and impact, burglary, loss of profit followed by the incident of fire, contractor's all risk, erection all risk, machinery breakdown and boiler damage, etc.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

- Marine aviation and transport insurance contracts generally provide cover for loss or damage to cargo while in transit to and from foreign land and inland transit due to various insured perils including loss of or damage to carrying vessel, etc.
- Motor insurance contracts provide indemnity for accidental damage to or loss of insured vehicle including loss of or damage to third party and other comprehensive car coverage.
- Accident and health insurance contracts mainly compensate hospitalization and out patient medical coverage to the insured.
- Miscellaneous insurance contracts provide variety of coverage including cover against burglary, loss of cash in safe, cash in transit and cash on counter, fidelity guarantee, personal accident, workmen compensation, travel and crop, etc.

Life Insurance Business

The life insurance business consist of the following categories:

- Individual life business segment provides coverage to individuals against deaths and disability under conventional policies issued by the Subsidiary Company. Additional riders are included on the discretion of the policyholder. The business is written through Bancassurance, tele-sales and through website.
- Group life and Group Credit life business segment provides coverage to members / employees of business enterprises and corporate entities, against death and disability under group life assurance schemes issued by the Subsidiary Company. The group credit life business segment provides coverage to a group of members or subscribers registered under a common platform against death and disability. The business is written mainly through direct sales force.
- Accident and Health Business provides fixed pecuniary benefits or benefits in the nature of indemnity or a combination of both in case of accident or sickness to individuals. The risk underwritten is mainly related to medical expenses relating to hospitalisation and death by accidental means. This business is written through direct sales force.
- Individual Life Non-unitised Investment Linked Business provides life assurance coverage to individuals under universal life policies issued by the Subsidiary Company. Benefits are expressed in terms of account value of the policyholder account which is related to the market value of the underlying assets of the investment fund. The risk underwritten is mainly death and disability. This business is written through bancassurance channel.
- Individual Life Unit Linked Business provides life assurance coverage to individuals under unit-linked investment policies issued by the Subsidiary Company. Benefits are expressed in terms of account value of the policyholder account which is related to the market value of the underlying assets of the investment fund. Various types of riders (accidental death, family income benefits etc.) are also sold along with the basic policies. Some of these riders are charged through deductions from policyholders fund value, while others are not charged i.e. additional premium is charged there against. The risk underwritten is mainly death and disability. This business is written through bancassurance channel and Subsidiary Company's own agency distribution channel.
- The Subsidiary Company offers Family Takaful contracts. Family Takaful contract is an arrangement which rests on key Shariah principles of mutual cooperation, solidarity and well being of a community, and is based on the principles of Wakalah Waqf Model. Under a Takaful arrangement, individuals come together and contribute towards the common objective of protecting each other against financial losses by sharing the risk on the basis of mutual assistance.
- Group Life contracts are mainly issued to employers to insure their commitments to their employees as required under The Industrial and Commercial Employment (Standing Orders) Ordinance, 1968. The group life business segment provides coverage to members / employees of business enterprises and corporate entities, against death and disability under group life assurance schemes issued by the Company. The group credit life business segment provides coverage to a group of members or subscribers registered under a common platform against death and disability. The business is written mainly through direct sales force.

Notes to the Consolidated Financial Statements

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

Since, the nature of insurance contracts entered in to by the Parent Company and its Subsidiary Company are different, the respective accounting policies have separately been disclosed here under:

3.2 General Insurance Business

3.2.1 Revenue recognition

3.2.1.1 Premiums

Premiums including administrative surcharge under an insurance contract are recognized as written from date of issuance to the date of attachment of risk to the policy / cover note. Where premium for a policy are payable in installments, full premium for the duration of the policy is recognized as written, where the first such installment has been duly received by the Parent Company, at the inception of the policy and related assets is recognized as premium receivable.

Revenue from premiums is determined after taking into account the unearned portion of premiums. The unearned portion of premium income is recognized as a liability.

Reinsurance premium is recognized as an expense after taking into account the proportion of prepaid reinsurance premium which is recognized as a proportion of the gross reinsurance premium of each policy, determined as the ratio of the unexpired period of the policy and the total period, both measured to the nearest day. The prepaid portion of premium is recognized as a prepayment.

3.2.1.2 Commission Income

Commission income from other insurers / reinsurers is deferred and recognized as a liability and recognized in the profit and loss account as a commission income in accordance with the pattern of recognition of the reinsurance premiums.

3.2.2 Deferred commission expense / acquisition cost

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

Other acquisition costs are charged to profit and loss account at the time the policies are accepted.

3.2.3 Unearned premium

The unearned premium represents the portion of premium written relating to the unexpired period of insurance coverage at the reporting date. It is recognized as a liability. Such liability is calculated as a the ratio of the unexpired period of the policy and the total policy period, both measured to the nearest day except:

- for marine cargo, as a ratio of the unexpired shipment period to the total expected shipment period, both measured to the nearest day.
- for crop business, as a ratio of the unexpired crop period to the total expected crop period, both measured to the nearest day.

Policy for recognition of premium revenue is disclosed in these consolidated financial statements. Unearned premium reserve calculated by the Parent Company is also confirmed by an independent actuary.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3.2.4 Premium deficiency

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

For this purpose, premium deficiency reserve is determined by independent actuaries. The actuary determines the prospective loss ratios for each class of business and applies factors of unearned and earned premiums and uses assumptions appropriate to arrive at the expected claims settlement cost which when compared with unearned premium reserve ('UPR') shows whether UPR is adequate to cover the unexpired risks. If these ratios are adverse, premium deficiency is determined.

Based on actuary's advice the management creates a reserve for the same in these consolidated financial statements. The movement in the premium deficiency reserve on net basis is recorded as an expense / income in profit and loss account for the year.

3.2.5 Reinsurance contracts held

The Parent Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Reinsurance contracts includes treaty reinsurance, whereby certain agreed proportion of risks are shared with the participating companies, hence higher underwriting capacity with larger spread becomes available. Depending upon the nature and / or size of the risk at times reinsurance of excess of capacity is also placed on case to case basis under facultative reinsurance arrangement. The Parent Company also accepts facultative reinsurance from other local insurance companies provided the risk meets the underwriting requirements of the Parent Company.

Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or accepted reinsurance business being reinsured.

The risks undertaken by the Parent Company under these contracts for each class of business are stated in note 3.1 to the consolidated financial statements.

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

Reinsurance assets or liabilities are derecognized when the contractual rights or obligations are extinguished or expired. Furthermore, reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contract are not off set against income or expenses from related insurance assets.

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

The portion of reinsurance premium not recognized as an expense is shown as a prepayment.

Prepayment (i.e. premium ceded to reinsurers) is recognized as follows:

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

Notes to the Consolidated Financial Statements

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Commission income from reinsurers is recognized at the time of issuance of the underlying insurance policy by the Parent Company. This income is deferred and brought to profit and loss account as commission income in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit commission and no claim bonus (if any), which the Parent Company may be entitled to under the terms of reinsurance, is recognized on accrual basis.

3.2.6 Receivables and payables related to insurance contracts

Insurance / reinsurance receivable and payable including premium due but unpaid, relating to insurance contracts are recognized when due and carried at cost less provision for impairment (if any). The cost is the fair value of the consideration to be received / paid in the future for services rendered / received. These amounts also include due to and from other insurance companies and brokers.

Premium received in advance is recognized as liability till the time of issuance of insurance contract there against.

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

3.2.7 Provision for outstanding claims including IBNR

The Parent Company recognizes liability in respect of all claims incurred up to the reporting date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in the insurance contract. The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported ('IBNR'), expected claims settlement costs, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

SECP through its circular 9 of 2016 dated March 09, 2016 issued 'SEC guidelines for estimation of incurred but not reported (IBNR) claims reserve 2016' for non-life insurance companies and required to comply with all provisions of these guidelines with effect from July 01, 2016.

The Guidelines require that estimation for provision for claims incurred but not reported (IBNR) for each class of business, by using prescribed Method 'Chain Ladder Method' and other alternate method as allowed under the provisions of the Guidelines. The Chain Ladder Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level to derive an IBNR estimate.

The actuarial valuation as at December 31, 2020 has been carried out by independent firm of actuaries for determination of IBNR for each class of business. The actuarial valuation is based on a range of standard actuarial claim projection techniques, based on empirical data and current assumptions as explained in preceding paragraph that may include a margin for adverse deviation as required / allowed by the circular 9 of 2016. The methods used, and the estimates made, are reviewed regularly.

3.3 Life Insurance Business

3.3.1 Conventional Business

The Conventional Business includes individual life, group life and group credit life assurance.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3.3.1.1 Individual life

The individual life business segment provides coverage to individuals against deaths and disability under conventional policies issued by the Subsidiary Company. Additional riders are included on the discretion of the policy holder. The business is written through bancassurance, tele-sales and through website.

Revenue recognition

First year individual life premiums are recognised once the related policies have been issued and the premium is received. Renewal premiums are recognised upon receipt of premium.

Recognition of policy holders' liabilities

Policy holders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the reporting date, in accordance with Section 50 of the Insurance Ordinance, 2000.

Claim expenses

Claims expenses are recognized on the earlier of the policy expiry or the date when the intimation of the insured event giving rise to the claim is received. Surrender of conventional business policies is made after these have been approved in accordance with the Subsidiary Company's Policy.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported at the date of reporting.

Liability for claims IBNR is included in the policy holders' liabilities in accordance with the estimates recommended by the appointed actuary.

3.3.1.2 Group life and group credit life

Group Life contracts are mainly issued to employers to insure their commitments to their employees as required under The Industrial and Commercial Employment (Standing Orders) Ordinance, 1968.

The group life business segment provides coverage to members / employees of business enterprises and corporate entities, against death and disability under group life assurance schemes issued by the Subsidiary Company. The group credit life business segment provides coverage to a group of members or subscribers registered under a common platform against death and disability. The business is written mainly through direct sales force and bancassurance channel.

Revenue recognition

Premiums are recognized as and when due. In respect of certain group policies the Subsidiary Company continues to provide insurance cover even if the premium is received after the grace period. Provision for unearned premiums is included in the policy holders' liabilities.

Recognition of policy holders' liabilities

Policy holders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the reporting date, in accordance with Section 50 of the Insurance Ordinance, 2000.

Claim expenses

Claims expenses are recognized on the date the insured event is intimated.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported to the date of the reporting.

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Liability for claims IBNR is included in the policy holders' liabilities in accordance with the estimates recommended by the appointed actuary.

Experience refund of premium

Experience refund of premium payable to policy holders' is included in policy holders' liability in accordance with the policy of the Subsidiary Company and the advice of the appointed actuary.

3.3.2 Accident and Health Business

Accident and Health Business provides fixed pecuniary benefits or benefits in the nature of indemnity or a combination of both in case of accident or sickness to individuals. The risk underwritten is mainly related to medical expenses relating to hospitalization and death by accidental means. This business is written through direct sales by the head office as well as through tele-sales.

Revenue recognition

Premiums are recognized once the related policies have been issued and the premiums have been received.

Recognition of policy holders' liabilities

Policy holders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the reporting date, in accordance with Section 50 of the Insurance Ordinance, 2000.

Claim expenses

Claims expenses are recognized after the date the insured event is intimated and a reliable estimate of the claim amount can be made.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported to the date of the reporting.

Liability for claims IBNR is included in the policy holders' liabilities in accordance with the estimates recommended by the appointed actuary.

3.3.3 Non-unitized Investment Linked Business

Individual Life Non-unitized Investment Linked Business provides life assurance coverage to individuals under universal life policies issued by the Subsidiary Company. Benefits are expressed in terms of account value of the policyholder account which is related to the market value of the underlying assets of the investment fund. The risk underwritten is mainly death and disability. This business is written through bancassurance channel.

Revenue recognition

First year individual life premiums are recognised once the related policies have been issued and the premium is received. Renewal premiums are recognised upon receipt of premium. Single premiums are recognised once the related policies are issued against the receipts of premium.

Recognition of policy holders' liabilities

Policy holders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the reporting date, in accordance with Section 50 of the Insurance Ordinance, 2000.

Claim expense

Claim expenses are recognized on the earlier of the policy expiry or the date when the intimation of the event giving rise to the claim is received.

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Surrender of non-unitized investment linked business policies is made after these have been approved in accordance with the Subsidiary Company's Policy.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported till the date of the reporting.

Liability for claims IBNR is included in the policy holders' liabilities in accordance with the estimates recommended by the appointed actuary.

3.3.4 Unit Linked Business

Individual Life Unit Linked Business provides life assurance coverage to individuals under unit-linked investment policies issued by the Subsidiary Company. Benefits are expressed in terms of account value of the policyholder account which is related to the market value of the underlying assets of the investment fund. Various types of supplementary riders (Accidental death, family income benefits etc.) are also sold along with the basic policies. Some of these riders are charged through deductions from policy holders fund value, while others are not charged i.e. additional premium is charged there against. The risk underwritten is mainly death and disability. This business is written through bancassurance channels and the Subsidiary Company's own agency distribution channels.

Revenue recognition

First year individual life premiums are recognised once the related policies have been issued and the premium is received. Renewal premiums are recognised upon receipt of premium. Single premiums are recognised once the related policies are issued against the receipts of premium.

Recognition of policy holders' liabilities

Policy holders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the reporting date, in accordance with Section 50 of the Insurance Ordinance, 2000.

Claim expenses

Claim expenses are recognized on the earlier of the policy expiry or the date when the intimation of the event giving rise to the claim is received.

Surrender of unit linked business policies is made after these have been approved in accordance with the Subsidiary Company's Policy.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported to the date of the reporting.

Liability for claims IBNR is included in the policy holders' liabilities in accordance with the estimates recommended by the appointed actuary.

3.3.5 Individual Family Takaful Unit Linked Business

The Subsidiary Company offers Family Takaful Contracts. Family Takaful Contract is an arrangement which rests on key Shariah principles of mutual cooperation, solidarity and well being of a community, and is based on the principles of Wakala Waqf Model. Under a Takaful arrangement, individuals come together and contribute towards the common objective of protecting each other against financial losses by sharing the risk on the basis of mutual assistance.

The obligation of Waqf for Waqf participants' liabilities is limited to the amount available in the Waqf fund. In case there is a deficit in the Waqf Fund, the Window Takaful Operator shall grant an interest free loan (Qard-e-Hasna) to

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make good the deficit. The loan shall be repayable from the future surplus generated in the Waqf Fund, without any excess of the actual amount given to it. Repayment of Qard-e-Hasna shall receive priority over surplus distribution to Participants from the Waqf Fund.

The Subsidiary Company offers Unit Linked Takaful Plans which provide Shariah Compliant financial protection and investment vehicle to individual participants. These plans carry cash value, and offer investment choices to the participants to direct their investment related contributions based on their risk / return objectives. The investment risk is borne by the participants.

Revenue recognition

First year individual life contribution are recognised once the related policies have been issued and the contribution is received. Renewal contribution are recognised upon receipt of contribution. Single contribution are recognised once the related policies are issued against the receipts of contribution.

Recognition of policy holders' liabilities

Policy holders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the reporting date, in accordance with Section 50 of the Insurance Ordinance, 2000.

Claim expenses

Claim expenses are recognized on the earlier of the policy expiry or the date when the intimation of the event giving rise to the claim is received.

Surrender of unit linked business policies is made after these have been approved in accordance with the Subsidiary Company's Policy.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported to the date of the reporting.

Liability for claims IBNR is included in the policy holders' liabilities in accordance with the estimates recommended by the appointed actuary.

3.3.6 Group Family Takaful Business

Group Life contracts are mainly issued to employers to insure their commitments to their employees as required under The Industrial and Commercial Employment (Standing Orders) Ordinance, 1968.

The group life business segment provides coverage to members / employees of business enterprises and corporate entities, against death and disability under group life assurance schemes issued by the Subsidiary Company. The group credit life business segment provides coverage to a group of members or subscribers registered under a common platform against death and disability. The business is written mainly through direct sales force.

Revenue recognition

Contribution are recognised as and when due. In respect of certain group policies the Subsidiary Company continues to provide insurance cover even if the contribution is received after the grace period. Provision for unearned contribution is included in the policyholders' liabilities.

Recognition of policy holders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the reporting date, in accordance with Section 50 of the Insurance Ordinance, 2000.

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Claim expenses

Claim expenses are recognised on the date the insured event is intimated.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported till the date of reporting.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

Experience refund of contribution

Experience refund of contribution payable to policyholders' is included in policyholders' liability in accordance with the policy of the Subsidiary Company and the advice of the appointed actuary.

3.3.7 Reinsurance / Retakaful contracts held

Individual policies (including joint life policies underwritten as such) are reinsured under an individual life reinsurance / retakaful agreement whereas group life and group credit life policies are reinsured under group life and group credit life reinsurance agreements respectively.

3.3.7.1 Conventional

Reinsurance premium

Reinsurance premium deduced is recognized at the same time when the related premium revenue is recognized. It is measured in line with the terms and conditions of the reinsurance treaties.

Reinsurance Recoveries

Reinsurance recoveries from reinsurers are recognized at the same time when the claim is intimated and giving rise to the right of recovery is recognized in the books of accounts of the Subsidiary Company.

Experience Refund

Experience refund receivable for re-insurance is included in the reinsurance recoveries of claims.

Amount due from / to reinsurer

All receivables (reinsurer's share in claims, commission from reinsurer and experience refund) and payables (reinsurance premium) under reinsurance agreements are recognized on net basis in the Subsidiary Company's financial statements, only under the circumstances that there is a clear legal right of off-set of the amounts.

Amounts due from / to reinsurers are carried at cost which is the fair value of the consideration to be received / paid in the future for services rendered / received, less provision for impairment, if any.

3.3.7.2 Takaful

Retakaful Contribution

These contracts are entered into by the Subsidiary Company with the retakaful operator under which the retakaful operator cedes the takaful risk assumed during normal course of its business, and according to which the Waqf is compensated for losses on contracts issued by it.

Retakaful contribution is recorded at the time the retakaful is ceded. Surplus from retakaful operator is recognized in the revenue account.

Retakaful liabilities represent balances due to retakaful operators. Amount payable are calculated in a manner consistent with the associated retakaful treaties.

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Retakaful Expense

Retakaful expenses are recognized as a liability.

Retakaful assets represent balances due from retakaful operator. Recoverable amounts are estimated in a manner consistent with the associated retakaful treaties.

Retakaful assets are not offset against related retakaful liabilities. Income or expenses from retakaful contract are not offset against expenses or income from related retakaful contracts as required by the Insurance Ordinance, 2000. Retakaful assets and liabilities are derecognized when the contractual rights are extinguished or expired.

3.3.8 Receivables and payables relating to insurance contracts

These include amounts due to and from agents and policy holders' which are recognized when due.

3.3.9 Statutory funds

The Subsidiary Company maintains statutory funds in respect of each class of life assurance business in which it operates. Assets, liabilities, revenues and expenses of the Subsidiary Company are referable to the respective statutory funds. However, where these are not referable to statutory funds, these are allocated to shareholders' fund on the basis of actuarial advice. Apportionment of assets, liabilities, revenues and expenses, whenever required between funds are made on the basis certified by the appointed actuary of the Subsidiary Company. Policy holders' liabilities have been included in statutory funds on the basis of the actuarial valuation carried out by the appointed actuary of the Subsidiary Company on the reporting date as required under Section 50 of the Insurance Ordinance, 2000.

3.3.10 Policy holders' liabilities

3.3.10.1 Conventional Business

Individual Life

Policy holders' liabilities constitute the reserves for basic plans and riders attached to the basic plans and reserves for IBNR Claims.

Policy reserves pertaining to the primary plans are based on Full Preliminary Term - Net Premium method using SLIC (2001-05) Individual Life Ultimate Mortality Table and a discounting factor interest rate of 3.75% per annum. This table reflects the recent mortality experience in Pakistan and in line with the requirements of Circular No: 17 of 2013 issued by the SECP Insurance Division on September 13, 2013. The interest rate is considerably lower than the actual investment return the Subsidiary Company is managing on its conventional portfolio. The difference between the above and actual investment return is intended to be available to the Subsidiary Company for meeting administrative expense and for providing margins against adverse deviations. Policy reserves for both waiver of premium and accidental death riders are based on net unearned premiums.

Incurred But Not Reported' (IBNR) reserves for riders are held as a percentage of rider premium earned in the valuation year in view of grossly insufficient claims experience.

Group Life and Group Credit Life

Policy reserves for these plans are based on the unearned premium method net of allowances made for acquisition expenses, unexpired reinsurance premium and profit commission. Consideration is also given to the requirement for a Premium Deficiency Reserve. The reserves also comprise allowance for "Incurred But Not Reported" (IBNR) claims. The provision for 'Incurred But Not Reported' (IBNR) claims as included in policyholders' liability is estimated as 14% and 25% of earned premium for the year of group life and group credit life respectively. Once sufficient experience of claim reporting patterns have built up in the Subsidiary Company's books, the appointed actuary of the Subsidiary Company will determine IBNR in accordance with these claim log patterns for each line of business separately. Appropriate margins will be added to ensure that the reserve set aside are resilient to changes in the experience.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3.3.10.2 Accident and Health Business

Currently there are no policy holders' liabilities to consider in this statutory fund.

3.3.10.3 Non-unitized Investment Linked Business

Policy holders' liabilities constitute the account value of investment linked contracts as well as non-investment or risk reserves of these contracts. Risk reserves constitute liabilities held to account for risks such as death and risk only riders (accidental death and disability, monthly income benefit, waiver of premium, etc.). Reserves for risk only contracts where premiums are level over the term of the contract are based on the Net Premium Method whereas reserves for age related risk contracts are based on net unearned premiums.

IBNR reserves for riders are held as a percentage of rider premium earned in the valuation year in view of grossly insufficient claims experience.

3.3.10.4 Unit Linked Business

Policy holders' liabilities constitute the fund value of unit linked contracts as well as non-investment or risk reserves of these contracts. Risk reserves constitute liabilities held to account for risks such as death and risk only riders (accidental death and disability, monthly income benefit, waiver of premium, etc.). Reserves for risk only contracts where premiums are level over the term of the contract are based on the Net Premium Method whereas reserves for age related risk contracts are based on net unearned premiums.

IBNR reserves for riders are held as a percentage of rider premium earned in the valuation year in view of grossly insufficient claims experience.

3.3.10.5 Individual Family Takaful Unit Linked Business

Policy holders' liabilities constitute the fund value of unit linked contracts as well as non-investment or risk reserves of these contracts. Risk reserves constitute liabilities held to account for risks such as death and risk only riders (accidental death and disability, monthly income benefit, waiver of contribution, etc.). Reserves for risk only contracts where contribution are level over the term of the contract are based on the net premium method whereas reserves for age related risk contracts are based on net unearned contribution.

IBNR reserves for riders are held as a percentage of rider contribution earned in the valuation year in view of grossly insufficient claims experience.

3.3.10.6 Group Family Takaful Business

Policy reserves for these plans are based on the unearned contribution method net of allowances made for acquisition expenses, unexpired retakaful contribution and profit commission. Consideration is also given to the requirement for a Premium Deficiency Reserve. The reserves also comprise allowance for "Incurred But Not Reported" (IBNR) claims. The provision for 'Incurred But Not Reported' (IBNR) claims as included in policyholders' liability is estimated as 14% and 25% of earned contribution for the year of group life and group credit life respectively. Once sufficient experience of claim reporting patterns have built up in the Subsidiary Company's books, the appointed actuary of the Subsidiary Company will determine IBNR in accordance with these claim log patterns for each line of business separately. Appropriate margins will be added to ensure that the reserve set aside are resilient to changes in the experience.

3.4 Acquisition costs - Life Insurance Business

These are costs incurred in acquiring insurance policies/ takaful contracts, maintaining such policies/ takaful contracts, and include without limitation all forms of remuneration paid to insurance agents/ takaful agents.

Commission and other expenses are recognized as expense in the earlier of the financial year in which they are paid and the financial year in which they become payable, except that the commission and the other expenses which are directly referable to the acquisition or renewal of specific contracts are recognized not later than the period in which the premium to which they refer is recognized as revenue.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3.5 Takaful operator fee - Life Insurance Business

The shareholders of the Subsidiary Company manage the Window Takaful Operations for the participants. Accordingly, the Subsidiary Company is entitled to Takaful Operator's Fee for the management of Window Takaful Operations under the Waqf Fund, to meet its general and administrative expenses. The Takaful Operator's Fee, termed Wakala fee, is recognized upfront.

3.6 Investment Properties

Investment property is measured at purchase cost on initial recognition including directly attributable to the acquisition of the investment property and subsequently at fair value with any change therein recognized in profit and loss account. Subsequent costs are included in the carrying amount of the investment property, only when it is probable that the future economic benefits associated with the items will flow to the Group and the cost of the item can be measured reliably. Other repair and maintenance cost are charged to profit and loss account as and when incurred.

3.7 Property and equipment

Owned operating assets, other than freehold land which is not depreciated are stated at cost, signifying historical cost, less accumulated depreciation and any provision for accumulated impairment. Freehold land and capital work-in-progress are carried at cost less accumulated impairment losses, if any. Depreciation is charged to profit and loss account applying reducing balance method depending upon the nature of the asset, at the rates specified for calculation of depreciation after taking into account residual value, if any. The useful lives, residual values and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

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 benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are charged to profit and loss account as and when incurred.

Depreciation on additions is charged from the month the assets are available for use while on disposals, no depreciation is charged in the month in which the assets are disposed off.

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the assets disposed off. These are taken to profit and loss account.

3.8 Capital work in progress

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

3.9 Leases

As a lessee, the Group recognizes right of use asset and lease liability at the lease commencement date.

Right of use assets

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payment made at or before the commencement date, plus any initial direct cost incurred and less any lease incentives received.

The right of use assets are subsequently depreciated using the straight-line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for the certain remeasurement of the lease liability.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

Lease liability

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments , including in-substance fixed payments;
- variable lease payments that depend on an index, or a rate, initially measured using the index or rate as at commencement date;
- amount expected to be payable under a residual guarantee; and
- the exercise under purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase 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 and loss account if the carrying amount of the right of use asset has been reduced to zero.

3.10 Intangible assets

These are stated at cost less accumulated amortization and provision for accumulated impairment, if any.

Amortization is calculated from the month the assets are available for use using the straight-line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Group. The useful life and amortization methods are reviewed, and adjusted if appropriate, at each reporting date.

Software development costs are only capitalized to the extent that future economic benefits are expected to be derived by the Group.

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

3.11 Segment reporting

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3.12 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. It comprise cash in hand, policy stamps and bank balances.

3.13 Investment income

Following are recognized as investment income:

- Income on investments designated at fair value through profit or loss account are included in profit and loss account.
- Income from held to maturity investments is recognized on a time proportion basis taking into account the effective yield on the investments. The difference between the redemption value and the purchase price of the held to maturity investments is amortized and taken to the profit and loss account over the term of the investment.
- Dividend income is recognized when the Group's right to receive the dividend is established.
- Gain / loss on sale of available-for-sale investments is recognized in profit and loss account in the year of sale.
- Return on bank deposits is recognized on a time proportion basis taking into account the effective yield.
- Return on fixed income and government securities are recognized on time proportion basis using the effective interest rate method.

3.14 Investments

Investments are recognized and classified as follows:

- Investment at fair value through profit or loss
- Held to maturity
- Available-for-sale

The classification depends on the purpose for which the financial assets were acquired.

3.14.1 Investment at fair value through profit and loss account

Financial assets that are designated upon initial recognition as one to be measured at fair value through profit or loss include those group of financial assets which are managed and their performance is evaluated on fair value basis and were held for active trading.

3.14.2 Held to maturity

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

Subsequently, these are measured at amortized cost less provision for impairment, if any.

Any premium paid or discount availed on government securities and term finance certificates is deferred and amortized over the period to maturity of investment using the effective yield.

3.14.3 Available-for-sale

Investments which are not eligible to be classified as 'fair value through profit or loss' or 'held to maturity' are classified as 'available-for-sale'. These investments are intended to be held for an indefinite period of time which may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates.

These are initially measured at cost and subsequently re-measured at fair value at each reporting date. The unrealized gains and losses arising from changes in fair values are directly recognized in equity in the year in which

Notes to the Consolidated Financial Statements

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these arise. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the profit and loss account as gains and losses from investment securities. The Group assesses at each statement of financial position date whether there is an objective evidence that the financial asset is impaired. If any such evidence exists for an 'available for sale' asset, the accumulated loss is removed from equity and recognized in the profit and loss account.

Quoted

Subsequent to initial recognition, these investments are re-measured at fair value. Gains or losses on investments on re-measurement of these investments are recognized in statement of comprehensive income.

Unquoted

Fair value of unquoted investments is determined on the basis of appropriate valuation techniques as allowed by IAS 39 'Financial Instruments: Recognition and Measurement'. Where fair value cannot be measured reliably, these are carried at cost. The valuation of unquoted investments as at December 31, 2020 has been carried out by independent valuer for determination of fair value of these investments.

3.14.4 Fair / market value measurements

For investments in Mutual funds, fair / market value is determined by reference to rates quoted by Mutual Fund Association of Pakistan ('MUFAP'). For investments in quoted marketable securities, other than Term Finance Certificates, fair / market value is determined by reference to Stock Exchange quoted market price at the close of business on reporting date. The fair market value of Term Finance Certificates is as per the rates issued.

3.15 Date of recognition

Regular way purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognized at the trade date. Trade date is the date on which the Group commits to purchase or sell the investment.

3.16 Off setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to set-off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.17 Provisions

Provision are recognized when the Group 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 of the amount of obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

3.18 Taxation

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

Current

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

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Deferred

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

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

3.19 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit and loss over the period of the borrowings using the effective interest rate. Finance costs are accounted for on accrual basis and are reported under accrued markup to the extent of the amount remaining unpaid.

3.20 Government grant

Government grants are transfers of resources to the Group by a government entity in return for compliance with certain past or future conditions related to the Group's operating activities - e.g. a government subsidy. The definition of 'government' refers to governments, government agencies and similar bodies, whether local, national or international.

The Group recognises government grants when it is reasonably probable that grants will be received and the Group will be able to comply with conditions associated with grants.

Government grants are recognized at fair value, as a deferred income, when there is reasonable assurance that the grants will be received and the Group will be able to comply with the conditions associated with the grants.

Grants that compensate the Group for expenses incurred, are recognized on a systematic basis in the income for the year in which the related expenses are recognized. Grants that compensate for the cost of an asset are recognized in income on a systematic basis over the expected useful life of the related asset.

Loan at subsidized rate under SBP refinancing scheme for payment of wages and salaries is initially measured at the fair value i.e. the present value of the expected future cash flows discounted at a market-related interest rate. The difference between the amount received and the fair value is recognized as a government grant.

3.21 Retirement benefit obligations

3.21.1 General Insurance Business

Defined contribution plan

The Parent Company operates an approved contributory provident fund scheme for all its eligible employees. Equal monthly contributions to the fund are made by the Parent Company and the employees at the rate of 8.33% of basic salary. Contributions made by the Parent Company are recognized as expense. The Parent Company has no further payment obligations once the contributions have been paid. Obligation for contributions to defined contribution plan is recognized as an expense in the profit and loss account as and when incurred.

Defined benefit plans

The Parent Company operates the following defined benefit plans:

- An approved funded gratuity scheme for all its permanent employees in Pakistan. Annual contribution are made to this scheme on the basis of actuarial recommendations. The Parent Company recognizes expense in accordance with IAS 19 'Employee Benefits'. The contributions have been made to gratuity fund in

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accordance with the actuary's recommendations based on the actuarial valuation of these funds as at December 31, 2020.

- An unfunded gratuity scheme covering the employees in the UAE branches as per the requirements of the applicable regulations. Provision is made in these consolidated financial statements on the basis of the actuarial valuation carried out by an independent actuary using the projected unit credit method. The latest valuation has been carried at December 31, 2020.

Past-service costs are recognized immediately in profit and loss account, unless the changes to the plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

The Parent Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Parent Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Parent Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit and loss account.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit and loss account. The Parent Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Employees' compensated absences

The Parent Company accounts for these benefits in the period in which the absences are earned.

The Parent Company provides annually for the expected cost of accumulating compensated absences on the basis of actuarial valuation. Regular employees of the Parent Company are entitled to 30 days earned leaves in a calendar year and they can accumulate the unutilized privilege leaves upto 60 days (2019: 60). The most recent valuation is carried out as at December 31, 2020 using the LIFO method. The liabilities are presented as a current employees benefit obligations in the statement of financial position.

3.21.2 Life Insurance Business

Defined benefit plan

The Subsidiary Company operates an approved funded gratuity scheme for all permanent, confirmed and full time employees who have completed minimum qualifying eligible service period of six months. Contribution to the fund is made and expense is recognized on the basis of actuarial valuation carried out as at each year end using the Projected Unit Credit Method. Provisions are made to cover the obligations under the scheme on the basis of actuarial assumptions.

The Subsidiary Company's obligation under the gratuity schemes are determined through actuarial valuations. Actuarial valuations are conducted annually and the latest valuation was conducted as at December 31, 2020. Service costs are recognized in profit and loss in the year in which they occur. Net interest on net defined benefit liability is also recognized in profit and loss. Net of tax remeasurement comprising actuarial gain / loss, the return on plan assets excluding interest are recognized in other comprehensive income.

Notes to the Consolidated Financial Statements

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Employees accumulated compensated absences

The Subsidiary Company accounts for the liability in respect of employees accumulated compensated absences in the period in which they are earned.

3.22 Impairment of assets

Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Non financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

3.23 Dividend distribution

Dividend distribution to the Parent Company's shareholders and other appropriations are recognized in the Group's financial statements in the period in which these are approved. Appropriations of profit are reflected in the statement of changes in equity in the period in which such appropriations are approved.

3.24 Management expenses

Expenses of management both direct and indirect are allocated on the basis of activity in each class of business. Expenses not allocable to the underwriting business are charged as other expenses.

3.25 Foreign currencies

Transactions in foreign currencies (other than the result of foreign branches) are accounted for in Pak Rupees at the rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the reporting date. Exchange differences are taken to the profit and loss account currently.

The assets and liabilities of foreign branches are translated to Pak Rupees at exchange rates prevailing at the reporting date. The results of the foreign branches are translated to Pak Rupees at the average rate of exchange for the year. Translation gains and losses are included in the profit and loss account, except those arising on the translation of the Group net investments in foreign branches, which are taken to the capital reserves (exchange translation reserve).

3.26 Financial instruments

Financial assets and liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument and de-recognized when the Group 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 the de-recognition of the financial assets and liabilities is included in the profit and loss account.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

Financial instruments carried in the statement of financial position include cash and bank, loans, investments, premiums due but unpaid, amount due from other insurers / reinsurers, premium and claim reserves retained by cedants, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amounts due to other insurers / reinsurers, accrued expenses, other creditors and accruals, liabilities against asset subject to finance lease and unclaimed dividends. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.27 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated if there is any potential dilutive effect on the Group's reported net profits.

3.28 Window Takaful Operations - Parent Company

The accounting policies followed by Window Takaful Operations of the Parent Company are stated in the annexed financial statements of Window Takaful Operations for the year ended December 31, 2020.

4 Critical accounting estimates and judgments

4.1 Use of estimates and judgments

The preparation of these consolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments 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 year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

The areas involving a higher degree of judgment and complexity, or areas where assumptions and estimates are significant to these financial statements or judgment was exercised in application of accounting policies, are as follows:

-	Provision for doubtful receivables	3.2.6
-	Provision for outstanding claim including claims incurred but not reported (IBNR)	3.2.7
-	Premium deficiency	3.2.4
-	Retirement benefit obligations	3.21
-	Valuation of unquoted investments	3.14.3
-	Provision for taxation including the amount relating to tax contingency	3.18
-	Useful lives, pattern of economic benefits and impairments - Property and Equipment	3.7
-	Useful lives, pattern of economic benefits and impairments - Intangible Assets	3.10
-	Policy holders' liabilities and underlying actuarial assumptions	3.3.10
-	Provision for outstanding claims	3.3
-	Impairment of assets - financial assets	3.22
-	Segment Reporting	3.11

Notes to the Consolidated Financial Statements

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5 Property and equipment	Note	2020	2019
		Rupees in thousand	
Operating assets	5.1	4,535,595	4,288,446
Capital work in progress	5.2	28,116	65,422
Right of use asset	5.3	195,271	272,496
		4,758,982	4,626,364

5.1 Operating assets

	2020													
	Cost					Depreciation					Net Book value			
	As at Jan 01	Additions / Transfers	Exchange differences and other adjustments	Disposals / Write Offs	Transfer to investment property	As at Dec 31	As at Jan 01	Charge for the year	Exchange differences and other adjustments	Disposals / Write offs	Transfer to investment property	As at Dec 31	As at Dec 31	Rate
	Rupees in thousand												%	
Freehold:														
Land	1,285,992	-	-	-	-	1,285,992	-	-	-	-	-	1,285,992	-	-
Building*	2,102,229	254,005	15,364	(4,945)	-	2,366,653	291,705	56,601	8,615	(4,353)	-	352,568	2,014,085	3.0%
Furniture and fixtures	320,264	107,479	3,024	(9,596)	-	421,171	128,431	33,114	809	(4,232)	-	158,122	263,049	14.3% - 15.0%
Motor vehicles	771,751	26,596	1,577	(60,108)	-	739,816	404,250	57,040	1,201	(32,631)	-	429,860	309,956	15.0% - 20.0%
Machinery and equipment	642,810	116,307	733	(7,144)	-	752,706	146,954	80,620	423	(4,461)	-	223,536	529,170	15.0% - 20.0%
Computer equipment	434,938	52,313	806	(6,453)	-	481,604	346,974	40,058	635	(5,083)	-	382,584	99,020	30.0% - 33.3%
Leasehold Improvements	60,711	5,651	-	(20,820)	-	45,542	11,935	8,204	-	(8,920)	-	11,219	34,323	14.3%
Total	5,618,695	562,351	21,504	(109,066)	-	6,093,484	1,330,249	275,637	11,683	(59,680)	-	1,557,889	4,535,595	

	2019													
	Cost					Depreciation					Net Book value			
	As at Jan 01	Additions / Transfers	Exchange differences and other adjustments	Disposals / Write Offs	Transfer to investment property	As at Dec 31	As at Jan 01	Charge for the year	Exchange differences and other adjustments	Disposals / Write offs	Transfer to investment property	As at Dec 31	As at Dec 31	Rate
	Rupees in thousand												%	
Freehold:														
Land	1,285,992	-	-	-	-	1,285,992	-	-	-	-	-	1,285,992	-	-
Building*	713,369	1,364,391	51,742	-	(27,273)	2,102,229	237,255	43,077	15,428	-	(4,055)	291,705	1,810,524	3.0%
Furniture and fixtures	349,463	78,175	8,949	(116,323)	-	320,264	183,043	29,086	2,988	(86,686)	-	128,431	191,833	14.3% - 15.0%
Motor vehicles	710,343	113,408	5,751	(57,751)	-	771,751	379,456	57,199	2,398	(34,803)	-	404,250	367,501	15.0% - 20.0%
Machinery and equipment	233,644	437,606	1,519	(29,959)	-	642,810	143,043	23,669	1,447	(21,205)	-	146,954	495,856	15.0% - 20.0%
Computer equipment	401,989	30,814	2,135	-	-	434,938	305,633	39,014	2,327	-	-	346,974	87,964	30.0% - 33.3%
Leasehold Improvements	43,778	27,173	-	(10,240)	-	60,711	8,560	7,309	-	(3,934)	-	11,935	48,776	14.3%
Total	3,738,578	2,051,567	70,096	(214,273)	(27,273)	5,618,695	1,256,990	199,354	24,588	(146,628)	(4,055)	1,330,249	4,288,446	

* The Group owns 5 buildings and the resulting area of land and 8 corporate offices in Pakistan and 1 corporate office in U.A.E.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

5.1.1 Details of tangible assets disposed off during the year are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Relationship	Particulars of purchaser
Rupees in thousand							
Building							
Japan Plaza Premises	484	407	77	11,090	Negotiation	Independent Third Party	Syed Mustafa Naqvi
Shahwar Trade Centre Premises	2,168	2,016	152	28,474	Negotiation	Independent Third Party	Fawad Yousuf
Amber Estate Premises	2,293	1,930	363	24,000	Negotiation	Independent Third Party	Gasco Engineering Pvt Ltd
	4,945	4,353	592	63,564			
Furniture and fixtures							
Furnitures and fixtures	6,984	2,993	3,991	3,991	Negotiated	Related Party	Nishat Properties
Furnitures and fixtures Items having book value below Rs. 50,000	2,103	902	1,201	-	Written off		Written off
	509	337	172	160			
	9,596	4,232	5,364	4,151			
Motor vehicles (Owned)							
Mercedes Benz (ASV-244)	6,550	4,111	2,439	4,275	Auction	Independent Third Party	Akhter Jamil
Toyota Corolla GLI (AFV-732)	1,208	1,089	119	622	Auction	Independent Third Party	Kamal Ahmed
Honda Citi (AQY-937)	1,019	875	144	901	Auction	Independent Third Party	Asim Ali
Honda Civic VTI Oriol (BBW-436)	2,510	1,507	1,003	2,025	Auction	Independent Third Party	Augmentech Business Solutions (Private) Limited
Honda Citi Automatic (BBT-637)	1,663	1,002	661	1,539	Auction	Independent Third Party	Augmentech Business Solutions (Private) Limited
Honda Citi (AXU-447)	1,643	1,181	462	1,513	Auction	Independent Third Party	Augmentech Business Solutions (Private) Limited
Honda Accord (ZU-300)	5,910	717	5,193	4,250	Auction	Independent Third Party	Augmentech Business Solutions (Private) Limited
Honda Civic VTI Oriol (ASU-921)	1,849	1,526	323	1,310	Auction	Independent Third Party	Shahid Pervaiz Khan Augmentech Business Solutions (Private) Limited
Honda Civic VTI (AYV-988)	2,381	1,629	752	1,783	Auction	Independent Third Party	Augmentech Business Solutions (Private) Limited
Toyota Corolla GLI (AZV-863)	1,552	1,035	517	1,376	Auction	Independent Third Party	Augmentech Business Solutions (Private) Limited
Komatsu (JS-3144)	1,650	1,439	211	800	Auction	Independent Third Party	Syed Mehmood Ali
Honda Civic (BNT-507)	2,679	681	1,998	2,600	Insurance claim recovery	Independent Third Party	Alfalah Insurance Limited Adamjee Insurance Company Limited - WTO
Suzuki Cultus (LEC-17A-2363)	1,277	434	843	843	Auction	Related Party	
Honda Civic VTI (LEE-14-5991)	2,069	1,336	733	1,900	Auction	Independent Third Party	Muhammad Shahzad Augmentech Business Solutions (Private) Limited
Honda Citi (ASF-273)	1,209	1,014	195	1,275	Auction	Independent Third Party	Augmentech Business Solutions (Private) Limited
Honda Citi (ASG-196)	1,209	1,014	195	1,225	Auction	Independent Third Party	Augmentech Business Solutions (Private) Limited
Toyota Corolla GLI (LED-14-1833)	2,023	1,277	746	1,625	Auction	Independent Third Party	Augmentech Business Solutions (Private) Limited
Toyota Corolla Altis 1.6 (BRC-667)	3,547	399	3,148	3,455	Insurance claim recovery	Independent Third Party	Security General Insurance Company Limited
Toyota Fortuner (64988)	2,203	1,623	580	771	Negotiation	Employee	Awais Khalid - employee
Toyota Fortuner (12982)	2,203	1,455	748	969	Negotiation	Employee	Asif Khan - employee
Toyota Corolla (41580)	1,718	899	819	705	Negotiation	Employee	Wasif Ullah - employee
BMW 5X (11923)	2,864	730	2,134	1,192	Negotiation	Employee	Absar Azim Burney - employee
Suzuki Wagon R (BLR-179)	1,074	376	698	698	Negotiation	Employee	Imran Ali - Employee
Items having book value below Rs. 50,000	8,098	5,282	2,816	1,817			
	60,108	32,631	27,477	39,469			
Machinery & equipment							
Office equipment	6,104	3,714	2,390	2,390	Negotiated	Related Party	MCB Islamic Bank
Office equipment Items having book value below Rs. 50,000	50	34	16	-	Written off		Written off
	990	713	277	272			
	7,144	4,461	2,683	2,662			
Computer equipment							
Computer and related equipment Items having book value below Rs. 50,000	4,646	4,646	-	-	Written off		Written off
	1,807	437	1,370	1,367			
	6,453	5,083	1,370	1,367			
Leasehold improvements							
Miscellaneous	17,865	7,653	10,212	10,212	Negotiation	Related Party	MCB Islamic Bank
Miscellaneous	2,955	1,267	1,688	-	Written off		Written off
	20,820	8,920	11,900	10,212			
Grand Total	109,066	59,680	49,386	121,425			

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	2020	2019
	Rupees in thousand	
5.2 Capital work in progress		
Building	-	32,859
Mobilization advance	5,868	10,810
Advance for ERP softwares	5,302	20,351
Leasehold improvements	16,946	1,402
	28,116	65,422
5.3 Right of use asset		
As at January 01	272,496	-
Effect of initial application of IFRS - 16 as at January 01	-	373,801
Adjustments in Agency branches	(109,176)	-
Additions during the year	78,114	5,189
Depreciation charge during the year	(43,701)	(108,680)
Exchange difference	(2,462)	2,186
Closing Net Book Value	195,271	272,496

5.3.1 All the right of use assets include premises obtained on rent for branch operations (inside and outside of Pakistan).

	2020	2019
	Rupees in thousand	
6 Intangible assets		
Cost		
As at January 01	478,070	451,755
Additions during the year	42,296	14,998
Exchange differences and other adjustments	3,707	11,317
As at December 31	524,073	478,070
Less: Accumulated amortization		
As at January 01	346,834	291,153
Amortization charged during the year	47,821	50,086
Exchange differences and other adjustments	2,037	5,595
As at December 31	396,692	346,834
Net book value as at December 31	127,381	131,236
Rate of amortization	20.00%	20.00%
7 Investment Properties		
Net book value as at January 01	1,204,026	855,394
Additions and capital improvements	-	315,334
Unrealized fair value (loss) / gain	(21,000)	33,298
Net book value as at December 31	1,183,026	1,204,026

These consist of the following:

- 3 floors of Adamjee House, Karachi which are rented out to related parties by Parent Company. Rent received from these parties is disclosed in Note 40.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

- 2 floors of Adamjee House, Lahore which are not rented out as at December 31, 2020. The Parent Company's management intends to rent it out subsequently.
- Piece and parcel of plot no. 1-A, Main Gulberg, Jail Road, Lahore, measuring 8 Kanal 8 Marla 203 Sq. ft. of a land bought by the Subsidiary Company for the Unit Linked Investment Business.

Market value of these investment properties amounts to Rs. 1,183,026 thousands (2019: 1,204,026) thousands based on a valuation carried out by independent valuers, as at December 31, 2020 and unrealized fair value loss of Rs. 21,000 thousands has been recognized in the profit and loss account.

The fair value of investment properties was determined by external, independent property valuers having adequate qualifications and experience in the location and category of the property being valued. Investment properties of the Group are valued every year.

The fair value of the investment properties has been categorized as a Level 3 fair value.

The valuation has been carried out considering the segment and location of the property, size, utilization and current trends in price of real estate in close proximity and current market rents for similar properties including assumptions that ready buyers are available in the current market and analyzed through detailed market surveys and, the properties that have recently been sold or purchased or offered/quoted for sale into the same vicinity to determine the better estimates of the fair value.

	Note	2020	2019
Rupees in thousand			
8 Investments in equity securities			
Available-for-sale	8.1	19,213,873	18,866,173
Fair value through profit and loss (designated upon initial recognition)	8.2	15,649,876	13,318,382
		34,863,749	32,184,555

	Note	2020				2019			
		Cost	Impairment / provision	Unrealized Gain / (loss)	Carrying value	Cost	Impairment / provision	Unrealized Gain / (loss)	Carrying value
Rupees in thousand									
8.1 Available-for-sale									
Related parties									
Listed shares	8.1.1	9,104,774	(265,237)	1,187,635	10,027,172	9,086,355	(290,808)	2,098,765	10,894,312
Unlisted shares	8.1.2	924,333	-	258,807	1,183,140	698,226	-	13,922	712,148
		10,029,107	(265,237)	1,446,442	11,210,312	9,784,581	(290,808)	2,112,687	11,606,460
Others									
Listed shares	8.1.3	6,369,165	(1,897,973)	1,184,151	5,655,343	5,686,610	(1,713,761)	759,400	4,732,249
Unlisted shared	8.1.4	925,360	-	1,375,709	2,301,069	925,360	-	1,236,975	2,162,335
Mutual Funds	8.1.5	48,130	-	(1,851)	46,279	364,265	-	68	364,333
NIT Units	8.1.6	161	-	709	870	161	-	635	796
		7,342,816	(1,897,973)	2,558,718	8,003,561	6,976,396	(1,713,761)	1,997,078	7,259,713
		17,371,923	(2,163,210)	4,005,160	19,213,873	16,760,977	(2,004,569)	4,109,765	18,866,173

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

8.1.1 Related parties- Listed Shares

No. of shares		Face value Rupees	Company's Name	Market Value	
2020	2019			2020	2019
				Rupees in thousand	
47,827,287	47,867,287	10	Commercial Banks MCB Bank Limited	8,861,440	9,802,814
2,050	2,050	10	Textile Composite Nishat Mills Limited	208	218
3,358,344	3,358,344	10	Cement D.G. Khan Cement Company Limited	384,799	249,424
923,500	923,500	10	Power Generation & Distribution Nishat Power Limited	21,804	25,165
25,671,181	-	10	Pakgen Power Limited	505,878	-
-	5,462,000	10	Investment Companies MCB Arif Habib Savings & Investment Limited	-	120,109
5,696,595	9,145,095	10	Oil & Gas Exploration Companies Sui Northern Gas Pipelines Limited	253,043	696,582
83,478,957	66,758,276			10,027,172	10,894,312

8.1.1.1 3,716,710 (2019 : 3,716,710) shares of MCB have been pledged by Parent Company against SBLC (Standby Letter of Credit) issued in favour of Meezan Bank Limited on behalf of Hyundai Nishat Motor (Private) Limited.

8.1.2 Related Parties - Unlisted shares

No. of shares		Face value Rupees	Company's Name	Market Value	
2020	2019			2020	2019
				Rupees in thousand	
92,360,700	69,750,000	10	Automobile Assembler Hyundai Nishat Motor (Private) Limited	1,183,140	712,148

8.1.2.1 This represents investment in the ordinary shares of Hyundai Nishat Motor (Private) Limited (HNMPL) which is principally engaged in vehicle assembling. Since HNMPL's ordinary shares are not listed, an independent valuer engaged by the Parent Company has estimated a fair value of Rs. 12.81 per ordinary share as at December 31, 2020 (Rs. 10.21 per ordinary share as at December 31, 2019) through a valuation technique based on discounted cash flows. Hence, it has been classified under level 3 of the fair value hierarchy as further explained in note 43 to these consolidated financial statements.

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

- Discount rate of 14.87% per annum.
- Terminal growth rate in revenue of 2% per annum.

8.1.2.2 Sensitivity analysis

Sensitivity analysis of the significant assumptions used in the valuation technique are as follows:

- If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at December 31, 2020 would be Rs. 137,617 thousand lower.
- If the terminal growth rate increase by 1% with all other variables held constant, the impact on fair value as at December 31, 2020 would be Rs. 96,055 thousand higher.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

8.1.3 Others - listed shares

No. of shares		Face value Rupees	Company's Name	Market Value	
2020	2019			2020	2019
				Rupees in thousand	
731,701	731,701	10	Automobile Assembler Millat Tractors Limited	800,547	515,425
148,131	148,131	10	Cable & Electrical Goods Siemens (Pakistan) Engineering Company Limited	80,760	120,771
24,000	24,000	10	Cement Attock Cement	3,601	2,481
645,100	645,100	10	Fecto Cement Limited	22,133	16,450
4,113,500	4,113,500	10	Close - End Mutual Fund HBL Investment Fund 'A'	13,040	16,865
6,277,500	6,277,500	10	Commercial Banks Allied Bank Limited	535,910	600,129
389,107	389,107	10	Habib Bank Limited	49,647	61,295
8,320,012	8,320,012	10	National Bank of Pakistan	357,428	360,256
1,279,400	1,279,400	10	United Bank Limited	161,025	210,461
109,560	109,560	10	Engineering Aisha Steel Mills Limited	2,574	1,056
100,000	100,000	10	Crescent Steel & Allied Products Limited	8,411	5,542
300,000	300,000	10	International Steel Limited	27,969	17,367
-	1,298,500	10	Mughal Iron & Steel Industries Limited	-	53,200
2,220,100	2,220,100	10	Fertilizer Dawood Hercules Corporation Limited	269,831	342,362
1,481,000	2,477,000	10	Engro Fertilizers Limited	93,644	181,886
9,000	-	10	Fatima Fertilizer Company Limited	262	-
9,998,900	-	10	Fauji Fertilizer Company Limited	1,084,881	-
5,740	5,740	10	Food & Personal Care Products Nestle Pakistan Limited	38,257	46,207
70,304	70,304	10	Rafhan Maize Products Limited	688,909	509,782
-	9,000	10	Fauji Foods Limited	-	239
4,800	4,800	10	Insurance EFU General Insurance Company Limited	576	529
230,000	230,000	10	IGI Holdings Limited	46,791	46,920
286,843	286,843	10	Pakistan Reinsurance Company Limited	7,894	8,436
5,462,000	-	10	Investment Companies MCB Arif Habib Savings & Investment Limited	153,428	-
1,524,300	1,524,300	10	Oil & Gas Exploration Companies Oil & Gas Development Company Limited	158,177	216,938
600	600	10	Pakistan Oilfields Limited	239	268
11,750	11,750	10	Paper & Board Packages Limited	7,014	4,685
369,400	369,400	10	Pharmaceuticals Abbott Laboratories Pakistan Limited	279,033	165,041

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

No. of shares		Face value Rupees	Company's Name	Market Value	
2020	2019			2020	2019
				Rupees in thousand	
Power Generation & Distribution					
5,743,000	5,743,000	10	Kot Addu Power Company Limited	156,209	181,076
130,000	130,000	10	K-Electric Limited	508	568
27,348,388	27,348,388	10	Lalpir Power Limited	350,606	396,825
-	25,631,181	10	Pakgen Power Limited	-	469,564
4,960,882	4,960,882	10	Saif Power Limited	72,032	103,980
Refinery					
37,500	37,500	10	Attock Refinery Limited	6,827	4,188
49	49	10	Pakistan Petroleum Limited	4	7
506,450	506,450	10	National Refinery Limited	177,176	71,450
82,841,037	95,305,817			5,655,343	4,732,249

8.1.3.1 3,582,000 (2019: Nil) shares of Fauji Fertilizer Company Limited have been pledged by Parent Company against Standby Letter of Credit (SBL) issued in favour of Meezan Bank Limited on behalf of Hyundai Nishat Motor (Private) Limited, a related party of the Parent Company.

8.1.4 Others - Unlisted shares

No. of shares		Face value Rupees	Company's Name	Market Value	
2020	2019			2020	2019
				Rupees in thousand	
9,681,374	9,681,374	10	Security General Insurance Company Limited	2,301,069	2,162,335

8.1.4.1 This represents investment in the ordinary shares of Security General Insurance Company Limited ("SGI") which is principally engaged in general insurance business. Since SGI's ordinary shares are not listed, an independent valuer engaged by the Parent Company has estimated a fair value of Rs. 237.68 per ordinary share as at December 31, 2020 (Rs. 223.35 per ordinary share as at December 31, 2019) through a valuation technique based on discounted cash flow analysis of SGI. Hence, it has been classified under level 3 of the fair value hierarchy as further explained in Note 43 to these consolidated financial statements.

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

- Discount rate of 15% per annum.
- Terminal growth rate of 2% per annum.

8.1.4.2 Sensitivity analysis

Sensitivity analysis of the significant assumptions used in the valuation technique are as follows:

- If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at December 31, 2020 would be Rs. 6,002 thousand lower.
- If the terminal growth rate increases by 1% with all other variables held constant, the impact on fair value as at December 31, 2020 would be Rs. 3,679 thousand higher.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

8.1.5 Others-Mutual Fund Certificates

Open-Ended-Mutual Funds

No. of units		Face value Rupees	Fund's Name	Market Value	
2020	2019			2020	2019
Rupees in thousand					
42,779	3,596,733	100	Alfalah GHP Money Market Fund	4,201	321,410
20,880	21,232	100	HBL Cash Fund	2,122	1,963
4,234,546	4,154,460	10	HBL Investment Fund - Class B	39,956	40,960
4,298,205	7,772,425			46,279	364,333

8.1.6 Open-Ended Equity Funds

No. of units		Face value Rupees	Fund's Name	Market Value	
2020	2019			2020	2019
Rupees in thousand					
12,540	13,336		National Investment Trust	870	796

8.2 Fair value through profit and loss

Note	2020				2019				
	Cost	Impairment / provision	Unrealized Gain / (loss)	Carrying value	Cost	Impairment / provision	Unrealized Gain / (loss)	Carrying value	
Rupees in thousand									
Related Party									
Listed shares	8.2.1	1,283,897	-	5,319	1,289,216	1,913,657	-	(279,886)	1,633,771
Mutual Funds	8.2.2	5,517,488	-	656,652	6,174,140	4,638,276	-	375,950	5,014,226
		6,801,385	-	661,971	7,463,356	6,551,933	-	96,064	6,647,997
Others									
Listed shares	8.2.3	7,786,807	-	(2,023,136)	5,763,671	7,672,526	-	(1,843,541)	5,828,985
Mutual Funds	8.2.4	2,084,774	-	338,075	2,422,849	934,567	-	(93,167)	841,400
		9,871,581	-	(1,685,061)	8,186,520	8,607,093	-	(1,936,708)	6,670,385
		16,672,966	-	(1,023,090)	15,649,876	15,159,026	-	(1,840,644)	13,318,382

8.2.1 Related parties- Listed Shares

No. of shares		Face value Rupees	Company's Name	Market Value	
2020	2019			2020	2019
Rupees in thousand					
6,048,331	5,721,100	10	Commercial Banks MCB Bank Limited	1,120,635	1,172,482
451,900	800	10	Textile Composite Nishat Mills Limited	45,990	85
738,300	363,900	10	Cement D.G. Khan Cement Company Limited	84,594	27,027
1,847,000	-	10	Miscellaneous Siddiqsons Tin Plate Limited	37,993	-
100	5,700,100	10	Oil & Gas Exploration Companies Sui Northern Gas Pipelines Limited	4	434,177
9,085,631	11,785,900			1,289,216	1,633,771

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

8.2.2 Related parties- Mutual Fund Certificates

Open-Ended-Mutual Funds

No. of units		Face value Rupees	Fund's Name	Market Value	
2020	2019			2020	2019
				Rupees in thousand	
55,847	51,565	100	Alhamra Daily Dividend Fund	5,585	5,156
159,350,568	141,740,527	10	Alhamra Islamic Stock Fund	1,725,767	1,451,376
49,244	373,227	100	Alhamra Islamic Income Fund	5,180	40,059
2,520,442	1,609,181	50	Alhamra Islamic Asset Allocation Fund	188,673	119,071
504,207	-		MCB Cash Management Optimizer Fund	50,862	-
-	5,839,914	50	MCB Dynamic Allocation Fund	-	466,301
6,004,684	-		MCB Pakistan Asset Allocation Fund	495,370	-
37,778,525	31,957,244	50	MCB Pakistan Stock Market Fund	3,702,703	2,932,263
206,263,517	181,571,658			6,174,140	5,014,226

8.2.3 Others - listed shares

No. of shares		Face value Rupees	Company's Name	Market Value	
2020	2019			2020	2019
				Rupees in thousand	
Automobile Assembler					
220,400	341,900	5	Agriauto Industries Limited	51,627	68,380
941	100,626	10	Millat Tractors Limited	1,030	70,883
295,430	-	10	Indus Motor Company Limited	353,913	-
500	900	10	Honda Atlas Cars (Pakistan) Limited	164	197
-	150	10	Pak Suzuki Motor Company Limited	-	35
Automobile Part & Accessories					
416,100	507,600	5	Thal Limited	196,682	171,686
Leasing Companies					
-	600	10	Orix Leasing Pakistan Limited	-	16
Cable & Electrical Goods					
4,120,000	3,000	10	Pak Elektron Limited	165,336	81
Cement					
8,591	88,101	10	Cherat Cement Company Limited	1,256	4,674
537,200	-	10	Bestway Cement Limited	86,672	-
13,500	13,500	10	Dewan Cement Limited	140	104
Cement					
7,971,500	-	10	Fauji Cement Company Limited	172,742	-
273,556	910,100	10	Lucky Cement Limited	190,420	389,887
1,000,422	1,454,125	10	Maple Leaf Cement Factory Limited	45,029	33,648
500	600	10	Pioneer Cement Limited	52	18
Leather & Tanneries					
4,471	81,738	10	Service Industries Limited	3,729	63,495
Commercial Banks					
900	2,046,900	10	Allied Bank Limited	77	195,684
2,464	5,329,964	10	Askari Bank Limited	58	98,818
2,250,394	4,818,000	10	Bank Al Habib Limited	156,627	366,939
4,569,404	2,697,900	10	Bank Alfalah Limited	161,437	123,294
7,611,000	3,476,500	10	Bank of Punjab Limited	70,554	39,389
1,275	-	10	Faysal Bank Limited	22	-
3,258,432	377,100	10	Habib Bank Limited	432,849	59,363
1,050,000	1,487,000	10	Habib Metropolitan Bank Limited	40,940	54,052
305,992	25	10	Meezan Bank Limited	31,958	2
1,000,000	1,250,000	10	National Bank of Pakistan	42,960	54,125
89,466	875,900	10	United Bank Limited	11,260	144,086

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No. of shares		Face value Rupees	Company's Name	Market Value	
2020	2019			2020 Rupees in thousand	2019
Engineering					
603,500	-	10	Agha Steel Industries Limited	23,784	-
2,500	-	10	Aisha Steel Mills Limited	58	-
-	200	10	Amreli Steels Limited	-	7
-	900	10	Crescent Steel & Allied Products Limited	-	50
-	300,000	10	Descon Engineering Services & Technology Limited	-	7,056
241	74,811	10	International Industries Limited	43	8,292
-	200	10	Ittefaq Iron Industries Limited	-	2
377,000	-	10	Mughal Iron & Steel Industries Limited	28,550	-
Chemical					
52,650	-	10	Archroma Pakistan Limited	29,394	-
3,458,669	7,585,169	10	Engro Polymer and Chemicals Limited	164,321	251,903
59,600	-	10	ICI Pakistan Limited	45,301	-
-	1,000	10	Ittehad Chemicals Limited	-	23
200	-	10	Pakistan Oxygen Limited	31	-
-	277,200	10	Sitara Peroxide Limited	-	9,674
Fertilizer					
36,300	-	10	Arif Habib Corporation Limited	1,454	-
626,951	268,730	10	Engro Corporation Limited	192,700	92,779
2,000,301	2,000,000	10	Engro Fertilizers Limited	126,479	146,860
62,500	-	10	Fatima Fertilizer Company Limited	1,819	-
224,532	4,004,000	10	Fauji Fertilizer Company Limited	24,362	406,132
Food & Personal Care Products					
5,050	150,000	10	At-Tahur Limited	102	3,143
-	6,974,250	10	Fauji Foods Limited	-	132,650
280,200	-	10	Murree Brewery Company Limited	175,803	-
12,641	1,300	10	Nestle Pakistan Limited	84,252	10,465
945,600	1,272,980	5	National Foods Limited	206,510	282,614
-	1,210	10	Shezan International Limited	-	606
Insurance					
7,500	7,500	10	Pakistan Reinsurance Company Limited	206	221
Textile Composite					
18,000	7,982,300	10	Gul Ahmed Textile Mills Limited	662	344,117
2,295,735	8,774	10	Interloop Limited	156,271	509
824	337,824	10	Kohinoor Textile Mills Limited	56	13,199
Technology & Communication					
2,000	-	10	Avanceon Limited	186	-
-	8,119,500	1	Hum Network Limited	-	26,064
-	1,000	10	Netsol Technologies Limited	-	66
-	11,500	10	Pakistan Telecommunication Company Limited	-	108
90	64,790	10	Systems Limited	38	8,053
Investment Companies					
-	37,386	10	Arif Habib Limited	-	1,277
Oil & Gas Exploration Companies					
239,217	239,197	10	Mari Petroleum Company Limited	320,508	313,372
2,555,530	3,780,200	10	Oil & Gas Development Company Limited	265,187	537,998
586,157	575,870	10	Pakistan Oilfields Limited	231,772	257,253
Paper & Board					
70,900	750	10	Packages Limited	42,322	299
23	262	10	Cherat Packaging Limited	5	32

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

No. of shares		Face value Rupees	Company's Name	Market Value	
2020	2019			2020	2019
				Rupees in thousand	
Pharmaceuticals					
190,350	151,800	10	Abbott Laboratories Pakistan Limited	143,785	67,821
605,000	6	10	AGP Limited	68,897	1
369,400	-	10	GlaxoSmithKline Consumer Healthcare Pakistan Limited	70,862	-
50,000	-	10	Highnoon Laboratories Limited	29,991	-
697	970	10	The Searle Company Limited	174	183
Power Generation & Distribution					
1,809,500	1,821,000	10	Kot Addu Power Company Limited	49,218	57,416
16,338,000	10,169,500	10	K-Electric Limited	63,882	44,441
3,871,473	2,565,061	10	Hub Power Company Limited	307,124	239,448
Glass & Ceramics					
-	102,500	10	Tariq Glass Industries Limited	-	10,968
Miscellaneous					
205,220	1,564,540	10	Synthetic Products Enterprises Limited	8,925	54,602
4,000	-	10	Tri-Pack Films Limited	651	-
Oil & Gas Marketing Companies					
380,950	100	10	Attock Petroleum Limited	127,477	37
4,200,000	-	10	Hascol Petroleum Limited	61,698	-
179,500	1,704,300	10	Hi-Tech Lubricants Limited	7,859	53,072
986,858	7,980	10	Pakistan State Oil Company Limited	212,471	1,529
Refinery					
250	375	10	Attock Refinery Limited	46	42
-	500	10	Byco Petroleum Pakistan Limited	-	3
2,999,013	3,687,796	10	Pakistan Petroleum Limited	270,901	505,742
81,719,080	91,719,479			5,763,671	5,828,985

8.2.4 Others-Mutual Fund Certificates

Open-Ended-Mutual Funds

No. of units		Face value Rupees	Fund's Name	Market Value	
2020	2019			2020	2019
				Rupees in thousand	
2,059,100	-	10	ABL Islamic Stock Fund	32,189	-
14,742,274	-	10	ABL Stock Fund	221,762	-
146,456	-	100	Al Ameen Islamic Asset Allocation Fund	18,601	-
1,476,006	-	100	Al Ameen Shariah Stock Fund	224,796	-
2,301,661	1,134	100	Alfalah GHP Money Market Fund	226,013	111
985,010	475,513	100	Alfalah GHP Islamic Income Fund	100,545	50,020
864	779	100	Faysal Income & Growth Fund	96	87
3,819,347	3,423,470	100	Faysal Saving Growth Fund	404,698	369,695
3,263,683	2,029,159	100	Faysal Money Market Fund	332,746	219,622
-	261,883	100	Faysal Financial Value Fund	-	26,222
-	119,617	100	Faysal Financial Sector Opportunity Fund	-	13,005
535,400	508,765	10	Meezan Balanced Fund	8,349	7,885
6,331,208	10,439,355	10	NAFA Islamic Stock Fund	77,030	114,753
4,172,762	3,789,458	10	NBP Islamic Mahana Amdani Fund	43,256	40,000
22,333,717	-	10	NBP Islamic Savings Fund	218,870	-
3,404,310	-	100	UBL Financial Sector Fund	275,426	-
3,167,048	-	100	UBL Stock Advantage Fund	238,472	-
68,738,846	21,049,133			2,422,849	841,400

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

	Note	2020	2019
		Rupees in thousand	
9 Investments in debt securities			
Held to maturity			
Treasury Bills	9.1.1	275,631	370,491
Pakistan Investment Bonds	9.1.2	98,700	95,377
		374,331	465,868
Available for sale			
Treasury Bills	9.2.1	688,532	558,153
Pakistan Investment Bonds	9.2.2	101,736	93,684
		790,268	651,837
Fair value through profit and loss			
Term Finance Certificate	9.3.1	1,125,156	1,348,808
Advance against purchase of term finance certificate		100,000	50,000
Corporate Sukuks	9.3.2	2,155,587	1,375,161
Ijara Sukuks	9.3.3	464,354	-
Treasury Bills	9.3.4	6,371,663	3,828,677
Pakistan Investment Bonds	9.3.5	3,908,807	897,123
		14,125,567	7,499,769
		15,290,166	8,617,474

9.1 Held to maturity

9.1.1 Treasury Bills

Face value Rupees	Yield Rate %	Profit Payment	Type of Security	Maturity year	Carrying amount	
					2020	2019
					Rupees in thousand	
100,000,000	10.67%	On maturity	12 Month Treasury Bills	2021	97,801	-
100,000,000	7.32%	On maturity	12 Month Treasury Bills	2021	97,900	-
82,000,000	7.43%	On maturity	12 Month Treasury Bills	2021	79,930	-
382,000,000	13.83%	On maturity	6 Month Treasury Bills	2020	-	370,491
					275,631	370,491

9.1.2 Pakistan Investment Bonds

Face value Rupees	Yield Rate %	Profit Payment	Type of Security	Maturity year	Carrying amount	
					2020	2019
					Rupees in thousand	
100,000,000	11.71%	On maturity	3 Years Pakistan Investment Bonds 2022		98,700	-
100,000,000	11.71%	On maturity	3 Years Pakistan Investment Bonds 2022		-	95,377
					98,700	95,377

9.2 Available for sale

9.2.1 Treasury Bills

Face value Rupees	Yield Rate %	Profit Payment	Type of Security	Maturity year	Carrying amount	
					2020	2019
					Rupees in thousand	
220,870,000	7.12%	On maturity	12 Month Treasury Bills	2021	216,740	-
355,000,000	6.77% - 7.13%	On maturity	6 Month Treasury Bills	2021	351,097	-
122,000,000	7.08%	On maturity	3 Month Treasury Bills	2021	120,695	-
375,000,000	12.9% - 13.25%	On maturity	3 Month Treasury Bills	2020	-	371,167
150,000,000	13.73%	On maturity	6 Month Treasury Bills	2020	-	145,410
45,000,000	12.95%	On maturity	12 Month Treasury Bills	2020	-	41,576
					688,532	558,153

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

9.2.2 Pakistan Investment Bonds

Face value Rupees	Yield Rate %	Profit Payment	Type of Security	Maturity year	Carrying amount	
					2020	2019
Rupees in thousand						
100,000,000	9.00%	On maturity	3 Years Pakistan Investment Bonds	2022	101,736	93,684
					101,736	93,684

9.3 Fair value through profit and loss

9.3.1 Term Finance Certificates

Face value Rupees	Yield Rate %	2020 No. of certificates	2019	Company's Name	Carrying amount	
					2020	2019
Rupees in thousand						
1000	8.49%	100	100	Askari Bank Limited	100,000	100,000
1000	8.49%	100	-	Askari Bank Limited VII	99,040	-
5	14.00%	-	41,000	Askari Bank Limited V	-	199,979
5	8.03% - 14.76%	39,680	39,680	Bank Al Habib Limited	178,788	194,655
5	13.19%	-	33,510	Bank Alfalah Limited	-	167,114
96	8.35% - 15.79%	3,400	3,400	Bank of Punjab I	336,202	334,113
100	8.60% - 15.79%	2,580	2,580	Bank of Punjab II	252,802	246,317
100	7.71% - 15.00%	590	590	Habib Bank Limited	58,894	56,810
100	8.90%	500	-	Habib Bank Limited-ADT I	50,000	-
5	8.23% - 14.76%	10,000	10,000	Soneri Bank Limited	49,430	49,820
					1,125,156	1,348,808

9.3.2 Corporate Sukuks

Face value Rupees	Yield Rate %	2020 No. of certificates	2019	Company's Name	Carrying amount	
					2020	2019
Rupees in thousand						
100	8.80% - 15.69%	420	820	Aspin Pharma (Pvt) Limited	49,593	65,600
60	8.30% - 14.75%	2,380	2,380	Dawood Hercules Limited I	144,365	189,905
70	8.30% - 14.75%	4,400	4,400	Dawood Hercules Limited II	311,807	394,712
1000	7.31% - 13.83%	58	58	Dubai Islamic Bank (Pakistan) Limited	59,622	58,058
100	8.20% - 13.89%	900	900	Engro Polymer & Chemicals Limited	91,935	91,238
50	8.30% - 22.00%	600	600	Ghani Glass Limited	25,123	29,250
100	7.79% - 24.53%	1,000	1,000	International Brands Limited	64,659	84,458
5	8.67% - 15.4%	30,000	30,000	JS Limited	123,656	148,802
1000	7.68% - 14.63%	40	40	Meezan Bank Limited	40,877	39,786
1000	9.05% - 14.63%	750	250	Meezan Bank Limited	768,750	250,000
5	7.25%	90,000	-	Pakistan Energy II	452,700	-
750	12.71% - 11.00%	30	30	TPL Tracker Limited	22,500	23,352
					2,155,587	1,375,161

9.3.3 Ijara Sukuk

Face value Rupees	Yield Rate %	Profit Payment	Type of Security	Maturity year	Carrying amount	
					2020	2019
Rupees in thousand						
470,430,000	6.27% - 8.37%	On maturity	5 year GOP Ijara Sukuk	2025	464,354	-
					464,354	-

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

9.3.4 Treasury Bills

Face value Rupees	Yield Rate %	Profit Payment	Type of Security	Maturity year	Carrying amount	
					2020	2019
					Rupees in thousand	
1,332,500,000	6.74% - 10.67%	On maturity	12 Month Treasury Bills	2021	1,310,144	-
5,011,000,000	7.07% - 7.15%	On maturity	3 Month Treasury Bills	2021	4,946,806	-
115,000,000	6.47%	On maturity	6 Month Treasury Bills	2021	114,713	-
4,273,000,000	13.10%	On maturity	12 Month Treasury Bills	2020	-	3,828,677
					6,371,663	3,828,677

9.3.5 Pakistan Investment Bond

Face value Rupees	Yield Rate %	Profit Payment	Type of Security	Maturity year	Carrying amount	
					2020	2019
					Rupees in thousand	
50,000,000	6.85%	On maturity	10 year Pakistan Investment Bond	2028	49,420	-
500,000,000	8.11% - 8.27%	On maturity	10 year Pakistan Investment Bond	2030	499,400	-
500,000,000	7.16%	On maturity	2 year Pakistan Investment Bond	2022	498,250	-
2,865,000,000	7.12% - 8.27%	On maturity	3 year Pakistan Investment Bond	2023	2,861,737	-
301,000	12.00%	On maturity	10 year Pakistan Investment Bond	2020	-	300
50,000,000	11.25%	On maturity	10 year Pakistan Investment Bond	2028	-	50,370
150,000,000	9.50%	On maturity	10 year Pakistan Investment Bond	2029	-	141,132
300,000,000	9.50% - 10.00%	On maturity	5 year Pakistan Investment Bond	2024	-	283,748
450,000,000	9.00%	On maturity	5 year Pakistan Investment Bond	2022	-	421,573
					3,908,807	897,123

Note 2020 2019
Rupees in thousand

10 Investments in Term Deposits

Deposits maturing within 12 months

Inside Pakistan

- related parties
- others

448,811	156,811
7,695,066	9,610,066
8,143,877	9,766,877

Outside Pakistan

- related parties
- others

1,305,429	1,264,698
4,364,568	4,387,207
5,669,997	5,651,905

Deposits maturing after 12 months

Inside Pakistan

- related parties
- others

2,000	2,000
75,188	48,110
77,188	50,110

Outside Pakistan

- related parties
- others

-	-
-	-
77,188	50,110

10.1 **13,891,062** **15,468,892**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

10.1 These include fixed deposits amounting to Rs. 4,904,014 thousands (AED 112,698,915) [2019: Rs. 4,848,009 thousands (AED 115,000 thousands)] kept in accordance with the requirements of Insurance Regulations applicable to the United Arab Emirates (UAE) branches of the Parent Company for the purpose of carrying on business in (UAE). These also include liens against cash deposits of Rs. 259,065 thousands (2019: Rs. 231,987 thousands) with banks in Pakistan essentially in respect of guarantees issued by the banks on behalf of the Parent Company for claims under litigation filed against the Parent Company, bid bond guarantees and guarantee to Meezan Bank Limited (MBL) against the loan provided by MBL to Hyundai Nishat Motor (Private) Limited, a related party of the Parent Company.

	Note	2020	2019
Rupees in thousand			
11 Loans and other receivables - considered good			
Rent receivable		7,776	7,295
Accrued investment income		251,749	351,017
Security deposits		102,938	92,526
Advances to employees and suppliers		237,051	152,012
Advance agent commission		4,478	3,003
Loans to employees		52,335	56,318
Receivable against the sale of investment		233,958	-
Receivable from related parties	11.1	16,694	5
Other receivables		78,765	54,663
		985,744	716,839

11.1 This represents receivable from MCB Islamic Bank & Nishat Properties for space provided.

	Note	2020	2019
Rupees in thousand			
12 Insurance / reinsurance receivables - unsecured and considered good			
Due from insurance contract holders	12.1	4,753,304	5,786,646
Provision for impairment of receivables from insurance contract holders	12.2	(936,290)	(868,586)
		3,817,014	4,918,060
Due from other insurers / reinsurers		1,375,616	1,149,209
Provision for impairment of due from other insurers / reinsurers	12.3	(201,302)	(201,302)
		1,174,314	947,907
		4,991,328	5,865,967

12.1 Due from insurance contact holders include an amount Rs. 201,453 thousands (2019: Rs. 221,567 thousands) held with related parties.

	2020	2019
Rupees in thousand		

12.2 Reconciliation of provision for impairment of receivables from insurance contract holders

Balance as at 01 January	868,586	629,668
Charge for the year	47,968	187,764
Exchange difference	19,736	51,154
Balance as at 31 December	936,290	868,586

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

	Note	2020	2019
		————— Rupees in thousand —————	
12.3 Reconciliation of provision for impairment of due from other insurers / reinsurers			
Balance as at 01 January		201,302	201,302
Charge for the year		-	-
Write off against provision for the year		-	-
Balance as at 31 December		<u>201,302</u>	<u>201,302</u>
13 Prepayments			
Prepaid reinsurance premium ceded	28	3,307,863	3,500,512
Prepaid miscellaneous expenses		161,089	170,558
		<u>3,468,952</u>	<u>3,671,070</u>
14 Cash and bank			
Cash and cash equivalents			
Inside Pakistan			
Cash in hand		580	819
Policy and revenue stamps, bond papers		10,499	24,993
		<u>11,079</u>	<u>25,812</u>
Outside Pakistan		-	-
		<u>11,079</u>	<u>25,812</u>
Cash at bank			
Inside Pakistan			
Current accounts		331,680	289,356
Savings accounts		10,787,153	8,057,231
		<u>11,118,833</u>	<u>8,346,587</u>
Outside Pakistan			
Current accounts		136,313	59,333
Savings accounts		871	5,512
		<u>137,184</u>	<u>64,845</u>
		<u>11,256,017</u>	<u>8,411,432</u>
		<u>11,267,096</u>	<u>8,437,244</u>
14.1 Cash at bank includes an amount of Rs. 3,674,945 thousands (2019: Rs. 1,835,434 thousands) held with MCB Bank Limited and MCB Islamic Bank Limited, related parties of the Group.			
14.2 Lien of Rs. 440,000 thousands (2019 : 291,000) is marked on cash deposits in saving accounts against SBLC (Standby Letter of Credit) issued in favor of Meezan Bank Limited on behalf of Hyundai Nishat Motor (Private) Limited by the Parent Company.			
14.3 Saving / Profit and loss accounts carry expected profit rates ranging from 4.50% to 13.00% (2019: 6.50% to 14.00%).			
14.4 Cash and bank for the purposes of the cash flow statement consists of:			
Cash and other equivalents		11,079	25,812
Current and other accounts		11,256,017	8,411,432
Term deposit maturing within three months		7,962,000	9,585,000
		<u>19,229,096</u>	<u>18,022,244</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2020

2019

Rupees in thousand

15 Window Takaful Operations - Parent Company

Operator's Fund

Assets:

Cash and bank deposits	209,446	91,895
Qard e Hasna to Participant Takaful Fund	146,460	146,460
Investments	35,873	32,958
Intangible assets	12,421	17,650
Property and equipment	20,793	17,733
Current assets - Others	164,155	119,595

Total Assets

589,148 426,291

Total Liabilities

242,797 195,872

Profit and loss account

Wakala income	408,608	324,314
Commission expense	(119,082)	(99,434)
Management expenses	(143,206)	(131,872)
Investment income	3,584	1,345
Other income	14,170	15,856
Mudarib's share of PTF investment income	3,521	1,323
Other expenses	(3,821)	(3,839)
Profit before taxation	163,774	107,693
Taxation	(47,369)	(30,987)
Profit after tax	116,405	76,706

Details of assets, liabilities and segment disclosures of 'Window Takaful Operations' of the Parent Company are stated in the annexed financial statements of the 'Window Takaful Operations'.

16 Share capital

16.1 Authorized share capital

	2020	2019	2020	2019
	Number of shares		Rupees in thousand	
Ordinary shares of Rs. 10 each	375,000,000	375,000,000	3,750,000	3,750,000

16.2 Issued, subscribed and paid up capital

Ordinary shares of Rs. 10 each fully paid in cash	250,000	250,000	2,500	2,500
Ordinary shares of Rs. 10 each issued as fully paid bonus shares	349,750,000	349,750,000	3,497,500	3,497,500
	350,000,000	350,000,000	3,500,000	3,500,000

16.3 As at December 31, 2020, associated undertakings MCB Bank Limited, Nishat (Aziz Avenue) Hotels & Properties Limited and Nishat Mills Limited held 70,861,241 (2019: 70,861,241), 1,083,000 (2019: Nil) and 102,809 (2019: 102,809) ordinary shares of the Parent Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

	Note	2020	2019
		Rupees in thousand	
17 Reserves			
Capital Reserves			
Reserves for exceptional losses	17.1	22,859	22,859
Investment fluctuation reserves	17.2	3,764	3,764
Exchange translation reserves	17.3	678,438	674,936
Fair value reserves	17.4	2,845,746	2,914,787
		<u>3,550,807</u>	<u>3,616,346</u>
Revenue Reserves			
General reserves		936,500	936,500
		<u>4,487,307</u>	<u>4,552,846</u>

17.1 The reserve for exceptional losses represents the amount set aside by the Parent Company in prior years up to December 31, 1978, in order to avail the deduction while computing the taxable income under the old Income Tax Act of 1922. Subsequent to the introduction of repealed Income Tax Ordinance, 1979, which did not permit such deduction, the Parent Company discontinued the setting aside of reserves for exceptional losses.

17.2 This amount has been set aside by the Parent Company in prior years for utilization against possible diminution in the value of investments.

17.3 The exchange translation reserve represents the gain resulted from the translation of foreign branches (having business in foreign currencies) of the Parent Company into Pak Rupees. For the purpose of exchange translation reserve, the UAE and Export Processing Zone branches are treated as foreign branches since their functional currencies are AED and US Dollars, respectively.

17.4 The fair value reserve represents the net cumulative unrealized gain / (loss) on available for sale investments held by the Group as at December 31, 2020.

	Note	2020	2019
		Rupees in thousand	
18 Non-controlling interest			
Share capital		240,599	240,599
Total comprehensive income for the year	18.1	3,483	52,711
Opening retained earnings		100,909	48,198
Acquisition of Non Controlling Interest by Parent Company		(344,991)	-
		<u>-</u>	<u>341,508</u>

18.1 This represents the total comprehensive income till date of acquisition of NCI i.e. February 25, 2020 calculated proportionately on number of days basis.

	Note	2020	2019
		Rupees in thousand	
19 Insurance liabilities - Life Insurance Business			
Reported outstanding claims (including claims in payment)	19.1	1,174,790	814,331
Incurred but not reported claims	19.2	121,153	54,874
Investment component of unit-linked and account value policies	19.3	44,785,142	35,287,614
Liabilities under individual conventional insurance contracts	19.4	20,242	29,217
Liabilities under group insurance contracts (other than investment linked)	19.5	117,241	128,872
Other insurance liabilities	19.6	753,378	406,242
Gross insurance liabilities		46,971,946	36,721,150
Surplus / (deficit) of Participant Takaful Fund		18,397	(12,720)
Total Insurance Liabilities		<u>46,990,343</u>	<u>36,708,430</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

	Note	2020	2019
		Rupees in thousand	
19.1 Reported outstanding claims			
Gross of reinsurance			
Payable within one year		1,326,579	883,486
Recoverable from reinsurers		(151,789)	(69,155)
Net reported outstanding claims		<u>1,174,790</u>	<u>814,331</u>
19.2 Incurred but not reported claims			
Individual Life			
Gross of reinsurance		129,220	42,243
Reinsurance recoveries		(47,826)	(19,624)
Net of Reinsurance		<u>81,394</u>	<u>22,619</u>
Group Life			
Gross of reinsurance		109,567	94,645
Reinsurance recoveries		(69,808)	(62,390)
Net of Reinsurance		<u>39,759</u>	<u>32,255</u>
		<u>121,153</u>	<u>54,874</u>
19.3 Investment component of unit linked and account value policies			
Investment component of unit linked policies		42,311,677	32,552,155
Investment component of account value policies		2,473,465	2,735,459
		<u>44,785,142</u>	<u>35,287,614</u>
19.4 Liabilities under individual conventional insurance contracts			
Gross of reinsurance		22,159	31,759
Reinsurance credit		(1,917)	(2,542)
Net of reinsurance		<u>20,242</u>	<u>29,217</u>
19.5 Liabilities under group insurance contracts (other than investment linked)			
Gross of reinsurance		232,665	312,417
Reinsurance credit		(115,424)	(183,545)
Net of reinsurance		<u>117,241</u>	<u>128,872</u>
19.6 Other insurance liabilities			
Gross of reinsurance		889,169	535,217
Reinsurance credit		(135,791)	(128,975)
Net of reinsurance		<u>753,378</u>	<u>406,242</u>
20 Retirement benefit obligations			
Parent Company			
Unfunded gratuity scheme	20.1	64,359	82,708
Funded gratuity scheme	20.2	132,873	142,469
Subsidiary Company			
Funded gratuity scheme	20.3	112,349	37,026
		<u>309,581</u>	<u>262,203</u>

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20.1 Unfunded gratuity scheme

20.1.1 This provision relates to the Parent Company's operations in UAE branches. The eligible employees under the scheme are 66 (2019 : 94). The latest actuarial valuation of gratuity scheme was carried out as at December 31, 2020 under the Projected Unit Credit Method as per the requirements of approved accounting standard - International Accounting Standard 19, the details of which are as follows:

20.1.2 Movement in the net liabilities recognized in the statement of financial position are as follows:

	2020	2019
	Rupees in thousand	
Present value of defined benefit obligation at January 01	82,708	65,854
Charge for the year	14,605	13,689
Benefits paid	(20,984)	(12,745)
Remeasurement (gain) / loss on obligation	(14,899)	8,035
Exchange loss	2,929	7,875
Present value of defined benefit obligation at December 31	64,359	82,708

20.1.3 The following significant assumptions have been used for the valuation of this scheme:

	2020	2019
	Percentage	
- Valuation discount rate	2.20	2.20
- Expected rate of increase in salary level	2.00	2.00

20.1.4 The amount charged in profit and loss account is as follows:

	2020	2019
	Rupees in thousand	
Service cost	12,934	12,265
Interest cost	1,671	1,424
Expense for the year	14,605	13,689

20.1.5 The amounts charged to other comprehensive income are as follows:

	2020	2019
	Rupees in thousand	
Remeasurement of the present value of defined benefit obligation due to:		
- Changes in financial assumptions	-	-
- Experience adjustments	(14,899)	8,035
	(14,899)	8,035

20.2 Funded gratuity scheme

20.2.1 The Parent Company operates an approved funded gratuity scheme for all employees. The eligible employees under the scheme are 718 (2019 : 738). The latest actuarial valuation of gratuity scheme was carried out as at December 31, 2020 under the Projected Unit Credit Method as per the requirements of approved accounting standard - International Accounting Standard 19, the details of which are as follows:

20.2.2 The following significant assumptions have been used for valuation of this scheme:

	2020	2019
	Percentage	
- Discount rate	8.50	12.50
- Expected rate of increase in salary level	6.50	10.50

Notes to the Consolidated Financial Statements

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20.2.3 Movement in the net liabilities recognized in the statement of financial position are as follows:

	Note	2020	2019
————— Rupees in thousand —————			
Net liabilities at January 01		142,469	133,127
Expenses recognized		35,411	35,245
Contribution paid during the year		(50,000)	(10,000)
Remeasurement (loss) / gain recognized - net		4,993	(15,903)
Net liabilities at December 31		<u>132,873</u>	<u>142,469</u>

20.2.4 The amounts recognized in the profit and loss account are as follows:

- Service cost	20,728	19,550
- Interest cost	40,594	38,373
- Interest income on plan assets	(25,911)	(22,678)
	<u>35,411</u>	<u>35,245</u>

20.2.5 The amounts recognized in statement of comprehensive income are as follows:

Remeasurement of plan obligation from:		
- Experience on obligation	(6,608)	(16,327)
- Change in financial assumptions	-	-
Remeasurement of plan assets:		
- Investment return	11,601	424
	<u>4,993</u>	<u>(15,903)</u>

20.2.6 The amounts recognized in the statement of financial position are as follows:

Fair value of plan assets	(230,138)	(198,745)
Present value of the obligation	363,011	341,214
Net asset	<u>132,873</u>	<u>142,469</u>

20.2.7 Movement in present value of defined benefit obligation

Present value of defined benefit obligation as at January 01	341,214	326,883
Current service cost	20,728	19,550
Interest cost	40,594	38,373
Actual benefits paid during the year	(32,917)	(27,265)
Remeasurement loss / (gain) on obligation	(6,608)	(16,327)
Present value of defined benefit obligation as at December 31	<u>363,011</u>	<u>341,214</u>

20.2.8 Movement in fair value of plan assets

Fair value as at January 01	198,745	193,756
Interest income on plan assets	25,911	22,678
Actual benefits paid during the year	(32,917)	(27,265)
Contributions made during the year	50,000	10,000
Remeasurement loss due to investment return	(11,601)	(424)
Fair value of plan assets as at December 31	<u>230,138</u>	<u>198,745</u>

20.2.9 Actual return on plan assets

Expected return on plan assets	25,911	22,678
Net return on plan assets over interest income	(11,601)	(424)
	<u>14,310</u>	<u>22,254</u>

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20.2.10 Comparison for five years

	2020	2019	2018	2017	2016
Funded gratuity scheme					
	Rupees in thousand				
Present value of defined obligation	363,011	341,214	326,883	283,925	267,714
Fair value of plan assets	230,138	198,745	193,756	199,482	241,970
Deficit	132,873	142,469	133,127	84,443	25,744
Experience adjustments					
Gain / (loss) on plan assets (% age of plan assets)	(5.04)	(0.21)	(5.92)	(19.27)	5.48
Gain / (loss) on obligations (% age of obligation)	(1.82)	(4.78)	5.54	(1.26)	(4.91)
	2020	2019	2018	2017	2016
Unfunded gratuity schemes					
	Rupees in thousand				
Present value of defined obligation	64,359	82,708	65,854	69,953	55,655
Experience adjustments					
Gain / (loss) on obligations (% age of obligation)	23.15	(9.71)	(2.44)	(3.10)	(10.89)
	2020	2019	2020	2019	
	Percentage		Rupees in thousand		
20.2.11 Plan assets consist of the following:					
Mutual funds - Equity	17.92	36.96	41,252	73,459	
Mutual funds - Debt	17.06	-	39,255		
Government Bonds - Debt	46.43	40.26	106,842	80,024	
Shares, bank deposits & cash equivalents - Others	18.59	22.78	42,789	45,262	
Benefits due	-	-	-	-	
	100.00	100.00	230,138	198,745	

20.2.12 Plan assets do not include any investment in the Parent Company's ordinary shares as at 2020 : Nil (2019: Nil).

20.2.13 Expected cost to be recorded in the profit and loss account for the year ending December 31, 2021 is Rs. 31,497 thousands.

20.2.14 The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the fund, at beginning of the year.

20.2.15 The weighted average duration of the defined benefit obligation for gratuity plan is 3.2 years (2019: 3.3 years).

These defined benefit plans expose the Parent Company to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

20.2.16 The main features of the gratuity schemes are as follows:

- All confirmed employees are eligible to the scheme and the normal retirement age for all employees is 60 years.
- A member shall be entitled to gratuity on resignation, termination, retirement, early retirement, retrenchment, death and dismissal based on the Parent Company's Service rules.
- The scheme is subject to the regulations laid down under the Income Tax Rules, 2002.

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20.2.17 The implicit objective is that the contribution to the gratuity schemes should remain reasonably stable as a percentage of salaries, under the actuarial cost method employed.

20.2.18 Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows:

	Change in assumptions	Impact on Gratuity plans			
		Unfunded		Funded	
		Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	(2,524)	2,747	(10,239)	10,911
Salary growth rate	1%	2,725	(2,553)	11,016	(10,521)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit obligation recognized within the statement of financial position.

20.3 Funded gratuity scheme- Subsidiary Company

20.3.1 The Subsidiary Company operates a funded gratuity scheme covering eligible employees who have completed the minimum qualifying eligible service period of six months. The employees are entitled to gratuity on the basis of last drawn monthly gross salary on normal retirement or on death in service on the number of years of services with the Subsidiary Company. Contribution to the fund is made and expense is recognized on the basis of actuarial valuations carried out at each year end using the projected unit credit method.

20.3.2 Responsibility for the governance of the plans, including investment decisions and contribution schedules, lies with the Board of Trustees. The Subsidiary Company appoints the Trustees and all trustees are employees of the Subsidiary Company. Details of the Subsidiary Company's obligation under the staff gratuity scheme determined on the basis of an actuarial valuation carried out by an independent actuary as at December 31, 2020 under the Projected Unit Credit Method are as follows:

	Note	2020	2019
		— Rupees in thousand —	
Present value of defined benefit obligations at December 31	20.3.3	178,021	107,094
Fair value of plan assets at December 31	20.3.4	(65,672)	(70,068)
Net liability at end of the year		112,349	37,026
20.3.3 Movement in present value of defined benefit obligations			
Present value of defined benefit obligations at Jan 01		107,094	65,465
Current service cost	20.3.5	35,925	23,330
Interest cost on defined benefit obligation	20.3.5	15,892	10,579
Benefits paid during the year		(12,217)	(14,106)
Remeasurement loss / (gain) on obligation:			
- due to changes in financial assumptions	20.3.5	31,327	21,826
Present value of defined benefit obligations at Dec 31		178,021	107,094

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	Note	2020	2019
		— Rupees in thousand —	
20.3.4 Movement in fair value of plan assets			
Fair value of plan assets at Jan 01		70,068	79,886
Contributions made to the Fund		-	-
Interest income on plan assets		9,752	12,138
Benefits paid during the year		(12,217)	(14,106)
Remeasurement gain on plan assets		(1,931)	(7,850)
Fair value of plan assets at Dec 31		<u>65,672</u>	<u>70,068</u>
20.3.5 Expense recognized in profit and loss			
Current service cost		35,925	23,330
Net interest cost		15,892	10,579
Interest income on plan assets		(9,752)	(12,138)
Expense for the year recognized in the profit and loss account		<u>42,065</u>	<u>21,771</u>
20.3.6 Expense recognized in other comprehensive income			
Remeasurement losses on defined benefit obligation		31,327	21,826
Remeasurement gain on fair value of plan assets		1,931	7,850
Amount recognized in the statement of other comprehensive income		<u>33,258</u>	<u>29,676</u>
20.3.7 Net recognized liability			
Net liability at Jan 01		37,026	(14,421)
Expense recognized in profit and loss account		42,065	21,771
Expense recognized in other comprehensive income		33,258	29,676
Contributions made to the fund during the year		-	-
Net liability at Dec 31		<u>112,349</u>	<u>37,026</u>
20.3.8 Estimated Gratuity Cost for the year ending December 31, 2021, is as follows:			
			<u>2021</u>
			— Rupees in thousand —
Current service cost			49,035
Net interest cost			13,856
Total expense to be recognized in profit and loss account			<u>62,891</u>

20.3.9 Plan assets comprise of following:

	Note	2020		2019	
		(Rupees in thousands)	%age	(Rupees in thousands)	%age
Bank balance	20.3.10	40,975	62.39	46,604	66.51
Mutual Funds	20.3.10	24,697	37.61	23,463	33.49
Fair value of plan assets at end of the year		<u>65,672</u>	<u>100.00</u>	<u>70,067</u>	<u>100.00</u>

20.3.10 The assets are represented by cash in the scheme's bank deposit account with Standard Chartered Bank and mutual funds with MCB Arif Habib Savings and Investments Limited, Al Meezan Investment Management Limited and ABL Asset Management Limited.

Notes to the Consolidated Financial Statements

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20.3.11 The principal assumptions used in the actuarial valuations carried out as of December 31, 2020, using the 'Projected Unit Credit' method, are as follows:

	2020	2019
	Gratuity fund	
	Percentage	
Discount rate per annum	10.25	11.75
Expected per annum rate of return on plan assets	10.25	11.75
Expected per annum rate of increase in salary level	11.00	11.00
Expected mortality rate	LIC 94-96 Mortality table for males (rated down by 3 years for females)	LIC 94-96 Mortality table for males (rated down by 3 years for females)
Expected withdrawal rate	Age dependent	Age dependent

20.3.12 The plans expose the Subsidiary Company to actuarial risks such as:

Salary risks

The risks that the final salary at the time of cessation of service is higher than what was assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

Discount risks

The risk of volatile discount rates over the funding life of the scheme. The final effect could go either way depending on the relative of salary increases, timing of contributions, performance of investments and outgo of benefits.

Mortality / withdrawal risks

The risks that the actual mortality / withdrawal experience is different from expected. The effect depends upon the beneficiaries' service / age distribution and the benefit.

Investment risks

The risk of the investment underperforming and not being sufficient to meet the liabilities. This is managed by formulating an investment policy and guidelines based on which investments are made after obtaining approval of trustees of funds.

In case of the funded plans, the investment positions are managed within an Asset-Liability Matching (ALM) framework to ensure that long-term investments are in line with the obligation under the retirement benefit plan. The Subsidiary Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement benefit plan obligations. The Subsidiary Company has not changed the process used to manage its risks from previous periods. Investments are well diversified.

The expected return on plan assets is assumed to be the same as the discount rate (as required by International Accounting Standard IAS 19). The actual return depends on the assets underlying the current investment policy and their performance. Expected yields on fixed interest investments are based on gross redemption yields as at the date of financial statement. Expected return on equity investments reflect long-term real rates of return experienced in the market.

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20.3.13 Sensitivity analysis - Subsidiary Company

Sensitivity analysis for actuarial assumptions

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	2020	2019
	Rupees in thousand	
Discount rate (1% increase)	(18,161)	(9,817)
Discount rate (1% decrease)	21,745	11,674
Future salary increase rate (1% increase)	22,769	12,445
Future salary increase rate (1% decrease)	(19,290)	(10,597)

The impact on defined benefit obligation due to increase in life expectancy by 1 year would be Rs. 77,935 (2019: Rs.335,000).

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant assumptions, same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability.

The weighted average duration of the defined benefit obligation is 13.04 years. Besides the number of employees covered in the scheme at December 31, 2020 were 1,110 (2019: 1,083).

The expected maturity analysis of undiscounted retirement benefit plan is between 3-4 & 4-5 years and the amount involved is Nil and Rs. 27.276 million respectively.

20.3.14 Historical Information

	2020	2019	2018	2017	2016
	Rupees in thousand				
Present value of defined benefit obligation	178,021	107,094	65,465	90,586	61,604
Fair value of plan assets	(65,672)	(70,068)	(79,886)	(59,079)	(47,057)
(Surplus) / deficit	112,349	37,026	(14,421)	31,507	14,547

20.3.15 Experience adjustment

	2020	2019	2018	2017	2016
	Percentage				
Experience adjustments on obligation	18.00	20.00	(36.00)	8.00	18.00
Experience adjustments on asset	(3.00)	(11.00)	(10.00)	(18.00)	4.00

20.3.16 Gratuity cost to be recognised in the statement of profit or loss in the next financial year is not necessarily the amount of the contribution for that year. Decision about the contribution is made by the Subsidiary Company based on the allowability under the Insurance Tax Rules, 2002 and the availability of surplus funds, etc.

Notes to the Consolidated Financial Statements

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	2020	2019
	Rupees in thousand	
21 Deferred taxation		
Deferred tax debits arising in respect of:		
Provision for gratuity	18,664	23,986
Fixed assets and intangibles	27	-
Lease liability	29,461	30,473
Unused tax losses	8,348	17,743
Accelerated accounting amortization	-	275
	56,500	72,477
Deferred tax credits arising in respect of:		
Tax depreciation allowance	(232,501)	(166,282)
Right of use assets	(29,179)	(29,166)
Provision for leave encashment & bonus	-	21,080
Business attributable to shareholders (Ledger Account D)	(214,810)	(132,965)
Investments - Available for sale	(1,161,987)	(1,191,082)
	(1,638,477)	(1,498,415)
	(1,581,977)	(1,425,938)
21.1 Movement in deferred tax balances is as follows:		
At beginning of the year	1,425,938	985,157
Recognized in profit and loss account:		
- provision for gratuity	5,322	(4,888)
- lease liability against right of use asset	1,012	(30,473)
- right of use assets	13	29,166
- Provision for leave encashment & bonus	21,080	(21,080)
- Unused tax losses	9,165	(10,087)
- Business attributable to shareholders (Ledger Account D)	90,259	96,754
- Accelerated accounting amortization	(1,974)	(208)
- tax depreciation allowance	68,440	100,428
	193,317	159,612
Recognized in other comprehensive income:		
- investments - Available for sale	(27,633)	289,773
- Remeasurement of post retirement defined benefits	(9,645)	(8,604)
	(37,278)	281,169
	1,581,977	1,425,938
22 Borrowings		
Loan from financial institution - MCB Bank Limited	330,849	-

This represents long term financing facility availed from MCB Bank Limited, a related party of the Group under State Bank of Pakistan's (SBP) Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns ('Refinance Scheme'), with the approval of SBP. The interest rate applicable is SBP rate + 1.00%.

	2020	2019
	Rupees in thousand	
23 Deferred grant income		
Deferred grant income	28,574	-

Government grant has been recorded during the year which is measured as the difference between the fair value of the loan on initial recognition and the amount received, which is accounted for according to the nature of the grant. In accordance with the terms of the facility, the Group is prohibited to lay-off the employees at least during three months period from the date of first disbursement except in case of any disciplinary action.

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	Note	2020	2019
		Rupees in thousand	
24 Insurance/reinsurance payables			
Due to other insurers / reinsurers	24.1	3,161,519	2,826,429
24.1 This amount represents amount payable to other insurers and reinsurers.			
25 Other creditors and accruals			
Agents commission payable		1,077,695	1,039,000
Payable against the purchase of investment		237,167	847,474
Federal Excise Duty / Sales tax / VAT		94,242	50,149
Federal Insurance Fee payable		29,854	33,785
Payable to related parties	25.1	4,801	7,131
Workers' welfare fund	25.2	76,485	76,485
Tax deducted at source		107,570	104,056
Accrued expenses		510,725	386,051
Unpaid and unclaimed dividend		161,753	125,829
Payable to employees' provident fund		143	2,676
Sundry creditors		592,559	539,634
		2,892,994	3,212,270

25.1 This represents charges payable to MCB Arif Habib Savings & Investment Limited and MCB Financial Services Limited for providing services related to management of fund and for acting discretionary portfolio's trustees of the Subsidiary Company.

	Note	2020	2019
		Rupees in thousand	
25.2 Workers' welfare fund			
Balance as at 01 January		76,485	432,246
Reversal during the year	25.2.1	-	(355,761)
Balance as at 31 December	25.2.2	76,485	76,485

25.2.1 Due to enactment of Punjab worker welfare act and legal advice available with the Parent Company, the management reversed its provision of Rs. 355,761 thousands in 2019.

25.2.2 The Finance Act 2008 introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were passed by the Honorable Lahore High Court, the Honorable Sindh High Court and the Honorable Peshawar High Court.

The Honorable Supreme Court of Pakistan vide its judgment dated November 10, 2016, has upheld the view of Honorable Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act, 2008 are ultra-vires to the Constitution.

The Federal Board of Revenue has filed Civil Review Petitions in respect of above judgment with the prayer that the judgment dated November 10, 2016 passed in the Civil Appeal may kindly be reviewed in the interest of justice.

	Note	2020	2019
		Rupees in thousand	
26 Deposits and other liabilities			
Cash margin against performance bonds	26.1	570,776	618,540
Lease liability		210,582	279,718
		781,358	898,258

26.1 This represents margin deposit on account of performance and other bond policies issued by the Parent Company.

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27 Contingencies and commitments

27.1 Contingencies

The Group has filed appeals in respect of certain assessment years mainly on account of the following:

Income tax

- (a) Deputy Commissioner Inland Revenue (DCIR) passed order u/s 161/205 of the Ordinance for tax year 2013 raising an income tax demand of Rs. 9,066 thousands. The Parent Company agitated the order before Commissioner Inland Revenue -Appeals (CIR - Appeals). CIR - Appeals decided the case in the favor of the Parent Company. Following the said order, the learned DCIR has passed an appeal effect order in which certain directions of the learned CIR-Appeals have not been followed for which a rectification appeal under section 221 of the Ordinance has been filed before learned DCIR which is still to be processed.
- (b) The Parent Company received a notice from Additional Commissioner Inland Revenue (ACIR) pertaining to the amendment of tax year 2008. Amongst others, the Additional Commissioner raised an issue with respect to the claim of exemption claimed on capital gains on listed securities by way of incorrect application of the provisions of law. The Parent Company preferred to contest this matter by way of filing a constitutional petition before the Honorable Sindh High Court (the Court). The Court has ordered for stay of proceedings.
- (c) The Taxation Officer has passed an order in the tax years 2005 and 2006 under section 221 of the Income Tax Ordinance, 2001 (the Ordinance) levying minimum tax liability aggregating to Rs. 38,360 thousands. An appeal was filed before the CIR - Appeals who upheld the order of the Taxation Officer. The Parent Company has filed an appeal before the Additional Tribunal Inland Revenue (ATIR) which is yet to be heard.
- (d) The Tax Authorities amended the assessments for tax years 2003 to 2005 on the ground that the Parent Company has not apportioned management and general administration expenses against capital gain and dividend income. The Parent Company filed constitutional petition in the Honorable Sindh High Court (the Court) against the amendment in the assessment order. The Parent Company may be liable to pay Rs. 5,880 thousands in the event of decision against the Parent Company, out of which Rs. 2,730 thousands have been provided resulting in a shortfall of Rs. 3,150 thousands.
- (e) Learned DCIR has passed an order under section 161/205 of the Ordinance for tax year 2017 creating a demand of Rs. 22,105 thousands on account of Non-Deduction of Income Tax while making payments. The Parent Company has paid partial payment of Rs. 9,065 thousands under protest and agitated the order before learned CIR - Appeals I and the appeal has not yet been fixed.

Pending resolution of the above-mentioned appeals filed by the Parent Company, no provision has been made in these consolidated financial statements for the aggregate amount of Rs. 72,681 thousands (2019: Rs. 72,681 thousands) as the management is confident that the eventual outcome of the above matters will be in favor of the Parent Company.

27.2 Sales tax on life insurance premium

Last year, Sindh Revenue Board (SRB) vide notification no. SRB 3-4/5/2019 dated May 8, 2019 extended the exemption on life insurance till June 30, 2019. Subsequent to it, life insurance was made taxable from July 1, 2019 at the rate of 3% and group life insurance at the rate of 13%. Further, SRB extended exemption on health insurance till June 30, 2020. With effect from November 1, 2018, the Punjab Revenue Authority (PRA) withdrew its exemption on life and health insurance and made the same subject to Punjab Sales Tax (PST). The Subsidiary Company collectively through the forum of Insurance Association of Pakistan ("IAP") had filed a constitutive petition in the Lahore High Court (LHC) and in the High Court of Sindh at Karachi on September 28, 2019 and November 28, 2019 against PRA and SRB respectively.

According to the grounds of the petition and legal opinion obtained by the Subsidiary Company the Insurance premium does not fall under the definition of service rather an insurance policy is a financial arrangement, which is in the nature of a contingent contract, and not a service upon which sales tax can be levied (and that an insurance company is not rendering a service). The opinion also mentions that vast majority of premium received from a policy holder, during the life of the policy, is in fact channeled it to the policy holder's investment account and as such this is critically important in exposing the legal fallacies embodied in the Rules.

In view of the above the Subsidiary Company has not started billing sales tax to its customers. The amount of sales tax involved is around Rs. 347.54 million computed on the basis of risk based premium, as per the advice of legal advisor, which nonetheless the Subsidiary Company maintains, based on the legal view, cannot be levied as the insurance is not a service.

Further subsequent to filing petition, all the provincial tax authorities i.e. SRB, PRA and BRA have called a meeting of the industry representatives on January 11, 2020 in Karachi to discuss the matters relating to sales tax on premium. The matter was discussed in details and it was agreed to form a joint committee of the industry representatives as well as from all the provincial tax authorities and agreed in the meeting that the sales tax on Life and Health be kept exempt till June 30, 2020 however a formal notification in this regard has not yet been issued. Further, the committee formed met on February 5, 2020 in Lahore at PRA office to work out the way forward.

Based on the legal opinion obtained the Subsidiary Company considers that it has a reasonably strong case on the merits in the constitution petition and the writ petition filed in the High Courts. The petition is still pending for hearing.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

27.3 Commitments

Life Insurance Business:

Commitments represent Ijarah rentals for vehicles payable in future period.

Not later than one year

Later than one year and not later than five years

	2020	2019
	Rupees in thousand	
	37,844	22,543
	102,066	58,045
	<u>139,910</u>	<u>80,588</u>

27.4 Others

The Parent Company has provided a guarantee to Meezan Bank Limited (MBL) against the loan provided by MBL to Hyundai Nishat Motor (Private) Limited, a related party, amounting to Rs. 1,209,000 thousands (2019: Rs. 841,000 thousands).

The Parent Company has issued letter of guarantees of AED 251,500 amounting to Rs.10,944 thousands (2019: AED 449,000 amounting to Rs. 18,928 thousands) relating to UAE branch of the Parent Company.

	Note	2020	2019
		Rupees in thousand	
28 Net insurance premium			
General Insurance Business:			
Written gross premium		18,261,397	22,492,543
Unearned premium reserve - opening		10,242,348	10,100,901
Unearned premium reserve - closing		(8,366,434)	(10,242,348)
Currency translation effect		153,311	494,504
Premium earned		<u>20,290,622</u>	<u>22,845,600</u>
Reinsurance premium ceded		(6,818,262)	(8,055,014)
Prepaid reinsurance premium - opening		(3,500,512)	(2,866,980)
Prepaid reinsurance premium - closing	13	3,307,863	3,500,512
Currency translation effect		(2,798)	(4,621)
Reinsurance expense		(7,013,709)	(7,426,103)
Net insurance premium - General Insurance Business	28.1 & 28.2	<u>13,276,913</u>	<u>15,419,497</u>
Life Insurance Business:			
Regular premium / contributions individual policies	28.3		
- first year		3,169,929	3,638,303
- second year renewal		2,743,961	2,195,775
- subsequent years renewal		5,271,022	4,898,480
Single premium / contributions individual policies	28.3	5,330,905	1,599,794
Group policies without cash values		626,616	665,362
Experience refund		(46,774)	(33,432)
Total gross premiums / contributions		<u>17,095,659</u>	<u>12,964,282</u>
Reinsurance premiums / retakaful contributions ceded			
On individual life first year business		(33,523)	(45,530)
On individual life second year business		(25,742)	(46,577)
On individual life subsequent renewal business		(131,383)	(114,825)
On single premium individual policies		(5,083)	-
On group policies		(381,266)	(412,104)
Profit commission on reinsurance		13,030	35,765
		(563,967)	(583,271)
Net premiums / contributions - Life Insurance Business		<u>16,531,692</u>	<u>12,381,011</u>
		<u>29,808,605</u>	<u>27,800,508</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

	2020	2019
	Rupees in thousand	
28.1 Net insurance premium - Business underwritten inside Pakistan		
Written gross premium	13,451,519	14,900,976
Unearned premium reserve - opening	6,197,501	5,508,453
Unearned premium reserve - closing	(6,021,464)	(6,197,501)
Premium earned	<u>13,627,556</u>	<u>14,211,928</u>
Reinsurance premium ceded	(6,583,537)	(7,716,041)
Prepaid reinsurance premium - opening	(3,425,355)	(2,838,973)
Prepaid reinsurance premium - closing	3,260,277	3,425,355
Reinsurance expense	<u>(6,748,615)</u>	<u>(7,129,659)</u>
	<u>6,878,941</u>	<u>7,082,269</u>
28.2 Net insurance premium - Business underwritten outside Pakistan		
Written gross premium	4,809,878	7,591,567
Unearned premium reserve - opening	4,044,847	4,592,448
Unearned premium reserve - closing	(2,344,970)	(4,044,847)
Currency translation effect	153,311	494,504
Premium earned	<u>6,663,066</u>	<u>8,633,672</u>
Reinsurance premium ceded	(234,725)	(338,973)
Prepaid reinsurance premium - opening	(75,157)	(28,007)
Prepaid reinsurance premium - closing	47,586	75,157
Currency translation effect	(2,798)	(4,621)
Reinsurance expense	<u>(265,094)</u>	<u>(296,444)</u>
	<u>6,397,972</u>	<u>8,337,228</u>
28.3 Individual policies are those underwritten on an individual basis.		

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

	Note	2020	2019
		Rupees in thousand	
29 Net insurance claims expense			
General Insurance Business:			
Claim paid		11,973,346	14,686,699
Outstanding claims including IBNR - closing	29.3	10,768,040	10,367,347
Outstanding claims including IBNR - opening		(10,367,347)	(10,461,975)
Currency translation effect		(196,160)	(594,102)
Claim expense		12,177,879	13,997,969
Reinsurance and other recoveries received / receivable		(4,346,714)	(4,599,078)
Reinsurance and other recoveries in respect of outstanding claims - closing		(6,192,571)	(6,233,348)
Reinsurance and other recoveries in respect of outstanding claims - opening		6,233,348	6,397,245
Currency translation effect		114,914	313,749
Reinsurance and other recoveries revenue		(4,191,023)	(4,121,432)
Net insurance claims expense - General Insurance Business	29.1 & 29.2	7,986,856	9,876,537
Life Insurance Business:			
Gross claims			
Claims under individual policies			
- by death		435,106	296,294
- by insured event other than death		(606)	2,924
- by maturity		1,679,897	1,347,025
- by surrender		4,676,523	4,986,784
Total gross individual policy claims		6,790,920	6,633,027
Claims under group policies			
- by death		651,184	451,369
- by insured event other than death		10,316	(18,914)
Total gross group policy claims		661,500	432,455
Claim related expenses		7,074	7,708
Total gross claims		7,459,494	7,073,190
Reinsurance recoveries			
- on individual claims		(143,365)	(71,781)
- on group claims		(477,498)	(277,527)
		(620,863)	(349,308)
Net insurance claims expense - Life Insurance Business		6,838,631	6,723,882
		14,825,487	16,600,419
29.1 Net insurance claims expense - Business underwritten inside Pakistan			
Claim paid		5,799,654	6,413,550
Outstanding claims including IBNR - closing		4,920,475	4,398,967
Outstanding claims including IBNR - opening		(4,398,967)	(5,386,215)
Claims expense		6,321,162	5,426,302
Reinsurance and other recoveries received / receivable		(1,684,522)	(2,268,805)
Reinsurance and other recoveries in respect of outstanding claims - closing		(3,526,278)	(2,948,471)
Reinsurance and other recoveries in respect of outstanding claims - opening		2,948,471	3,769,658
Reinsurance and other recoveries revenue		(2,262,329)	(1,447,618)
		4,058,833	3,978,684

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

	2020	2019
	Rupees in thousand	
29.2 Net insurance claims expense - Business underwritten outside Pakistan		
Claim paid	6,173,692	8,273,149
Outstanding claims including IBNR - closing	5,847,565	5,968,380
Outstanding claims including IBNR - opening	(5,968,380)	(5,075,760)
Currency translation effect	(196,160)	(594,102)
Claims expense	5,856,717	8,571,667
Reinsurance and other recoveries received / receivable	(2,662,192)	(2,330,273)
Reinsurance and other recoveries in respect of outstanding claims - closing	(2,666,293)	(3,284,877)
Reinsurance and other recoveries in respect of outstanding claims - opening	3,284,877	2,627,587
Currency translation effect	114,914	313,749
Reinsurance and other recoveries revenue	(1,928,694)	(2,673,814)
	3,928,023	5,897,853

29.3 Claims development tables

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

29.3.1 General Insurance Business:	Accident year						2020	Total
	2015 & prior	2016	2017	2018	2019			
Estimate of the ultimate claim cost:	Rupees in thousand							
At the end of accident year	6,857,672	11,752,724	11,307,403	13,278,246	14,544,497	12,607,367	70,347,909	
One year later	5,059,319	7,075,979	6,362,632	6,250,676	6,218,787	-	30,967,393	
Two years later	1,255,685	2,369,539	1,978,478	1,880,335	-	-	7,484,037	
Three years later	1,791,844	1,662,339	956,949	-	-	-	4,411,132	
Four years later	132,679	646,905	-	-	-	-	779,584	
Five years later	431,043	-	-	-	-	-	431,043	
Current estimate of cumulative claims	431,043	646,905	956,949	1,880,335	6,218,787	12,607,367	22,741,386	
Less: Cumulative payments to date	29,486	159,145	158,096	968,709	4,358,842	6,299,068	11,973,346	
Liability recognized in statement of financial position	401,557	487,760	798,853	911,626	1,859,945	6,308,299	10,768,040	
29.3.2 Life Insurance Business:								
29.3.2.1 Individual life claims								
Estimate of the ultimate claim cost:								
At the end of accident year		132,526	181,455	173,067	241,150	315,805	1,044,003	
One year later		202,373	283,617	249,642	353,594	-	1,089,226	
Two years later		208,599	294,168	256,334	-	-	759,101	
Three years later		210,263	294,668	-	-	-	504,931	
Four years later		211,577	-	-	-	-	211,577	
Current estimate of cumulative claims		211,577	294,668	256,334	353,594	315,805	1,431,978	
Less: Cumulative payments to date		205,329	282,693	250,155	307,576	217,651	1,263,404	
Liability recognized in statement of financial position		6,248	11,975	6,179	46,018	98,154	168,574	
29.3.2.2 Group life claims								
Estimate of the ultimate claim cost:								
At the end of accident year		283,306	413,991	419,307	342,820	563,981	2,023,405	
One year later		325,000	549,012	531,015	453,118	-	1,858,145	
Two years later		325,487	556,060	532,315	-	-	1,413,862	
Three years later		325,487	557,251	-	-	-	882,738	
Four years later		325,487	-	-	-	-	325,487	
Current estimate of cumulative claims		325,487	557,251	532,315	453,118	563,981	2,432,152	
Less: Cumulative payments to date		325,487	557,251	532,315	443,533	498,705	2,357,291	
Liability recognized in statement of financial position		-	-	-	9,585	65,276	74,861	

Notes to the Consolidated Financial Statements

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Note	2020	2019
	Rupees in thousand	
30 Net commission and other acquisition costs		
General Insurance Business:		
Commission paid or payable	1,867,093	2,449,810
Deferred commission expense - opening	1,190,146	788,431
Deferred commission expense - closing	(731,319)	(1,190,146)
Currency translation effect	32,239	65,731
Net commission	<u>2,358,159</u>	<u>2,113,826</u>
Commission received or recoverable	(532,528)	(622,744)
Unearned reinsurance commission - opening	(237,751)	(221,371)
Unearned reinsurance commission - closing	245,318	237,751
Currency translation effect	(8)	(257)
Commission from reinsurance	<u>(524,969)</u>	<u>(606,621)</u>
Net commission and other acquisition costs - General Insurance Business 30.1 & 30.2	<u>1,833,190</u>	<u>1,507,205</u>
Life Insurance Business:		
Remuneration to insurance / takaful intermediaries on individual policies:		
Commission on first year contribution / premium	1,379,956	1,627,575
Commission on second year contribution / premium	147,256	123,105
Commission on subsequent years renewal contribution / premium	122,821	118,629
Commission on single contribution premium	114,036	33,735
Other benefits to insurance intermediaries	<u>357,106</u>	<u>373,272</u>
	<u>2,121,175</u>	<u>2,276,316</u>
Remuneration to insurance intermediaries on group policies:		
Commission	21,908	36,345
Other benefits to insurance intermediaries	<u>3,344</u>	<u>4,423</u>
	<u>25,252</u>	<u>40,768</u>
Other acquisition costs:		
Employee benefit cost	315,913	179,504
Traveling expenses	1,691	1,366
Information technology expense	3,620	4,449
Printing & stationary	3,257	1,400
Depreciation	23,378	39,294
Amortization	193	193
Rent, rates and taxes	40,442	8,560
Insurance cost	336	292
Car fuel & maintenance	25,874	23,632
Postage	4,717	3,978
Electricity, gas and water	9,018	7,594
Office maintenance	23,331	19,800
Entertainment	6,509	4,907
Training & development	1,466	4,988
Marketing cost	38,129	24,382
Financial charges	1,156	11,963
Brokerage charges	-	403
Legal & professional charges	608	176
Stamp duty	44,260	44,759
Medical examination fee	<u>1,747</u>	<u>1,754</u>
	<u>545,645</u>	<u>383,394</u>
Net commission and other acquisition costs - Life Insurance Business	<u>2,692,072</u>	<u>2,700,478</u>
	<u>4,525,262</u>	<u>4,207,683</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

30.1 Net commission and other acquisition costs - Business underwritten inside Pakistan	Note	2020	2019
		———— Rupees in thousand ————	
Commission paid or payable		857,203	991,010
Deferred commission expense - opening		352,673	297,403
Deferred commission expense - closing		(285,324)	(352,673)
Net commission		<u>924,552</u>	<u>935,740</u>
Commission received or recoverable		(523,673)	(597,710)
Unearned reinsurance commission - opening		(236,381)	(218,690)
Unearned reinsurance commission - closing		240,971	236,381
Commission from reinsurance		(519,083)	(580,019)
		<u>405,469</u>	<u>355,721</u>
30.2 Net commission and other acquisition costs - Business underwritten outside Pakistan			
Commission paid or payable		1,009,890	1,458,800
Deferred commission expense - opening		837,473	491,028
Deferred commission expense - closing		(445,995)	(837,473)
Currency translation effect		32,239	65,731
Net commission		<u>1,433,607</u>	<u>1,178,086</u>
Commission received or recoverable		(8,855)	(25,034)
Unearned reinsurance commission - opening		(1,370)	(2,681)
Unearned reinsurance commission - closing		4,347	1,370
Currency translation effect		(8)	(257)
Commission from reinsurance		(5,886)	(26,602)
		<u>1,427,721</u>	<u>1,151,484</u>
31 Management expenses			
Employees benefit cost	31.1	2,263,570	2,257,945
Travelling expenses		48,209	84,299
Advertisement & sales promotion		166,148	234,889
Printing & stationary		48,662	53,752
Depreciation		295,958	268,740
Amortization		47,628	49,893
Rent, rates & taxes		10,301	78,866
Legal & professional charges - business related		157,677	145,225
Electricity, gas & water		74,643	72,390
Entertainment		18,314	31,783
Vehicle running expenses		121,272	146,289
Office repairs & maintenance		73,353	71,166
Bank charges		41,840	42,896
Postages, telegrams & telephone		42,165	61,976
Supervision fee		79,416	89,507
IT related costs		161,652	138,687
Tracking and monitoring charges		179,587	216,640
Provision for doubtful balances against due from insurance contract holders		47,968	187,764
Regulatory fee		117,028	130,154
Miscellaneous		55,836	59,707
		<u>4,051,227</u>	<u>4,422,568</u>

Notes to the Consolidated Financial Statements

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	2020	2019
	————— Rupees in thousand —————	
31.1 Employee benefit cost		
Salaries, allowances and other benefits	2,140,506	2,155,529
Charges for post employment benefit	123,064	102,416
	<u>2,263,570</u>	<u>2,257,945</u>
32 Investment income		
Business underwritten Inside Pakistan		
Income from equity securities		
Dividend Income		
- Available for sale	998,602	1,353,173
- Fair value through profit or loss	366,669	559,167
	1,365,271	1,912,340
Income from debt securities		
Return on debt securities		
- Fair value through profit or loss	380,360	385,510
	380,360	385,510
Return on government securities		
- Available for Sale	45,106	35,462
- Fair value through profit or loss	1,461,526	824,669
- Held to maturity	38,502	48,146
	1,545,134	908,277
Income from term deposit receipts		
- Held to maturity	353,177	782,280
	353,177	782,280
Tax on dividend under final tax regime	(5,480)	(38,587)
	(5,480)	(38,587)
Net realized fair value gains on investments		
Available for sale		
- Equity securities	40,413	34,370
- Government securities	-	81
	40,413	34,451
Fair value through profit or loss		
- Equity securities	381,804	6,833
- Debt securities	(1,240)	-
- Government securities	279,234	112,738
	659,798	119,571
Provision for impairment in value of 'available-for-sale' investments	(158,641)	(294,179)
	<u>4,180,032</u>	<u>3,809,663</u>
Business underwritten Outside Pakistan		
Income from equity securities		
Dividend income		
- Available for Sale	2,315	54,211
	2,315	54,211
Net realized gains on investments		
- Available for Sale	699	7,298
	699	7,298
Return on term deposits		
- Held to maturity	156,117	160,471
	156,117	160,471
	159,131	221,980
Total investment income	<u>4,339,163</u>	<u>4,031,643</u>

Notes to the Consolidated Financial Statements

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	Note	2020	2019
		Rupees in thousand	
33 Net fair value gain on financial assets at fair value through profit or loss			
Held for trading			
Net unrealized gains / (losses) on:			
- Mutual Funds		711,944	405,471
- Listed equities		105,610	152,924
- Fixed income securities		32,079	(50,242)
- Government securities		(8,540)	(147)
Investment related expenses		(102,310)	(72,609)
		738,783	435,397
34 Rental income			
Rental income		71,671	33,217
Expenses of investment property		(1,859)	(4,613)
		69,812	28,604
35 Other income			
Return on bank balances		425,146	440,943
Mark-up on policy loans		3,125	3,028
Gain / (loss) on sale of operating assets		72,039	(19,836)
Return on loans to employees		210	263
Income against deferred grant		4,243	-
Exchange gain		12,330	4,612
Shared expenses received		12,980	11,830
Miscellaneous		28,968	19,511
		559,041	460,351
36 Other expenses			
Legal & professional charges other than business		23,776	30,478
Auditors' remuneration	36.1	18,459	16,255
Subscription fee		8,462	9,406
Donations	36.2	12,211	1,759
Directors' fee		236	220
Central depository expense		1,905	3,075
Others		3,640	6,255
		68,689	67,448
36.1 Auditors' remuneration			
Inside Pakistan:			
Audit fee		4,427	3,882
Interim review fee		1,041	984
Special certifications and sundry advisory services		2,416	2,468
Out-of-pocket expenses		626	688
		8,510	8,022
Outside Pakistan:			
Audit fee		8,275	6,939
Interim review fee		1,101	490
Out-of-pocket expenses		573	804
		9,949	8,233
		18,459	16,255

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36.2 The Group has paid the donation amounting to Rs. 10 million (2019: Nil) to Saleem Memorial Trust Hospital and Rs. 0.4 million (2019: Rs. 0.4 million) to SAFCO Support Foundation during the current year.

37 Taxation - net	Note	2020	2019
		Rupees in thousand	
Current tax			
For the year			
- Group		492,446	593,495
- Window Takaful Operations		47,605	31,110
Prior year			
- Group	37.2	(579,273)	-
		(39,222)	624,605
Deferred tax			
For the year			
- Group		193,316	159,612
- Window Takaful Operations		(236)	(123)
		193,080	159,489
		153,858	784,094

37.1 Tax charge reconciliation

	(Effective tax rate)	
	2020	2019
	Percentage	
Tax at the applicable rate of 29 (2019: 29)	29.00	29.00
Prior year	(30.33)	-
Tax effect of provision for impairment of investments	2.41	3.37
Others	5.82	(4.51)
	6.90	27.86

37.2 The income tax assessments of the Parent Company have been completed from 2016 to 2019. Further the contention of the Parent Company, with respect to the exemption of capital gains on listed securities having completed holding period of one year upto June 30, 2015, has been accepted by Appellate Tribunal Inland Revenue. Therefore, the Parent Company has made reversal of the tax charge of Rs. 579.27 million in these consolidated financial statements, which was already booked as current tax charge in the financial statements of previous years.

38 Earnings per share	2020	2019
	Rupees in thousand	
There is no dilutive effect on the basic earnings per share which is based on:		
Net profit after tax for the year attributable to owners of the parent	2,073,922	1,972,045
	2020	2019
	Number of shares	
Weighted average number of ordinary shares	350,000,000	350,000,000
	2020	2019
	Rupees	
Earning per share - basic and diluted	5.93	5.63

Notes to the Consolidated Financial Statements

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39 Compensation of Directors and Executives

The aggregate amount charged in the accounts for remuneration, including all benefits, to the Chief Executives, Directors and Executives of the Group are as follows:

	Chief Executive Officer		Directors		Executives	
	2020	2019	2020	2019	2020	2019
	Rupees in thousand					
Fees	-	-	516	220	-	-
Managerial remuneration	27,691	24,614	-	-	1,030,353	992,556
Leave encashment	-	2,188	-	-	41,956	37,078
Bonus	4,360	4,000	-	-	92,950	101,165
Charge of defined benefit plan	2,400	246	-	-	36,094	35,000
Contribution to defined contribution plan	1,384	1,231	-	-	24,251	35,633
House rent allowance	-	-	-	-	189,970	172,953
Utilities	556	549	-	-	16,423	12,613
Medical	-	-	-	-	71,597	38,242
Conveyance	-	-	-	-	156,633	138,755
Special allowance	1,800	1,800	-	-	-	-
Other allowance	473	835	-	-	-	-
	38,664	35,463	516	220	1,660,227	1,563,995
Number	2	2	13	13	493	494

39.1 In addition, the Chief Executive Officer (CEO) of the Parent Company is also provided with Company maintained car (s), residence, certain household items, furniture and fixtures and equipment in accordance with the policy of the Parent Company. Whereas, no remuneration was paid to CEO of the Subsidiary Company.

39.2 No remuneration was paid to Non - Executive Directors of the Group except for meeting fees.

40 Transactions with related parties

The Group has related party relationships with its associates, employee retirement benefit plans, key management personnel and other parties. Transactions are entered into with such related parties for the issuance of policies to and disbursements of claims incurred by them and payments of rentals for the use of premises rented from them. There are no transactions with key management personnel other than those specified in their terms of employment.

Investments and bank deposits with related parties have been disclosed in note 8, 10, 14 and 22 to the consolidated financial statements. Other transactions with related parties are summarized as follows:

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

		2020	2019
		Rupees in thousand	
Parent Company			
i) Transactions			
	Basis of relationship		
Premiums underwritten	Common directorship	1,699,869	1,412,496
Premiums received	Common directorship	1,573,675	1,540,424
Claims paid	Common directorship	665,463	632,467
Security deposit received	Common directorship	-	3,050
Security deposit paid	Common directorship	115	-
Commission Paid	Common directorship	33,537	76,623
Guarantee commission received	Common directorship	8,460	-
Rent paid	Common directorship	8,067	7,676
Rent received	Common directorship	39,247	28,887
Dividends received	Common directorship	459,884	653,313
Dividends paid	Common directorship	197,582	237,695
Income on bank deposits	Common directorship	88,763	43,682
Investments made	Common directorship	226,107	397,500
Fixed assets sold	Common directorship	3,538	2,347
Fee / service charges paid	Common directorship	10,931	17,262
Fee / service charges income	Common directorship	10,485	3,982
Payments made to provident fund	Employees' fund	35,124	33,368
ii) Period end balances			
Balances receivable	Common directorship	206,040	215,212
Balances payable	Common directorship	313,285	359,782
Payable to provident fund	Employees' fund	143	2,676
Subsidiary Company			
i) Transactions			
Premium written	Common directorship	238,335	247,682
Claims expense	Common directorship	186,146	75,763
Commission and other incentives in respect of Bancassurance	Common directorship	1,536,137	1,770,676
Profit on bank deposits	Common directorship	105,228	269,079
Bank charges	Common directorship	1,832	1,646
Investments purchased	Common directorship	5,608,773	5,669,281
Investments sold	Common directorship	4,936,058	4,667,827
Investment advisor fee	Common directorship	25,317	16,477
Dividend income	Common directorship	91,535	159,273
Reinsurance claim recoveries	Common directorship	-	10,680
Reinsurance premium ceded	Common directorship	-	1,906
Trustee fee	Common directorship	9,450	9,530
Expense in relation to gratuity fund	Employees' fund	75,323	51,447

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

		2020	2019
		Rupees in thousand	
ii) Period end balances	Basis of relationship		
Premium due but unpaid	Common directorship	8,130	9,553
Premium received in advance	Common directorship	-	-
Bank deposits	Common directorship	3,306,935	1,475,870
Investments held	Common directorship	7,868,307	6,799,087
Dividend receivables	Common directorship	-	22,814
Accrued Income	Common directorship	593	101
Commission payable	Common directorship	453,358	337,441
Claims payable	Common directorship	33,107	2,370
Reinsurance receivable	Common directorship	-	1,874
Remuneration payable for the management of discretionary investment portfolio	Common directorship	1,849	3,792
Remuneration payable to Trustee	Common directorship	968	486
Other payable/(receivables)	Common directorship	16,694	(892)
Retirement Benefit Obligation Plan (Gratuity Fund)			
(Payable to)/ receivable from Gratuity fund	Employees' fund	(112,349)	(37,026)

40.1 Following are the particulars of the related parties of the Group at the reporting date.

Name of Related Party	Basis of relationship	Aggregate % of Shareholding in the Group
AA Joyland (Private) Limited	Common directorship	Nil
Agro Hub International (Private) Limited	Common directorship	Nil
Cotton Web Limited	Common directorship	Nil
D.G. Khan Cement Company Limited	Common directorship	0.935%
D G Khan Waste Management Company Limited	Common directorship	Nil
Dupak Developers Pakistan (Private) Limited	Common directorship	Nil
Dupak Properties (Private) Limited	Common directorship	Nil
Dupak Tameer Limited	Common directorship	Nil
Export Development Funds	Common directorship	Nil
Fortress Financials Services (Private) Limited	Common directorship	Nil
Fortress Square Services (Private) Limited	Common directorship	Nil
Fortress Supplies (Private) Limited	Common directorship	Nil
Golf View Land (Private) Limited	Common directorship	Nil
Hyundai Nishat Motor (Private) Limited	Common directorship	10.00%
Joyland (Private) Limited	Common directorship	Nil
Mahmood Textile Mills Limited	Common directorship	Nil
Masood Spinning Mills Limited	Common directorship	Nil
MCB Bank Limited	Common directorship	4.546%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

Name of Related Party	Basis of relationship	Aggregate % of Shareholding in the Group
MCB Employees Foundation	Common directorship	Nil
MCB Financial Services Limited	Common directorship	Nil
MCB Islamic Bank Limited	Common directorship	Nil
Multan Waste Management Company Limited	Common directorship	Nil
Nishat (Aziz Avenue) Hotels & Properties Limited	Common directorship	Nil
Nishat (Gulberg) Hotels & Properties Limited	Common directorship	Nil
Nishat (Raiwind) Hotels & Properties Limited	Common directorship	Nil
Nishat Agriculture Farming (Private) Limited	Common directorship	Nil
Nishat Agrotech Farms (Private) Limited	Common directorship	Nil
Nishat Dairy (Private) Limited	Common directorship	Nil
Nishat Developers (Private) Limited	Common directorship	Nil
Nishat Hotels & Properties Limited	Common directorship	Nil
Nishat Mills Limited	Common directorship	0.129%
Nishat Power Limited	Common directorship	0.261%
Nishat Sutas Dairy Limited	Common directorship	Nil
Pakgen Power Limited	Common directorship	6.889%
Pakistan Single Window	Common directorship	Nil
Punjab Industrial Estate Development & Management Company	Common directorship	Nil
Punjab Social Security Health Management Company	Common directorship	Nil
Roomi Foods (Private) Limited	Common directorship	Nil
Roomi Poultry (Private) Limited	Common directorship	Nil
Shakarganj Limited	Common directorship	Nil
Siddiqsons Limited	Common directorship	Nil
Siddiqsons Tin Plate Limited	Common directorship	0.806%
Siddiqsons Energy Limited	Common directorship	Nil
Soxlinks (Private) Limited	Common directorship	Nil
Sui Northern Gas Pipelines Limited	Common directorship	0.898%
U&S Gulberg Filling Station	Common directorship	Nil

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

41 Segment Information

The Group conducts general insurance business both inside and outside Pakistan while life insurance is conducted only in Pakistan.

2020

	General Insurance												Life Insurance	Aggregate	
	Fire and property damage		Marine, aviation and transport		Motor		Accident & health		Miscellaneous		Total				Aggregate General Insurance
	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan			
Premium receivable (inclusive of federal excise duty, administrative surcharge)	7,606,082	22,809	1,088,491	21,577	3,163,942	4,874,936	1,827,861	120,239	1,318,756	10,319	15,210,132	5,049,880	20,260,012	17,095,659	37,355,671
Federal insurance fee and Administrative surcharge	(987,504)	(1,448)	(123,365)	(363)	(371,941)	(231,767)	(16,327)	(5,728)	(118,270)	(601)	(1,622,660)	(233,925)	(1,862,585)	-	(1,862,585)
Federal excise duty / VAT	(67,970)	(48)	(9,628)	(23)	(27,904)	-	(18,057)	-	(12,396)	(6)	(135,953)	(77)	(136,030)	-	(136,030)
Federal insurance fee	6,730,608	21,313	980,500	21,191	2,788,844	4,843,149	1,793,477	114,513	1,188,090	9,712	13,451,519	4,809,878	18,261,397	17,095,659	35,357,056
Gross written premium (inclusive of administrative surcharge)	6,750,608	21,313	980,500	21,191	2,788,844	4,843,149	1,793,477	114,513	1,188,090	9,712	13,451,519	4,809,878	18,261,397	17,095,659	35,357,056
Gross direct premium	6,689,190	21,242	937,045	21,191	2,653,801	4,655,746	1,739,654	114,513	1,151,351	9,692	13,292,039	4,802,394	18,094,423	17,095,659	35,130,082
Facultative inward premium	33,239	-	415	-	215	-	-	-	21,876	-	61,745	-	61,745	-	61,745
Administrative surcharge	18,179	-	23,042	-	104,828	7,403	2,823	-	8,863	20	157,735	7,494	165,229	-	165,229
Insurance premium earned	6,730,608	21,313	980,500	21,191	2,788,844	4,843,149	1,793,477	114,513	1,188,090	9,712	13,451,519	4,809,878	18,261,397	17,095,659	35,357,056
Insurance premium ceded to reinsurers	6,636,961	29,222	935,685	19,427	2,737,392	4,589,394	1,858,133	33,867	1,459,375	11,366	13,627,556	4,663,066	20,290,622	17,095,659	37,386,281
Net underwriting income	(5,816,310)	(20,701)	(263,140)	-	(47,389)	(195,141)	-	(41,406)	(621,776)	(7,846)	(6,748,615)	(265,094)	(7,013,709)	(563,967)	(7,577,676)
Net insurance premium	820,651	8,521	672,555	19,427	2,690,003	6,374,253	1,858,133	(7,739)	837,599	3,310	6,878,941	6,397,972	13,276,913	16,531,692	29,808,605
Commission income	413,856	2,603	1,727	-	4,147	-	1,905	-	99,353	1,378	519,083	5,886	524,969	-	524,969
Net underwriting income	1,234,507	11,124	674,282	19,427	2,694,150	6,374,253	1,858,133	6,634	936,952	4,888	7,398,024	6,403,858	13,801,882	16,531,692	30,333,574
Insurance claims	(2,219,655)	(107,757)	(648,185)	3,443	(1,283,439)	(5,681,685)	(1,567,530)	(62,161)	(902,353)	1,443	(6,321,162)	(5,856,717)	(12,177,879)	(7,459,494)	(19,637,373)
Insurance claim recoveries from reinsurer	1,577,406	35,947	42,823	-	162,184	1,849,668	-	42,390	480,216	489	2,262,329	1,928,694	4,191,023	620,863	4,811,886
Net claims	(642,249)	(71,810)	(605,362)	3,443	(1,121,255)	(3,841,817)	(1,567,530)	(19,771)	(422,137)	1,932	(4,058,833)	(3,928,023)	(7,986,856)	(6,838,631)	(14,825,487)
Commission expense	(415,970)	(2,645)	(118,735)	(2,465)	(184,654)	(1,424,474)	(72,073)	(3,431)	(131,120)	(592)	(924,552)	(1,433,607)	(2,358,159)	(2,592,072)	(5,050,231)
Management expense	(388,958)	(1,082)	(351,320)	(8,989)	(995,497)	(965,423)	(131,697)	(19,884)	(249,523)	(595)	(2,096,995)	(995,973)	(3,092,968)	(988,259)	(4,081,227)
Net insurance claims and expenses	(1,427,177)	(75,537)	(775,717)	(8,011)	(2,301,406)	(6,231,714)	(1,771,300)	(43,066)	(604,780)	745	(7,080,380)	(6,357,603)	(13,437,863)	(10,468,962)	(23,905,945)
Net change in insurance liabilities (other than outstanding claims)	(192,670)	(64,413)	(101,455)	11,416	392,744	142,559	86,833	(48,920)	132,172	5,633	317,644	46,255	363,899	(3,894,336)	(3,530,437)
Net investment income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net fair value unrealized gain on financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net unrealized gains on investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workers' welfare fund reversal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit from Windrow Takat Operations - Operans Fund (Parent Company)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit before taxation	1,608,090	246,247	1,855,337	375,229	1,855,337	375,229	1,855,337	375,229	1,855,337	375,229	1,855,337	375,229	1,855,337	375,229	1,855,337
Segment Assets	6,767,220	84,504	498,520	7,214	1,111,411	4,087,762	505,065	99,727	1,812,452	19,049	10,692,646	4,296,236	14,990,904	49,580,853	64,571,757
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Segment Liabilities	7,633,997	99,635	736,427	22,678	2,397,597	8,116,777	1,433,789	141,733	2,206,070	21,468	14,407,880	8,402,291	22,810,171	48,555,896	71,366,067
Unallocated Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	18,231,873	9,043,537	27,275,410	48,488,922	76,424,232										

Rupees in thousand

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

41.1 Segment Information

The Group conducts general insurance business both inside and outside Pakistan while life assurance is conducted only in Pakistan.

	2019												Aggregate		
	General Insurance													Life Insurance	
	Fire and property damage		Marine, aviation and transport		Motor		Accident & health		Miscellaneous		Total				Aggregate General Insurance
	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan			
Premium receivable (inclusive of federal excise duty, administrative surcharge)	8,534,754	43,324	988,598	23,882	3,229,489	7,862,923	1,917,203	23,660	18,125	21,28,708	16,808,732	7,971,894	24,780,646	12,964,282	37,744,928
Federal insurance fee and Administrative surcharge	(1,065,951)	(2,961)	(109,294)	(352)	(384,924)	(374,823)	(25,442)	(1,127)	(904)	(174,476)	(1,760,087)	(890,173)	(2,140,260)	-	(2,140,260)
Federal excise duty / VAT	(72,465)	(105)	(8,666)	(44)	(28,409)	(18,942)	(18,942)	-	(5)	(19,007)	(147,663)	(154)	(147,843)	-	(147,843)
Federal insurance fee	7,396,338	40,258	880,438	23,466	2,816,156	7,485,094	1,872,519	22,533	17,216	1,935,225	14,900,976	7,591,367	22,482,543	12,964,282	35,456,825
Gross written premium (inclusive of administrative surcharge)	7,396,338	40,258	880,438	23,466	2,816,156	7,485,094	1,872,519	22,533	17,216	1,935,225	14,900,976	7,591,367	22,482,543	12,964,282	35,456,825
Gross direct premium	7,943,446	40,087	857,397	23,404	2,714,540	7,483,357	1,872,719	22,533	17,108	1,890,507	14,673,609	7,586,469	22,265,078	12,964,282	35,229,360
Facultative inward premium	32,659	-	1,009	-	-	-	-	-	-	33,026	66,694	-	66,694	-	66,694
Administrative surcharge	20,233	191	22,032	62	101,616	4,737	100	-	108	11,692	155,673	5,088	160,771	-	160,771
Insurance premium earned	7,396,338	40,258	880,438	23,466	2,816,156	7,485,094	1,872,519	22,533	17,216	1,935,225	14,900,976	7,591,367	22,482,543	12,964,282	35,456,825
Insurance premium ceded to reinsurers	6,942,436	42,735	890,285	32,086	2,890,723	8,506,288	1,759,388	36,446	16,137	1,759,086	14,211,928	8,633,672	22,945,600	12,964,282	35,809,882
Net insurance premium	(6,109,923)	(29,682)	(185,885)	-	(51,873)	(230,289)	(29,237)	-	(7,216)	(781,978)	(7,123,659)	(286,444)	(7,426,103)	6,883,271	(8,009,374)
Commission income	832,513	13,073	704,400	32,086	2,808,850	8,275,959	1,793,988	7,149	8,921	971,118	7,082,289	8,337,228	15,419,497	12,381,011	27,800,508
Net underwriting income	420,858	6,994	1,457	4,274	16,706	16,706	-	2,902	2,902	153,430	580,019	26,602	606,621	-	606,621
Insurance claims	1,253,371	20,067	705,857	32,086	2,813,124	8,292,705	1,759,388	7,149	11,823	1,130,548	7,662,288	8,393,830	16,026,118	12,381,011	28,407,129
Insurance claim recoveries from reinsurer	(1,492,018)	(26,083)	(466,446)	(10,691)	(1,451,940)	(8,475,203)	(1,543,254)	(48,846)	(7,844)	(492,744)	(5,426,302)	(6,571,667)	(13,897,969)	(7,073,190)	(21,071,159)
Net claims	1,106,232	29,516	103,688	-	62,949	2,800,066	39,030	-	5,202	174,789	1,447,618	2,673,814	4,121,432	349,308	4,470,740
Commission expense	(385,726)	3,433	(382,758)	(10,691)	(1,368,991)	(5,878,137)	(1,543,254)	(9,816)	(2,642)	(317,955)	(3,978,694)	(5,897,853)	(9,876,537)	(6,723,882)	(16,600,419)
Management expense	(435,597)	(6,575)	(120,683)	(6,815)	(195,735)	(1,163,726)	(54,469)	(800)	(1,170)	(129,196)	(935,740)	(1,178,069)	(2,113,826)	(2,700,478)	(4,814,304)
Net insurance claims and expenses	(382,535)	(1,317)	(213,527)	(11,420)	(1,094,632)	(1,230,054)	(138,282)	(13,046)	(737)	(324,581)	(2,133,517)	(1,256,574)	(3,390,091)	(1,032,477)	(4,422,568)
Net change in insurance liabilities (other than outstanding claims)	(1,183,858)	(4,459)	(896,998)	(27,926)	(2,659,418)	(8,271,917)	(1,735,985)	(23,862)	(4,549)	(771,712)	(7,047,941)	(8,332,513)	(15,380,454)	(10,458,637)	(25,837,291)
Underwriting result	69,513	15,608	8,689	4,180	153,706	20,788	23,403	(16,513)	7,274	358,886	614,347	31,317	645,664	(3,201,414)	(2,555,750)
Net investment income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net fair value unrealized gain on financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net unrealized gains on investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	-	-	-	12,298	-	12,298	21,000	33,298
Other income	-	-	-	-	-	-	-	-	-	-	26,767	1,837	28,604	-	28,604
Other expenses	-	-	-	-	-	-	-	-	-	-	6,744	6,807	68,551	391,800	460,351
Workers' welfare fund expense	-	-	-	-	-	-	-	-	-	-	(46,407)	(12,585)	(89,992)	(6,496)	(67,448)
Finance cost	-	-	-	-	-	-	-	-	-	-	355,761	-	355,761	-	355,761
Profit from Window Takaful Operations - Operators Fund (Parent Company)	-	-	-	-	-	-	-	-	-	-	(2,805)	(4,692)	(7,497)	(7,877)	(15,374)
Profit before tax	-	-	-	-	-	-	-	-	-	-	107,693	-	107,693	-	107,693
Segment Assets	6,982,773	95,788	489,767	5,187	1,082,812	5,552,814	588,513	33,510	19,249	1,923,766	11,027,621	5,706,548	16,734,189	38,189,702	55,923,871
Unallocated assets	-	-	-	-	-	-	-	-	-	-	25,463,418	6,546,138	32,009,556	1,071,643	33,081,199
Segment Liabilities	7,060,540	111,211	624,861	25,552	2,359,101	9,893,415	1,366,492	40,351	22,763	2,307,325	13,718,319	10,193,292	23,911,611	37,970,494	61,882,105
Unallocated Liabilities	-	-	-	-	-	-	-	-	-	-	3,509,258	679,082	4,188,320	929,757	5,118,077
											17,227,577	10,872,354	28,099,931	38,900,251	67,000,182

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

42 Movement in investments

	Available for sale	Held to Maturity	Fair value through profit or loss	Total
— Rupees in thousand —				
As at January 01, 2019	19,132,807	15,804,142	17,265,376	52,202,325
Additions	3,742,112	106,125,409	132,200,278	242,067,799
Disposals (sales and redemptions)	(4,061,948)	(106,527,020)	(129,155,509)	(239,744,477)
Fair value net gains (excluding net realized gain)	999,218	-	508,006	1,507,224
Currency translation effect	-	520,825	-	520,825
Unwinding of discount on debt securities	-	11,404	-	11,404
Impairment losses	(294,179)	-	-	(294,179)
As at December 31, 2019	19,518,010	15,934,760	20,818,151	56,270,921
Additions	4,021,717	63,571,640	167,134,793	234,728,150
Disposals (sales and redemptions)	(3,281,660)	(65,430,998)	(159,018,594)	(227,731,252)
Fair value net gains (excluding net realized gain)	(95,285)	-	841,093	745,808
Currency translation effect	-	184,091	-	184,091
Unwinding of discount on debt securities	-	5,900	-	5,900
Impairment losses	(158,641)	-	-	(158,641)
As at December 31, 2020	20,004,141	14,265,393	29,775,443	64,044,977

43 Management of insurance and financial risk

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest / mark-up rate risk, price risk and currency risk). The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall risks arising from the Group's financial assets and liabilities are limited. The Group consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below. The Board of Directors (the Board) has overall responsibility for the establishment and oversight of Group's risk management framework. The Board is also responsible for developing the Group's risk management policies.

The individual risk wise analysis is given below :

Parent Company

43.1 Insurance risk

The principal risk that the Parent Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof may differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Parent Company is to ensure that sufficient reserves are available to cover these liabilities. The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Further, strict claims review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims and similar procedures are put in place to reduce the risk exposure of the Parent Company. The Parent Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Parent Company.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

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Although the Parent Company has reinsurance arrangements, it is not relieved of its direct obligations to its policy holders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Parent Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Parent Company substantially dependent upon any single reinsurance contract. Reinsurance policies are written with approved reinsurers on either a proportionate basis or non-proportionate basis. The reinsurers are carefully selected and approved and are dispersed over several geographical regions.

Experience shows that larger the portfolio is in similar reinsurance contracts, smaller will be the relative variability about the expected outcome. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Parent Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Parent Company principally issues the general insurance contracts e.g. Fire & property, Marine, aviation & transport, Motor, Accident & health and other Miscellaneous. Risks under non-life insurance policies usually cover twelve month or lesser duration. For general insurance contracts the most significant risks arise from accidental fire, atmospheric disaster and terrorist activities. Insurance contracts at times also cover risk for single incidents that expose the Parent Company to multiple insurance risks.

43.1.1 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.

43.1.2 Reinsurance arrangements

Keeping in view the maximum exposure in respect of key zone aggregate, 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 the multiple of the treaty capacity or the primary recovery from the proportional treaty, any loss over and above limit would be recovered from the non-proportional treaty which is very much in line with the risk management philosophy of the Parent Company.

	Gross sum insured		Reinsurance		Net	
	2020	2019	2020	2019	2020	2019
	Rupees in thousand					
Fire & property damage	5,362,654,044	5,155,573,587	4,603,407,292	4,452,484,421	759,246,752	703,089,166
Marine aviation & transport	2,745,235,895	2,405,075,840	327,249,038	275,255,894	2,417,986,857	2,129,819,946
Motor	226,188,600	273,300,696	5,677,579	5,609,902	220,511,021	267,690,794
Accident & health	115,702,675	88,346,549	1,188,805	494,075	114,513,870	87,852,474
Miscellaneous	432,883,227	537,845,680	340,447,752	400,087,997	92,435,475	137,757,683
	8,882,664,441	8,460,142,352	5,277,970,466	5,133,932,289	3,604,693,975	3,326,210,063

43.1.3 Sources of uncertainty in estimation of future claim payments

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

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In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the statement of financial position date.

43.1.4 Key assumptions for claim estimation

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Parent Company, in which case the information about the claim event is available. IBNR provision is initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries.

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

43.1.5 Sensitivity analysis

The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Parent 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 Parent Company considers that the liability for insurance claims recognized in the statement of financial position is adequate. However, actual experience may differ from the expected outcome.

As the Parent 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 / (loss) before tax, net of reinsurance.

	Pre tax profit / (loss)	
	2020	2019
	Rupees in thousand	
10% increase in claims liability		
Net:		
Fire & property	(71,406)	(38,229)
Marine, aviation and transport	(30,222)	(37,345)
Motor	(496,307)	(724,713)
Accident & health	(158,730)	(155,307)
Miscellaneous	(42,021)	(32,060)
	(798,686)	(987,654)
10% decrease in claims liability		
Net:		
Fire & property	71,406	38,229
Marine, aviation and transport	30,222	37,345
Motor	496,307	724,713
Accident & health	158,730	155,307
Miscellaneous	42,021	32,060
	798,686	987,654

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Statement of Age-wise breakup of unclaimed insurance benefits

Particulars	Total	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months
Claims not encashed	846,364	615,401	39,276	53,984	56,872	80,831

Rupees in thousand

Subsidiary Company

43.2 Conventional business

43.2.1 Individual Life

The risk underwritten is mainly death and sometimes disability. The risk of death and disability will vary in degree by age, gender, occupation, income group and geographical location of the assured person. The Subsidiary Company's exposure to poor risks may lead to unexpectedly high severity and frequency in claims' experience. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The Subsidiary Company may also face the risk of poor investment return, inflation of business expenses and liquidity issues on amount invested in the fund. The Subsidiary Company faces the risk of underpricing particularly due to the fact that majority of these contracts are long term. Additionally, the risk of poor persistency may result in the Subsidiary Company being unable to recover expenses incurred at policy acquisition.

The Subsidiary Company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The Subsidiary Company has a well defined medical underwriting policy and avoids selling policies to high risk individuals. This puts a check on anti-selection. The need for profit testing is reviewed on an annual basis to ensure reasonableness of premiums charged. Reinsurance contracts have been purchased by the Subsidiary Company to limit the maximum exposure on any one insured person. The Subsidiary Company is developing and intends to eventually have a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency the Subsidiary Company applies quality controls on the standard of service provided to policyholders and has placed checks to control mis-selling and to track improvements in the standard of service provided to policyholders. For this, a regular monitoring of lapsation rates is conducted. On the claims handling side, the Subsidiary Company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, Claims Committee with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. Further, all payments on account of claims are made after necessary approval of relevant authority as per policy of the Subsidiary Company. The Subsidiary Company maintains adequate liquidity in its fund to cater for a potentially sudden and high cash requirement.

a) Frequency and severity of claims

The Subsidiary Company measures concentration of risk by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The table below presents the concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above.

The amounts presented are showing total exposure of the Subsidiary Company including exposure in respect of riders attached to the main policies.

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Benefits assured per life Rupees	Sum assured at the end of 2020			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-200,000	3,862	10.30%	3,244	17.52%
200,000 - 400,000	4,918	13.12%	2,920	15.77%
400,001 - 800,000	5,980	15.95%	2,771	14.97%
800,001 - 1,000,000	6,158	16.42%	4,472	24.16%
More than 1,000,000	16,576	44.21%	5,106	27.58%
Total	37,494	100.00%	18,513	100.00%

Benefits assured per life Rupees	Sum assured at the end of 2019			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-200,000	14,013	39.57%	3,807	39.57%
200,000 - 400,000	5,605	15.83%	1,523	15.83%
400,001 - 800,000	4,841	13.66%	1,315	13.66%
800,001 - 1,000,000	510	1.44%	138	1.44%
More than 1,000,000	10,446	29.50%	2,838	29.50%
Total	35,415	100.00%	9,621	100.00%

b) Factors impacting future benefit payments and premium receipts are as follows:

The Subsidiary Company assumes the expected mortality to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible. Morbidity incidence rates are taken as a percentage of reinsurer's risk premium rate.

Persistency: The Subsidiary Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

c) Process used to decide on assumptions

For long-term conventional assurance contracts, long-term assumptions are made at the inception of the contract. Keeping the statutory minimum reserving basis in view, the Subsidiary Company determines assumptions on future mortality, morbidity, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies are as follows:

- Mortality: The Subsidiary Company assumes the expected mortality to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.
- Persistency: The Subsidiary Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.
- Expense levels and inflation: A periodic study is conducted on the Subsidiary Company's current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.

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- Investment returns: The investment returns are based on the historic performance of the assets and asset types underlying the fund.

d) Changes in assumptions

There are no changes in assumptions.

e) Sensitivity analysis

After reinsurance, the overall liability for individual life conventional business stands at less than 1% of the total policyholder liability held in respect of individual life business. Due to its immateriality, sensitivity analysis has not been conducted.

43.2.2 Group Life

The main risk written by the Subsidiary Company is mortality. The Subsidiary Company may be exposed to the risk of unexpected claim severity or frequency. This can be a result of writing business with higher than expected mortality (such as mining or other hazardous industries), writing high cover amounts without adequate underwriting, difficulty of verification of claims, fraudulent claims or a catastrophe. The Subsidiary Company also faces risk such as that of underpricing to acquire business in a competitive environment and of non-receipt of premium in due time. There also exists a potential risk of asset liability term mismatch due to liabilities being very short term in nature.

The Subsidiary Company manages these risks through underwriting, reinsurance, effective claims handling and other related controls. The Subsidiary Company has a well defined medical underwriting policy and avoids writing business for groups with overly hazardous exposure. Pricing is done in line with the actual experience of the Subsidiary Company. The premium charged takes into account the actual experience of the client and the nature of mortality exposure the group faces. The Management undertakes to write business in line with the limits set by the appointed actuary, especially for large groups having a group assurance policy with annual premium of Rs 2 million or above in accordance with the requirements of Circular 11 of 2013 dated June 14, 2013. The Subsidiary Company also maintains a Management Information System (MIS) to track the adequacy of the premium charged. Reinsurance contracts have been purchased by the Subsidiary Company to limit the maximum exposure to any one life. The Subsidiary Company ensures writing business with good geographical spread and tries to maintain a controlled exposure to large groups which generally have poor experience. Writing business of known hazardous groups is also avoided. On the claims handling side, the Subsidiary Company ensures that payment of any fraudulent claims is avoided. For this, Claims Committee with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. Strict monitoring is in place at the Board of Directors level in order to keep the outstanding balances of premium at a minimum, especially the ones that are due for more than 90 days. The bulk of the assets held against liabilities of this line of business are cash to money market with short durations and high liquidity, thus mitigating the risk of asset value deterioration and liability mismatch.

a) Frequency and severity of claims

The Subsidiary Company measures concentration of risk by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.

The table below presents the concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above.

The amounts presented are showing total exposure of the Subsidiary Company including exposure in respect of riders attached to the main policies.

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Benefits assured per client	Sum assured at the end of 2020			
	Total benefits assured			
	Before reinsurance		After reinsurance	
Rupees	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-500,000	50,628,936	10.44%	31,519,652	24.57%
500,001-1,000,000	39,602,826	8.17%	22,742,636	17.73%
1,000,001-1,500,000	26,208,190	5.40%	11,812,300	9.21%
1,500,001-2,000,000	31,649,728	6.53%	10,347,750	8.07%
More than 2,000,000	336,844,640	69.46%	51,844,196	40.42%
Total	484,934,320	100.00%	128,266,534	100.00%

Benefits assured per client	Sum assured at the end of 2019			
	Total benefits assured			
	Before reinsurance		After reinsurance	
Rupees	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-500,000	-	0.00%	-	0.00%
500,001-1,000,000	-	0.00%	-	0.00%
1,000,001-1,500,000	-	0.00%	-	0.00%
1,500,001-2,000,000	-	0.00%	-	0.00%
More than 2,000,000	592,761,889	100.00%	204,301,760	100.00%
Total	592,761,889	100.00%	204,301,760	100.00%

b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Other than conducting a liability adequacy for Unexpired Risk Reserves (URR), there is no need to estimate mortality for future years because of the short duration of the contracts.

c) Process used to decide on assumptions

Industry experience, the insured group's own past experience and reinsurer risk rates are used to determine the expected level of risk in relation to the SLIC (2001-05) Individual Life Ultimate Mortality Table.

d) Changes in assumptions

There are no changes in assumptions.

e) Sensitivity analysis

After reinsurance, the net unearned premium reserve for this business stands at less than 1% of the total policyholders liability. This liability will be on the Subsidiary Company's books for under a year. Due to its immateriality, a sensitivity analysis has not been conducted.

43.2.3 Non utilized Investment Linked Business

The risk underwritten is mainly death and sometimes disability and/or critical illness. The risk of death and disability will vary in degree by age, gender, occupation, income group and geographical location of the insured person. The Subsidiary Company's exposure to poor risks may lead to unexpectedly high severity and frequency in claims' experience. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The Subsidiary Company may also face the risk of poor investment return, inflation of business expenses and liquidity issues on monies invested in the fund. The Subsidiary Company faces the risk of underpricing particularly due to the fact that these contracts are long term. Additionally, the risk of poor persistency may result in the Subsidiary Company being unable to recover expenses incurred at policy acquisition.

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The Subsidiary Company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The Subsidiary Company has a well defined medical underwriting policy and avoids selling policies to high risk individuals. This puts a check on anti-selection. The need for profit testing is reviewed on an annual basis to ensure reasonableness of premiums charged. Reinsurance contracts have been purchased by the Subsidiary Company to limit the maximum exposure on any one insured person. The Subsidiary Company is developing and intends to eventually have a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency the Subsidiary Company applies quality controls on the standard of service provided to policyholders and has placed checks to control mis-selling and to track improvements in the standard of service provided to policyholders. For this, a regular monitoring of lapsation rates is conducted. On the claims handling side, the Subsidiary Company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, Claims Committee with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. The Subsidiary Company maintains adequate liquidity in its fund to cater for a potentially sudden and high cash requirement. Further, all payments on account of claims are made after necessary approval of relevant authority as per policy of the Subsidiary Company. The Subsidiary Company reserves the right to review the charges deductible under the contracts, thus limiting the risk of under pricing.

a) Frequency and severity of claims

The Subsidiary Company measures concentration of risk by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Subsidiary Company charges for mortality risk on a monthly basis for all insurance contracts. It has the right to alter these charges based on its mortality experience and hence minimises its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may hinder its mitigating effect. The Subsidiary Company manages these risks through its underwriting strategy and reinsurance arrangements.

The table below presents the concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above.

The amounts presented are showing total exposure of the Subsidiary Company including exposure in respect of riders attached to the main policies.

Benefits assured per life

Rupees	Sum assured at the end of 2020			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-200,000	72,699	4.29%	22,174	4.66%
200,000 - 400,000	246,330	14.52%	76,304	16.03%
400,001 - 800,000	549,367	32.38%	168,241	35.35%
800,001 - 1,000,000	505,842	29.82%	153,503	32.25%
More than 1,000,000	322,245	18.99%	55,766	11.71%
Total	1,696,483	100.00%	475,988	100.00%

Benefits assured per life

Rupees	Sum assured at the end of 2019			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-200,000	227,510	8.91%	69,243	10.13%
200,000 - 400,000	297,182	11.64%	91,405	13.37%
400,001 - 800,000	718,533	28.14%	217,492	31.81%
800,001 - 1,000,000	740,372	29.00%	223,161	32.64%
More than 1,000,000	569,440	22.31%	82,441	12.05%
Total	2,553,037	100.00%	683,742	100.00%

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b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term non-unitised investment linked assurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and morbidity of the insured population and variability in policyholders' behaviour.

Factors impacting future benefit payments and premium receipts are as follows:

- Mortality: The expected mortality is assumed to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.
- Persistency: The Subsidiary Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

c) Process used to decide on assumptions

For long-term non-unitised investment linked assurance contracts, assumptions are made in two stages. At inception of the contract, the Subsidiary Company determines assumptions on future mortality, morbidity, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies are as follows:

- Mortality: The Subsidiary Company assumes the expected mortality to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.
- Persistency: The Subsidiary Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.
- Expense levels and inflation: A periodic study is conducted on the Subsidiary Company's current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.
- Investment returns: The investment returns are based on the historic performance of the assets and asset types underlying the fund.

d) Changes in assumptions

There are no changes in assumptions.

e) Sensitivity analysis

Periodic sensitivity analyses of the Subsidiary Company's in-force business determine whether any reserve needs to be created or product prices for new business need to be revised in light of changing or anticipated changes in experience from that expected when pricing the existing book of business. The current nature, volume and age of in-force business does not require a detailed sensitivity analysis at this stage.

43.2.4 Unit Linked Business

The risk underwritten is mainly death and sometimes disability and/or critical illness. The risk of death and disability will vary from region to region. The Subsidiary Company may get exposed to poor risks due to unexpected experience in terms of claim severity or frequency. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The Subsidiary Company may also face the risk of poor investment return, inflation of business expenses and liquidity issues on monies invested in the fund. The Subsidiary Company faces the risk of

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underpricing particularly due to the fact that these contracts are long term. Additionally, the risk of poor persistency may result in the Subsidiary Company being unable to recover expenses incurred at policy acquisition.

The Subsidiary Company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The Subsidiary Company has a well defined medical underwriting policy and avoids selling policies to high risk individuals. This puts a check on anti-selection. The need for profit testing is reviewed on an annual basis to ensure reasonableness of premiums charged. Reinsurance contracts have been purchased by the Subsidiary Company to limit the maximum exposure on any one policyholder. The Subsidiary Company has a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency the Subsidiary Company applies quality controls on the standard of service provided to policyholders and has placed checks to curb mis-selling and improvement in standard of service provided to the policyholders. For this, a regular branch wise monitoring of lapsation rates is conducted. On the claims handling side, the Subsidiary Company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, Claims Committee with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. The Subsidiary Company maintains adequate liquidity in each unit fund to cater for potentially sudden and high cash requirement. Further, all payments on account of claims are made after necessary approval of relevant authority as per policy of the Subsidiary Company. The Subsidiary Company reserves the right to review the charges deductible under the contracts, thus limiting the risk of under pricing.

Frequency and severity of claims

The Subsidiary Company measures concentration of risk by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.

However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Subsidiary Company charges for mortality risk on a monthly basis for all insurance contracts. It has the right to alter these charges based on its mortality experience and hence minimises its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may hinder its mitigating effect. The Subsidiary Company manages these risks through its underwriting strategy and reinsurance arrangements.

The table below presents the concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above.

The amounts presented are showing total exposure of the Subsidiary Company including exposure in respect of riders attached to the main policies.

Benefits assured per life

Rupees	Sum assured at the end of 2020			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-200,000	2,897,364	2.62%	2,248,696	3.69%
200,000 - 400,000	14,087,312	12.75%	11,201,286	18.39%
400,001 - 800,000	29,372,875	26.58%	22,386,891	36.75%
800,001 - 1,000,000	27,231,334	24.65%	15,180,826	24.92%
More than 1,000,000	36,900,887	33.40%	9,893,933	16.25%
Total	110,489,772	100.00%	60,911,632	100.00%

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Benefits assured per life Rupees	Sum assured at the end of 2019			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-200,000	9,153,325	8.29%	5,636,878	10.02%
200,000 - 400,000	12,522,371	11.34%	9,121,989	16.22%
400,001 - 800,000	27,073,353	24.51%	18,911,051	33.63%
800,001 - 1,000,000	27,210,735	24.63%	14,001,825	24.90%
More than 1,000,000	34,506,808	31.23%	8,560,398	15.23%
Total	110,466,592	100.00%	56,232,141	100.00%

a) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term unit linked insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and variability in policyholder's behaviour.

b) Factors impacting future benefit payments and premium receipts are as follows:

Mortality: The expected mortality is assumed to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.

Persistency: The Subsidiary Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

c) Process used to decide on assumptions

For long-term unit linked insurance contracts, assumptions are made in two stages. At inception of the contract, the Subsidiary Company determines assumptions on future mortality, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies are as follows:

Mortality: The Subsidiary Company assumes the expected mortality to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.

Persistency: The Subsidiary Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

Expense levels and inflation: As the business is new, estimates from business projections have been used. Once established, a periodic study will be conducted on the Subsidiary Company's current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.

Investment returns: The investment returns are based on the historic performance of the assets and asset types underlying the fund.

d) Changes in assumptions

There are no changes in assumptions.

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e) Sensitivity analysis

Periodic sensitivity analyses of the Subsidiary Company's in-force business determine whether any reserve needs to be created or product prices for new business need to be revised in light of changing or anticipated changes in experience from that expected when pricing the existing book of business. The current nature, volume and age of in-force business does not require a detailed sensitivity analysis at this stage.

43.2.5 Individual Family Takaful Unit Linked Business

The risk covered is mainly death and sometimes disability and / or critical illness. The risk of death and disability will vary from region to region. The PTF may get exposed to poor risks due to unexpected experience in terms of claim severity or frequency. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The PTF may also face the risk of poor investment return, and liquidity issues on monies invested in the fund. The PTF faces the risk of inadequacy of the Mortality Charge (Takaful Contribution) particularly due to the fact that these contracts are long term. Additionally, the risk of poor persistency can lead to an impact on the size of the PTF. A larger PTF may allow for a greater degree of cross subsidization of Mortality Risk, increasing the probability of convergence between actual and expected Mortality experience.

The Subsidiary Company manages these risks through its underwriting, retakaful, claims handling policy and other related controls. The Subsidiary Company has a well defined medical underwriting policy and avoids issuing cover to high risk individuals. This puts a check on anti-selection. The need for profit testing is reviewed on an annual basis to ensure reasonableness of contribution charged for risk underwritten by the PTF. Retakaful contracts have been purchased by the Subsidiary Company to limit the maximum exposure on any one participant. The Subsidiary Company has a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency, the Subsidiary Company applies quality controls on the standard of service provided to Participants of the PTF and has placed checks to curb mis-selling and improvement in the standard of customer service. For this, a regular branch wise monitoring of lapsation rates is conducted. On the claims handling side, the Subsidiary Company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, a Claims Committee with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. The Subsidiary Company maintains adequate liquidity in each unit fund to cater for potentially sudden and high cash requirement. Further, all payments on account of claims are made after necessary approval of relevant authority as per policy of the Subsidiary Company. The Subsidiary Company reserves the right to review the Takaful Contributions deductible under the contracts, thus limiting the risk of under pricing.

a) Frequency and severity of claims

The Subsidiary Company measures concentration of risk by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.

However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Subsidiary Company charges for mortality risk on a monthly basis for all Takaful contracts. It has the right to alter these charges based on its mortality experience and hence minimises its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may hinder its mitigating effect. The Subsidiary Company manages these risks through its underwriting strategy and retakaful arrangements.

The table below presents the concentration of covered benefits across five bands of covered benefits per participant. The benefit covered figures are shown gross and net of the retakaful contracts described above.

The amounts presented are showing total exposure of the PTF including exposure in respect of riders attached to the main policies.

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Benefits covered per life	Sum cover at the end of 2020			
	Total benefits covered			
	Before retakaful		After retakaful	
Rupees	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-200,000	681,908	2.20%	674,493	3.34%
200,000 - 400,000	3,311,104	10.67%	3,276,141	16.21%
400,001 - 800,000	7,733,473	24.91%	7,439,941	36.81%
800,001 - 1,000,000	7,905,473	25.47%	5,366,875	26.55%
More than 1,000,000	11,409,907	36.75%	3,454,945	17.09%
Total	31,041,865	100.00%	20,212,395	100.00%

Benefits covered per life	Sum assured at the end of 2019			
	Total benefits covered			
	Before retakaful		After retakaful	
Rupees	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0-200,000	1,517,959	7.36%	1,143,889	8.53%
200,000 - 400,000	2,072,722	10.05%	1,967,329	14.66%
400,001 - 800,000	4,998,950	24.23%	4,725,553	35.22%
800,001 - 1,000,000	5,431,737	26.33%	3,616,272	26.95%
More than 1,000,000	6,606,294	32.03%	1,964,029	14.64%
Total	20,627,662	100.00%	13,417,072	100.00%

b) Sources of uncertainty in the estimation of future benefit payments and contribution receipts

Uncertainty in the estimation of future benefit payments and contribution receipts for long-term unit linked takaful contracts arises from the unpredictability of long-term changes in overall levels of mortality and variability in participant's behaviour.

c) Factors impacting future benefit payments and contribution receipts are as follows:

Mortality: The expected mortality is assumed to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.

Persistency: The Subsidiary Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

d) Process used to decide on assumptions

For long-term unit linked takaful contracts, assumptions are made in two stages. At inception of the contract, the Subsidiary Company determines assumptions on future mortality, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies are as follows:

Mortality: The Subsidiary Company assumes the expected mortality to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.

Persistency: The Subsidiary Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

Expense levels and inflation: A periodic study is conducted on the Subsidiary Company's current business

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expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.

Investment returns: The investment returns are based on the historic performance of the assets and asset types underlying the fund.

e) **Changes in assumptions**

There are no changes in assumptions.

f) **Sensitivity analysis**

Periodic sensitivity analyses of the Subsidiary Company's in-force business determine whether any reserve needs to be created or product prices for new business need to be revised in light of changing or anticipated changes in experience from that expected when pricing the existing book of business. The current nature, volume and age of in-force business does not require a detailed sensitivity analysis at this stage.

43.2.6 **Group Life Family Takaful**

The main exposure of the PTF is to mortality risk. The PTF may be exposed to the risk of unexpected claim severity or frequency. This can be a result of writing business with higher than expected mortality, writing high cover amounts without adequate underwriting, difficulty of verification of claims, fraudulent claims or a catastrophe. The PTF also faces risk such as that of underpricing to acquire business in a competitive environment and of non-receipt of takaful contributions in due time. There also exists a potential risk of asset liability term mismatch due to liabilities being very short term in nature.

The Subsidiary Company manages these risks through underwriting, retakaful, effective claims handling and other related controls. The Subsidiary Company has a well defined medical underwriting policy and avoids writing business for groups with overly hazardous exposure. Pricing is done using the retakaful rates. The contribution charged takes into account the actual experience of the client and the nature of mortality exposure the group faces. The rates are certified by the appointed actuary for large groups. The Subsidiary Company also maintains an MIS to track the adequacy of the takaful contribution charged. Retakaful contracts have been purchased by the Subsidiary Company to limit the maximum mortality exposure of any one covered person. The Subsidiary Company ensures writing business with good geographical spread and tries to maintain a controlled exposure to large groups which generally have poor experience. Writing business of known hazardous groups is also avoided. On the claims handling side, the Subsidiary Company ensures that payment of any fraudulent claims is avoided. Strict monitoring is in place in order to keep the outstanding balances of contribution at a minimum, especially the ones that are due for more than 90 days. The bulk of the assets held against liabilities of this line of business are cash to money market with short durations and high liquidity, thus mitigating the risk of asset value deterioration and liability mismatch.

a) **Frequency and severity of claims**

The Subsidiary Company measures concentration of risk by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.

The table below presents the concentration of covered benefits across five bands of covered benefits per participant. The benefit covered figures are shown gross and net of the retakaful contracts described above.

The amounts presented are showing total exposure of the PTF including exposure in respect of riders attached to the main policies.

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Benefits covered per life Rupees	Sum cover at the end of 2020			
	Total benefits covered			
	Before retakaful		After retakaful	
	Rupees in thousand	Percentage	Rupees in thousand	Percentage
0 - 500,000	5,252,290	11.02%	3,389,030	29.51%
500,001-1,000,000	7,540,050	15.82%	4,477,095	38.99%
1,000,001-1,500,000	2,173,100	4.56%	489,900	4.27%
1,500,001-2,000,000	4,760,845	9.99%	814,800	7.10%
More than 2,000,000	27,934,683	58.61%	2,312,400	20.13%
Total	47,660,968	100.00%	11,483,225	100.00%

The Group Life Family Takaful business started during the year.

b) Sources of uncertainty in the estimation of future benefit payments and contribution receipts

Other than conducting a liability adequacy for Unexpired Risk Reserves (URR), there is no need to estimate mortality for future years because of the short duration of the contracts.

c) Process used to decide on assumptions

The business is too new for any meaningful investigation into the group's past experience. However, industry experience, the insured group's own past experience and retakaful risk rates are used to determine the expected level of risk in relation to the SLIC (2001-05) Individual Life Ultimate Mortality Table.

d) Changes in assumptions

Not applicable, since this is a first year of Group Life Family Takaful operations.

e) Sensitivity analysis

After retakaful, the net unearned contribution reserve for this business stands at less than 1% of the total policyholder liability. This liability will be on the Subsidiary Company's books for under a year. Due to its immateriality, a sensitivity analysis has not been conducted.

43.3 Liability Adequacy Test

Liability adequacy test is applied to all long term contracts. Liability adequacy test is carried out using current best estimates of assumptions and future net cash flows, including premiums receivable, benefits payable and investment income from related assets.

To determine the adequacy of liabilities, assumptions must be based on realistic best estimates. We have compared our valuation mortality assumption (SLIC mortality table) with the mortality of developing Asian countries, namely: India and Malaysia. The comparison suggests that the best estimate assumption is better than the experience reflected in SLIC mortality table.

The investment return assumed for valuation is 3.75% per annum. This rate is prescribed by law. We have valued our liabilities based on the 10-Year PIB rate of 10% to determine adequacy.

The table below compares total policyholder liabilities under existing valuation basis with policyholder liabilities calculated using best estimate assumptions:

Assumptions	Policyholder liabilities on existing valuation basis	Policyholder liabilities using best estimate assumptions
	Rupees in thousand	
Mortality	45,874,473	45,840,744
Investment Returns	45,874,473	45,863,927

The liabilities evaluated under the assumptions suggest the recognized liabilities are adequate and no further provision is required.

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43.4 Financial Risk

Maturity profile of financial assets and liabilities:

	2020						Total
	Interest / markup bearing			Non - interest / markup bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
Rupees in thousand							
Financial assets							
Investment							
Equity securities- quoted	-	-	-	31,379,540	-	31,379,540	31,379,540
Equity securities- unquoted	-	-	-	3,484,209	-	3,484,209	3,484,209
Debt securities	7,335,826	7,954,340	15,290,166	-	-	-	15,290,166
Term deposits	13,813,874	77,188	13,891,062	-	-	-	13,891,062
Investments of Window Takaful							
Operations - Operator's Fund	-	-	-	35,873	-	35,873	35,873
Loans and other receivables	521	2,964	3,485	921,459	60,800	982,259	985,744
Loan secured against life insurance policies	29,912	-	29,912	-	-	-	29,912
Insurance / reinsurance receivables							
- unsecured and considered good	-	-	-	4,991,328	-	4,991,328	4,991,328
Reinsurance recoveries against outstanding claims							
	-	-	-	5,922,296	-	5,922,296	5,922,296
Salvage recoveries accrued	-	-	-	270,275	-	270,275	270,275
Prepayments	-	-	-	3,468,952	-	3,468,952	3,468,952
Cash and bank	10,788,024	-	10,788,024	479,072	-	479,072	11,267,096
Other Assets of Window Takaful							
Operations - Operator's Fund	-	-	-	520,061	-	520,061	520,061
	31,968,157	8,034,492	40,002,649	51,473,065	60,800	51,533,865	91,536,514
Financial liabilities							
Outstanding claims (including IBNR)							
	-	-	-	10,768,040	-	10,768,040	10,768,040
Insurance / reinsurance payables	-	-	-	3,161,519	-	3,161,519	3,161,519
Borrowings	179,452	151,397	330,849	-	-	-	330,849
Other creditors and accruals	-	-	-	3,155,619	-	3,155,619	3,155,619
Total liabilities of Window Takaful							
Operations- Operator's Fund	-	-	-	242,797	-	242,797	242,797
	179,452	151,397	330,849	17,327,975	-	17,327,975	17,658,824
	31,788,705	7,883,095	39,671,800	34,145,090	60,800	34,205,890	73,877,690

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	2019						
	Interest / markup bearing			Non - interest / markup bearing			Total
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
	Rupees in thousand						
Financial assets							
Investment							
Equity securities- quoted	-	-	-	29,310,072	-	29,310,072	29,310,072
Equity securities- unquoted	-	-	-	2,874,483	-	2,874,483	2,874,483
Debt securities	7,625,274	992,200	8,617,474	-	-	-	8,617,474
Term deposits	15,418,782	50,110	15,468,892	-	-	-	15,468,892
Investments of Window Takaful							
Operations - Operator's Fund	-	-	-	32,958	-	32,958	32,958
Loans and other receivables	625	3,727	4,352	671,276	41,211	712,487	716,839
Loan secured against life insurance policies	32,785	-	32,785	-	-	-	32,785
Insurance / reinsurance receivables							
- unsecured and considered good	-	-	-	5,865,967	-	5,865,967	5,865,967
Reinsurance recoveries against outstanding claims	-	-	-	5,931,928	-	5,931,928	5,931,928
Salvage recoveries accrued	-	-	-	301,420	-	301,420	301,420
Prepayments	-	-	-	3,671,070	-	3,671,070	3,671,070
Cash and bank	8,062,743	-	8,062,743	374,501	-	374,501	8,437,244
Other Assets of Window Takaful							
Operations - Operator's Fund	-	-	-	357,950	-	357,950	357,950
	31,140,209	1,046,037	32,186,246	49,391,625	41,211	49,432,836	81,619,082
Financial liabilities							
Outstanding claims	-	-	-	10,367,347	-	10,367,347	10,367,347
Insurance / reinsurance payables	-	-	-	2,826,429	-	2,826,429	2,826,429
Borrowings	-	-	-	-	-	-	-
Other creditors and accruals	-	-	-	3,566,335	-	3,566,335	3,566,335
Total liabilities of Window Takaful							
Operations- Operator's Fund	-	-	-	195,872	-	195,872	195,872
	-	-	-	16,955,983	-	16,955,983	16,955,983
	31,140,209	1,046,037	32,186,246	32,435,642	41,211	32,476,853	64,663,099

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43.4.1 Interest / mark - up rate risk

Interest / mark-up rate risk is the risk that the 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 mismatching of financial assets and liabilities that mature or repaid in a given period. The Group manages this mismatch through risk management strategies where significant changes in gap position can be adjusted. At the reporting date the interest / mark-up rate profile of the Group's significant interest / mark-up bearing financial instruments was as follows:

	Effective interest rate (%)		Carrying amounts	
	2020	2019	2020	2019
	Percentage		Rupees in thousand	
Fixed rate of financial instruments				
Financial assets:				
Investments- PIBs and Treasury Bills	6.47 - 13.83	9.00 - 14.22	11,445,069	5,843,505
Loans	5.00	5.00	3,485	4,352
Floating rate of financial instruments				
Financial assets:				
Bank and term deposits	4.50 - 11.35	8.00 - 14.50	24,679,086	23,531,635
Investments - TFCs & Sukuks	6.27 - 24.53	11.00 - 22.00	3,845,097	2,773,969

Sensitivity analysis

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate will not affect the fair value of any financial instruments. 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. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variation in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	Effect on profit before tax		Effect on equity	
	Increase	Decrease	Increase	Decrease
	Rupees in thousand			
As at December 31, 2020 - Fluctuation of 100 bps				
Cash flow sensitivity - variable rate financial liabilities	-	-	-	-
Cash flow sensitivity - variable rate financial assets	246,791	(246,791)	175,222	(175,222)
As at December 31, 2019 - Fluctuation of 100 bps				
Cash flow sensitivity - variable rate financial liabilities	-	-	-	-
Cash flow sensitivity - variable rate financial assets	235,316	(235,316)	167,074	(167,074)

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's principal transactions are carried out in Pak Rupees and its exposure to foreign exchange risk arises primarily with respect to AED and US dollars in respect of foreign branches. Assets and liabilities exposed to foreign exchange risk amounted to Rs. 10,892,805 thousands (2019: Rs. 12,262,552 thousands) and Rs. 9,043,537 thousands (2019: Rs. 10,882,221 thousands), respectively, at the end of the year.

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The following significant exchange rates were applied during the year:

	2020	2019
	————— Rupees in thousand —————	
Rupees per US Dollar		
Average rate	161.8459	149.9303
Reporting date rate	159.8344	154.8476
Rupees per AED		
Average rate	44.0622	40.8181
Reporting date rate	43.5143	42.1566

Price risk

Price risk represents the risk that the fair value of financial instruments 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 individual financial instrument or its issuer, or factors affecting all or similar financial instrument traded in the market. The Group is exposed to equity price risk that arises as a result of changes in the levels of PSE - Index and the value of individual shares. The equity price risk arises from the Group's investment in equity securities for which the prices in the future are uncertain. The Group policy is to manage price risk through selection of blue chip securities.

The Group's strategy is to hold its strategic equity investments on a long term basis. Thus, Group is not affected significantly by short term fluctuation in its strategic investments provided that the underlying business, economic and management characteristics of the investees remain favorable. The Group strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity volatility. The Group manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

The Group has investments in quoted equity securities amounting to Rs. 31,379,540 thousands (2018: Rs. 29,310,072 thousands) at the reporting date. The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the reporting date. Market prices are subject to fluctuation which may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions.

Sensitivity analysis

For the equity investment portfolio, a 10% increase / (decrease) in redemption value and share prices at year end would have increased / (decreased) impairment loss of investment recognized in profit and loss account as follows:

	Impact on profit before tax	Impact on equity
	————— Rupees in thousand —————	
2020		
Effect of increase in share price	1,001,285	710,912
Effect of decrease in share price	(491,721)	(349,122)
2019		
Effect of increase in share price	785,478	557,689
Effect of decrease in share price	(407,618)	(289,409)

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43.5 Credit risk and concentration of credit risk

Credit risk is the risk that arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposure by undertaking transactions with a large number of counterparties in various sectors and by continually assessing the credit worthiness of counterparties.

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result any change in economic, political or other conditions would affect their ability to meet contractual obligations in a similar manner. The Group's credit risk exposure is not significantly different from that reflected in those consolidated financial statements. The management monitors and limits the Group's exposure and makes conservative estimates of provisions for doubtful assets, if any. The management is of the view that it is not exposed to significant concentration of credit risk as 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:

	2020	2019
	————— Rupees in thousand —————	
Investments	64,044,977	56,270,921
Loan secured against life insurance policies	29,912	32,785
Loans and other receivable	985,744	716,839
Due from insurance contract holders	3,817,014	4,918,060
Due from other insurers / other reinsurers	1,174,314	947,907
Reinsurance recoveries against outstanding claims	5,922,296	5,931,928
Salvage recoveries accrued	270,275	301,420
Bank deposits	11,267,096	8,437,244
	87,511,628	77,557,104

Provision for impairment is made for doubtful receivables according to the Group's policy. The impairment provision is written off when the Group expects that it cannot recover the balance due. The movement in the provision for doubtful debt account is shown in note 12.2 and 12.3 to these consolidated financial statements.

	2020	2019
	————— Rupees in thousand —————	
Age analysis of due from insurance contact holders (net of provision) is as follows:		
Upto one year	3,291,385	4,316,502
Above one year	1,461,919	1,470,144
	4,753,304	5,786,646
Less: provision for doubtful balances	(936,290)	(868,586)
	3,817,014	4,918,060

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

	Rating		Rating Agency	2020	2019
	Short Term	Long Term		Rupees in thousand	
Abu Dhabi Commercial Bank	A1	A	S&P	141,791	(161,781)
Al Baraka Limited	A1	A		16,799	13,682
Allied Bank Limited	A1+	AAA	PACRA	5,020	3,805
Askari Bank Limited	A1+	AA+	PACRA	18,993	3,574
Bank Al Habib Limited	A1+	AA+	PACRA	24,757	30,862
Bank Al Habib Limited - Islamic	Not available	Not available	Not available	-	-
Bank Alfalah Limited	A1+	AA+	PACRA	727,222	726,662
Bank Islami Pakistan Limited	A1	A+	PACRA	413,196	340,223
Dubai Islamic Bank Pakistan Limited	A1+	AA	JCR-VIS	12,256	3,131
Faysal Bank Limited	A1+	AA	PACRA	60,687	769,161
FINCA Micro Finance Bank Limited	A1	A	PACRA	2,759	12,353
Habib Bank Limited	A1+	AAA	JCR-VIS	5,733,316	4,032,240
Habib Metropolitan Bank	A1+	AA+	PACRA	(149)	(149)
Khushhali Microfinance Bank Limited	A1	A+	JCR-VIS	19,518	6,390
MCB Bank Limited	A1+	AAA	PACRA	3,465,069	1,835,435
MCB Islamic Bank Limited	A1	A	PACRA	209,876	73,939
Mobilink Microfinance Bank	A1	A	PACRA	16,565	11,997
National Bank of Pakistan	A1+	AAA	PACRA	7,818	2,141
NRSP Microfinance Bank Limited	A1	A	PACRA	2,059	76,021
Samba Bank Limited	A1	AA	JCR-VIS	34,263	21,196
Silk Bank Limited	A2	A-	JCR-VIS	21,486	878
Soneri Bank Limited	A1+	AA-	PACRA	1	1
Standard Chartered Bank	A1+	AAA	PACRA	52,669	71,250
Telenor Microfinance Bank Limited	A1	A+	PACRA	7,176	1,755
The Punjab Provincial Cooperative Bank Limited	Not available	Not available	Not available	3,425	3,425
United Bank Limited	A1+	AAA	JCR-VIS	(42,845)	132,599
U Microfinance Bank Limited	Not available	Not available	Not available	293,395	273,625
Zarai Taraqjati Bank Limited	A1+	AAA	JCR-VIS	8,895	127,017
				11,256,017	8,411,432

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

The credit quality of amount due from other insurers (gross of provisions) can be assessed with reference to external credit rating as follows:

	Amounts due from other insurers / reinsurers	Reinsurance and other recoveries against outstanding claims	2020	2019
			Rupees in thousand	
A or Above (including PRCL)	1,371,729	4,287,911	5,659,640	4,888,920
BBB	29	1,053,264	1,053,293	1,839,450
Others	3,858	581,121	584,979	352,767
Total	1,375,616	5,922,296	7,297,912	7,081,137

43.6 Capital risk management

The Group's goals and objectives when managing capital are :

- To be an appropriately capitalized institution in compliance with the paid-up capital requirement set by the SECP. Minimum paid-up capital requirement for non-life insurers as at 31 December 2020 is Rs. 500,000 thousands whereas for life insurers as at 31 December 2020 is Rs. 700,000 thousands. The Group's current paid-up capital is well in excess of the limit prescribed by the SECP;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for the other stakeholders;
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk;
- To maintain strong ratings and to protect the Group against unexpected events / losses; and
- To ensure a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

43.7 Expense risk

The risk that the Group faces is that future expenses may be higher than those used in pricing of products causing an expense overrun. The Group mitigates this risk by incorporating a certain level of acceptable conservatism in building future policy expense factors in pricing and expects to maintain its actual expenses within these limits. Regular monitoring of expenses allows the Group to adjust its pricing in time to account for higher than expected expenses.

The Group closely monitors its expenses by regularly carrying out an expense analysis for its business. The assumptions for future policy expense levels are determined from the Group's most recent annual expense analysis, with an extra margin built-in to account for variability in future expenses. A review of product pricing is carried out each year based on the latest available expense factors. Constant monitoring of expenses enables the Group to take corrective actions in time.

Based on the results of expense analysis, the Group apportions its management expenses to different lines of business.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

44 Fair value measurement of financial instruments

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

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

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs (Level 3)

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

		2020										
		Available for sale	Held to maturity	Fair value through P&L	Receivables and other financial assets	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets - measured at fair value												
Investment												
	Equity securities- quoted	8	15,729,664	-	15,649,876	-	-	31,379,540	31,379,540	-	-	31,379,540
	Equity securities- unquoted	8	3,484,209	-	-	-	-	3,484,209	-	-	3,484,209	3,484,209
	Debt securities	9	790,268	374,331	14,125,567	-	-	15,290,166	-	15,290,166	-	15,290,166
	Investments of Window Takaful Operations - Operator's Fund	15	35,873	-	-	-	-	35,873	35,873	-	-	35,873
Financial assets - not measured at fair value												
	Loans and other receivables *	11	-	-	-	985,744	-	985,744	-	-	-	-
	Loan secured against life insurance policies*		-	-	-	29,912	-	29,912	-	-	-	-
	Investment - Term deposits*	10	-	13,891,062	-	-	-	13,891,062	-	-	-	-
	Insurance / reinsurance receivables											
	- unsecured and considered good *	12	-	-	-	4,991,328	-	4,991,328	-	-	-	-
	Reinsurance recoveries against outstanding claims *		-	-	-	5,922,296	-	5,922,296	-	-	-	-
	Salvage recoveries accrued *		-	-	-	270,275	-	270,275	-	-	-	-
	Prepayments *	13	-	-	-	3,468,952	-	3,468,952	-	-	-	-
	Cash and bank *	14	-	-	-	-	11,267,096	11,267,096	-	-	-	-
	Other Assets of Window Takaful Operations - Operator's Fund*	15	-	-	-	310,615	209,446	520,061	-	-	-	-
			20,040,014	14,265,393	29,775,443	15,979,122	11,476,542	91,536,514	31,415,413	15,290,166	3,484,209	50,189,788
Financial liabilities - not measured at fair value												
Underwriting provisions:												
	Outstanding claims (including IBNR)*	29	-	-	-	-	-	10,768,040	10,768,040	-	-	-
	Insurance / reinsurance payables *		-	-	-	-	-	3,161,519	3,161,519	-	-	-
	Borrowing*	22	-	-	-	-	-	330,849	330,849	-	-	-
	Other creditors and accruals*	25	-	-	-	-	-	3,155,619	3,155,619	-	-	-
	Total liabilities of Window Takaful Operations - Operator's Fund*	15	-	-	-	-	-	242,797	242,797	-	-	-
			-	-	-	-	-	17,658,824	17,658,824	-	-	-

* The Group has not disclosed the fair value of these items because their carrying amounts are a reasonable approximation of fair value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

44.1 Fair value measurement of financial instruments

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

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

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs (Level 3)

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

		2019										
		Available for sale	Held to maturity	Fair value through P&L	Receivables and other financial assets	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Note												
Financial assets - measured at fair value												
Investment												
	Equity securities- quoted	8	15,991,690	-	13,318,382	-	-	29,310,072	29,310,072	-	-	29,310,072
	Equity securities- unquoted	8	2,874,483	-	-	-	-	2,874,483	-	-	2,874,483	2,874,483
	Debt securities	9	651,837	465,868	7,499,769	-	-	8,617,474	-	8,617,474	-	8,617,474
	Investments of Window Takaful Operations - Operator's Fund	15	32,958	-	-	-	-	32,958	32,958	-	-	32,958
Financial assets - not measured at fair value												
	Loans and other receivables *	11	-	-	-	716,839	-	716,839	-	-	-	-
	Loan secured against life insurance policies*		-	-	-	32,785	-	32,785	-	-	-	-
	Investment - Term deposits*	10	-	15,468,892	-	-	-	15,468,892	-	-	-	-
	Insurance / reinsurance receivables											
	- unsecured and considered good *	12	-	-	-	5,865,967	-	5,865,967	-	-	-	-
	Reinsurance recoveries against outstanding claims *		-	-	-	5,931,928	-	5,931,928	-	-	-	-
	Salvage recoveries accrued *		-	-	-	301,420	-	301,420	-	-	-	-
	Prepayments *	13	-	-	-	3,671,070	-	3,671,070	-	-	-	-
	Cash and bank *	14	-	-	-	-	8,437,244	8,437,244	-	-	-	-
	Other Assets of Window Takaful Operations - Operator's Fund	15	-	-	-	266,055	91,895	357,950	-	-	-	-
			19,550,968	15,934,760	20,818,151	16,786,064	8,529,139	81,619,082	29,343,030	8,617,474	2,874,483	40,834,987
Financial liabilities - not measured at fair value												
Underwriting provisions:												
	Outstanding claims (including IBNR)*	29	-	-	-	-	-	10,367,347	10,367,347	-	-	-
	Insurance / reinsurance payables *		-	-	-	-	-	2,826,429	2,826,429	-	-	-
	Borrowing*	22	-	-	-	-	-	-	-	-	-	-
	Other creditors and accruals*	25	-	-	-	-	-	3,566,335	3,566,335	-	-	-
	Other Assets of Window Takaful Operations - Operator's Fund*	15	-	-	-	-	195,872	195,872	-	-	-	-
			-	-	-	-	195,872	16,760,111	16,955,983	-	-	-

* The Group has not disclosed the fair value of these items because their carrying amounts are a reasonable approximation of fair value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

45 Non-adjusting subsequent events

The Board of Directors of the Parent Company in their meeting held on February 23, 2021 proposed a final cash dividend for the year ended December 31, 2020 @ 12.5% i.e. Rupees 1.25/- share (2019: 15% i.e. Rupees 1.5/- share). This is in addition to the interim cash dividend @ 12.5% i.e. Rupee 1.25/- per share (2019: 10% i.e. Rupee 1/- per share) resulting in a total cash dividend for the year ended December 31, 2020 of Rupees 2.5/- per share (2019: Rupees 2.5/- share). The approval of the members for the final dividend will be obtained at the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2020 do not include the effect of final dividend which will be accounted for in the financial statements for the year ending December 31, 2021.

46 Number of employees

The total average number of employees during the year and as at December 31, 2020 and 2019, are as follows:

	2020	2019
	Rupees in thousand	
As at 31 December		
Parent Company	900	944
Subsidiary Company	1,810	1,144
Average during the year		
Parent Company	930	956
Subsidiary Company	1,477	909

47 Corresponding figures

Reclassification / rearrangement of corresponding figures have been made in these financial statements wherever necessary.

48 Date of authorization for issue

These consolidated financial statements were authorized for issue on February 23, 2021 by the Board of Directors of the Group.

49 General

Figures have been rounded off to the nearest thousand rupees unless other wise stated.



Umer Mansha
Chairman



Ibrahim Shamsi
Director



Shaikh Muhammad Jawed
Director



Muhammad Asim Nagi
Chief Financial Officer



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

WINDOW TAKAFUL OPERATIONS



Shariah Advisor Profile

Mufti Muhammad Hassaan Kaleem

Mufti Muhammad Hassaan Kaleem is a renowned figure in the field of Islamic Finance. He is considered as one of the most revered Shariah scholar in the Islamic Finance industry, who sits on the Shariah Advisory Boards of numerous financial institutions, Islamic investment Funds and Takaful Companies, including Al-Ameen UBL Funds, Adamjee Takaful, State Life-Window Takaful Operations, Pak Qatar Family Takaful Ltd-Pakistan, Hanover Re Takaful –Bahrain and Takaful Emirate-UAE etc.

In addition, Mufti Hassaan is a Shariah Consultant of Deloitte (Global Islamic Finance Team), Trainer of Shariah Standard, a member of subcommittee of Shariah Standards at AAOIFI-Bahrain, Visiting faculty member of National Institute of Banking and Finance (State Bank of Pakistan) and Center for Excellence in Islamic Finance (CEIF)-IBA and a permanent faculty member of Center for Islamic Economics Karachi. Furthermore, he was former Shariah Advisor of Bank Al Baraka and Chairman Shariah board of SECP.



Statement of Compliance with the Shariah Principles

The financial arrangements, contracts and transactions, entered into by Window Takaful Operations of the Adamjee Insurance Company Limited (the Company) for the year ended 31 December 2020 are in compliance with the Takaful Rules, 2012.

Further, we confirm that:

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

Lahore: 23 February, 2021



Ibrahim Shamsi
Director



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Independent Reasonable Assurance Report to the Board of Directors on the Statement of Compliance with the Shariah Principles

We were engaged by the Board of Directors of Adamjee 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, 2020, 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, the Board of Directors, 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 Audit 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:

- Evaluating 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/ Shariah Advisor and the board of directors;
- Testing 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, 2020 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, 2020, presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.



Chartered Accountants

Lahore: 23 February 2021

Shariah Advisor's Report to the Board of Directors

For the Year Ended December 31, 2020

الحمد لله رب العالمين والصلوة والسلام على سيد الانبياء والمرسلين وبعد !

I have reviewed Takaful products, details of underwriting and other related documents, as well as, the Participant Takaful Fund (PTF) Policy, PTF pool position, Investment Policy, Re-Takaful arrangements, claims details and the related transactions of Adamjee Insurance – Window Takaful Operations (hereafter referred to as “Takaful Operator”).

I acknowledge that as Shariah Advisor of Takaful Operator, it is my responsibility to approve the above mentioned document and ensure that the financial arrangements, contracts and transactions entered into by the Takaful Operator with its participants and stakeholders are in compliance with the requirements of Shariah rules and principles.

It is the responsibility of the Takaful Operator to ensure that the rules, principles and guidelines set by the Shariah Advisor are complied with, and that all policies and services being offered are duly approved by the Shariah Advisor.

The Takaful Operator’s activities, operations are periodically checked and monitored by Shariah Advisor.

In my opinion and to the best of my understanding based on the provided information and explanations:

- i. Transactions undertaken by the Takaful Operator were in accordance with guidelines issued by Shariah Advisor as well as requirements of Takaful Rules 2012 and General Takaful Accounting Regulations 2019;
- ii. The investments have been done from the Participant’s Takaful Fund and Operator’s Fund into Shariah Compliant avenues with Shariah Approval. Further, all bank accounts related to Window Takaful Operations have been opened in Islamic Banking Institutions (IBIs) with Shariah Approval; and
- iii. The transactions and activities of Window Takaful Operations are in accordance with the Shariah principles in respect of the Participant’s Takaful Fund (Waqf Fund) and Operator’s Fund.

And Allah knows best



Mufti Muhammad Hassaan Kaleem
Shariah Advisor

Date: 23 February 2021

Independent Auditors' Report

To the members of Adamjee Insurance Company Limited (the Company) Report on the Audit of the Window Takaful Operations

Opinion

We have audited the annexed financial statements of Adamjee Insurance Company Limited – Window Takaful Operations (the 'Operator'), which comprise the statement of financial position as at December 31, 2020, 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 or loss account, statement of comprehensive income, the statement of changes in funds 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 the Operator's affairs as at December 31, 2020 and of the profit, 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.

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 Operator's 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 when available, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Operator as required by the Insurance Ordinance, 2000, the Takaful Rules, 2012, the General Accounting Regulations, 2019 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 Takaful Rules, 2012, the General Accounting Regulations, 2019 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Rana M. Usman Khan.



Chartered Accountants

Lahore: 23 February, 2021

Statement of Financial Position

As at 31 December 2020

	Note	Operator's Takaful Fund		Participants' Takaful Fund	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
		Rupees in thousand		Rupees in thousand	
ASSETS					
Qard-e-Hasna to Participants' Takaful Fund	9	146,460	146,460	-	-
Property and equipment	5	20,793	17,733	-	-
Intangible assets	6	12,421	17,650	-	-
Investments					
Equity securities	7	35,873	32,958	50,614	-
Debt securities	8	-	-	125,000	125,000
Loans and other receivables	10	7,411	6,731	27,650	21,655
Takaful / re - takaful receivables	11	-	-	384,445	261,580
Re - takaful recoveries against outstanding claims		-	-	279,132	88,706
Salvage recoveries accrued		-	-	35,986	13,631
Wakala and mudarib fee receivable		116,783	70,933	-	-
Deferred commission expense	21	39,961	41,931	-	-
Prepayments	12	-	-	104,047	105,379
Cash and bank	13	209,446	91,895	552,900	434,658
		442,688	279,831	1,559,774	1,050,609
TOTAL ASSETS		589,148	426,291	1,559,774	1,050,609
FUNDS AND LIABILITIES					
Funds attributable to Operator's and Participants'					
Operator's Takaful Fund					
Statutory fund		50,000	50,000	-	-
Reserves		883	1,356	-	-
Unappropriated profit		295,468	179,063	-	-
		346,351	230,419	-	-
Waqf / Participants' Takaful Fund					
Ceded money		-	-	500	500
Reserves		-	-	436	-
Accumulated surplus		-	-	172,580	80,786
		-	-	173,516	81,286
Qard-e-Hasna from Operator's Takaful Fund		-	-	146,460	146,460
Liabilities					
Underwriting provisions					
Outstanding claims including IBNR	19	-	-	558,082	257,810
Unearned contribution reserve	17	-	-	421,449	377,586
Unearned retakaful rebate	18	-	-	17,183	15,979
Contribution deficiency reserve		-	-	-	30,071
Retirement benefit obligations		3,878	3,878	-	-
Deferred taxation		527	987	178	-
Contribution received in advance		-	-	11,037	13,109
Takaful / re - takaful payables	14	-	-	79,436	38,513
Wakala and mudarib fee payable		-	-	116,783	70,933
Unearned wakala fee	22	178,766	139,979	-	-
Other creditors and accruals	15	54,168	51,028	35,650	18,862
Taxation - provision less payments		5,458	-	-	-
Total Liabilities		242,797	195,872	1,239,798	822,863
TOTAL FUNDS AND LIABILITIES		589,148	426,291	1,559,774	1,050,609

Contingencies and commitments

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The annexed notes from 1 to 38 form an integral part of these financial statements.



Umer Mansha
Chairman



Ibrahim Shamsi
Director



Shaikh Muhammad Jawed
Director



Muhammad Asim Nagi
Chief Financial Officer



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Profit and Loss Account

For the Year Ended 31 December 2020

	Note	2020	2019
		Rupees in thousand	
PARTICIPANTS' TAKAFUL FUND - REVENUE ACCOUNT			
Contributions earned		1,034,305	870,755
Contributions ceded to re - takaful		(288,826)	(254,089)
Net contribution revenue	17	745,479	616,666
Re - takaful rebate earned	18	53,995	44,350
Net underwriting income		799,474	661,016
Net takaful claims - reported / settled	19	(721,657)	(525,191)
Reversal / (charge) of contribution deficiency reserve		30,071	(5,969)
		(691,586)	(531,160)
Other direct expenses	20	(62,132)	(57,808)
Surplus before investment income		45,756	72,048
Investment income	24	17,156	7,065
Other income	25	32,403	31,845
Mudarib's share of investment income		(3,521)	(1,323)
Surplus transferred to accumulated		91,794	109,635
OPERATOR'S TAKAFUL FUND - REVENUE ACCOUNT			
Wakala fee	22	408,608	324,314
Commission expense	21	(119,082)	(99,434)
General, administrative and management expenses	23	(143,206)	(131,872)
		146,320	93,008
Other income	25	14,170	15,856
Mudarib's share of PTF investment income		3,521	1,323
Investment income	24	3,584	1,345
Direct expenses	26	(3,821)	(3,839)
Profit before taxation		163,774	107,693
Provision for taxation	27	(47,369)	(30,987)
Profit after taxation		116,405	76,706

The annexed notes from 1 to 38 form an integral part of these financial statements.



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Director



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Chief Financial Officer



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Chief Executive Officer

Statement of Comprehensive Income

For the Year Ended 31 December 2020

Note	2020	2019
	Rupees in thousand	
PARTICIPANTS' TAKAFUL FUND		
Surplus for the year	91,794	109,635
Other comprehensive income for the year	436	-
Total comprehensive income for the year	92,230	109,635
OPERATOR'S TAKAFUL FUND		
Profit after taxation	116,405	76,706
Other comprehensive income:		
Unrealized (loss) / gain on available-for-sale investment - Net of tax	(473)	1,338
Total comprehensive income for the year	115,932	78,044

The annexed notes from 1 to 38 form an integral part of these financial statements.



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Statement of Changes in OPF and PTF

For the Year Ended 31 December 2020

	Operator's Takaful Fund			Total
	Statutory fund	Unappropriated profit	Fair value reserve	
	Rupees in thousand			
Balance as at December 31, 2018	50,000	102,357	18	152,375
Profit after taxation	-	76,706	-	76,706
Other comprehensive income for the year	-	-	1,338	1,338
Total comprehensive income for the year	-	76,706	1,338	78,044
Balance as at December 31, 2019	50,000	179,063	1,356	230,419
Profit after taxation	-	116,405	-	116,405
Other comprehensive income for the year	-	-	(473)	(473)
Total comprehensive income for the year	-	116,405	(473)	115,932
Balance as at December 31, 2020	50,000	295,468	883	346,351

	Participants' Takaful Fund			Total
	Ceded money	Accumulated (deficit) / surplus	Fair value reserve	
	Rupees in thousand			
Balance as at December 31, 2018	500	(28,849)	-	(28,349)
Surplus for the year	-	109,635	-	109,635
Other comprehensive surplus for the year	-	-	-	-
Total comprehensive surplus for the year	-	109,635	-	109,635
Balance as at December 31, 2019	500	80,786	-	81,286
Surplus for the year	-	91,794	-	91,794
Other comprehensive surplus for the year	-	-	436	436
Total comprehensive surplus for the year	-	91,794	436	92,230
Balance as at December 31, 2020	500	172,580	436	173,516

The annexed notes from 1 to 38 form an integral part of these financial statements.



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Cash Flow Statement

For the Year Ended 31 December 2020

	Operator's Takaful Fund		Participants' Takaful Fund	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Rupees in thousand				
Operating cash flows				
(a) Takaful activities				
Contributions received	-	-	1,449,511	1,193,624
Wakala fee received / (paid)	405,067	283,304	(405,067)	(283,304)
Re - takaful / co-takaful received / (paid)	-	-	46,751	(202,365)
Claims paid	-	-	(1,036,469)	(649,201)
Re - takaful and other recoveries received	-	-	56,617	57,396
Commissions paid	(104,624)	(101,306)	-	-
Commissions received	-	-	55,199	47,594
Management expenses paid	(151,367)	(168,176)	-	-
Other underwriting payments	-	-	(53,172)	(58,732)
Net cash inflows / (outflows) from takaful activities	149,076	13,822	113,370	105,012
(b) Other operating activities				
Income tax paid	(39,745)	(33,510)	-	-
Other payments / (receipts)	-	-	6,013	(16,416)
Net cash (outflows) / inflows from other operating activities	(39,745)	(33,510)	6,013	(16,416)
Total cash inflows / (outflows) from operating activities	109,331	(19,688)	119,383	88,596
(c) Investment activities				
Profit received on bank deposits and investments	13,962	17,686	48,859	38,573
Payment for investments	(34,627)	(1,144)	(50,000)	(125,000)
Proceeds from disposal of investments	34,627	-	-	-
Capital expenditures	(5,742)	(6,998)	-	-
Total cash inflows / (outflows) from investing activities	8,220	9,544	(1,141)	(86,427)
(d) Financing activities				
Contribution to Operator's fund	-	-	-	-
Ceded money	-	-	-	-
Total cash inflows from financing activities	-	-	-	-
Net cash inflows / (outflows) from all activities	117,551	(10,144)	118,242	2,169
Cash and cash equivalents at the beginning of the year	91,895	102,039	434,658	432,489
Cash and cash equivalents at the end of the year	209,446	91,895	552,900	434,658
Reconciliation to profit and loss account				
Operating cash flows	109,331	(19,688)	119,383	88,596
Depreciation expense	(2,934)	(2,451)	-	-
Amortization expense	(4,977)	(5,983)	-	-
Provision for retirement benefits	-	(1,995)	-	-
(Decrease) / increase in assets other than cash	44,351	53,133	341,681	108,153
(Increase) / decrease in liabilities	(47,120)	36,489	(418,829)	(126,024)
Investment income	3,584	1,345	17,156	-
Other Income	14,170	15,856	32,403	38,910
Net profit / surplus for the period	116,405	76,706	91,794	109,635
Operator's Takaful Fund	116,405	76,706	-	-
Participants' Takaful Fund	-	-	91,794	109,635
	116,405	76,706	91,794	109,635

The annexed notes from 1 to 38 form an integral part of these financial statements.



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Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2020

1 Legal status and nature of business

Adamjee Insurance Company Limited ('the Operator') is a public limited company incorporated in Pakistan on September 28, 1960 under the Companies Act, 1913 (now the Companies Act, 2017). The Operator is listed on Pakistan Stock Exchange Limited and is engaged in general takaful business comprising fire & property, marine aviation & transport, motor, accident & health and miscellaneous. The registered office of the Operator is situated at Adamjee House, 80/A, Block E-1, Main Boulevard, Gulberg-III, Lahore.

The Operator was granted authorization on December 23, 2015 under Rule 6 of the Takaful Rules, 2012 to undertake Window Takaful Operations ('WTO') in respect of general takaful products by the Securities and Exchange Commission of Pakistan ('SECP').

For the purpose of carrying on the Takaful business, the Operator has formed a Waqf (Participants' Takaful Fund (PTF)) on January 01, 2016 under the Waqf deed with a ceded money of Rs.500,000. The Waqf deed govern the relationship of Operator and Participants' for management of Takaful operations.

2 Basis of preparation and 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 Standards Board (IASB) as are notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, Insurance Accounting Regulations, 2017, the Takaful Rules 2012, and General Takaful Accounting Regulations 2019.

In case requirements differ, the provisions of or the directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017, the Takaful Rules, 2012 and Takaful accounting regulations, 2019, shall prevail.

These financial statements reflect the financial position and results of operations of both the company and PTF in a manner that the assets, liabilities, income and expenses of the company and PTF remain separately identifiable.

Takaful accounting regulations 2019 are effective from annual period beginning on or after January 01, 2020.

Reclassified from	Reclassified to	Rs. (In 000)
Deferred Wakala Expense	Unearned Contribution Reserve	139,979

The Operator followed the development of the Covid-19 corona virus and evaluated the extent to which this affected the Operator's operations in the short and long term. The Operator has concluded that they had no significant implications of the pandemic over the operations of the entity.

2.1 Basis of measurement

These financial statements have been prepared under historical cost convention except for available for sale investments carried at fair value and retirement benefit obligation under employees' benefits carried at present value. All transaction reflected in these financial statements are on accrual basis except for those reflected in cash flow statements.

2.2 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Operator operates ("the functional currency"). The financial statements are presented in Pak Rupees, which is the Operator's functional and presentation currency. All the financial information presented in Rupees has been rounded off to the nearest thousand in rupee, unless otherwise stated.

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2020

2.3 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are effective in current year

The following standards, amendments and interpretations of accounting and reporting standards that will be effective for accounting periods beginning on or after January 01, 2020:

Standards or Interpretations	Effective from annual period beginning on or after:
IFRS 14 'Regulatory Deferral Accounts'	July 01, 2019
Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business.	January 01, 2020
Amendments to the Conceptual Framework for Financial Reporting, including amendments to references to the Conceptual Framework in IFRS Standards.	January 01, 2020
Amendments to IAS 39, IFRS 7 and IFRS 9 – The amendments will affect entities that apply the hedge accounting requirements of IFRS 9 or IAS 39 to hedging relationships directly affected by the interest rate benchmark reform.	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material.	January 01, 2020
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	January 01, 2020

2.4 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after January 01, 2021:

Standards or Interpretations	Effective from annual period beginning on or after:
Amendments to IFRS 16 'Leases' - Provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification.	June 01, 2020
IBOR 2 'Interest Rate Benchmark Reform – Phase 2' Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates.	January 01, 2021
Amendments to IAS 16 'Property, Plant and Equipment', prohibiting the Company from deducting from the cost of property plant and equipment, amount received from selling items produce while the Company is preparing the asset for its intended use.	January 01, 2022
Amendments to IFRS 3 'Business Combinations' that updated an outdated reference in IFRS 3 without significantly changing its requirements.	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' regarding the costs of fulfilling the contract to include when assessing whether a contract is Onerous.	January 01, 2022
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current.	January 01, 2023
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures'- Sale or contribution of assets between an investor and its associate or joint venture.	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2020

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 Insurance Contracts

There are certain other new and amended standards and interpretations that are mandatory for the insurance accounting periods beginning on or after January 01, 2021 but are considered either not to be relevant or do not have any significant impact on these financial statements.

3 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements except for change in accounting policies as disclosed in below mentioned note 3.1 of these financial statements.

Change in accounting policies

The operator has changed its rate for wakala fee for motor takaful policies from 27.5% to 32.5% of gross contribution underwritten including administrative surcharge during the year.

3.1 Property and equipment

Owned operating assets, other than freehold land which is not depreciated and capital work-in-progress, are stated at cost, signifying historical cost, less accumulated depreciation and any provision for accumulated impairment.

Cost comprises of purchase price including import duties and non-refundable purchase taxes after deducting trade discounts, rebates and includes other costs directly attributable to the acquisition or construction including expenditures on the material, labor and overheads directly relating to constructions, and installation of operating assets.

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 benefits associated with the item will flow to the Operator and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit and loss account as and when incurred.

Depreciation is charged to profit and loss applying reducing balance method depending upon the nature of the asset, at the rates specified for calculation of depreciation after taking into account residual value, if any. The useful lives, residual values and depreciation method are reviewed, and adjusted if appropriate, at each statement of financial position date.

Depreciation on additions is charged from the month the assets are available for use while on disposals, no depreciation is charged in the month in which the assets are disposed off.

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

An item of equipment is derecognized upon disposals when no future economic benefits are expected from its use or disposals. Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the assets disposed off. These are taken to profit and loss account.

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2020

3.2 Intangible assets

These are stated at cost less accumulated amortization and any provision for accumulated impairment, if any.

Amortization is calculated from the month the assets are available for use using the straight-line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Operator. The useful life and amortization methods are reviewed, and adjusted if appropriate, at each statement of financial position date.

Software development costs are only capitalized to the extent that future economic benefits are expected to be derived by the Operator.

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

3.3 Takaful contracts

Takaful contracts are based on the principles of Wakala. Takaful contracts so agreed usually inspire concept of tabarru (to donate benefits to others) and mutual sharing of losses with the overall objective of eliminating the element of uncertainty.

Takaful contracts are those contracts whereby the PTF has accepted significant takaful risk from the participants' by agreeing to compensate the participants' if a specified uncertain future event (the takaful event) adversely affects the participants'. Once a contract has been classified as a takaful contract, it remains a Takaful contract for the remainder of its lifetime, even if takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

These contracts are provided to all types of customers based on assessment of takaful risk by the Operator. Normally personal Takaful contracts e.g. vehicle, personal accident, etc. are provided to individual customers, whereas, Takaful contracts of Fire & property, marine aviation & transport, accident & health and other commercial line products are provided to commercial organizations.

Takaful contracts issued by the PTF are generally classified in five basic categories i.e. Fire & property, Marine aviation and transport, Motor, Accident & health and Miscellaneous.

- Fire & property Takaful contracts generally cover the assets of the participants against damages by fire, earthquake, riots and strike, explosion, atmospheric disturbance, flood, electric fluctuation and impact, burglary, loss of profit followed by the incident of fire, contractor's all risk, erection all risk, machinery breakdown and boiler damage, etc. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the takaful properties in their business activities.
- Marine aviation and transport Takaful contracts generally provide cover for loss or damage to cargo while in transit to and from foreign land and inland transit due to various insured perils including loss of or damage to carrying vessel, etc.
- Motor Takaful contracts provide indemnity for accidental damage to or loss of insured vehicle including loss of or damage to third party and other comprehensive car coverage.
- Accident & health Takaful contracts mainly compensate hospitalization and out-patient medical coverage to the participant.
- Miscellaneous Takaful contracts provide variety of coverage including cover against burglary, loss of cash in safe, cash in transit and cash on counter, fidelity guarantee, personal accident, workmen compensation, travel and crop, etc.

In addition to direct takaful, the PTF also participates in risks under co-takaful contracts from other takaful funds and also accepts risks through re-takaful inward by way of facultative acceptance on case to case basis provided such risks are within

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2020

the underwriting policies of the Operator. The nature of the risks undertaken under such arrangement is consistent with the risks in each class of business as stated above.

3.4 Deferred commission expense/ acquisition cost

Deferred commission expense represents the portion of commission expense relating to the unexpired period of Takaful contract and is recognized as an asset. It is calculated in accordance with the pattern of its related provision for unearned contribution.

3.5 Unearned contributions

Unearned contribution is determined as the ratio of the unexpired period of the policy and the total period, both measured to the nearest day except for marine cargo, where unearned contribution is determined as a ratio of the unexpired shipment period to the total expected shipment period, both measured to the nearest day.

Administrative surcharge is recognized as a contribution at the time the policies are written and is included in above mentioned calculations.

3.6 Contribution deficiency reserve

The Operator maintains a provision in respect of contribution deficiency (also called unexpired risk reserve) for the class of business where the unearned contribution liability is not adequate to meet the expected future liability, after re-takaful, from claims and other supplementary expenses expected to be incurred after the date of financial statements in respect of the unexpired takaful policies in that class of business at the statement of financial position date.

For this purpose, contribution deficiency reserve is determined by independent actuary. The actuary determines the prospective loss ratios for each class of business and applies factors of unearned and earned contributions and uses assumptions appropriate to arrive at the expected claims settlement cost which when compared with Unearned Contribution Reserve (UCR) shows whether UCR is adequate to cover the unexpired risks. If these ratios are adverse, contribution deficiency is determined.

Based on actuary's advice, the management has created a reserve for the same in these financial statements. The movement in the contribution deficiency reserve is recorded as an expense / income in profit and loss account for the year.

3.7 Re-Takaful contracts held

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

Re-takaful Contribution is recognized as an expense at the time the re-takaful is ceded. Rebate from re-takaful is recognized in accordance with the policy of recognizing contribution revenue. The portion of re-takaful contribution not recognized as an expense is shown as a prepayment.

Re-takaful assets represent balances due from re-takaful operators and re-takaful recoveries against outstanding claims. Due from re-takaful operators are carried at cost less any provision for impairment (if any). Cost represents the fair value of the consideration to be received. Re-takaful recoveries against outstanding claims are measured at the amount expected to be received.

Re-takaful liabilities represent balances due to re-takaful operators and are primarily re-takaful contributions payable for Re-Takaful contracts and are recognized at the same time when re-takaful contributions are recognized as an expense.

Re-takaful assets are not offset against related takaful liabilities. Income or expense from Re-Takaful contracts are not offset against expenses or income from related Takaful contracts.

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2020

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

An impairment review of re-takaful assets is performed at each statement of financial position date. If there is an objective evidence that the asset is impaired, the Operator reduces the carrying amount of that re-takaful asset to its receivable amount and recognize the impairment loss in profit and loss account.

3.8 Receivables and payables related to Takaful contracts

Receivables and payables, other than claim payables, relating to Takaful contracts are recognized when due. The claim payable is recorded when an intimation is received. These include contributions due but unpaid, contribution received in advance, contributions due and claims payable to participants. These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any.

If there is an objective evidence that any contribution due but unpaid is impaired, the Operator reduces the carrying amount of that contribution receivable and recognize the loss in profit and loss account.

3.9 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments.

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, the Insurance Rules, 2017, Insurance Accounting Regulations, 2017 and Takaful Rules, 2012. The reported operating segments are also consistent with the internal reporting framework provided to Board of Directors who are responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

Based on its classification of takaful contracts issued, the Operator has five primary business segments for reporting purposes namely Fire & property, marine aviation & transport, motor, accident & health and others including miscellaneous. The nature and business activities of these segments are disclosed in note 3.3 of these financial statements. Since the operation of the Operator are predominantly carried out in Pakistan, information relating to geographical segment is not considered relevant.

The accounting policies of operating segment are the same as those described in the summary of significant accounting policies.

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

3.10 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of Cash Flow Statement, cash and cash equivalents comprise of cash in hand, policy stamps and bank balances.

3.11 Revenue recognition

3.11.1 Contribution

Contribution including administrative surcharge under a Takaful contracts are recognized as written from date of issuance to the date of attachment of risk to the policy / cover note. Where contributions for a policy are payable in installments, full contribution for the duration of the policy is recognized as written, where the first such installment has been duly received by the Takaful operator, at the inception of the policy and related assets is recognized for contribution receivable.

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2020

Revenue from contribution(s) is determined after taking into account the unearned portion of contributions. The unearned portion of contribution income is recognized as a liability.

Re-takaful contribution is recognized as expense after taking into account the proportion of deferred contribution expense which is recognized as a proportion of the gross re-takaful contribution of each policy, determined as the ratio of the unexpired period of the policy and the total period, both measured to the nearest day. The deferred portion of contribution expense is recognized as a prepayment.

3.11.2 Rebate from re-takaful operators

Rebate from re-takaful operators is deferred and recognized as revenue in accordance with the pattern of recognition of the re-takaful contribution ceded to which it relates.

3.11.3 Investment income

- Gain / loss on sale of available-for-sale investments is recognized in profit and loss account in the year of sale.
- Dividend income is recognized when the Operator's right to receive the dividend is established.
- Profit on saving accounts is recognized on accrual basis.

3.12 Investments

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs. These are recognized and classified as follows:

- Investment at fair value through profit and loss account
- Held to maturity
- Available-for-sale

The classification depends on the purpose for which the financial assets were acquired. The Operator does not have any 'investment at fair value through profit and loss account' at the statement of financial position date.

3.12.1 Available-for-sale

Investments which are not eligible to be classified as 'fair value through profit and loss account' or 'held to maturity' are classified as 'available-for-sale'. These investments are intended to be held for an indefinite period of time which may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates are classified as available-for-sale.

Quoted

Subsequent to initial recognition, these investments are re-measured at fair value. Gains or losses on investments on re-measurement of these investments are recognized in statement of comprehensive income.

Unquoted

Fair value of unquoted investments is determined on the basis of appropriate valuation techniques as allowed by IAS 39 'Financial Instruments: Recognition and Measurement'. Where fair value cannot be measured reliably, these are carried at cost.

3.12.2 Fair / market value measurements

For investments in Mutual funds fair / market value is determined by reference to rates quoted by Mutual Fund Association of Pakistan (MUFAP). For investments in quoted marketable securities, other than Term Finance

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2020

Certificates, fair / market value is determined by reference to the Pakistan Stock Exchange limited quoted market price at the close of business on reporting date. The fair market value of Term Finance Certificates is as per the rates issued by the MUFAP.

3.12.3 Date of recognition

Regular way purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognized at the trade date. Trade date is the date on which the Operator commits to purchase or sell the investment.

3.13 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position if the Operator has legal enforceable right to set off the recognized amount and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

3.14 Creditors, accruals, provisions and contingencies

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

Provisions are recognized when the Operator has a legal or constructive obligation as a result of a past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. The provisions are reviewed at statement of financial position date and adjusted to reflect current best estimates.

Where outflow of resources embodying economic benefits is not probable, a contingent liability is disclosed, unless the possibility of outflow is remote.

3.15 Provision for outstanding claims including incurred but not reported (IBNR)

The Operator recognizes liability in respect of all claims incurred up to the statement of financial position date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in the Takaful contract(s). The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR), expected claims settlement costs, and any adjustments to claims outstanding from previous years.

SECP through its circular 9 of 2016, dated March 09, 2016, issued 'SEC guidelines for estimation of incurred but not reported (IBNR) claims reserve 2016' ('Guidelines') and the Operator is required to comply with all provisions of these guidelines with effect from July 01, 2016.

The Guidelines require that estimation for provision for claims incurred but not reported for each class of business, by using prescribed method "Chain Ladder Method (CLM)" and other alternate method as allowed under the provisions of the Guidelines. The CLM involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level to derive an IBNR estimate.

As required under the guidelines, the Operator uses CLM by involving an actuary for determination of provision against IBNR. Accordingly, the actuarial valuation as at December 31, 2020 has been carried out by independent firm of actuaries for determination of IBNR for each class of business. The actuarial valuation is based on a range of standard actuarial claim projection techniques, based on empirical data and current assumptions (as explained in preceding paragraph) that may include a margin for adverse deviation as required / allowed by the circular 9 of 2016. The methods used, and the estimates made, are reviewed regularly.

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2020

3.16 Taxation

Current

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

Deferred

Deferred taxation is accounted for using the statement of financial position liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets 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 taxation is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the Statement of Financial Position date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to Statement of Comprehensive Income in which case it is included in Statement of Comprehensive Income.

3.17 Employees' benefit

Salaries, wages and benefits are accrued in the period in which the associated services are rendered by employees of the Operator and measured on an undiscounted basis. The accounting policy for employees retirement benefits is described below:

3.17.1 Defined contribution plan

The Operator operates an approved contributory provident fund scheme for all its eligible employees at entity level. Equal monthly contributions to the fund are made by the WTO and its employees at the rate of 8.33% of basic salary.

3.17.2 Defined benefit plans

The Operator operates a funded gratuity scheme for its employees at end of service benefits. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

3.17.3 Employees' compensated absences

The Operator accounts for these benefits in the period in which the absences are earned.

Employees are entitled to 30 days earned leave in a calendar year. They can accumulate up to 60 days leave. At the end of each calendar year, excess of leave balance over 60 days lapse. Employee must take 1 period of annual leave of at least 10 days in one stretch each calendar year. Encashment of leave is allowed at 1/30 of monthly gross salary per day. Serving employee can encash leave accumulated over 20 days. Minimum encashment is 16 calendar days and the ratio of en-cash leave can not exceed 4:1. Separating employees can encash 100% of their accumulated leave.

3.18 Impairment of assets

Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2020

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Non-financial assets

The carrying amounts of Operator's non-financial assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

3.19 Claims expense

Claims are charged against PTF income as incurred based on estimated liability for compensation owed under the Takaful contracts. It includes 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.

3.20 Takaful surplus

Takaful surplus attributable to the participants is calculated after charging all direct cost and setting aside various reserves. Allocation to participants, if applicable, is made after adjustment of claims paid to them during the period.

3.21 Management expenses

Expenses of management allocated to the underwriting business represent directly attributable expenses and indirect expenses allocated to the various classes of business on the basis of gross contribution written. Expenses not allocable to the underwriting business are charged as other expenses. Management expense of the Operator are charged to the Operator's Takaful Fund.

3.22 Financial instruments

Financial assets and liabilities 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 the de-recognition of the financial assets and liabilities is included in the profit and loss account.

Financial instruments carried in the statement of financial position include cash and bank, loans, investments, contribution due but unpaid, amount due from other takaful / re-takaful, contribution and claim reserves retained by cedants, accrued investment income, re-takaful recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amounts due to other takaful / re-takaful, accrued expenses, other creditors and accruals. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.23 Commission expense / acquisition cost

Commission expenses incurred in obtaining and recording takaful policies is deferred and recognized in Operator's Takaful Fund as an expense in accordance with pattern of recognition of contribution revenue.

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2020

3.24 Wakala fee

The Operator manages the general takaful operations for the participants and charge wakala fee to PTF on gross contribution written including administrative surcharge to meet the general and administrative expenses of the operator including commission to agents at following rates:

Class	2020	2019
	Percentage	
Fire & property	28.0%	28.0%
Marine aviation & transport	35.0%	35.0%
Motor	32.5%	27.5%
Accident & health	25.0%	25.0%
Miscellaneous	25.0%	25.0%

Wakala fee is recognized on issuance of takaful contract. Wakala fee is recognized as income in OTF on the same basis on which the related contribution revenue is recognized in PTF. Unearned portion of Wakala fee is recognized as a liability in OTF and an asset in PTF.

3.25 Qard-e-Hasna

If there is a deficit of admissible assets over liabilities in PTF, the Operator from the Operators Fund may provide Qard-e-Hasna to PTF so that PTF may become solvent as per Takaful Rules, 2012.

Qard-e-Hasna from PTF can be recovered by the Operator over any period of time without charging any profit.

3.26 Mudarib's fee

The Operator manages the participants' investment as Mudarib and charges 20% of the investment income earned by the PTF as Mudarib's fee. It is recognized on the same basis on which related revenue is recognized.

4 Critical accounting estimates and judgements

4.1 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments 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 period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgment and complexity, or areas where assumptions and estimates are significant to these financial statements or judgment was exercised in application of accounting policies, are as follows:

	Note
- Employee benefit	3.17
- Provision for outstanding claims (including IBNR) and re-takaful recoveries there against	3.15
- Residual values and useful lives of property and equipment	3.1
- Residual values and useful lives of intangible assets	3.2
- Taxation	3.16
- Segment reporting	3.9

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2020

5 Property and Equipment	Note	2020	2019
		Rupees in thousand	
Operating assets - owned	5.1	18,793	16,433
Capital work in progress	5.2	2,000	1,300
		20,793	17,733

5.1 Operating assets - owned

	December 31, 2020											
	Cost				Depreciation					Book value		
	As at Jan 01, 2020	Transfers	Additions	Disposals	As at Dec 31, 2020	As at Jan 01, 2020	Acc. Dep on Transfers	Charge for the year	On disposal	As at Dec 31, 2020	As at Dec 31, 2020	Rate
	Rupees in thousand											
Motor vehicles	19,318	1,277	3,705	-	24,300	4,456	434	2,493	-	7,383	16,917	15%
Office equipment	393	-	298	-	691	72	-	74	-	146	545	15%
Computer and related accessories	1,492	-	448	-	1,940	772	-	287	-	1,059	881	30%
Furniture and Fixture	632	-	-	-	632	102	-	80	-	182	450	15%
Total	21,835	1,277	4,451	-	27,563	5,402	434	2,934	-	8,770	18,793	

	December 31, 2019											
	Cost				Depreciation					Book value		
	As at Jan 01, 2019	Transfers	Additions / Transfers	Disposals	As at Dec 31, 2019	As at Jan 01, 2019	Acc. Dep on Transfers	Charge for the year	On disposal	As at Dec 31, 2019	As at Dec 31, 2019	Rate
	Rupees in thousand											
Motor vehicles	13,026	-	6,292	-	19,318	2,456	-	2,000	-	4,456	14,862	15%
Office equipment	965	-	260	(832)	393	199	-	50	(177)	72	321	15%
Computer and related accessories	1,359	-	133	-	1,492	489	-	283	-	772	720	30%
Furniture and Fixture	337	-	534	(239)	632	37	-	118	(53)	102	530	15%
Total	15,687	-	7,219	(1,071)	21,835	3,181	-	2,451	(230)	5,402	16,433	

5.2 Capital work in progress

	Operator's Takaful Fund	
	2020	2019
	Rupees in thousand	
Opening balance	1,300	3,679
Additions during the year	700	750
Transfer to property and equipment	-	(2,379)
Transfer to intangibles	-	(750)
Closing balance	2,000	1,300

This represent amount advanced to Analytics (Private) Limited for development of Web portal for Takaful Operations.

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2020

	Note	Operator's Takaful Fund	
		December 31, 2020	December 31, 2019
Rupees in thousand			
6 Intangible assets			
Intangible assets	6.1	12,421	17,650
6.1 Movement			
Opening balance - net book value		17,650	20,633
Transfer from Capital work - in - progress		-	750
Addition during the year		1,060	2,250
Book value of disposal during the year		(1,312)	-
Amortization charged during the year		(4,977)	(5,983)
		(6,289)	(5,983)
Closing balance - net book value		12,421	17,650

December 31, 2020			December 31, 2019		
Cost	Impairment/ provision	Carrying value	Cost	Impairment/ provision	Carrying value
Rupees in thousand					

7 Investments in equity securities**Operator's Takaful Fund****Available for sale****Mutual fund**

Meezan Islamic Income Fund

[604,139 units (2019: 604,139 units)]

34,628	-	34,628	31,048	-	31,048
		1,245			1,910
		35,873			32,958

Unrealized gain on revaluation

Participants' Takaful Fund**Available for sale****Mutual fund**

Al Hamra Islamic Income Fund

[481,118 units (2019: Nil units)]

50,000	-	50,000	-	-	-
		614			-
		50,614			-

Unrealized gain on revaluation

Participants' Takaful Fund

No. of Certificates		Value of Certificates	
December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Numbers		Face Value	Rupees in thousand

8 Investments in debt securities**Held - to - maturity****Sukuk certificates**

Engro Polymer & Chemicals Limited

The Hub Power Company Limited (HUBCO)

500	500	100,000	50,000	50,000
750	750	100,000	75,000	75,000
			125,000	125,000

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2020

	2020	2019
	Rupees in thousand	
9 Qard-e-Hasna		
Opening balance	146,460	146,460
Qard-e-Hasna transferred from OPF during the year	-	-
Qard-e-Hasna returned by PTF during the year	-	-
Closing balance	146,460	146,460

	Operator's Takaful Fund		Participants' Takaful Fund	
	2020	2019	2020	2019
	Rupees in thousand			

10 Loans and other receivables - Considered good

Sales tax recoverable	14	-	-	-
Advance taxes	-	2,432	-	-
Federal excise duty	-	-	14,770	1,750
Accrued income	1,339	1,131	3,548	2,848
Loan to employees	1,160	1,555	-	-
Security deposits	366	525	-	-
Bid money for tenders	-	-	9,332	17,057
Advances	4,532	1,088	-	-
	7,411	6,731	27,650	21,655

11 Takaful / Re - takaful receivables - Unsecured and considered good

	Participants' Takaful Fund	
	2020	2019
	Rupees in thousand	
Due from takaful participants' holders	304,220	230,238
Less: provision for impairment of takaful participants' holder	-	-
	304,220	230,238
Due from other takaful / re - takaful operator's	80,225	31,342
Less: provision for impairment of due from other takaful / re - takaful operator's	-	-
	80,225	31,342
	384,445	261,580

12 Prepayments

Prepaid re - takaful contribution ceded	83,834	81,686
Prepaid monitoring charges (Tracking device)	20,213	23,693
	104,047	105,379

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2020

13 Cash and bank

Cash and cash equivalents:

Policy stamps in hand
Cash in hand

Current and other accounts:

Profit or loss accounts

Note	Operator's Takaful Fund		Participants' Takaful Fund	
	2020	2019	2020	2019
	Rupees in thousand			
	-	-	-	68
	150	-	-	-
13.1	209,296	91,895	552,900	434,590
	209,446	91,895	552,900	434,658

13.1 Saving accounts carry expected profit rates ranging from 3% to 8% per annum (2019: 5% to 11% per annum)

14 Takaful / re - takaful payables

Due to takaful participants' holders
Due to other takaful / re - takaful operator's

Participant's Takaful Fund	
2020	2019
Rupees in thousand	
11,059	3,311
68,377	35,202
79,436	38,513

15 Other creditors and accruals

Agents commission payable
Federal insurance fee
Sales tax payable
Income tax deducted at source
Accrued expenses
Others

	Operator's Takaful Fund		Participants' Takaful Fund	
	2020	2019	2020	2019
	Rupees in thousand			
	39,299	26,812	-	-
	-	-	3,522	2,570
	-	937	-	-
	2,066	5,427	21,711	11,355
	7,423	7,186	-	-
	5,380	10,666	10,417	4,937
	54,168	51,028	35,650	18,862

16 Contingencies and commitments

There has been no contingencies and commitments as at December 31, 2020.

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2020

	Participant's Takaful Fund	
	2020	2019
	Rupees in thousand	
17 Net contribution revenue		
Gross contribution written	1,525,564	1,212,523
Wakala fee	(447,396)	(329,572)
Contribution net of wakala fee	1,078,168	882,951
Unearned contribution reserve - opening	377,586	365,389
Unearned contribution reserve - closing	(421,449)	(377,586)
Contribution earned	1,034,305	870,755
Less:		
Re - takaful contribution ceded	290,974	271,282
Prepaid re - takaful contribution ceded - opening	81,686	64,493
Prepaid re - takaful contribution ceded - closing	(83,834)	(81,686)
Re - takaful expense	288,826	254,089
Net contribution revenue	745,479	616,666

	Note	Participant's Takaful Fund	
		2020	2019
		Rupees in thousand	
18 Re - takaful rebate			
Re - takaful rebate received		55,199	47,594
Unearned re - takaful rebate - opening		15,979	12,735
Unearned re - takaful rebate - closing		(17,183)	(15,979)
Net re-takaful rebate		53,995	44,350
19 Net takaful claims			
Claims paid		1,036,469	649,201
Outstanding claims including IBNR - closing	19.1	558,082	257,810
Outstanding claims including IBNR - opening		(257,810)	(220,606)
Claim expense		1,336,741	686,405
Less:			
Re - takaful and other recoveries received		402,302	121,411
Re - takaful and other recoveries in respect of outstanding claims - closing		315,118	102,337
Re - takaful and other recoveries in respect of outstanding claims - opening		(102,336)	(62,534)
Re-takaful and other recoveries revenue		615,084	161,214
Net Takaful Claims		721,657	525,191

19.1 Net Takaful Claims

The following table shows the development of fire, marine and others including miscellaneous claims over a period of time. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments. For other classes of business the uncertainty about the amount and timings of claims payment is usually resolved within a year. Further, claims with significant uncertainties are not outstanding as at December 31, 2020.

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2020

	Accident year					Total
	2016	2017	2018	2019	2020	
	Rupees in thousand					
Estimate of ultimate claims cost						
At end of accident year with IBNR	40,025	352,789	510,467	760,439	1,369,784	3,033,504
One year later	27,080	114,902	141,659	209,695	-	493,336
Two years later	4,843	4,268	9,750	-	-	18,861
Three years later	645	2,171	-	-	-	2,816
Four years later	3,319	-	-	-	-	3,319
Current estimate of cumulative claims	3,319	2,171	9,750	209,695	1,369,784	1,594,719
Less: Cumulative payments to date	(38)	(166)	(6,846)	(162,672)	(866,915)	(1,036,637)
Liability recognized in the statement of financial position	3,281	2,005	2,904	47,023	502,869	558,082

Participants' Takaful Fund

2020 2019

Rupees in thousand

20 Other direct expenses

Monitoring charges	49,872	49,718
Non refundable taxes	8,124	4,003
Inspection charges	2,749	2,568
Bank charges	146	264
Others	1,241	1,255
	62,132	57,808

Operator's Fund

2020 2019

Rupees in thousand

21 Commission Expense

Commission paid or payable	117,112	102,217
Deferred commission - opening	41,931	39,148
Deferred commission - closing	(39,961)	(41,931)
Net commission	119,082	99,434

22 Wakala Fee

Gross Wakala fee	447,396	329,572
Unearned Wakala fee - Opening	139,978	134,721
Unearned Wakala fee - Closing	(178,766)	(139,979)
Net wakala fee	408,608	324,314

The Operator manages the general takaful operations for the participants' and charges 28 % (2019: 28 %) for Fire & Property, 35 % (2019: 35 %) for Marine, Aviation & Transport, 32.5 % (2019: 27.5 %) for Motor, 25 % (2019: 25%) for Health and 25 % (2019: 25 %) for Miscellaneous classes, of gross contribution written including administrative surcharge as wakala fee against the services.

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2020

	Operator's Fund	
	2020	2019
	Rupees in thousand	
23 General, administrative and management expenses		
Employee benefit cost	92,658	78,226
Depreciation	2,934	2,450
Amortization	4,977	5,983
Advertisement and sales promotion	651	8,215
Rent, rates and taxes	4,061	2,539
Communication	1,595	1,472
Legal and professional charges - business related	900	900
Travelling and conveyance expenses	2,359	2,066
Shared expenses	17,731	17,999
Entertainment	1,397	1,948
Printing, stationery and postage	562	706
Annual supervision fee - SECP	2,202	1,483
Bank charges	34	41
Repairs and maintenance	2,740	703
Others	8,405	7,141
	143,206	131,872

	Operator's Takaful Fund		Participants' Takaful Fund	
	2020	2019	2020	2019
	Rupees in thousand			
24 Investment income				
Profit on				
Mutual funds - dividend income	24	1,345	-	-
Mutual funds - Capital Gain	3,560	-	-	-
Sukuks	-	-	17,156	7,065
	3,584	1,345	17,156	7,065
25 Other income				
Profit on bank deposits	14,091	14,274	32,403	31,845
Other Income	79	1,582	-	-
	14,170	15,856	32,403	31,845

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2020

	Note	Operator's Fund	
		2020	2019
Rupees in thousand			
26 Direct expenses			
Auditors' remuneration	26.1	740	740
Shariah audit fee		3,081	3,080
Subscription		-	19
		3,821	3,839
26.1 Auditors' remuneration			
Annual audit fee		385	385
Half year review fee		152	152
Shariah compliance report		165	165
Out of pocket expense		38	38
		740	740
27 Taxation			
Current tax:			
- for the year		47,605	31,110
Deferred tax:			
- for the year		(236)	(123)
		47,369	30,987
28 Executives remuneration			
Managerial remuneration		34,961	18,627
Leave encashment		818	624
Bonus		3,326	2,180
Rent and house maintenance		9,049	6,533
Medical		2,011	1,452
Conveyance		4,170	3,674
Contribution to defined contribution plan		1,431	1,108
Other perquisites and allowances		6,607	1,386
		62,373	35,584
Number of persons		18	13
There has been no payments made to the directors / chief executive officer during the year 2020 (2019 : Nil) from OPF.			
29 Number of employees			
Total number of employees at the end and average number of employees during the year ended 2020 and 2019 are as follows:			
As at December, 31		68	61
Average during the year		68	55
30 Transactions with related parties			

The Operator has related party relationships with its associates, subsidiary company, entities with common directorship, employee retirement benefit plans, key management personnel and other parties. Transactions are entered into with such related parties for the issuance of policies to and disbursements of claims incurred by them and payments of rentals for the use of premises rented from them. There are no transactions with key management personnel other than those specified in their terms of employment. Contributions and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan.

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2020

	2020	2019
	Rupees in thousand	
i) Transactions		
Subsidiary company		
Contribution underwritten	1,631	1,187
Contribution received	1,553	1,260
Claims paid	1,561	302
Other related parties		
Contribution underwritten	183,688	148,061
Contribution received	180,868	160,919
Claims paid	63,718	58,617
Income on bank deposits	13,329	2,944
ii) Period end balances		
Subsidiary company		
Balances payable	579	104
Balances receivable	80	1
Other related parties		
Balances receivable	17,679	14,896
Balances payable	31,773	18,594
Cash and bank balances	243,357	108,591
Contribution received in advance	350	343

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31 Segment Information

31.1 Each class of business has been identified as reportable segment. Class of business wise revenue and results have been disclosed in the profit and loss account prepared in accordance with the requirements of the Insurance Ordinance, 2000. The following is a schedule of class of business wise assets and liabilities.

	Participants' Takaful Fund					Total
	December 31, 2020					
Fire & Property Damage	Marine, Aviation & Transport	Motor	Accident & Health	Miscellaneous		
—Rupees in thousand—						
Contribution receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)	224,964	58,311	843,293	465,540	92,259	1,684,367
Less : Federal Excise Duty	(28,774)	(7,397)	(101,829)	(1,801)	(11,627)	(151,428)
Federal Insurance Fee	(1,949)	(505)	(6,942)	(4,591)	(798)	(14,785)
Gross Direct Written Contribution (inclusive of Administrative Surcharge)	194,241	50,409	734,522	459,148	79,834	1,518,154
Facultative inward contribution	1,446	42	-	-	5,922	7,410
Gross Contribution Written	195,687	50,451	734,522	459,148	85,756	1,525,564
Wakala fee	(54,792)	(17,658)	(238,720)	(114,787)	(21,439)	(447,396)
Contribution net of wakala fee	140,895	32,793	495,802	344,361	64,317	1,078,168
Contribution earned	131,434	32,805	471,707	326,210	72,149	1,034,305
Takaful contribution ceded to retakaful	(149,403)	(39,147)	(24,615)	-	(75,661)	(288,826)
Net takaful contribution	(17,969)	(6,342)	447,092	326,210	(3,512)	745,479
Re-takaful rebate	30,013	8,358	-	-	15,624	53,995
Net underwriting income	12,044	2,016	447,092	326,210	12,112	799,474
Takaful claims	(522,059)	(9,729)	(340,708)	(460,751)	(3,494)	(1,336,741)
Re - takaful and other recoveries	515,467	16,556	80,007	-	3,054	615,084
Net claims	(6,592)	6,827	(260,701)	(460,751)	(440)	(721,657)
Contribution deficiency reserve	-	-	-	30,071	-	30,071
Direct expense	(1,250)	(300)	(57,163)	(2,755)	(664)	(62,132)
Net takaful claims and expenses	(7,842)	6,527	(317,864)	(433,435)	(1,104)	(753,718)
Surplus / (deficit) before investment income	4,202	8,543	129,228	(107,225)	11,008	45,756
Other income						17,156
Investment income						32,403
Mudarib fee						(3,521)
Surplus transferred to Balance of PTF						91,794
Corporate segment assets	363,536	23,880	229,113	115,706	51,162	783,397
Corporate unallocated assets	-	-	-	-	-	776,377
Total assets	363,536	23,880	229,113	115,706	51,162	1,559,774
Corporate segment liabilities	388,928	20,481	501,097	253,059	40,405	1,203,970
Corporate unallocated liabilities	-	-	-	-	-	182,288
Total liabilities	388,928	20,481	501,097	253,059	40,405	1,386,258

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	Participants' Takaful Fund					
	December 31, 2019					
	Fire & Property Damage	Marine, Aviation & Transport	Motor	Accident & Health	Miscellaneous	Total
	Rupees in thousand					
Contribution receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)	202,470	38,372	815,604	207,411	100,083	1,363,940
Less : Federal Excise Duty	(25,535)	(4,962)	(96,939)	(2,735)	(12,201)	(142,372)
Federal Insurance Fee	(1,766)	(328)	(7,146)	(2,028)	(940)	(12,208)
Gross Direct Written Contribution (inclusive of Administrative Surcharge)	175,169	33,082	711,519	202,648	86,942	1,209,360
Facultative inward contribution	2,627	116	-	-	420	3,163
Gross Contribution Written	177,796	33,198	711,519	202,648	87,362	1,212,523
Wakala fee	(49,783)	(11,619)	(195,668)	(50,662)	(21,840)	(329,572)
Contribution net of wakala fee	128,013	21,579	515,851	151,986	65,522	882,951
Contribution earned	116,233	21,058	506,511	164,164	62,789	870,755
Retakaful expense	(132,551)	(25,314)	(22,168)	-	(74,056)	(254,089)
Net contribution revenue	(16,318)	(4,256)	484,343	164,164	(11,267)	616,666
Net rebate on re - takaful	26,400	5,383	-	-	12,567	44,350
Net underwriting income	10,082	1,127	484,343	164,164	1,300	661,016
Takaful claims	(81,687)	(16,791)	(365,599)	(192,443)	(29,885)	(686,405)
Re - takaful and other recoveries	71,558	13,445	49,438	-	26,773	161,214
Net claims	(10,129)	(3,346)	(316,161)	(192,443)	(3,112)	(525,191)
Contribution deficiency reserve	-	-	-	(5,969)	-	(5,969)
Direct expense	(1,257)	(135)	(54,930)	(751)	(735)	(57,808)
Net takaful claims and expenses	(11,386)	(3,481)	(371,091)	(199,163)	(3,847)	(588,968)
(Deficit) / surplus / before investment income	(1,304)	(2,354)	113,252	(34,999)	(2,547)	72,048
Other income						31,845
Investment income						7,065
Mudarib fee						(1,323)
Surplus transferred to Balance of PTF						109,635
Corporate segment assets	168,093	14,798	259,075	65,903	77,713	585,582
Corporate unallocated assets	-	-	-	-	-	605,006
Total assets	168,093	14,798	259,075	65,903	77,713	1,190,588
Corporate segment liabilities	160,639	12,411	526,003	172,859	72,068	943,980
Corporate unallocated liabilities	-	-	-	-	-	165,322
Total liabilities	160,639	12,411	526,003	172,859	72,068	1,109,302

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For the Year Ended 31 December 2020

31.2

Operator's Takaful Fund						
December 31, 2020						
Fire & Property Damage	Marine, Aviation & Transport	Motor	Accident & Health	Miscellaneous	Total	
—Rupees in thousand—						
Wakala fee income	51,112	17,664	207,046	108,737	24,049	408,608
Less : Commission expense	(27,127)	(7,702)	(51,201)	(22,505)	(10,547)	(119,082)
Management expenses	(32,623)	(9,262)	(61,573)	(27,064)	(12,684)	(143,206)
	(8,638)	700	94,272	59,168	818	146,320
Mudarib's share of PTF investment income						3,521
Investment income						3,584
Direct expenses						(3,821)
Other income						14,170
Profit before tax						163,774
Corporate segment assets	27,126	4,132	77,960	39,368	8,158	156,744
Corporate unallocated assets	-	-	-	-	-	432,404
Total assets	27,126	4,132	77,960	39,368	8,158	589,148
Corporate segment liabilities	23,564	614	122,753	28,235	3,600	178,766
Corporate unallocated liabilities	-	-	-	-	-	64,031
Total liabilities	23,564	614	122,753	28,235	3,600	242,797
Operator's Takaful Fund						
December 31, 2019						
Fire and Property Damage	Marine, Aviation and Transport	Motor	Accident & Health	Miscellaneous	Total	
—Rupees in thousand—						
Wakala fee income	45,202	11,337	192,125	54,721	20,929	324,314
Less : Commission expense	(23,558)	(5,324)	(50,124)	(13,141)	(7,287)	(99,434)
Management expenses	(31,243)	(7,061)	(66,476)	(17,428)	(9,664)	(131,872)
	(9,599)	(1,048)	75,525	24,152	3,978	93,008
Mudarib's share of PTF investment income						1,323
Investment income						1,345
Other expenses						(3,839)
Other income						15,856
Profit before tax						107,693
Corporate segment assets	21,854	2,216	63,741	16,738	8,315	112,864
Corporate unallocated assets	-	-	-	-	-	313,427
Total assets	21,854	2,216	63,741	16,738	8,315	426,291
Corporate segment liabilities	19,884	620	91,079	22,185	6,211	139,979
Corporate unallocated liabilities	-	-	-	-	-	55,893
Total liabilities	19,884	620	91,079	22,185	6,211	195,872

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32 Management of takaful and financial risk

The Operator's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including price risk and currency risk). The Operator's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall risks arising from the Operator's financial assets and liabilities are limited. The Operator consistently manages its exposure to financial risk 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 Operator's risk management framework. The Board is also responsible for developing the Operator's risk management policies.

The individual risk wise analysis is given below :

32.1 Takaful risk

The principal risk that the Operator faces under takaful contracts is that the actual claims and benefit payments or the timing thereof may differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Operator is to ensure that sufficient reserves are available to cover these liabilities. The above risk exposure is mitigated by diversification across a large portfolio of takaful contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of retakaful arrangements. Further, strict claims review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims and similar procedures are put in place to reduce the risk exposure of the Operator. The Operator further enforces a policy of actively managing and promptly pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Operator.

Amounts recoverable from re-takaful are estimated in a manner consistent with the outstanding claims provision and are in accordance with the re-takaful contracts.

Although the Operator has re-takaful arrangements, it is not relieved of its direct obligations to its policy holders and thus a credit exposure exists with respect to ceded takaful, to the extent that any re-takaful operator is unable to meet its obligations assumed under such re-takaful agreements. The Operator's placement of re-takaful is diversified such that it is neither dependent on a single re-takaful operator nor are the operations of the Operator substantially dependent upon any single re-takaful contract. Re-takaful contracts are written with approved re-takaful operators on either a proportionate basis or non-proportionate basis. The re-takaful operators are carefully selected and approved and are dispersed over several geographical regions.

Experience shows that larger the portfolio is in similar re-takaful contracts, smaller will be the relative variability about the expected outcome. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Operator has developed its takaful underwriting strategy to diversify the type of takaful risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Operator principally issues the general takaful contracts e.g. fire and property damage, marine, aviation and transport, motor, accident & health and other miscellaneous. Risks under non-life takaful contracts usually cover twelve month or lesser duration. For general takaful contracts the most significant risks arise from accidental fire, atmospheric disaster and terrorist activities. Takaful contracts at times also cover risk for single incidents that expose the Operator to multiple takaful risks.

32.1.1 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.

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For the Year Ended 31 December 2020

32.1.2 Re-takaful arrangements

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

Class	Participants' Takaful Fund					
	Gross sum covered		Re-takaful		Net	
	2020	2019	2020	2019	2020	2019
	Rupees in thousand					
Fire and property	212,596,719	224,859,121	166,376,199	179,490,118	46,220,520	45,369,003
Marine, aviation and transport	114,158,337	58,061,664	57,217,616	47,122,443	56,940,721	10,939,221
Motor	36,598,225	32,326,306	1,257,831	1,041,591	35,340,394	31,284,715
Accident and health	33,902,621	11,377,027	-	-	33,902,621	11,377,027
Miscellaneous	2,962,076	2,847,097	2,370,001	2,450,782	592,075	396,315
	400,217,978	329,471,215	227,221,647	230,104,934	172,996,331	99,366,281

32.1.3 Sources of uncertainty in estimation of future claim payments

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

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the statement of financial position date.

32.1.4 Neutral assumptions for claim estimation

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Operator, in which case the information about the claim event is available. IBNR provision is initially estimated at a gross level and a separate calculation is carried out to estimate the size of the retakaful recoveries.

The estimation process takes into account the past claims reporting pattern and details of retakaful programs. The contribution liabilities have been determined such that the total contribution liability provisions (unearned contribution reserve and contribution deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of statement of financial position date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

Notes To and Forming Part of Financial Statements

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32.1.5 Sensitivity analysis

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

As the Operator enters into short term takaful contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on surplus/(deficit), net of re-takaful.

	Surplus/ (deficit)	
	2020	2019
	Rupees in thousand	
10% increase in claims liability		
Net:		
Fire	(659)	(1,013)
Marine	683	(335)
Motor	(26,070)	(31,616)
Accident & Health	(46,075)	(19,244)
Miscellaneous	(44)	(311)
	(72,165)	(52,519)
10% decrease in claims liability		
Net:		
Fire	659	1,013
Marine	(683)	335
Motor	26,070	31,616
Accident & Health	46,075	19,244
Miscellaneous	44	311
	72,165	52,519

32.2 Financial Risk

Maturity profile of financial assets and liabilities:

	Participants' Takaful fund						Total
	December 31, 2020						
	Markup bearing			Non-markup bearing			
Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total		
Rupees in thousand							
Financial assets							
Investments - Debt securities	-	125,000	125,000	-	-	-	125,000
Investments - Equity securities	-	-	-	50,614	-	50,614	50,614
Loans and other receivables	-	-	-	27,650	-	27,650	27,650
Takaful / re-takaful receivables- unsecured and considered good	-	-	-	384,445	-	384,445	384,445
Re-takaful recoveries against outstanding claims	-	-	-	279,132	-	279,132	279,132
Salvage recoveries accrued	-	-	-	35,986	-	35,986	35,986
Cash and bank	552,900	-	552,900	-	-	-	552,900
	552,900	125,000	677,900	777,827	-	777,827	1,455,727
Financial liabilities							
Outstanding claims (including IBNR)	-	-	-	558,082	-	558,082	558,082
Takaful / re-takaful payables	-	-	-	79,436	-	79,436	79,436
Wakala and mudarib fee payable	-	-	-	116,783	-	116,783	116,783
Other creditors and accruals	-	-	-	10,417	-	10,417	10,417
	-	-	-	764,718	-	764,718	764,718
	552,900	125,000	677,900	13,109	-	13,109	691,009

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Participants' Takaful fund						
December 31, 2019						
Markup bearing			Non-markup bearing			Total
Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
Rupees in thousand						
Investments - Debt securities	-	125,000	125,000	-	-	125,000
Loans and other receivables *	-	-	-	21,655	-	21,655
Takaful / re-takaful receivables- unsecured and considered good	-	-	-	261,580	-	261,580
Re-takaful recoveries against outstanding claims	-	-	-	88,706	-	88,706
Salvage recoveries accrued	-	-	-	13,631	-	13,631
Cash and bank	434,658	-	434,658	-	-	434,658
	434,658	125,000	559,658	385,572	-	945,230

Financial assets

Investments - Debt securities	-	125,000	125,000	-	-	125,000
Loans and other receivables *	-	-	-	21,655	-	21,655
Takaful / re-takaful receivables- unsecured and considered good	-	-	-	261,580	-	261,580
Re-takaful recoveries against outstanding claims	-	-	-	88,706	-	88,706
Salvage recoveries accrued	-	-	-	13,631	-	13,631
Cash and bank	434,658	-	434,658	-	-	434,658
	434,658	125,000	559,658	385,572	-	945,230

Financial liabilities

Outstanding claims (including IBNR)	-	-	-	257,810	-	257,810
Takaful / re-takaful payables	-	-	-	38,513	-	38,513
Wakala and mudarib fee payable	-	-	-	70,933	-	70,933
Other creditors and accruals	-	-	-	4,937	-	4,937
	-	-	-	372,193	-	372,193
	434,658	125,000	559,658	13,379	-	573,037

Operator's Takaful fund						
December 31, 2020						
Markup bearing			Non-markup bearing			Total
Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
Rupees in thousand						
Investment - Equity securities	-	-	-	35,873	-	35,873
Loans and other receivables *	-	-	-	2,215	650	2,865
Wakala and mudarib fee receivable	-	-	-	116,783	-	116,783
Cash and bank	209,446	-	209,446	-	-	209,446
	209,446	-	209,446	154,871	650	364,967
Other creditors and accruals	-	-	-	52,102	-	52,102
	-	-	-	52,102	-	52,102
	209,446	-	209,446	102,769	650	312,865

Financial assets

Investment - Equity securities	-	-	-	35,873	-	35,873
Loans and other receivables *	-	-	-	2,215	650	2,865
Wakala and mudarib fee receivable	-	-	-	116,783	-	116,783
Cash and bank	209,446	-	209,446	-	-	209,446
	209,446	-	209,446	154,871	650	364,967

Financial liabilities

Other creditors and accruals	-	-	-	52,102	-	52,102
	-	-	-	52,102	-	52,102
	209,446	-	209,446	102,769	650	312,865

Operator's Takaful fund						
December 31, 2019						
Markup bearing			Non-markup bearing			Total
Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
Rupees in thousand						
Investment - Equity securities	-	-	-	32,958	-	32,958
Loans and other receivables *	-	-	-	3,211	-	3,211
Wakala and mudarib fee receivable	-	-	-	70,933	-	70,933
Cash and bank	91,895	-	91,895	-	-	91,895
	91,895	-	91,895	107,102	-	198,997
Other creditors and accruals	-	-	-	44,664	-	44,664
	-	-	-	44,664	-	44,664
	91,895	-	91,895	62,438	-	154,333

Financial assets

Investment - Equity securities	-	-	-	32,958	-	32,958
Loans and other receivables *	-	-	-	3,211	-	3,211
Wakala and mudarib fee receivable	-	-	-	70,933	-	70,933
Cash and bank	91,895	-	91,895	-	-	91,895
	91,895	-	91,895	107,102	-	198,997

Financial liabilities

Other creditors and accruals	-	-	-	44,664	-	44,664
	-	-	-	44,664	-	44,664
	91,895	-	91,895	62,438	-	154,333

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32.2.1 Mark - up rate risk

Mark-up rate risk is the risk that the value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market mark - up rates. Sensitivity to mark-up rate risk arises from mismatching of financial assets and liabilities that mature or repaid in a given period. The Operator manages this mismatch through risk management strategies where significant changes in gap position can be adjusted. At the statement of financial position date the mark-up rate profile of the Operator's significant interest / mark-up bearing financial instruments was as follows:

	Effective interest rate (%)		Carrying amounts	
	2020	2019	2020	2019
Rupees in thousand				
Floating rate financial instruments				
Financial assets:				
Cash at bank - saving account	3.00% - 8.00%	5.00% - 11.00%	762,346	526,485

32.2.2 Sensitivity analysis

The Operator does not have any fixed rate financial assets and liabilities. For cash flow sensitivity analysis of variable rate instruments, a hypothetical change of 100 basis points in mark-up rates at the statement of financial position date would have decreased / (increased) profit for the year by the amounts shown below. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variation in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	Effect on profit before tax		Effect on funds	
	Increase	Decrease	Increase	Decrease
Rupees in thousand				
As at December 31, 2020 - Fluctuation of 100 bps				
Cash flow sensitivity - variable rate financial liabilities	76,235	(76,235)	53,365	(53,365)
Cash flow sensitivity - variable rate financial assets				
As at December 31, 2019 - Fluctuation of 100 bps				
Cash flow sensitivity - variable rate financial liabilities				
Cash flow sensitivity - variable rate financial assets	52,649	(52,649)	36,854	(36,854)

Foreign currency risk

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

Price risk

Price risk represents the risk that the fair value of financial instruments 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 individual financial instrument or its issuer, or factors affecting all or similar financial instrument traded in the market. The Operator is exposed to equity price risk that arises as a result of changes in the net asset value of mutual funds. The equity price risk arises from the Operator's investment in equity securities of mutual funds.

The Operator's strategy is to hold its strategic equity investments on a long term basis. Thus, Operator is not affected significantly by short term fluctuation in its strategic investments provided that the underlying business,

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2020

economic and management characteristics of the investees remain favorable. The Operator strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity volatility. The Operator manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

The Operator has investments in quoted equity securities amounting to Rs. 35,873 thousands (2019: Rs. 32,958 thousands) at the statement of financial position date. The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the statement of financial position date. Market prices are subject to fluctuation which may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions.

32.2.3 Sensitivity analysis

As the entire investment portfolio has been classified in the 'available-for-sale' category, a 10% increase / decrease in unit prices at year end would have increased / decreased Operator's fund as follows:

	December 31, 2020		December 31, 2019	
	Impact on profit before tax	Impact on operator's fund	Impact on profit before tax	Impact on operator's fund
	Rupees in thousand		Rupees in thousand	
Effect of increase in unit price	-	2,424	-	2,307
Effect of decrease in unit price	-	(2,424)	-	(2,307)

32.3 Credit risk and concentration of credit risk

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

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result any change in economic, political or other conditions would affect their ability to meet contractual obligations in a similar manner. The Operator's credit risk exposure is not significantly different from that reflected in these financial statements. The management monitors and limits the Operator's exposure and makes conservative estimates of provisions for doubtful assets, if any. The management is of the view that it is not exposed to significant concentration of credit risk as 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:

	December 31, 2020			December 31, 2019		
	Operator's Fund	Participants' Takaful Fund	Aggregate	Operator's Fund	Participants' Takaful Fund	Aggregate
	Rupees in thousand			Rupees in thousand		
Investment in equity securities	35,873	50,614	86,487	32,958	-	32,958
Investment in debt securities	-	125,000	125,000	-	125,000	125,000
Loans and other receivable	2,865	27,650	30,515	3,211	21,655	24,866
Due from takaful contract holders	-	304,220	304,220	-	230,238	230,238
Due from other takaful / other re-takaful	-	80,225	80,225	-	31,342	31,342
Retakaful recoveries against outstanding claims	-	279,132	279,132	-	88,706	88,706
Salvage recoveries accrued	-	35,986	35,986	-	13,631	13,631
Wakala and mudarib fee receivable	116,783	-	116,783	70,933	-	70,933
Bank deposits	209,296	552,900	762,196	91,895	434,590	526,485
	364,817	1,455,727	1,820,544	198,997	945,162	1,144,159

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2020

Provision for impairment is made for doubtful receivables according to the Operator's policy. The impairment provision is written off when the Operator expects that it cannot recover the balance due.

Age analysis of due from takaful contact holders (net of provision) other than related parties is as follows:

	Note	2020	2019
		Rupees in thousand	
Upto one year		241,618	182,713
Above one year		44,870	32,626
		286,488	215,339
Less: provision for doubtful balances		-	-
		286,488	215,339
Age analysis of due from related parties against takaful contracts is as follows:			
Upto one year		16,927	13,852
Above one year		805	1,046
		17,732	14,898
Less: provision for doubtful balances		-	-
		17,732	14,898

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

	Rating		Rating Agency	2020	2019
	Short Term	Long Term		Rupees in thousand	
Dubai Islamic Bank Limited	A-1+	AA+	JCR-VIS	355,244	227,172
MCB Islamic Bank Limited	A1	A	PACRA	243,357	108,592
Meezan Bank Limited	A-1+	AA+	JCR-VIS	60,275	50,398
Bank Islami Pakistan Limited	A1	A+	PACRA	103,319	140,323
				762,195	526,485

The credit quality of amount due from other co-takaful/retakaful operators (gross of provisions) can be assessed with reference to external credit rating as follows:

	Amounts due from other co-takaful / re-takaful operators	Retakaful and other recoveries against outstanding claims	December 31, 2020	Amounts due from other co-takaful / re-takaful operators	Retakaful and other recoveries against outstanding claims	December 31, 2019
A or Above (including PRCL)	80,225	176,439	256,664	31,142	67,507	98,649
BBB	-	15,342	15,342	-	5,870	5,870
Others	-	87,351	87,351	-	15,329	15,329
Total	80,225	279,132	359,357	31,142	88,706	119,848

32.4 Capital adequacy risk

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

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2020

33 Fair values of financial instruments

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

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

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs (Level 3)

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

		Participants' Takaful Fund							
		December 31, 2020							
		Carrying amount				Fair value			
Note	Available-for-sale	Loans and receivables	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Rupees in thousand									
Financial assets not measured at fair value									
	Investments - Debt securities	8	125,000	-	-	-	-	-	-
	Investments - Equity securities	7	50,614	-	-	50,614	-	-	50,614
	Loan and other receivables	10	-	27,650	-	27,650	-	-	-
	Takaful / re - takaful receivables	11	-	384,445	-	384,445	-	-	-
	Re - takaful recoveries against outstanding claims		-	279,132	-	279,132	-	-	-
	Salvage recoveries accrued		-	35,986	-	35,986	-	-	-
	Cash and bank deposits	13	-	-	552,900	-	-	-	-
			175,614	727,213	552,900	-	-	-	1,455,727
						50,614	-	-	50,614
Financial liabilities not measured at fair value									
	Outstanding claims including IBNR	19	-	-	-	558,082	-	-	-
	Takaful / re - takaful payables		-	-	-	79,436	-	-	-
	Wakala and mudarib fee payable		-	-	-	116,783	-	-	-
	Other creditors and accruals	15	-	-	-	10,417	-	-	-
			-	-	-	764,718	-	-	-

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2020

		Participants' Takaful Fund								
Note		December 31, 2019								
		Carrying amount				Fair value				
		Available-for-sale	Loans and receivables	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Rupees in thousand										
Financial assets not measured at fair value										
	8	125,000	-	-	-	125,000	-	-	-	-
	10	-	21,655	-	-	21,655	-	-	-	-
	11	-	261,580	-	-	261,580	-	-	-	-
		-	88,706	-	-	88,706	-	-	-	-
		-	13,631	-	-	13,631	-	-	-	-
	13	-	-	434,658	-	434,658	-	-	-	-
		<u>125,000</u>	<u>385,572</u>	<u>434,658</u>	<u>-</u>	<u>945,230</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value										
	19	-	-	-	257,810	257,810	-	-	-	-
		-	-	-	38,513	38,513	-	-	-	-
		-	-	-	70,933	70,933	-	-	-	-
	15	-	-	-	4,937	4,937	-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>372,193</u>	<u>372,193</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Rupees in thousand										
		Operator's Takaful Fund								
Note		December 31, 2020								
		Carrying amount				Fair value				
		Available-for-sale	Loans and receivables	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Rupees in thousand										
Financial assets measured at fair value										
	7	35,873	-	-	-	35,873	35,873	-	-	35,873
Financial assets not measured at fair value										
	10	-	2,865	-	-	2,865	-	-	-	-
		-	116,783	-	-	116,783	-	-	-	-
	13	-	-	209,446	-	209,446	-	-	-	-
		<u>37,873</u>	<u>119,648</u>	<u>209,446</u>	<u>-</u>	<u>364,967</u>	<u>35,873</u>	<u>-</u>	<u>-</u>	<u>35,873</u>
Financial liabilities not measured at fair value										
	15	-	-	-	52,102	52,102	-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>52,102</u>	<u>52,102</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2020

Note	Operator's Takaful Fund									
	December 31, 2019									
	Carrying amount					Fair value				
	Available-for-sale	Loans and receivables	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	
Rupees in thousand										
Financial assets measured at fair value										
Investments - Equity securities	7	32,958	-	-	-	32,958	32,958	-	-	32,958
Financial assets not measured at fair value										
Loan and other receivables	10	-	3,211	-	-	3,211	-	-	-	-
Wakala and mudarib fee receivable		-	70,933	-	-	70,933	-	-	-	-
Cash and bank deposits	13	-	-	91,895	-	91,895	-	-	-	-
		32,958	74,144	91,895	-	198,997	32,958	-	-	32,958
Financial liabilities not measured at fair value										
Other creditors and accruals	15	-	-	-	44,664	44,664	-	-	-	-
		-	-	-	44,664	44,664	-	-	-	-

34 Statement of Solvency - Participants' Takaful Fund

December 31, 2020

Rupees In thousand

Assets

Investments	175,614
Loans and other receivables	27,650
Takaful / Re - takaful receivables	384,445
Re - takaful Recoveries against outstanding benefits	279,132
Salvage recoveries accrued	35,986
Prepayments	104,047
Cash and Bank	552,900
Total Assets (A)	1,559,774

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

Contribution due but unpaid more than 3 months Direct	156,163
Co-takaful balances more than 3 months	55,484
Prepaid Monitoring charges	20,213
Loans and other receivables	24,102
	255,962

Total of In-admissible assets (B)

Total Admissible Assets (C=A-B)

1,303,812

Total Liabilities

Outstanding benefits including IBNR	558,082
Unearned contribution reserves	421,449
Unearned commission income	17,183
Contribution deficiency reserves	-
Deferred taxation	178
Contributions received in advance	11,037
Takaful / Re - takaful payables	79,436
Wakala and mudarib fee payable	116,783
Other Creditors and Accruals	35,650
Total Liabilities (D)	1,239,798

Total Net Admissible Assets (E=C-D)

64,014

Notes To and Forming Part of Financial Statements

For the Year Ended 31 December 2020

	Operator's Takaful Fund	Participants' Takaful Fund	
	Available for sale	Available for sale	Held to Maturity
	Rupees in thousand		
35 Movement in Investment - Available for sale			
At the beginning of previous year	29,930	-	-
Additions	1,144	-	125,000
Disposals	-	-	-
Fair value on gains (excluding net realized gain)	1,884	-	-
At the beginning of current year	32,958	-	125,000
Additions	34,627	50,000	-
Disposals	(31,048)	-	-
Fair value on (loss) / gain (excluding net realized (loss) / gain)	(664)	614	-
At the end of current year	35,873	50,614	125,000

36 Corresponding figures

Corresponding figures have been rearranged and reclassified for better presentation, where considered necessary.

37 Date of authorization for issue

This condensed financial information was authorized for issue on 23 February 2021 by the Board of Directors of the Operator.

38 General

Figures have been rounded off to the nearest thousand rupees unless other wise stated.



Umer Mansha
Chairman



Ibrahim Shamsi
Director



Shaikh Muhammad Jawed
Director



Muhammad Asim Nagi
Chief Financial Officer



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer



OTHER INFORMATION

PHISHING

Notice of 60th Annual General Meeting

NOTICE is hereby given that the 60th Annual General Meeting (AGM) of Adamjee Insurance Company Limited (the "Company") will be held on April 27, 2021 (Tuesday) at 11:00 A.M. at Registered Office of the Company, Adamjee House, 80/A, Block E-1, Main Boulevard, Gulberg III, Lahore through video-link facility to transact the following ordinary business:

1. To receive, consider and adopt the Standalone and Consolidated Audited Financial Statements of the Company for the year ended 31 December 2020, Directors' and Auditors' reports thereon and the Chairman's Review Report.
2. To declare and approve, as recommended by the directors, the payment of final cash dividend of Rs. 1/25 per share i.e., @ 12.5% in addition to 12.5% interim cash dividend already declared and paid i.e., total 25% for the year ended 31 December 2020.
3. To appoint auditors and fix their remuneration. The members are hereby notified that the Board of Directors and the Audit Committee have recommended the name of retiring auditors M/s Yousuf Adil, Chartered Accountants for appointment as auditors of the Company.

By Order of the Board



Tameez-ul-Haque
Secretary

Lahore: April 6, 2021

NOTES:

1. Video-Link Facility for the AGM:

Due to rising COVID-19 cases and to ensure the safety and well-being of the shareholders and general public, the Company is holding this meeting through video link as allowed by the Securities and Exchange Commission of Pakistan vide its Circular No. 6 of 2021 dated 03 March, 2021.

To attend the meeting through video link, the members and their proxies are requested to register themselves by providing the following information along with their Name, Folio Number, Cell No., and Number of Shares held in their name, a valid copy of CNIC (both sides)/ passport attested copy of board resolution / power of attorney (in case of corporate shareholders) through email at zafar.iqbal@adamjeeinsurance.com and/or info@adamjeeinsurance.com by 23 April, 2021:

Name of Member/ proxyholders	CNIC No.	Folio No./ Participant Id/ Account No.	Cell No./ WhatsApp's No.	Email ID.

The shareholders who are registered after the necessary verification shall be provided a video link by the Company on the said email address. The login facility will remain open from start of the meeting till its proceedings are concluded. Shareholders can also provide their comments and questions for the agenda items of the AGM at the email address zafar.iqbal@adamjeeinsurance.com and/or info@adamjeeinsurance.com or at WhatsApp No. 03400004421.

Members are therefore, encouraged to attend the AGM through video link or by consolidating their attendance through proxies.

2. The annual report containing inter alia audited standalone and consolidated financial statements and mandatory reports have been placed on the website of the Company www.adamjeeinsurance.com
3. The share transfer books of the Company will remain closed from April 21, 2021 to April 27, 2021 (both days inclusive). Transfers received in order at the office of the Company's Independent Share Registrar, M/s CDC Share Registrar Services Ltd., CDC House, 99- B, S.M.C.H.S, Main Shahrah e Faisal, Karachi by the close of business (1:00 PM) on April 20, 2021 will be treated in time for the purposes of entitlement of members to the final cash dividend and for attending and voting at the AGM. Proxy Forms, in English and Urdu languages, have been dispatched to the members along with the notice of AGM.
4. A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote. The Instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarial attested copy of the power of attorney must be deposited at the registered office of the Company at least 48 hours before the time of the meeting. A proxy must be a member of the company. A Company or a Corporation being a member of the Company may appoint a representative through a resolution of board of directors for attending and voting at the meeting.
5. Members who have deposited their shares into Central Depository Company of Pakistan Limited ("CDC") will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan in Circular No 1 of 2000.
 - A. For Attending the Meeting
 - a. In case of Individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing CDC Participant ID and account number and his/her original CNIC or, original Passport at the time of attending the Meeting.
 - b. In case of corporate entity, the Board's resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.
 - B. For Appointing Proxies
 - a. In case of individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.
 - b. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.
 - c. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.
 - d. The proxy shall produce his original CNIC or original passport at the time of the Meeting.
 - e. In case of corporate entity, the Board's resolution / power

6. Members are requested to timely notify any change in their addresses.

7. Notice to Shareholders who have not provided CNIC:

The shareholders who have not yet provided their CNICs are once again advised to provide the attested copies of their CNICs (if not already provided) directly to our Independent Share Registrar at the address given at Note No. 3.

8. Payment of Cash Dividend Electronically:

Under the provision of Section 242 of Companies Act, 2017 and the Companies (Distribution of Dividends) Regulations, 2017, it is mandatory for a listed company to pay cash dividend to their shareholders only through electronic mode directly into the bank account designated by the entitled shareholders instead of issuing physical dividend warrant.

In order to receive cash dividend directly into the designated bank account, shareholders are requested to fill and sign the "Mandate Form for e-dividend" available on the Company's website link: https://www.adamjeeinsurance.com/pak/investors/downloads/shareholder_useful_documents/Mandate_for_e_dividend.pdf, and send to the relevant Broker/Participants/Investor Account Services of the CDC/Share Registrar of the Company (as the case may be) before April 20, 2021 along with a copy of their valid CNICs. The aforesaid form is also available at the end of Annual Report of the Company. The form has also been provided with CDs to the shareholders. In case of non-receipt or incorrect International Bank Account Number (IBAN) with other related details or non-availability of CNICs, the Company will withhold cash dividend of such members in terms of Section 242 of the Companies Act, 2017.

9. Shareholders, who by any reason, could not claim their dividends/shares, if any, are advised to contact our Share Registrar to collect / enquire about their unclaimed dividend/shares, if any.

10. Hardcopy of Annual Financials:

The shareholders who wish to receive hard copy of the aforesaid documents may send to the Company Secretary / Share Registrar, the Standard Request Form available on the website of the Company and the Company will supply hard copies of the aforesaid document to the shareholders on demand, free of cost, within one week of such demand.

Shareholders have passed Special Resolution in AGM held on 29th April 2017 to transmit annual report from 31st December 2017 onwards through email in compliance of directive of SRO 470(1)/2016 dated 31st May 2016. The annual report is emailed to shareholders who have provided their email address.

11. Deduction of Withholding Tax on the amount of Dividend:

Pursuant to 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, 2001. The Company, hereby advise to its shareholders, the important amendments, as under:

The Government of Pakistan through Finance Act, 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 Taxpayers List (ATL) provided on the website of Federal Board of Revenue, 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%.

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 will 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. 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 Independent Share Registrar at the below mentioned address. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

- 12. The members of the Company are required to submit Declaration for Zakat exemption in terms of Zakat and Ushr Ordinance, 1980.

FORM 34
THE COMPANIES ACT 2017
THE COMPANIES(GENERAL PROVISIONS & FORMS)
REGULATION, 2019 [Section 227(2)(f)]
PATTERN OF SHAREHOLDING


1.1 Name of the Company ADAMJEE INSURANCE COMPANY LIMITED.

2.1 Pattern of holding of the shares held by the shareholders as at 31-12-2020

2.2	No. of Shareholders	Shareholdings	Total Shares Held
	1,004	Shareholding From 1 To 100	26,481
	971	Shareholding From 101 To 500	301,911
	563	Shareholding From 501 To 1000	471,922
	2,104	Shareholding From 1001 To 100000	27,726,536
	125	Shareholding From 100001 To 475000	27,393,424
	29	Shareholding From 495001 To 1020000	20,955,804
	27	Shareholding From 1040001 To 7560000	65,619,669
	1	Shareholding From 7570001 To 7575000	7,571,500
	1	Shareholding From 171105001 To 171110000	17,107,420
	1	Shareholding From 19210001 To 19215000	19,213,878
	1	Shareholding From 27760001 To 27765000	27,763,351
	1	Shareholding From 27875001 To 27880000	27,877,735
	1	Shareholding From 37970001 To 37975000	37,970,369
	1	Shareholding From 69995001 To 70000000	70,000,000
	4,830		350,000,000

FORM 34
THE COMPANIES ACT 2017
THE COMPANIES(GENERAL PROVISIONS & FORMS)
REGULATION, 2019 [Section 227(2)(f)]
PATTERN OF SHAREHOLDING

	Shareholders	Shares held	Percentage
2.3 Categories of Shareholders			
2.3.1 Directors, Chief Executive Officer their spouses & minor children			
Ibrahim Shamsi	1	16,797	0.005
Imran Maqbool Malik	1	7,073	0.002
Mian Umer Mansha	1	60,335	0.017
Mohammad Ali Zeb	1	7,073	0.002
Mohammad Arif Hameed	1	2,500	0.001
Muhammad Anees	1	20,000	0.006
Sadia Younas Mansha	1	2,500	0.001
Shaikh Muhammad Jawed	1	2,500	0.001
2.3.1(a) Executives	1	104	0.000
2.3.2 Associated Companies, undertakings & related parties			
a) MCB Bank Limited - Treasury	2	70,861,241	20.246
b) Nishat Mills Limited	1	102,809	0.029
c) Nishat (Aziz Avenue) Hotels and Properties Limited	1	1,083,000	0.309
2.3.3 NIT and ICP	1	2,164	0.001
2.3.4 Banks, Development Finance Institutions, Non-Banking Finance Companies	16	9,091,203	2.597
2.3.5 Insurance Companies	11	31,378,884	8.965
2.3.6 Modarabas and Mutual Funds	35	22,081,051	6.309
2.3.7 Shareholders holding 5% or more voting interest (reflected in relevant category, reference given)			
i) MCB Bank Ltd (2.3.2a)		70,861,241	20.246
ii) Trustee-MCB Employees Pension Fund(2.3.9)		37,970,369	10.849
iii) Security General Insurance Co Ltd (2.3.5)		27,771,587	7.935
iv) D.G. Khan Cement Company Limited (2.3.9)		27,877,735	7.965
v) Anjum Nisar (2.3.8a)		19,213,878	5.490
2.3.8 General Public			
a) Local-Individuals	4,501	84,941,839	24.269
b) Foreign Individuals	11	2,502,400	0.715
c) Foreign Companies/organizations(on repatriable basis)	16	13,383,391	3.824
2.3.9 Others(Joint Stock Cos., Pension/Provident Funds etc.)	226	114,453,136	32.701
	4,830	350,000,000	100.000



Ibrahim Shamsi
Director



Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Form of Proxy

I/We _____ of _____ being a member of Adamjee Insurance Company Limited and holder of _____ shares as per Folio No. _____ CDC Participant ID No. _____ and Sub Account No. _____ / CDC Investors Account No. _____ hereby appoint Mr./Miss/Mrs. _____ of _____ (Folio No. _____ CDC Participant ID No. _____ and Sub Account No. _____ / CDC Investors Account No. _____) or failing him Mr./Miss/Mrs. _____ of _____ (Folio No. _____ CDC Participant ID No. _____ and Sub Account No. _____ / CDC Investors Account No. _____) as my/our Proxy to attend, speak and vote for me/us and on my/our behalf at the 60th Annual General Meeting of the Company to be held on April 27, 2021 (Tuesday) at 11:00 AM at Registered Office of the Company through video link facility and any adjournment thereof.

Signed this _____ day of _____ 2021

Witness 1:

Signature _____
 Name _____
 CNIC No. or Passport No. _____
 Address _____



Witness 2:

Signature _____
 Name _____
 CNIC No. or Passport No. _____
 Address _____

 Signature of Member

Notes

1. A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote. The Instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarial attested copy of the power of attorney must be deposited at the registered office of the Company at least 48 hours before the time of the meeting. A proxy must be a member of the company. A Company or a Corporation being a member of the Company may appoint a representative through a resolution of board of directors for attending and voting at the meeting.
2. Members, who have deposited their shares into Central Depository Company of Pakistan Limited, are being advised to bring their original National Identity Cards along with CDC Participant ID and account number at the meeting venue.
3. Members who have deposited their shares into Central Depository Company of Pakistan Limited ("CDC") will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan in Circular No 1 of 2000.

A. For Attending the Meeting

- i. In case of Individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original CNIC or, original Passport at the time of attending the Meeting.
- ii. In case of corporate entity, the Board's resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies

- i. In case of individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements .
- ii. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii. Attested copies of the CNIC or the passport of 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's resolution / power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Company.

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Company Secretary
Adamjee Insurance Company Limited
9th Floor, Adamjee House,
I.I. Chundrigar Road, Karachi - 74000.
UAN: 111 242 111

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کمپنی سیکریٹری
آدمجی انشورنس کمپنی لمیٹڈ
۹ فلور، آدمجی ہاؤس، آئی آئی چندریگر روڈ،
کراچی - ۷۴۰۰۰
یو اے این: ۱۱۲۳۲۱۱۱

نمائندگی نامہ

میں/ہم..... مقیم.....، آدمجی انشورنس کمپنی لمیٹڈ کے ایک ممبر اور..... شیئرز کی ملکیت/فولیو نمبر.....
 سی ڈی سی پارٹنر آئی ڈی نمبر..... اور سب اکاؤنٹ نمبر...../سی ڈی سی انویسٹرز اکاؤنٹ نمبر..... کے مطابق محترم/محترمہ.....
 مقیم..... (فولیو نمبر..... سی ڈی سی پارٹنر آئی ڈی نمبر..... اور سب اکاؤنٹ نمبر...../سی ڈی سی انویسٹرز اکاؤنٹ نمبر.....)
 یا ان کے شریک نہ ہونے پر محترم/محترمہ..... مقیم..... (فولیو نمبر.....)
 سی ڈی سی پارٹنر آئی ڈی نمبر..... اور سب اکاؤنٹ نمبر...../سی ڈی سی انویسٹرز اکاؤنٹ نمبر..... (کو بذریعہ بلڈ کمپنی رجسٹرڈ آفس، لاہور
 میں بروز منگل مورخہ 27 اپریل 2021 بوقت صبح 11 بجے بذریعہ ویڈیو لنک منعقد ہونے والے 60 ویں سالانہ اجلاس عام میں شرکت ہونے، گفتگو کرنے اور ووٹ دینے کے لئے میرے/ہمارے نمائندے کے
 طور پر نامزد کرنا چاہتا/چاہتے ہیں۔
 آج بروز..... تاریخ..... 2021ء دستخط کیے گئے۔

گواہ 1

51/- روپے کی
ریونیو اسٹیٹمنٹ

دستخط.....
 نام.....
 پتہ.....
 قومی شناختی کارڈ نمبر یا پاسپورٹ نمبر.....

گواہ 2

دستخط.....
 نام.....
 پتہ.....
 قومی شناختی کارڈ نمبر یا پاسپورٹ نمبر.....

ملاحظات (نوٹس):

- 1- سالانہ اجلاس عام میں شرکت اور رائے دہی کا حق رکھنے والا ممبر کسی دوسرے ممبر کو اپنی بجائے شرکت اور حق رائے دہی کے استعمال کیلئے اپنا نمائندہ (پروکسی) مقرر کر سکتا ہے۔ کوئی کارپوریشن یا کمپنی، بحیثیت کمپنی، بحیثیت کمپنی کی ممبر، اپنے افسران میں سے کسی کی تقرری یورڈرین ولوشن کے ذریعے کر سکتی ہے۔ نمائندگی نامہ Proxy(s) اس اجلاس کے انعقاد کے مقررہ وقت سے کم از کم 48 گھنٹے قبل کمپنی کے رجسٹرڈ آفس میں وصول ہو جانا چاہیے۔
- 2- ایسے ممبران جو سینٹرل ڈپازٹری کمپنی آف پاکستان میں شیئرز جمع کروا چکے ہیں وہ اصل کمپیوٹرائزڈ قومی شناختی کارڈ اور سی ڈی سی پارٹنر آئی ڈی نمبر ساتھ لائیں۔
- 3- CDC اکاؤنٹ ہولڈرز کو کمپیوٹرائزڈ اینڈ ایگزیچٹیشن آف پاکستان کی طرف سے جاری کردہ درج ذیل ہدایات کی مزید پیروی کرنا ہوگی:

(A) اجلاس میں شرکت کیلئے:

- (i) افراد کی صورت میں، اکاؤنٹ یا سب اکاؤنٹ ہولڈر جس کی رجسٹریشن کی تفصیلات CDC ضوابط کے مطابق اپ لوڈ کی جا چکی ہیں، اجلاس میں شرکت کے وقت اپنی شناخت کی تصدیق کیلئے اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) یا اصل پاسپورٹ دکھائے گا۔
- (ii) کاروباری ادارے کی صورت میں اجلاس کے موقع پر یورڈر آف ڈائریکٹرز کی قرارداد/مختار نامہ نامزد نمائندے کے دستخط کے نمونے کے ساتھ پیش کرنا ہوگا (ماسوائے اس کے کہ وہ پہلے ہی پیش کیا جا چکا ہو)۔

(B) نمائندوں کی تقرری کیلئے:

- (i) افراد کی صورت میں، اکاؤنٹ یا سب اکاؤنٹ ہولڈر جس کی رجسٹریشن کی تفصیلات CDC ضوابط کے مطابق اپ لوڈ کی جا چکی ہیں، اجلاس میں شرکت کے وقت درج بالا تقاضوں کے مطابق نمائندگی نامہ (Proxy Form) جمع کروائے گا۔
- (ii) نمائندگی نامے پر دو افراد کی گواہی موجود ہونی چاہیے جن کے نام، پتے اور CNIC نمبر تقرری نامے میں درج ہوں۔
- (iii) نمائندگی نامے کے ہمراہ اصل مالکان (beneficial owner) اور نمائندے کے CNIC یا پاسپورٹ کی تصدیق شدہ نقول مہبتا کی جائیں۔
- (iv) نمائندے کو اجلاس کے موقع پر اپنا اصل CNIC یا اصل پاسپورٹ پیش کرنا ہوگا۔
- (v) کاروباری ادارے کی صورت میں، اجلاس کے موقع پر نمائندگی نامے کے ہمراہ یورڈر آف ڈائریکٹرز کی قرارداد/مختار نامہ نمائندے/انارنی کے دستخط کے نمونے کے ساتھ پیش کرنا ہوگا (ماسوائے اس کے کہ وہ پہلے ہی پیش کیا جا چکا ہو)۔



Registered Office:

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