UBL INSURERS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

UBL INSURERS LIMITED

Directors' Report for the year ended 31 December, 2020

On behalf of the Board of Directors, I present the fifteenth (15th) annual report of UBL Insurers Limited for the year ended 31 December, 2020.

The financial highlights for the year under review are as follows:

'Rupees 000'

	31-Dec-2020	31-Dec-2019	%
Gross premium written	4,041,492	3,988,703	1%
Net premium revenue	1,841,542	1,769,967	4%
Net claim expense	(1,127,838)	(646,815)	74%
Premium deficiency (expense) / reversal	(3)	18	-117%
Net commission	(107,637)	(158,510)	-32%
Management expenses	(552,257)	(516,562)	7%
Underwriting Profit	53,807	448,098	-88%
Investment & other income	141,614	115,843	22%
General & administrative expenses	(127,013)	(124,743)	2%
Profit before tax from Window Takaful Operations	30,244	14,329	111%
Profit before tax	93,538	448,557	-79%

- **Economic Overview**

The outbreak of pandemic Covid-19 around the world has disturbed the political, social, economic, religious and financial structures of the whole world. Even the World's topmost economies are at the verge of collapse. Countries around the world is facing loss in trade and tourism, dwindling remittances, subdued capital flows, and tight financial conditions amid mounting debt. Demand for metals and transport-related commodities such as rubber and platinum used for vehicle parts has also tumbled. Furthermore, due to lockdown situation many industries around the world are totally shut down or operating on limited basis. Since the insurance industry is directly associated with economic activities in the county, the industry is facing serious problem in generating revenue stream.

The major impact on insurance industry is from four sectors, i.e. Textile related industries, automobile, travel and tourism, import and export related industry, from where General insurance companies generate major part of their revenue. The reduction in import and export of several commodities including textile has drastically impacted the Marine class of insurance, similarly the economic pressure around the globe has declined the demand and production of vehicles resulted in dwindling the sale of insurance in motor class of business. The impact of COVID 19 has also negatively impacted the tourism business around the globe which is directly proportional with the travel class of insurance. On the other hand the investment income will also be impacted negatively due to decrease interest rate. However, countries around the world should focus on sustaining economic activity with support for households, firms and essential services.

- **Company Performance Review**

In the year 2020 company has posted a growth of 1% in gross premium written to close at Rs. 4,041 million while net premium revenue increased by 4% to Rs. 1,842 million.

Net claim expense is increased by 74% during the year ended December 2020 as compared to last year December 2019. The net claim ratio over net premium revenue is 61% compared to 37% last year.

The underwriting results reported a profit of Rs. 54 million during the year ended 31 December 2020 as compared to a profit of Rs. 448 million for the year ended 31 December 2019 due to increase in net claim expense.

Investments and other income improved and stands at Rs. 142 million during the year ended December 2020 as compared to Rs. 116 million during the same period in 2019 and an amount of Rs. 6 million has been recorded as impairment on listed equity securities.

Profit before tax stands at Rs. 94 million for the current year as compared with last year profit of Rs. 449 million.

Portfolio Analysis (Conventional & Takaful)

- **Fire & Property**

Fire and property class of business constitutes 35% of the total portfolio. During the year, the Company has underwritten a gross premium of Rs. 1.6 billion (2019: Rs. 1.6 billion). The ratio of net claims to net premium is 48% this year as compared to 20% last year. The Company incurred an underwriting loss of Rs. 42 million as compared to profit of Rs. 32 million in 2019.

- **Marine and transport**

This class of business constitutes 8% of the total portfolio. The Company has underwritten a gross premium of Rs. 390 million in current year (2019: Rs.368 million). The net claims ratio is 15% as against 9% last year, which resulted in an underwriting profit of Rs. 42 million against Rs. 82 million last year.

- **Motor**

During the year, the Company has underwritten gross premium of Rs. 1.3 billion (2019: Rs. 1.3 billion) which constitutes 28% of the total portfolio. The ratio of net claims to net premium for the current year is 47% as compared to 36% in 2019. The Company incurred an underwriting profit of Rs. 206 million as compared to Rs. 326 million in 2019.

- **Bankers & Blanket**

This class of business constitutes 4% of the total portfolio. The Company has underwritten a gross premium of Rs. 170 million in current year (2019: Rs.153 million). The net claims ratio is -4% as against 46% last year, which resulted in an underwriting profit of Rs. 27 million against Rs. 11 million last year.

- **Health**

This class of business constitutes 12% of the total portfolio. The Company has underwritten a gross premium of Rs. 558 million in current year (2019: Rs. 531 million). The net claims ratio is 116% as compared to last year 60%. This resulted in an underwriting loss of Rs. 146 million against underwriting profit of Rs. 68 million last year.

- **Other Classes**

The other classes of business constitute 13% of the total portfolio. The gross premium written was Rs. 580 million (2019: Rs. 500 million). The ratio of net claims to net premium is 51% as against 63% last year. The portfolio showed an underwriting profit of Rs. 57 million in current year against an underwriting loss of Rs. 5 million in last year.

The earning per share in current year is 0.58 against a profit of Rs. 2.67 in the year 2019.

- **Window Takaful Operations**

The year under review was the fifth year for Takaful business and the company was able to successfully grow gross written contribution to Rs. 564 million. The participant's Takaful fund reported a surplus before investment income of Rs. 52 million as compared to 46 million in the year 2019. Net investment and other income stands at Rs. 24 million in 2020 against Rs. 22 million for the year 2019. The improved underwriting resulted in achieving a surplus for the year of Rs. 76 million which stood at 68 million in the year 2019.

The Operator's Fund reported the profit before tax of Rs. 30 million in the year 2020 against profit of 14 million in the year 2019.

- **Related Parties Transactions**

The Board of Directors approve Company's transactions with associated companies / related parties at each board meeting. All the transactions executed with related parties are on arm's length basis.

- **Insurer Financial Strength (IFS) Rating**

The company's Financial Strength (IFS) rating stands at AA (Double A) with stable outlook by VIS Credit Rating Company Limited for the year 2020.

Compliance with Code of Corporate Governance

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

During the year five (5) meetings of the Board of Directors were held, attendance details of which are as follows:

Name of Directors	Meetings Attended
Mr. Aameer Karachiwalla	05
Mr. Lord Zameer M. Choudrey, CBE, Si Pk	05
Mr. Rizwan Pervez	02
Mr. Sharjeel Shahid	04
Mr. Syed Furrukh Zaeem	04
Mr. Sajid Hussain	05
Ms. Saira Shah	05
Mr. Zeeshan Muhammad Raza – Chief Executive Officer	05

Leave of absence was granted to directors who could not attend Board meeting(s).

Board Committees

- **Audit Committee**

The committee consists of three members. During the year 2020, four (4) meetings of the committee were held and attended by the members as under:

Name of Member	Meetings Attended
Mr. Lord Zameer M. Choudrey, CBE, Si Pk	04
Mr. Rizwan Pervez	01
Mr. Sharjeel Shahid	03

Leave of absence was granted to the members who could not attend Board's Audit Committee meeting(s).

- **Ethics, Nominations, Human Resource & Remuneration Committee**

The committee consists of four members. During the year two meetings of the committee was held and attended by the members as under:

Name of Member	Meetings Attended
Mr. Sharjeel Shahid	02
Mr. Lord Zameer M. Choudrey, CBE, Si Pk	02
Mr. Rizwan Pervez	-
Mr. Zeeshan Muhammad Raza	02

Leave of absence was granted to the member who could not attend Board's Audit Committee meetings.

- **Investment Committee**

The committee consists of four members. During the year 2020, four (4) meetings of the committee were held and attended by the members as under:

Name of Member	Meetings Attended
Mr. Syed Furrukh Zaeem	04
Mr. Lord Zameer M. Choudrey, CBE, Si Pk	04
Mr. Rizwan Pervez	01
Mr. Zeeshan Muhammad Raza	04

Leave of absence was granted to the member who could not attend Board's Audit Committee meetings.

Management Committee in Compliance with Code of Corporate Governance

The Underwriting committee consists of three members. During the year 2020, four meetings of the committee were held and attended by the members as under:

Name of Member	Meetings Attended
Mr. Aameer Karachiwalla	04
Mr. Zeeshan Raza	04
Mr. Rashid Jameel	04

The Claim committee consists of three members. During the year 2020, four meetings of the committee were held and attended by the members as under:

Name of Member	Meetings Attended
Ms. Saira Shah	04
Mr. Zeeshan Raza	04
Mr. Abdul Rauf Patel	03

Leave of absence was granted to the member who could not attend Board's Audit Committee meeting.

The Re-Insurance & Co-Insurance committee consists of three members. During the year 2020, four meetings of the committee were held and attended by the members as under:

Name of Member	Meetings Attended
Mr. Aameer Karachiwalla	04
Mr. Zeeshan Raza	04
Mr. Rashid Jameel	04

The Risk Management & Compliance committee consists of five members. During the year 2020, four meetings of the committee were held and attended by the members as under:

Name of Member	Meetings Attended
Mr. Sajid Hussain	04
Mr. Zeeshan Raza	04
Mr. Rashid Jameel Khan	04
Ms. Saira Shah	01
Mr. Mathew Joel	02

Leave of absence was granted to the members who could not attend Board's Audit Committee meetings.

- **Statement of Ethics and Business Practice**

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

- **Future Outlook**

Our strategy for 2020 is to further create a unique and personalized customer experiences and to move a way forward by delivering a great deal of innovation quickly to consumers through digitalization. Our Company has been and will continue to invest in the training of its employees to ensure the implementation of the relevant policies and directions of our competent regulators and other law authorities.

- **Corporate and Financial Reporting Framework**

a) The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flow and changes in equity.
b) Proper books of accounts have been maintained by the company.
c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgments.
d) International accounting standards (IAS), International Financial Reporting Standards (IFRS) or any other regulation or law (including but not limited to the Shariah guidelines / principles) as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
e) The system of internal control is sound in design and has been effectively implemented and monitored.
f) There are no significant doubts on the Company's ability to continue as a going concern.
g) There has been no material departure from the best practices of Corporate Governance, as detailed in the code of corporate governance for insurers, 2016.
h) Premium Deficiency Reserve has been recorded on account of personal accident as per actuarial valuation.
i) Claims incurred but not reported has been reported on the bases of actuarial validation as per the SECP's guideline.
j) During the fifth year of Takaful the Operator's Fund reported a profit of Rs. 30 million which is expected to be further improved in the upcoming years.
k) The amount of outstanding on account of FED, FIF, EOBI, Withholding taxes, Sales taxes, and SECP fees are 58 million. Which are subsequently paid as per the requirement of concerned regulators or bodies.
l) The key operating and financial data for the last six years is annexed.
m) During the year, Company announced and paid final cash dividend of Rs.0.534 per share amounting to Rs.62 million for the year ended December 31, 2019.
n) The value of investments of provident and gratuity funds based on their unaudited accounts, as on December 31, 2020 were the following.
o) Provident Fund Rs. 100 million
   Gratuity Fund Rs. 57 million
p) The statement of pattern of shareholding in the Company as at 31 December, 2020 is annexed with the report.

No material changes and commitments affecting the financial position of our Company have occurred between the end of financial year to which this balance sheet relates and the date of this report.

The present external auditors PWC A.F. Ferguson & Co. had retired and have offered themselves for re-appointment. The Board of Audit Committee recommends that they be appointed as the statutory auditors for the year 2020, and the Board endorses this recommendation.

The Company is a subsidiary of Bestway (Holding) Limited incorporated in London (U.K). The Bestway (Holding) Limited holds 55.6% of the issued share capital of UBL Insurers Limited.

The Directors of the Company would like to express their gratitude to Securities and Exchange Commission of Pakistan, Insurance Association of Pakistan and the panel of Re-insurers for their continued guidance, co-operation and support.

We also thank our valued clients for their continued patronage and support extended to our Company.

The Directors also wish to acknowledge the hard work and dedicated efforts of UBL Insurers team in achieving the goals of the Company.

Zeeshan Muhammad Raza
Chief Executive Officer

Aameer Karachiwalla
Chairman - Board of Directors

Date: March 03rd, 2021

Key operating and financial data for the last six years

'Rupees 000'

	2020	2019	2018	2017	2016	2015
Gross premium Written	4,041,493	3,988,703	3,391,311	2,760,842	2,334,187	1,600,476
Net premium revenue	1,841,542	1,769,967	1,412,471	1,012,177	872,903	534,555
Net claims	(1,127,838)	(646,815)	(568,260)	(419,969)	(452,947)	(203,788)
Premium deficiency (expense) / reversal	(3)	18	(11)	10,880	(10,907)	-
Management Expenses	(552,257)	(516,562)	(478,684)	(345,490)	(240,114)	(191,989)
Net commission	(107,637)	(158,510)	13,188	63,369	67,760	9,550
Underwriting result	53,807	448,098	378,703	320,967	236,694	148,329
Investment income	102,026	79,661	60,557	44,115	73,992	88,198
Exchange gain / (Loss)	1,215	2,929	1,020	65	-	276
Other Income	38,373	33,253	13,928	6,173	3,256	7,060
General and administrative	(127,013)	(124,743)	(99,276)	(125,047)	(109,887)	(96,784)
Profit before tax from Windows Takaful Operations	30,244	14,329	11,079	1,163	(7,771)	-
Profit before tax	93,538	448,557	364,991	247,371	196,283	147,078
Taxation						
– Prior	1,017	(11,811)	1,622	-	-	226
– Current	(26,009)	(136,230)	(107,862)	84,913	63,815	(29,929)
– Deferred	(1,416)	7,359	826	(4,538)	(4,128)	(17,869)
Profit after tax	67,130	307,875	259,576	166,996	136,596	99,507

UBL Insurers Limited

Pattern of Shareholding

As at December 31, 2020

Number of Shareholders	Shareholdings		Total Shares Held	Percentage %
	From	To		
7	1	100	7	0.000
1	2,495,001	2,500,000	2,500,000	2.170
1	14,000,001	14,500,000	14,088,199	12.227
1	30,000,001	35,000,000	34,565,213	30.000
1	60,000,001	65,000,000	64,063,972	55.603
11			**115,217,391**	**100.000**

Category of Shareholders

As at December 31, 2020

Categories of shareholders	Number of Shareholders	Shares held	Percentage
Directors, CEO & Children	7	7	0
NIT	0	-	0
Associated Companies, undertaking & related parties	3	112,717,384	97.83
Banks, DFI & NBFI	0	-	0
Insurance Companies	0	-	0
Modarabas & Mutual Funds	0	-	0
Government of Pakistan	0	-	0
Govt. Owned Entities / Banks	0	-	0
Foreign Companies	0	-	0
Joint Stock Companies	0	-	0
Charitable Trusts	0	-	0
General Public (Local)	1	2,500,000	2.17
General Public (Foreign)	0	-	-
Others	0	-	0
Company Total	**11**	**115,217,391**	**100**

Head Office

- **The aggregate shares held by the following are:**

Categories of Shareholders	Shares held	Percentage
Directors		
1) Zameer Mohammed Choudrey	1	-
2) Rizwan Pervez	1	-
3) Aameer Karachiwalla	1	-
4) Sharjeel Shahid	1	-
5) Sajid Hussain	1	-
6) Syed Furrukh Zaeem	1	-
7) Saira Shah	1	-
Chief Executive Officer	-	-
Directors/CEO's Spouse	-	-
Executive / Executive's Spouse	-	-
Associated Companies, undertaking and related parties		
Bestway (Holdings) Limited	64,063,972	55.603
United Bank Limited	34,565,213	30.000
Bestway Cement Limited	14,088,199	12.227
NIT and ICP	-	-
Banks, DFIs and NBFIs	-	-
Public sector companies and corporations	-	-
Insurance Companies	-	-
Modaraba	-	-
Mutual Funds	-	-
General Public - Individuals		
Local	2,500,000	2.170
	115,217,391	**100.000**
Shareholders holding 5% or more voting interest		
Bestway (Holdings) Limited	64,063,972	55.603
United Bank Limited	34,565,213	30.000
Bestway Cement Limited	14,088,199	12.227

UBL INSURERS LIMITED

Statement of Compliance with the Code of Corporate Governance for Insurers, 2016

UBL Insurers Limited
For the year ended 31 December 2020

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

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

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

Category	Names
Independent Directors	None*
Executive Directors	Mr. Zeeshan Muhammad Raza
Non-Executive Directors	Mr. Aameer Karachiwalla Mr. Lord Zameer M. Choudrey, CBE, Si Pk Mr. Rizwan Pervez Mr. Sharjeel Shahid Mr. Syed Furrukh Zaeem Mr. Sajid Hussain Ms. Saira shah

* As per clause (iii) of the Code of Corporate Governance for Insurers, 2016, the appointment of an independent director on the Board is preferred but is not mandatory. Hence, no independent director has been appointed on the Board of Directors of the Company.

2. The Directors have confirmed that none of them is serving as a Director in more than seven (7) listed companies, including this insurer.

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

4. No casual vacancy occurred on the board during the year 2020.

5. The Insurer has prepared a Code of Conduct, which has been disseminated among all the Directors and employees of the insurer.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the insurer. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive Directors and the Key officers, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman 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 (7) days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

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

10. All Directors of the company have attended orientation courses to acquaint them with this Code, applicable laws and their duties and responsibilities.

11. The Board has approved appointment of Chief Financial Officer, company secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

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

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

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

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

16. The Board has formed the following Management Committees;

Underwriting Committee

Name of the Member	Category
Mr. Aameer Karachiwalla	Chairman
Mr. Zeeshan Muhammad Raza	Member
Mr. Rashid Jameel Khan	Member

Claim Settlement Committee

Name of the Member	Category
Ms. Saira Shah	Chairman
Mr. Zeeshan Muhammad Raza	Member
Mr. Abdul Rauf Patel	Member

Reinsurance & Co-insurance Committee

Name of the Member	Category
Mr. Aameer Karachiwalla	Chairman
Mr. Zeeshan Muhammad Raza	Member
Mr. Rashid Jameel Khan	Member

Risk Management & Compliance Committee

Name of the Member	Category
Mr. Sajid Hussain	Chairman
Ms. Saira Shah	Member
Mr. Zeeshan Muhammad Raza	Member
Mr. Rashid Jameel Khan	Member
Mr. Mathew Joel	Member

17. The Board has formed the following Board Committee;

Ethics, Nominations, Human Resource & Remuneration Committee

Name of the Member	Category
Mr. Sharjeel Shahid	Chairman
Mr. Lord Zameer M. Choudrey, CBE, Si Pk	Member
Mr. Rizwan Pervez	Member
Mr. Zeeshan Muhammad Raza	Member

Investment Committee

Name of Member	Category
Mr. Syed Furrukh Zaeem	Chairman
Mr. Lord Zameer M. Choudrey, CBE, Si Pk	Member
Mr. Rizwan Pervez	Member
Mr. Zeeshan Muhammad Raza	Member

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

Audit Committee

Name of Member	Category
Mr. Lord Zameer M. Choudrey, CBE, Si Pk	Chairman
Mr. Rizwan Pervez	Member
Mr. Sharjeel Shahid	Member

19. The meetings of the Committees, except Ethics, Nominations, Human Resource and Remunerations Committee, were held at least once every quarter prior to approval of interim and final results of the

insurer and as required by the Code of Corporate Governance for Insurers, 2016. The terms of references of the committees have been formed and advised to the committees for compliance.

20. The Board has outsourced the internal audit function to BDO Ebrahim & Co.Charted Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the insurer and they (or their representative) are involved in the internal audit function on a regular basis.

21. The Chief Executive Officer, Chief Financial Officer, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under the Code of Corporate Governance for insurers, 2016. The Appointed Actuary of the insurer also meets the conditions as laid down in the said code. Moreover the persons heading the underwriting, claim, and 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.

Name of the Person	**Designation**
Mr. Zeeshan Muhammad Raza	Chief Executive Officer
Mr. Nadeem Raza	Chief Financial Officer
Mr. Mathew Joel	Compliance Officer
Akhtar & Hasan (Pvt) Ltd	Actuary
Mr. Abdul Sattar Vaid	Company Secretary
Mr. Ehsan-Ul-Haq	Head of Internal Audit
Mr. Fahad Hussain Khan	Head of Non-Motor Underwriting
Mr. Tipoo Zafar Iqbal	Head of Motor Underwriting
Mr. Abdul Rauf Patel	Head of Non-Motor Claims
Mr. M. Amin Najmuddin	Head of Motor Claims
Mr. Ashfaq Sharif	Head of Reinsurance
Ms. Sidra Nasir	Head of Risk Management
Ms. Amna Karim	Head of Grievance Dept.

**During the Year Ehsan – ul -Haq was appointed as a Head of Internal Audit to comply with the requirement of the Code to appoint the Head of Internal Audit as a full time employee of the company.*

22. The statutory auditors of the insurer have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000. The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the insurer and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

23. The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.

24. The Actuarial function is outsourced to an Actuarial firm, which does not hold any shares in the Company.

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25. The Board ensures that the Appointed Actuary complies with the requirements set out for him / her in the Code of Corporate Governance for Insurers, 2016.

26. The Board ensures that the investment policy of the insurer has been drawn up in accordance with the provisions of the Code of Corporate Governance for Insurers, 2016

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

28. The insurer has set up a risk management function / department, which carries out its tasks as covered under the Code of Corporate Governance for Insurers, 2016.

29. The Board ensures that as part of the risk management system, the insurer gets itself rated from JCR-VIS which is being used by its risk management function / department and the respective Committee as a risk monitoring tool. The rating assigned by the said rating agency on November 17, 2020 is AA (Double A) with stable outlook.

30. The Board has set up a grievance department / function, which fully complies with the requirements of the Code of Corporate Governance for Insurers, 2016.

31. We confirm that the material principles contained in the Code of Corporate Governance have been complied.

32. The company has not obtained any exemptions from SECP in respect of any of the requirements of the Code

Zeeshan Muhammad Raza
Chief Executive officer

Dated: March 03, 2021

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A·F·FERGUSON&CO.

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of UBL Insurers Limited

Review Report on the Statement of Compliance contained in the Code of Corporate Governance for Insurers, 2016

We have reviewed the enclosed Statement of Compliance with the Code of Corporate Governance for Insurers, 2016 ('the Code') prepared by the Board of Directors of **UBL Insurers Limited** ('the Company') for the year ended December 31, 2020 in accordance with the requirements of Code of Corporate Governance for Insurers, 2016 applicable to insurance companies as issued by the Securities and Exchange Commission of Pakistan (SECP).

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Code as applicable to the Company for the year ended December 31, 2020.

Further, we highlight below the instances of non-compliance with the requirement of the Code as reflected in paragraph references where these are stated in the statement of compliance.

Paragraph Reference	Description
8	The written notice (including agenda) of the 68th Board of Director's Meeting was circulated on February 8, 2020 and the meeting was held on February 14, 2020 i.e. six days before the meeting of Board of Director. However, the requirement for circulation is of "not less than seven (7) days" as per clause (xvi) of the Code.
11	During the year, the company has appointed a head of internal audit, however, his appointment including the remuneration and terms and conditions of employment were not approved by the Board of Director as required by clause (xx) of the Code.

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Chartered Accountants

Dated: March 10, 2021

Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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INDEPENDENT AUDITOR'S REPORT

To the members of UBL Insurers Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of UBL Insurers Limited (the Company), 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 equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of 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 Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

b) the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the company's business; and

d) 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 Shahbaz Akbar.

A. F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: March 10, 2021

UBL INSURERS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	Note	2020	2019
		(Rupees in '000)	
Assets			
Property and equipment	5	69,832	120,456
Right-of-use-assets	6	46,541	38,325
Intangible assets	7	3,764	3,834
Investments			
Equity securities	8	30,363	40,418
Debt securities	9	1,036,688	636,994
Term deposits	10	-	150,000
Loans and other receivables	11	58,496	62,957
Insurance / Reinsurance receivables	12	1,791,268	1,507,508
Reinsurance recoveries against outstanding claims		1,347,852	1,490,143
Salvage recoveries accrued		62,612	60,983
Deferred commission expense / acquisition cost		155,019	196,555
Deferred taxation	14	21,061	21,982
Taxation - payment less provisions	33	62,770	-
Prepayments	15	729,888	885,821
Cash and bank	16	214,296	360,436
Total assets of Window Takaful Operations - Operator's fund	23	236,065	178,345
Total assets		5,866,515	5,754,807
Equity and liabilities			
Capital and reserves attributable to Company's equity holders			
Ordinary Share Capital	17	1,152,174	1,152,174
Discount on issue of right shares		(352,174)	(352,174)
Reserves	18	(1,504)	1
Unappropriated profit		871,783	865,952
Total equity		1,670,279	1,665,953
Liabilities			
Underwriting provisions			
Outstanding claims including IBNR	25	1,669,471	1,655,260
Unearned premium reserves	24	1,436,772	1,468,684
Premium deficiency reserves		23	20
Unearned reinsurance commission	26	163,675	186,152
Retirement benefit obligations	13	6,828	7,214
Lease liabilities	19	51,174	42,966
Insurance / Reinsurance payables	20	510,196	425,805
Other creditors and accruals	21	207,042	186,335
Taxation - payment less provision	33	-	1,631
Total liabilities of Window Takaful Operations - Operator's fund	23	151,055	114,787
Total Liabilities		4,196,236	4,088,854
Total Equity and Liabilities		5,866,515	5,754,807
Contingencies and commitments	22		

The annexed notes 1 to 45 form an integral part of these financial statements.

Chief Executive Officer | **Director** | **Director** | **Chairman**

UBL INSURERS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020	2019
		(Rupees in '000)	
Net insurance premium	24	1,841,542	1,769,967
Net insurance claims	25	(1,127,838)	(646,815)
Premium deficiency (expense) / reversal		(3)	18
Net commission and other acquisition costs	26	(107,637)	(158,510)
Insurance claims and acquisition expenses		(1,235,478)	(805,307)
Management expenses	27	(552,257)	(516,562)
Underwriting results		53,807	448,098
Investment income	28	102,026	79,661
Other income	29	39,588	36,182
Other expenses	30	(127,013)	(124,743)
Results of operating activities		68,408	439,198
Finance costs	31	(5,114)	(4,970)
Profit from Window Takaful Operations	23	30,244	14,329
Profit before tax		93,538	448,557
Income tax expense	32	(26,408)	(140,682)
Profit after tax		67,130	307,875
Earnings (after tax) per share - Rupees	34	0.58	2.67

The annexed notes 1 to 45 form an integral part of these financial statements.

Chief Executive Officer **Director** **Director** **Chairman**

UBL INSURERS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
	(Rupees in '000)	
Profit after tax	67,130	307,875
Other comprehensive income		
Item to be reclassified to profit and loss account in subsequent years		
Unrealised gain on available-for-sale investments	(2,090)	10,975
Related tax impact	606	(3,185)
	(1,484)	7,790
Other comprehensive income from Window Takaful Operations	(21)	61
Item that will never be reclassified to profit and loss account in subsequent years		
Re-measurement gain on defined benefit obligation	386	1,506
Related tax impact	(112)	(437)
	274	1,069
Net other comprehensive income for the year	(1,231)	8,920
Total comprehensive income for the year	65,899	316,795

The annexed notes 1 to 45 form an integral part of these financial statements.

Chief Executive Officer | **Director** | **Director** | **Chairman**

UBL INSURERS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020

	Attributable to equity holders of the Company				
	Ordinary Share Capital	Discount on issue of right shares	Revenue Reserve Revaluation reserve	Unappropriated profit	Total
	---(Rupees in '000)---				
Balance as at January 01, 2019	1,152,174	(352,174)	(7,850)	608,925	1,401,075
Total comprehensive income					
Profit after tax	-	-	-	307,875	307,875
Dividend	-	-	-	(51,917)	(51,917)
Other comprehensive loss - net of tax	-	-	7,851	1,069	8,920
	-	-	7,851	257,027	264,878
Balance as at December 31, 2019	1,152,174	(352,174)	1	865,952	1,665,953
Changes in Equity for the year ended December 31, 2020					
Total comprehensive income					
Profit after tax	-	-	-	67,130	67,130
Dividend	-	-	-	(61,573)	(61,573)
Other comprehensive Income - net of tax	-	-	(1,505)	274	(1,231)
	-	-	(1,505)	5,831	4,326
Balance as at December 31, 2020	**1,152,174**	**(352,174)**	**(1,504)**	**871,783**	**1,670,279**

The annexed notes 1 to 45 form an integral part of these financial statements.

Chief Executive Officer | Director | Director | Chairman

UBL INSURERS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2020

		2020	2019
		(Rupees in '000)	
	Operating cash flows		
(a)	**Underwriting activities**		
	Insurance premium received	3,975,722	3,851,580
	Reinsurance premium paid	(2,222,477)	(2,097,320)
	Claims paid	(2,604,234)	(2,022,610)
	Reinsurance and other recoveries received	1,631,268	1,326,959
	Commission paid	(522,623)	(614,746)
	Commission received	449,804	444,146
	Management expenses paid	(479,381)	(466,484)
	Net cash inflow from underwriting activities	228,079	421,525
(b)	**Other operating activities**		
	Income tax paid	(80,622)	(130,672)
	General management expenses paid	(120,372)	(136,043)
	Loan advanced	(7,535)	(7,032)
	Security deposits paid	(447)	(1,056)
	Loan repayments received	7,648	6,538
	Receipt of cash margin against insurance policies	(1,436)	3,001
	Payment against unclaimed insurance benefits	(8,156)	(1,173)
	Net cash outflow from other operating activities	(210,920)	(266,437)
	Total cash flow from all operating activities	17,159	155,088
	Investment activities		
	Profit / return received	75,555	109,138
	Dividend received	3,571	4,541
	Payment for investments	(2,422,423)	(1,570,519)
	Proceeds from investments	2,224,832	1,631,900
	Proceeds from sale of property and equipment	48,060	14,760
	Fixed capital expenditure	(13,589)	(62,261)
	Total cash (Outflow on) / inflow from investing activities	(83,994)	127,559
	Financing Activities		
	Dividend Paid	(61,573)	(51,917)
	Principal portion of lease liability	(12,618)	(5,988)
	Interest paid	(5,114)	(4,970)
	Total cash outflow from financing activities	(79,305)	(62,875)
	Net cash flow from all activities	(146,140)	219,772
	Cash and cash equivalents at beginning of the year	360,436	140,664
	Cash and cash equivalents at end of the year	214,296	360,436
	Reconciliation to profit and loss account		
	Operating cash flows	17,159	155,088
	Depreciation expense	(41,213)	(39,024)
	Financial charges expense	(5,114)	(4,970)
	Profit on disposal of investments	16	552
	Profit on disposal of property and equipment	14,789	6,978
	Dividend income	3,571	4,541
	Other investment income	104,411	82,315
	Profit from window takaful operations	30,244	14,329
	Increase in assets other than cash	(37,204)	819,833
	(Increase) in liabilities other than borrowings	(9,536)	(610,435)
	Amortisation expense	(2,412)	(2,112)
	Provision for impairment - against listed equity securities	(5,972)	(7,736)
	Income tax expense	(26,408)	(140,682)
	Other income	24,799	29,197
	Profit after taxation	67,130	307,875

The annexed notes 1 to 45 form an integral part of these financial statements.

1 LEGAL STATUS AND NATURE OF BUSINESS

UBL Insurers Limited ("the Company"), a subsidiary of Bestway (Holdings) Limited, was incorporated as an unlisted public limited company on June 29, 2006 under the Companies Ordinance, 1984. The registered office of the Company is situated at 126-C, Jami Commercial Street Number 14, D.H.A., Phase VII, Karachi. The Company currently operates a network of 22 (December 31, 2019:21) branches in various cities. The Company received Certificate of Registration under Section 6 of the Insurance Ordinance, 2000 on January 05, 2007. The objects of the Company include providing general insurance services (in spheres of Fire, Marine, Aviation and Transport, Motor, Health, Bankers Blanket and Miscellaneous) and general takaful services.

The Company was granted authorisation on December 29, 2015 under Rule 6 of the Takaful Rules, 2012 to undertake Takaful Window Operations in respect of general takaful products by the Securities and Exchange Commission of Pakistan (SECP) and subsequently the Company commenced Window Takaful Operations on January 1, 2016.

2 BASIS OF PREPARATION & STATEMENT OF COMPLIANCE

2.1 Statement of compliance

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

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

- Provision of and directives issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules, 2017, Insurance Accounting Regulations, 2017, Takaful Rules, 2012 and General Takaful Accounting Regulation, 2019.

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

2.1.1 Total assets, total liabilities and profit of the Window Takaful Operations of the Company referred to as the Operator's Fund has been presented in these financial statements in accordance with the requirements of Circular 25 of 2015 dated 9 July 2015.

2.1.2 A separate set of financial statements of the general Window Takaful Operations has been reported which is annexed to these financial statements as per the requirements of the SECP Takaful Rules, 2012.

2.2 Basis of measurement

The financial statements have been prepared under the historical cost convention basis except for available-for-sale investments that have been measured at fair value and the obligations under employee benefits that have been measured at fair value of plan assets less the present value of defined benefit obligation.

2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

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

2.4.1 During 2019, the SECP vide its S.R.O. 1416 (I) / 2019 dated November 20, 2019 had issued the General Takaful Accounting Regulations, 2019 (Regulations). These Regulations prescribe the format for the regulatory returns and published financial statements of the Window Takaful Operations applicable from January 1, 2020. The impact of these Regulations has been detailed in the financial statements of the Window Takaful Operations for the year ended December 31, 2020.

2.4.2 There are certain other new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore, have not been stated in these financial statements.

2.5 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are not yet effective

The following standards, amendments and interpretations of the accounting and reporting standards as applicable in Pakistan will be effective for accounting periods beginning on or after January 1, 2021:

Standards, amendments or interpretations	Effective date (period beginning on or after)
- IFRS 16 - 'Leases' (amendments)	January 1, 2021
- IAS 16 - 'Property plant and equipment' (amendments)	January 1, 2022
- IAS 37 - 'Provisions, contingent liabilities and Contingent assets' (amendments)	January 1, 2022
- IAS 1 - 'Presentation of financial statements' (amendments)	January 1, 2023
- IFRS 9 - 'Financial Instruments'	January 1, 2023*

* The management has opted temporary exemption from the application of IFRS 9 as allowed by the International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance. Further details relating to temporary exemption from the application of IFRS 9 are given in notes 2.5.1 and 2.5.1.1 to these financial statements.

The management is in the process of assessing the impacts of these standards and amendments on the financial statements of the Company.

2.5.1 Temporary exemption from application of IFRS 9

As an insurance company, the management has opted temporary exemption from the application of IFRS 9 as allowed by the International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance. Additional disclosures, as required by IASB, for being eligible to apply the temporary exemption from the application of IFRS 9 are given in note 2.5.1.1 below.

2.5.1.1 Fair value of financial assets as at December 31, 2020 and change in the fair values during the year

	As at December 31, 2020	As at December 31, 2019	Change during the year
	(Rupees in '000)		
Financial assets with contractual cash flows that meet the SPPI criteria, excluding those held for trading			
Pakistan Investment Bonds - Held to maturity	260,074	241,234	18,840
Sukuk - HUBCO - Held to maturity	40,899	40,560	339
Term Finance Certificate - HBL - Available for sale	50,000	50,000	-
Term Finance Certificate - Bank Al Habib - Held to maturity	40,560	-	40,560
Financial assets that do not meet the SPPI criteria			
Equity securities - Available-for-sale	30,363	40,418	(10,055)

The fair value of the remaining financial assets are not significantly different from their carrying amounts since these assets are short term in nature or are frequently repriced to market rate.

2.5.2 There are certain other new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2021 but are considered not to be relevant or do not have any significant effect on the Company's operations and are therefore not stated in these financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as stated below have been applied consistently to all years presented in these financial statements.

3.1 Property and equipment

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

Depreciation is calculated so as to write off the depreciable amount of the assets over their expected economic lives at the rates specified in note 5.1 to the financial statements, after taking into account residual value, if any. The useful lives, residual values and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on additions is charged on a straight line method from the month the asset is available for use and on disposals upto the month preceding the month of disposal.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Gains and losses on disposal, if any, of assets are included in the profit or loss account in the year the asset is derecognized.

The carrying value of tangible property and equipment is 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.

Maintenance and normal repairs are charged to the profit and loss account as and when incurred. Major renewals and improvements are capitalised and assets so replaced, if any, are retired.

3.2 Intangible assets

These are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of intangible assets is charged to income applying the straight line method useful period as specified in note 7 to these financial statements after taking into account residual value, if any.

Full month's amortisation is calculated from the month the assets are available for use using the straight-line method and on disposals upto the month preceding the month of disposal. The cost of the intangible asset is amortised over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortisation method are reviewed, and adjusted if appropriate, at each balance sheet date.

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 indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

3.3 Insurance contracts

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

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

a) Fire and property

Fire and property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities.

b) Marine, aviation and transport

Marine and transport insurance covers the loss or damage of ships, cargo, terminals, and any transport or property by which cargo is transferred, acquired, or held between the points of origin and final destination.

c) Motor

Motor insurance is to provide protection against losses incurred as a result of traffic accidents and against liability that could be incurred in an accident.

d) Bankers' blanket

Bankers' blanket insurance covers losses as a result of dishonest or fraudulent acts by officers and employees of the bank, including on premises coverage of cash, coverage of cash during transit and coverage of forged cheques.

e) Health

Health insurance includes coverage of in-patient-hospital, out-patient-department, medical and other related expenses of disease, sickness or accidental injury incurred during the period of insurance.

f) Other classes

Miscellaneous insurance includes various types of coverage mainly burglary, loss of cash in safe and cash in transit, engineering losses, accident and health, money and other coverage.

These contracts are normally one year insurance contracts except marine and some contracts of fire and property and miscellaneous class. Normally all marine insurance contracts and some fire and property contracts have three months period. In miscellaneous class, some engineering insurance contracts have more than one year period whereas normally travel insurance contracts expire within one month time.

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

The Company also accepts insurance risk pertaining to insurance contracts of other insurer as reinsurance inward. The insurance risk involved in these contracts is similar to the contracts undertaken by the Company as insurer. All reinsurance inward contracts are facultative (specific risk) acceptance contracts.

The revenue recognition policy for the above is disclosed in note 3.11.

3.4 Deferred commission expense / acquisition cost

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

3.5 Unearned premium reserve

Unearned premium reserve represents the portion of premium written relating to the unexpired period of coverage at the reporting date and is recognised as a liability by the Company. This liability is calculated by applying the 1/24th method as specified in the Insurance Rules, 2017.

3.6 Premium deficiency reserve

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

For this purpose, loss ratios for each class are estimated based on historical claim development. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. If these ratios are adverse, premium deficiency is determined. Further actuarial valuation has been carried out to determine the amount of premium deficiency reserve in respect of Accident and Health insurance as required by SRO 16 (I) / 2012 issued by Securities and Exchange Commission of Pakistan on January 9, 2012. Based on the advice of actuary, provision for premium deficiency reserve has been made in other classes segment as at the year end.

3.7 Reinsurance contracts held

These are contracts entered into by the Company with reinsurers for compensation of losses suffered on insurance contracts issued. These reinsurance contracts include both facultative and treaty arrangements contracts and are classified in same categories of insurance contracts for the purpose of these financial statements. The Company recognises the entitled benefits under contracts as various reinsurance assets and liabilities.

Reinsurance assets represent balances due from reinsurance companies and reinsurance recoveries against outstanding claims. Amounts due from reinsurance companies are carried at cost less any provision for impairment. Cost represents the fair value of the consideration to be received. Reinsurance recoveries against outstanding claims are measured at the amount expected to be received based on reinsurance treaties.

Reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contract are not offset against expenses or income from related insurance assets.

Reinsurance liabilities represent balances due to reinsurance companies. Due to reinsurance companies are carried at cost which is the fair value of the consideration to be paid.

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

3.8 Receivables and payables related to insurance contracts

Receivables related to insurance contracts are known as premium due but unpaid. These are recognised at cost, which is the fair value of the consideration to be received less provision for impairment, if any. Premiums received in advance is recognised as liability till the time of issuance of insurance contract thereagainst.

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

3.9 Segment reporting

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

The Company presents segments reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Insurance Accounting Regulations, 2017. The reported operating segments are also consistent with the internal reporting process of the Company for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment. All the Company's business segments operate in Pakistan only.

Based on its classification of insurance contracts issued, the Company has six primary business segments for reporting purposes namely fire, marine, motor, accident and health, liability and miscellaneous. The nature and business activities of these segments are disclosed in note 3.3.

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

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 consists of cash in hand, stamps in hand , bank deposits and term deposits having maturity of less than three months.

3.11 Revenue recognition

3.11.1 Premium

Premium received / receivable under a policy / cover note is recognised as written from the date of attachment of the risk to the policy / cover note to which it relates. Where the pattern of incidence of risk varies over the period of the policy, premium is recognised as revenue in accordance with the pattern of the incidence of risk. The portion of premium written relating to the unexpired period of coverage is recognised as unearned premium by the Company. This liability is calculated by applying 1/24 method as specified in the Insurance Rules, 2017.

For facultative acceptance, the basis of recognizing premium and determining the unearned premium reserve is the same as for the direct policies.

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3.11.2 Commission income

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

For facultative acceptance the basis of recognizing commission and determining the unearned commission reserve is the same as for the direct policies.

3.11.3 Investment income

- Unrealised appreciation or diminution on revaluation of investments classified as available-for-sale is included in the statement of comprehensive income in the period to which it relates.

- Gain or loss on sale of investments is accounted for in the profit and loss account in the period to which it relates.

- Dividend income is recognised when the Company's right to receive the dividend is established.

- Interest / mark-up on bank balances, term deposits and government securities is recognised on an accrual basis using the effective interest method.

3.12 Investments

3.12.1 Classification and measurement

All investments are initially recognised at cost, being the fair value of the consideration given and include transaction cost, except for held for trading investments in which case transaction costs are charged to the statement of comprehensive income.

The classification of financial assets is determined at initial recognition and depends on the purpose for which the financial assets were acquired. Currently, the financial assets of the Company are classified into the following categories:

a) In equity securities

Surplus / (deficit) arising on revaluation of quoted securities which are classified as available for sale investments is taken to a separate account which is shown in the statement of changes in equity as revaluation reserve. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realised upon disposal or in case of impairment of securities.

Provision for diminution in the values of securities is made after considering impairment, if any, in their value and is taken to profit and loss account. Impairment is booked when there is an objective evidence of significant or prolonged decline in the value of such securities.

The unrealised surplus / (deficit) arising on revaluation of quoted securities which are classified as held for trading is taken to the profit and loss account.

Unquoted investments are recorded at cost less accumulated impairment losses, if any.

b) In debt securities

These are investments with fixed or determinable payments and fixed maturities. The company classifies these debt securities under "held-to-maturity" (where the Company has intention and ability to hold till maturity) and "available-for-sale" category.

Premium or discount on debt securities classified as available for sale and held to maturity is amortised using effective interest method and taken to the profit and loss account.

Surplus / (deficit) arising on revaluation of debt securities which are classified as available for sale investments is taken to a separate account which is shown in the statement of changes in equity as revaluation reserve.

Provision for impairment against debt securities is made in accordance with the requirements of the law. Unquoted investments are recorded at cost less accumulated impairment losses, if any.

c) In term deposits

These are investments with fixed or determinable payments and fixed (short term) maturities which the Company has the intention and ability to hold till maturity.

These investments are designated at held to maturity.

3.13 Off setting of financial assets and liabilities

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

3.14 Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation

Further, accounting policies relating to "outstanding claims including IBNR" are disclosed in note 4.1.

3.15 Reinsurance expense

Premium Ceded to reinsurers is recognized as an expense. For reinsurance contracts operating on a proportionate basis, on attachment of the underlying policies reinsured; and for reinsurance contracts operating on a non-proportionate basis, on inception of the reinsurance contract.

Reinsurance premium shall be recognized as an expense. For proportionate reinsurance business, evenly over the period of the underlying policies, for non-proportionate reinsurance business, evenly over the period of indemnity.

The portion of reinsurance premium ceded not yet recognized as an expense is recognized as a prepayment. The prepaid portion of premium ceded is recognized as an asset. Such asset is calculated by applying the one by twenty-forth method , whereby the liability shall equal 1/24 of the premium ceded relating to reinsurance contract commencing in the first month of the insurer's financial year, 3/24 of the premiums ceded relating to policies commencing in the second month of the insurer's financial years, and so on.

3.16 Taxation

3.16.1 Current

Provision for current taxation is the higher of the amount computed on taxable income at the current tax rate after taking into account tax credits / rebates, if any, and the minimum tax computed at the prescribed rate on turnover. 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.

3.16.2 Deferred

Deferred tax is recognised using the balance sheet liability method, on all temporary differences arising at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recognised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is utilised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

3.17 Staff retirement benefits

3.17.1 Defined benefit plan - Gratuity Scheme

The Company operates an approved funded gratuity fund for all permanent employees who have completed minimum prescribed period of service under the scheme. Contributions are made to the scheme on the basis of independent actuarial recommendations using "Projected Unit Credit Method". Remeasurement of the defined benefit liability / (asset), which comprises actuarial gain and losses are recognised immediately in other comprehensive income. The Company determines the net interest expense / (income) on the net defined benefit liability / (asset) for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual year to the net defined benefit liability / (asset), taking into account and change in the net defined benefit liability / (asset) during the year as a result of contribution and benefit payments. Net interest expense and other expense related to defined benefit plans are recognised in profit and loss account.

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

3.17.2 Defined contribution plan

The Company operates a recognised provident fund scheme for all its eligible employees. Equal contributions are made by the Company and the employees at the rate of 8.33% of basic salary.

3.18 Lease liability and right-of-use asset

The Company enters into leasing arrangements for its branches. At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contains different terms and conditions.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease liability is initially measured at the present value of the lease payments over the period lease term and that are not paid at the commencement date, discounted using the Company's incremental borrowing rate.

Lease payments include fixed payments less any lease incentive receivable, variable lease payment that are based on an index or a rate which are initially measured using the index or rate as at the commencement date, amounts expected to be payable by the Company under residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payment.

The lease liability is remeasured when the Company reassesses the reasonable certainty of exercising the extension or termination option upon occurrence of either a significant event or a significant change in circumstances, or when there is a change in assessment of an option to purchase underlying asset, or when there is a change in amount expected to be payable under a residual value guarantee, or when there is a change in future lease payments resulting from a change in an index or rate used to determine those payment. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the profit and loss account if the carrying amount of right-of-use asset has been reduced to zero.

When there is a change in scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease, it is accounted for as a lease modification. The lease modification is accounted for as a separate lease if modification increases the scope of lease by adding the right to use one or more underlying assets and the consideration for lease increases by an amount that is commensurate with the stand-alone price for the increase in scope adjusted to reflect the circumstances of the particular contracts, if any. When the lease modification is not accounted for as a separate lease, the lease liability is remeasured and corresponding adjustment is made to right-of-use asset.

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

The right-of-use asset is subsequently measured at cost model. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Company has elected to apply the practical expedient of not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognised as an expense on a straight line basis over the lease term.

3.19 Impairment of assets

The carrying amount of the assets is reviewed at each statement of financial position date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such assets is estimated and the impairment losses are recognised in the profit and loss account currently.

Provisions for impairment are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. Changes in the provisions are recognised as income / expense currently.

3.20 Dividend Distribution

Dividends, if any, declared and transfers between reserves made subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the year in which such dividends are declared and transfers are made.

3.21 Management expenses

Management expenses allocated to the underwriting business represent directly attributable expenses and indirect expenses allocated to the various classes of business on the basis of gross premium written. Expenses not allocable to the underwriting business are charged as other expenses.

3.22 Window Takaful Operations

The accounting policies followed by Window Takaful Operations are stated in the annexed financial statements of Window Takaful Operations for the year ended December 31, 2020.

3.23 Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Exchange differences, if any, are taken to the profit and loss account. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3.24 Earnings per Share

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

3.25 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and are derecognised 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. At the time of initial recognition all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Any gain or loss on derecognition of financial assets and financial liabilities is taken to the profit and loss account in the period in which financial instrument is derecognised.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting polices. The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgment or complexity, or areas where assumption and estimates are significant to the financial statements, or judgment was exercised in application of accounting policies, are as follows:

a) Provision for outstanding claims including IBNR (note 4.1)
b) Unearned premium reserve (note 3.5)
c) Premium deficiency reserve (note 3.6)
d) Defined benefit plan (note 3.17.1)
e) Classification and measurement of investments (note 3.12.1)
f) Useful lives of assets and methods of depreciation (note 3.1 and 3.2)
g) Provision for current and deferred tax (note 3.16)
h) Insurance / reinsurance receivables and payables (note 3.8)
i) Deferred commission expense / acquisition cost (note 3.4)
j) Lease liability and right-of-use asset (note 3.18)

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

Provision for outstanding claims include amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Outstanding claims

The amount of claims that have been reported and are yet unpaid or partially unpaid at the end of reporting year for a given accident year.

A liability for outstanding claims (claim incurred) is recognized for all claims incurred which represents the estimates of the claims intimated or assessed before the end of the reporting period and measured at the undiscounted value of expected future payments. Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates while taking into consideration the past claims settlement experience including handling costs and the Company's reserving policy. Where applicable, deductions are made for salvage and their recoveries.

Incurred But Not Reported (IBNR) Claims

The losses that have incurred or are in the occurrence period at the end of reporting year and have not been intimated to the Company by the end of reporting year, or if reported, complete details are not available to the Company, so as to ascertain the amount of loss for that claim as claims outstanding.

The Company is required, as per SECP circular no. 9 of 2016 dated 09 March 2016 "Guidelines for Estimation of Incurred but not reported claims reserve, 2016" to estimate and maintain the provision for claims incurred but not reported for each class of business by using prescribed Method "Chain Ladder Method" and other alternate method as allowed under the provisions of the Guidelines.

The 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.

	Note	December 31, 2020	December 31, 2019
5 PROPERTY AND EQUIPMENT		------ (Rupees in '000) ------	
Operating assets	5.1	69,832	120,456
		69,832	120,456

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5.1 Operating fixed assets

	2020							
	Cost			Accumulated Depreciation				
	As at January 1, 2020	Additions / (disposals)	As at December 31, 2020	As at January 1, 2020	For the year / (on disposals)	As at December 31, 2020	Written down value as at December 31, 2020	Depreciation rate
	(Rupees in '000)							%
Furniture and fixtures	19,195	1,710 -	20,905	10,958	1,221 -	12,179	8,726	10
Office equipment	16,801	5,077 (314)	21,564	11,840	2,380 (281)	13,939	7,624	20
Computer and accessories	16,027	2,869 -	18,896	9,142	2,805 -	11,947	6,949	25
Motor vehicles	144,546	397 (78,954)	65,989	59,853	19,180 (45,693)	33,341	32,648	20
Mobile phones	1,763	443 (195)	2,011	919	486 (163)	1,242	769	33
Leasehold improvements	35,933	801 -	36,734	21,096	2,522 -	23,618	13,116	10
	234,265	11,297 (79,463)	166,098	113,808	28,594 (46,137)	96,265	69,832	

	2019							
	Cost			Accumulated Depreciation				
	As at January 1, 2019	Additions / (disposals)	As at December 31, 2019	As at January 1, 2019	For the year / (on disposals)	As at December 31, 2019	Written down value as at December 31, 2019	Depreciation rate
	(Rupees in '000)							%
Furniture and fixtures	16,826	2,648 (279)	19,195	10,269	968 (279)	10,958	8,237	10
Office equipment	14,526	2,546 (271)	16,801	10,287	1,824 (271)	11,840	4,961	20
Computer and accessories	11,563	5,092 (628)	16,027	7,547	2,147 (553)	9,142	6,885	25
Motor vehicles	118,972	46,196 (20,622)	144,546	52,059	20,846 (13,052)	59,853	84,692	20
Mobile phones	1,419	778 (434)	1,763	820	421 (322)	919	844	33
Leasehold improvements	33,511	4,838 (2,416)	35,933	21,180	2,287 (2,371)	21,096	14,837	10
	196,817	62,097 (24,650)	234,264	102,162	28,493 (16,847)	113,808	120,456	

5.1.1 Disposal of fixed assets

Fixed Assets	2020 Cost	Book value	Sale proceeds	Mode of sale	Particulars of purchaser
	----	(Rupees in '000)	----		
Office Equipment	314	33	40	Negotiation	Various
Motor vehicles	76,696	32,513	47,160	Employee Policy	Various
Motor vehicles	2,258	748	818	Negotiation	Various
Mobile phones	195	32	43	Negotiation	Various
	79,463	33,326	48,061		

6 RIGHT-OF-USE-ASSETS

	December 31, 2020	December 31, 2019
	------- (Rupees in '000)	-------
Opening cost	48,856	40,519
Addition	21,589	8,337
Disposal	(3,706)	-
Closing cost	66,739	48,856
Accumulated Depreciation opening	10,531	-
Depreciation for the period	12,619	10,531
Depreciation for disposals	(2,952)	-
Accumulated Depreciation closing	20,198	10,531
Written Down Value	46,541	38,325

7 INTANGIBLE ASSETS

	Cost			Amortisation			Written down value as at December 31	Amortisatio period
	As at January 1	Additions	As at December 31	As at January 1	For the year	As at December 31		
	----	----	----	(Rupees in '000)	----	----	----	
Computer softwares								
2020	**16,625**	**2,292**	**18,917**	**12,741**	**2,412**	**15,153**	**3,764**	**4 years**
2019	16,461	164	16,625	10,629	2,112	12,741	3,884	4 years

8 INVESTMENTS IN EQUITY SECURITIES

	Note	31 December 2020 Cost	Impairment / provision	Carrying value	31 December 2019 Cost	Impairment / provision	Carrying value
Available-for-sale		----	----	---- (Rupees in '000)	----	----	----
Listed shares							
Saif Power Limited		**18,877**	**(11,566)**	**7,311**	18,877	(8,323)	10,554
Nishat Chunian Power Limited		**21,047**	**(15,747)**	**5,300**	28,243	(19,200)	9,043
Arif Habib Dolmen REIT Management Limited		**14,901**	**-**	**14,901**	14,901	-	14,901
Kot Addu Power Company Limited		**17,519**	**(12,487)**	**5,032**	17,519	(11,686)	5,833
	8.1	**72,344**	**(39,800)**	**32,544**	79,540	(39,209)	40,331
(Deficit) / Surplus on revaluation				**(2,181)**	-	-	87
				30,363			40,418

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		Note	2020	2019
			----- (Rupees in '000) -----	
8.1	**Listed shares**			
	Cost		72,344	79,540
	Provision for impairment	8.1.1	(39,800)	(39,209)
			32,544	40,331

8.1.1 Provision for impairment

	2020	2019
Opening provision	39,209	31,473
Charge for the year	5,972	7,736
Disposal for the year	(5,381)	-
Closing provision	39,800	39,209

9 INVESTMENTS IN DEBT SECURITIES - Available-for-Sale

	Note	December 31, 2020		December 31, 2019	
		Cost	Carrying value	Cost	Carrying value
		---- (Rupees in '000) ----			
Government Securities					
Market treasury bills	9.1	-	-	99,656	102,699
		-	-	99,656	102,699
Term Finance Certificates					
Habib Bank Limited	9.2	50,000	50,000	50,000	50,000
Deficit on revaluation		-	-	-	(178)
		50,000	50,000	149,656	152,521

INVESTMENTS IN DEBT SECURITIES - held-to-maturity

	Note	December 31, 2020		December 31, 2019	
		Cost	Carrying value	Cost	Carrying value
		---- (Rupees in '000) ----			
Government Securities					
Market treasury bills	9.3	646,576	649,811	200,700	206,925
Pakistan investment bonds	9.4	230,972	251,468	230,972	236,997
		877,548	901,279	431,672	443,922
Corporate Sukuks					
Hub Power Company Limited	9.5	40,560	40,388	40,560	40,551
Term Finance Certificates					
Bank Al-Habib Limited	9.6	45,031	45,021	-	-
		963,139	986,688	472,232	484,473
		1,013,139	1,036,688	621,888	636,994

9.1 Market treasury bills (Available for Sale)

Face value	Profit rate %	Profit payment	Type of security	Maturity date	December 31, 2020	December 31, 2019
(Rupees in '000)					------- (Rupees in '000) -------	
					Cost	Cost
113,000	13.43%	On Maturity	Treasury bills	8-Oct-20	-	99,656

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9.2 Term Finance Certificate (Available for sale)

	No. of Certificates 2020	No. of Certificates 2019	Face Value	Value of Certificates 2020	Value of Certificates 2019
			---(Rupees)---	------- (Rupees in '000) -------	
Habib Bank Limited	500	500	100,000	50,000	50,000

9.3 Market treasury bills (Held to Maturity)

Face value (Rupees in '000)	Profit rate %	Profit payment	Type of security	Maturity date	December 31, 2020 Amortized Cost	December 31, 2019 Amortized Cost
					------- (Rupees in '000) -------	
207,000	13.64%	On Maturity	Treasury bills	2-Jan-20	-	206,925
102,000	7.16%	On Maturity	Treasury bills	14-Jan-21	101,744	-
51,000	7.14%	On Maturity	Treasury bills	11-Feb-21	50,598	-
142,000	7.08%	On Maturity	Treasury bills	25-Feb-21	140,508	-
269,000	7.11%	On Maturity	Treasury bills	11-Mar-21	265,441	-
93,000	7.11%	On Maturity	Treasury bills	25-Mar-21	91,520	-
					649,811	206,925

9.3.1 Market treasury bills (MTBs) have face value of Rs. 657 million (market value of Rs. 649.686 million) [2019: face value Rs. 207 million (market value of Rs. 206.957 million)]. These carry mark-up ranging at 7.08% to 7.16% per annum (2019: 13.64%) and will mature latest by March 25, 2021.

9.4 Pakistan investment bonds (Held to Maturity)

Face value (Rupees in '000)	Profit rate %	Profit payment	Type of security	Maturity date	December 31, 2020 Amortized Cost	December 31, 2019 Amortized Cost
					----------- (Rupees in '000) -----------	
260,000	7.25%	Semi-annually	3 Years PIBs	12-Jul-21	251,468	236,997
					251,468	236,997

9.4.1 Pakistan investment bonds have face value of Rs. 260 million (market value of Rs. 260.074 million) [2019: face value of 260 million (market value of Rs. 241.234 million)]. These carry mark-up at 7.25% per annum (2019: 7.25%) and will mature latest by July 12, 2021. PIBs having face value of Rs. 135 million (market value of Rs 135.038 million) are deposited with the State Bank of Pakistan in accordance with the requirements of circular no. 15 of 2008 dated July 7, 2008 issued by the Securities and Exchange Commission of Pakistan.

9.5 Sukuk (Held to maturity)

	No. of Certificates 2020	No. of Certificates 2019	Face Value	Face Value of Certificates 2020	Face Value of Certificates 2019
			---(Rupees)---	------- (Rupees in '000) -------	
Hub Power Company Limited	400	400	100,000	40,000	40,000

9.5.1 Sukuk have face value of Rs. 40 million (market value of Rs. 40.899 million) [2019: face value Rs. 40 million (market value of Rs. 40.360 million)].

9.6 Term Finance Certificate (Held-to-Maturity)

	No. of Certificates 2020	No. of Certificates 2019	Face Value	Face Value of Certificates 2020	Face Value of Certificates 2019
			---(Rupees)---	------- (Rupees in '000) -------	
Bank Al-Habib Limited	9,000	-	4,991	44,919	-

9.6.1 Term finance certificates have face value of Rs. 44.919 million (market value of Rs. 40.560 million) [2019: face value nil (market value Nil)].

9.7 Terms of TFC and Sukuks

Name of Investment	Maturity year	Effective Yield %	Profit payment	December 31, 2020	December 31, 2019
				------- (Rupees in '000) -------	
				Face value	Face value
Term Finance Certificates - quoted					
Habib Bank Limited	Perpetual	8.90%	Quarterly	50,000	50,000
Bank Al-Habib Limited	2026	7.98%	Semi annually	44,919	-
				94,919	**50,000**
Corporate Sukuks - quoted					
Hub Power Company Limited	2023	8.62%	Quarterly	40,000	40,000

10 INVESTMENTS IN TERM DEPOSITS

	December 31, 2020	December 31, 2019
	------- (Rupees in '000) -------	
Held to maturity		
Deposits maturing within 12 months		
Finca Microfinance Bank	-	150,000
	-	150,000

11 LOANS AND OTHER RECEIVABLES - Considered good

Accrued investment income	10,696	9,912
Receivable from window takaful operations	6,669	5,986
Security deposits	19,100	18,652
Loans to employees	3,009	3,122
Other receivables	19,022	25,285
	58,496	62,957

12 INSURANCE / REINSURANCE RECEIVABLES - Unsecured and considered good

Due from insurance contract holders	853,678	898,533
Less: Provision for impairment of receivables from insurance contract holders	(1,395)	-
Due from other insurers / reinsurers	938,985	608,975
Less: Provision for impairment of due from other insurers / reinsurers	-	-
	1,791,268	1,507,508

13 RETIREMENT BENEFIT OBLIGATIONS

Defined benefit plan - funded gratuity scheme

The latest valuation of the scheme was carried out as at December 31, 2020 by Akhtar & Hasan (Private) Limited using the Projected Unit Credit Method. Provision has been made in the financial statements to cover the related obligation in accordance with the actuarial recommendations.

Details of Employees Valued	December 31, 2020	December 31, 2019
	------- (Rupees in '000) -------	
Total number of employees	252	260
Total monthly salary	10,097	9,779

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	December 31, 2020	December 31, 2019
	------- (Rupees in '000) -------	
Balance Sheet Reconciliation		
Fair value of plan assets	(56,963)	(47,534)
Present value of defined benefit obligations	63,791	54,748
Funded status	6,828	7,214
Unrecognised net actuarial loss / (gain)	-	-
Recognised liability	6,828	7,214
Movement in fair value of plan assets		
Fair value as at January 01, 2020 / January 01, 2019	47,534	36,900
Expected return on plan assets	5,655	5,224
Actuarial gain / (losses)	183	(612)
Employer contributions	9,700	9,461
Benefits paid	(6,109)	(3,439)
Fair value as at December 31, 2020 / December 31, 2019	56,963	47,534
Movement in the defined benefit obligations		
Obligation as at January 01, 2020 / January 01, 2019	54,748	45,620
Service cost	8,931	8,375
Interest cost	6,424	6,310
Actuarial gains	(203)	(2,118)
Benefits paid	(6,109)	(3,439)
Obligation as at December 31, 2020 / December 31, 2019	63,791	54,748
Cost		
Current Service cost	8,931	8,375
Interest cost	6,424	6,310
Expected return on plan assets	(5,655)	(5,224)
Expense	9,700	9,461
Actual return on plan assets	5,838	4,612

	December 31, 2020	December 31, 2019
Principal actuarial assumptions are as follows:		
Discount rate and expected return on plan assets	9.75%	11.25%
Future salary increases	8.75%	10.25%
Mortality rates	SLIC (2001-05)	SLIC (2001-05)
Rates of Employee turnover	Moderate	Moderate

Comparison for five years:	2020	2019	2018	2017	2016
			(Rupees in '000)		
As at December 31					
Fair value of plan assets	(56,963)	(47,534)	(36,900)	(30,340)	(23,977)
Defined benefit obligations	63,791	54,748	45,620	35,835	26,279
Deficit	6,828	7,214	8,720	5,495	2,302
Experience adjustments					
Gain / (loss) on plan assets (as percentage of plan assets)	0.5%	-3.3%	-4.1%	-8.2%	-5.5%
Gain / (loss) on plan assets (as percentage of plan obligations)	0.5%	0.6%	0.7%	0.9%	1.2%

Afhm

The effect of 0.5% movement in assumed medical cost trend rate are as follows:

	Increase	Decrease
	(Rupees in '000)	
Effect on the aggregate of current service and interest cost	58,906	50,723
Effect on the defined benefit obligations	69,750	59,650

Plan assets comprise of the following:	December 31, 2020		December 31, 2019	
	(Rupees in '000)	%	(Rupees in '000)	%
Debt	55,091	96.7%	47,023	98.9%
Cash and cash equivalent - net of current liabilities	1,872	3.3%	511	1.1%
Fair value of plan assets	56,963	100.0%	47,534	100.0%

The expected charge for retirement benefit obligations for the year 2021 amounts to Rs. 9.78 million.

14 DEFERRED TAXATION

Deferred taxation comprises deductible temporary differences relating to following:

	Note	December 31, 2020	December 31, 2019
		------- (Rupees in '000) -------	
Deferred debits arising in respect of:			
- accelerated depreciation		218	568
- staff retirement benefits		1,980	2,092
- impairment against listed equity securities		11,542	11,370
- lease liability		14,841	12,460
- provision for employee bonus		-	6,580
- provision for bad debts		405	-
- Deficit on revaluation		632	26
- Minimum tax		4,940	-
Deferred credit arising in respect of:			
- Right of use assets		(13,497)	(11,114)
		21,061	21,982

15 PREPAYMENTS

	Note	December 31, 2020	December 31, 2019
Prepaid reinsurance premium ceded	24	681,328	824,312
Prepaid rent		2,851	3,076
Prepaid tracker monitoring charges		41,169	54,636
Prepaid miscellaneous expenses		4,540	3,797
		729,888	885,821

16 CASH AND BANK

	Note	December 31, 2020	December 31, 2019
Cash and cash equivalents			
- Cash in hand		1,245	1,160
- Policy stamps in hand		619	1,233
		1,864	2,393
Cash at bank			
- Current accounts	16.1	43,725	46,291
- Savings accounts	16.2 & 16.3	168,707	311,752
		212,432	358,043
		214,296	360,436

16.1 This includes balance with a related party amounting to Rs. 39.179 million (2019: Rs. 41.520 million).

16.2 This includes balance with related parties amounting to Rs. 43.979 million (2019: Rs. 52.880 million).

16.3 These carry profit rates ranging between 5.25% to 7.75% (2019: 10.00% to 11.75%) per annum.

17 SHARE CAPITAL

17.1 Authorised Capital

2020	2019		2020	2019
(Number of shares)			------- (Rupees in '000) -------	
150,000,000	150,000,000	Ordinary shares of Rs. 10 each	1,500,000	1,500,000

17.2 Issued, subscribed and paid-up capital

115,217,391	115,217,391	Ordinary shares of Rs. 10 each fully paid in cash	1,152,174	1,152,174

17.3 Major shareholders of the Company are:

Number of shares held			Percentage of Shareholding	
2020	2019	Name of Shareholder	2020	2019
64,063,972	64,063,972	Bestway (Holdings) Limited	55.6	55.6
34,565,214	34,565,214	United Bank Limited	30.0	30.0
14,088,199	14,088,199	Bestway Cement Limited	12.2	12.2

	Note	2020	2019
		------- (Rupees in '000) -------	
18 RESERVES			
Revaluation reserves - Available-for-sale			
Listed Shares	8	(2,181)	87
Market Treasury Bills	9	-	(178)
		(2,181)	(91)
Related deferred tax liability		632	26
		(1,549)	(65)
Revaluation Reserve - WTO		45	66
		(1,504)	1
19 LEASE LIABILITIES			
Current		18,584	13,200
Non-current		32,590	29,766
		51,174	42,966
20 INSURANCE / REINSURANCE PAYABLES			
Due to foreign reinsurers		306,159	205,107
Due to local reinsurers		151,450	150,217
Due to other insurers		38,669	60,618
Due to insurance contract holders		13,918	9,863
		510,196	425,805
21 OTHER CREDITORS AND ACCRUALS			
Agents commission payable		66,209	50,451
Federal excise duty		44,660	31,576
Federal insurance fee		490	2,999
Accrued expenses		39,028	45,097
Unclaimed insurance benefits	21.1	29,172	21,016
Cash margin against insurance policies		19,310	20,746
Others		8,173	14,450
		207,042	186,335

21.1 This represents outstanding claims in respect of which cheques have been issued by the Company for claim settlement but the same have not been encashed by the claimant. The following is the ageing as required by SECP circular No. 11 dated May 19, 2014:

	2020	2019
	------- (Rupees in '000) -------	
More than 6 months	29,172	21,016
1 to 6 months	111,237	142,482

Claims not encashed

December 31, 2020					
(Age-wise Breakup)					
1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months	Total
(Rupees in '000)					
111,237	5,274	5,742	6,743	11,413	140,409

December 31,2019					
(Age-wise Breakup)					
1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months	Total
(Rupees in '000)					
142,482	2,411	7,192	2,093	9,320	163,498

22 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as on December 31, 2020 and December 31, 2019.

23 WINDOW TAKAFUL OPERATIONS OPERATOR'S FUND

	December 31, 2020	December 31, 2019
	------- (Rupees in '000) -------	
Assets		
Cash and bank	11,318	5,422
Investments	59,967	43,090
Current assets - other	164,780	129,833
Total assets	236,065	178,345
Total liabilities - current	151,055	114,787
Profit before taxation	30,244	14,329

Details of total assets, total liabilities and segment disclosure of window takaful operations are stated in the annexed financial information for the year ended December 31, 2020 and 2019.

24 NET INSURANCE PREMIUM

	2020	2019
	-------- (Rupees in '000) -------	
Written Gross Premium	4,041,493	3,988,703
Add: Unearned premium reserve opening	1,468,684	1,378,040
Less: Unearned premium reserve closing	(1,436,772)	(1,468,684)
Premium earned	4,073,405	3,898,059
Less:		
Reinsurance premium ceded	2,088,879	2,270,866
Add: Prepaid reinsurance premium opening	824,312	681,538
Less: Prepaid reinsurance premium closing	(681,328)	(824,312)
Reinsurance expense	2,231,863	2,128,092
	1,841,542	1,769,967

25 NET INSURANCE CLAIMS EXPENSE

	Note	2020	2019
		------- (Rupees in '000) -------	
Claims paid		2,604,234	2,022,610
Add: Outstanding claims including IBNR closing	25.1	1,669,471	1,655,260
Less: Outstanding claims including IBNR opening		(1,655,260)	(1,400,561)
Claim expense		2,618,445	2,277,309
Less: Reinsurance and other recoveries received		(1,631,269)	(1,326,959)
Add: Reinsurance and other recoveries in respect of outstanding claims - opening		1,551,126	1,247,591
Less: Reinsurance and other recoveries in respect of outstanding claims - closing		(1,410,464)	(1,551,126)
Reinsurance and other recoveries revenue		(1,490,607)	(1,630,494)
		1,127,838	646,815

25.1 Claim Development

The following table shows the development of claims over a period of time on gross basis.

Analysis on gross basis

Accident year	2016	2017	2018	2019	2020
			(Rupees in '000)		
Estimate of ultimate claims cost:					
At end of accident year	5,682,592	1,592,214	2,060,841	2,095,948	2,560,569
One year later	6,074,871	1,648,955	2,209,711	2,386,335	-
Two years later	5,870,107	1,583,877	2,187,671	-	-
Three years later	5,817,336	1,577,250	-	-	-
Four years later	5,690,396	-	-	-	-
Current estimate of cumulative claims	5,690,396	1,577,250	2,187,671	2,386,335	2,560,569
Cumulative payments made to date	(5,599,314)	(1,503,380)	(2,093,926)	(2,094,651)	(1,441,479)
Liability recognised in the statement of financial position	91,082	73,870	93,745	291,684	1,119,090

26 NET COMMISSION EXPENSE / ACQUISITION COSTS

	December 31, 2020	December 31, 2019
	------- (Rupees in '000) -------	
Commission paid or payable	538,382	602,759
Add: Deferred commission expense opening	196,555	147,626
Less: Deferred commission expense closing	(155,019)	(196,555)
Net Commission	579,918	553,830
Less: Commission received or recoverable	(449,804)	(444,146)
Add: Unearned reinsurance commission closing	163,675	186,152
Less: Unearned reinsurance commission opening	(186,152)	(137,326)
Commission from reinsurers	(472,281)	(395,320)
	107,637	158,510

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		Note	December 31, 2020	December 31, 2019
27	**MANAGEMENT EXPENSES**		------- (Rupees in '000) -------	
	Employee benefit cost	27.1	240,386	232,612
	Traveling expense		2,308	5,798
	Advertisements & sales promotion		2,719	4,947
	Printing and stationery		8,333	6,394
	Depreciation		29,398	28,404
	Rent, rates and taxes		7,421	7,598
	Legal and professional charges - business related		4,476	11,502
	Electricity, gas and water		6,116	5,611
	Entertainment		1,776	1,986
	Vehicle running expenses		50,697	46,927
	Office repairs and maintenance		5,850	4,821
	Bank charges		3,928	4,007
	Postages, telegrams and telephone		6,094	6,833
	Annual supervision fee - SECP		6,418	6,970
	Service charges		10,867	8,305
	Tracker charges		148,666	127,714
	Miscellaneous		16,804	6,131
			552,257	516,562
27.1	**Employee benefit cost**			
	Salaries, allowances and other benefits		220,776	214,007
	Charges for post employment benefit		19,610	18,605
			240,386	232,612
28	**INVESTMENT INCOME**			
	Available-for-sale			
	Income from equity securities			
	Dividend income		3,571	4,541
	Income from debt securities			
	Return on government securities		-	16,697
	Return on term finance certificates		5,753	2,114
	Amortization of discount on government securities / term finance certificates		10,301	1,780
			19,625	25,132
	Net realised gains on investments			
	- Equity securities		16	552
			19,641	25,684
	Less: Impairment in value of available-for-sale securities - Equity Securities		(5,972)	(7,736)
			13,669	17,948
	Held to maturity			
	Income from debt securities			
	Return on government securities		18,902	22,098
	Return on term finance certificates		5,172	-
	Return on sukuks		4,702	270
	Amortization of premium on term finance certificates		(11)	-
	Amortization of premium on sukuks		(163)	(9)
	Amortization of discount on government securities		39,983	11,709
			68,585	34,068
	Income from term deposits			
	Return on term deposits		19,772	27,645
			88,357	61,713
	Total Investment income		102,026	79,661

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		Note	December 31, 2020	December 31, 2019
			------- (Rupees in '000) -------	
29	**OTHER INCOME**			
	Income from financial assets / liabilities			
	Return on bank balances		22,038	25,189
	Gain on sale of fixed assets		14,789	6,978
	Exchange gain		1,215	2,929
	Miscellaneous income		1,546	1,086
			39,588	36,182
30	**OTHER EXPENSES**			
	Legal and professional fee other than business related		2,129	1,358
	Auditors' remuneration	30.1	2,739	1,863
	Depreciation expense		11,816	10,621
	Amortisation		2,412	2,112
	Communication		8,269	6,409
	Rent, rates and taxes		14,180	12,753
	Salaries and benefits		58,980	58,311
	Miscellaneous		26,488	31,316
			127,013	124,743
30.1	**Auditors' remuneration**			
	Audit fee		485	476
	Half yearly review fee		243	238
	Certifications		1,081	964
	Out of pocket expenses		931	185
			2,739	1,863
31	**FINANCE COST**			
	Mark-up on finance leases		5,114	4,970
32	**TAXATION**			
	For the year			
	Current		26,009	136,230
	Deferred		1,416	(7,359)
			27,425	128,871
	For the prior year			
	Current		(1,017)	11,811
			26,408	140,682
32.1	**Relationship between tax expense and accounting profit**			
	Profit before taxation for the year		93,538	448,557
	Tax at the applicable rate of 29% (2019: 29%)		27,126	130,082
	Tax effect of permanent difference		350	(2,050)
	Tax effect of right to use assets		(2,383)	11,114
	Tax effect of lease liabilities		(2,380)	(12,460)
	Tax effect of prior year		(1,017)	11,811
	Others		4,712	2,185
			26,408	140,682

32.2 The assessment of the Company upto and including tax year 2020 have been deemed to be completed under section 120 of the Income Tax Ordinance, 2001 (the Ordinance) which is subject to audit under section 177 of the Ordinance.

		2020	2019
		------- (Rupees in '000) -------	
33	**TAXATION - PAYMENTS LESS PROVISION**		
	Balance as at January 1,	(1,631)	11,583
	Tax paid including deducted at source	80,622	130,672
	Provision for taxation - Takaful	8,771	4,155
	Provision for taxation	(24,992)	(148,041)
	Balance as at December 31,	62,770	(1,631)

34 EARNINGS PER SHARE

The Company's earnings per share has been calculated based on the following:

	2020	2019
	------- (Rupees in '000) -------	
Profit after tax for the year	67,130	307,875
	(Number of shares)	
Weighted average number of ordinary shares of Rs. 10 each	115,217,391	115,217,391
	(Rupees)	
Earnings per share - basic and diluted	0.58	2.67

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

35 COMPENSATION OF DIRECTORS AND EXECUTIVES

The aggregate amount charged to in the financial statements, including all benefits, to the Chief Executive, Directors and Executives / Key Management Personnel of the Company are as follows:

	Chief executive		Directors		Executives / key management personnel		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	------------------------------------ (Rupees in '000) ------------------------------------							
Fees	-	-	-	-	-	-	-	-
Managerial remuneration	8,887	6,171	-	243	43,719	43,772	52,606	50,186
Bonus	-	6,500	-	127	-	7,898	-	14,525
House rent allowance	3,999	2,777	-	109	19,674	19,697	23,673	22,584
Utilities	1,777	1,234	-	49	10,115	10,395	11,892	11,678
Medical	889	617	-	24	4,776	4,587	5,665	5,228
Retirement benefits	1,296	900	-	-	5,680	5,326	6,976	6,226
Fuel Allowance	501	410	-	-	9,386	9,846	9,887	10,256
Cell allowance	60	60	-	10	858	924	918	994
Car maintenance allowance	648	648	-	-	5,368	4,217	6,016	4,865
Driver Salary	264	-	-	-	1,320	1,380	1,584	1,380
Guard Salary	502	334	-	-	-	-	502	334
Others	435	135	-	3	295	244	730	382
	19,258	19,786	-	565	101,191	108,286	120,449	128,639
Number of persons	1	1	7	7	24	26	32	34

36 TRANSACTIONS WITH RELATED PARTIES

36.1 Related parties comprise of directors, major shareholders, key management personnel, holding company, associated companies, and entities with common directors and employee retirement benefit funds. The transactions with related parties are carried out at commercial terms and conditions except for compensation to key management personnel which are on employment terms. The transactions and balances with related parties during the year are as follows :

Transactions and balances with related parties	2020	2019
	------- (Rupees in '000) -------	
Associated companies		
Premium underwritten	486,196	290,157
Insurance claims expense	155,026	295,891
Bank charges	3,802	3,960
Profit on bank accounts	11,252	16,358
Internal audit fees	-	420
Commission expense	13,355	24,453

	2020	2019
	------- (Rupees in '000) -------	
Others		
Premium underwritten	3,402	3,648
Insurance claims expense	2,921	288
Profit on bank accounts	28	27
Employees' funds		
Contribution to the provident fund	9,910	9,145
Contribution to the gratuity fund	9,700	9,461
Balances		
Associated companies		
Bank balances	82,739	94,006
Premium due but unpaid	35,798	39,702
Claim outstanding	274,084	498,778
Commission outstanding	10,307	11,313
Internal audit fee payable	503	503
Others		
Bank balances	418	394
Premium due but unpaid	114	1
Claim outstanding	711	859

37 SEGMENT INFORMATION

	For the year ended 31 December 2020						
	Fire & property	Marine, aviation & transport	Motor	Bankers blanket	Health	Other classes	2020 Aggregate
	(Rupees in '000)						
Premium receivable (inclusive of Federal excise duty and Federal insurance fee and Administrative surcharge)	1,697,466	387,251	1,104,288	159,477	562,263	638,211	4,548,956
Less: Federal excise duty / sales tax	(204,272)	(42,288)	(132,815)	(18,526)	1,439	(70,721)	(467,183)
Less: Federal insurance fee	(14,629)	(3,406)	(9,771)	(1,396)	(5,438)	(5,640)	(40,280)
Gross written premium (inclusive of Administrative surcharge)	1,478,565	341,557	961,702	139,555	558,264	561,850	4,041,493
Gross direct premium	1,445,416	331,730	933,593	139,544	558,110	555,881	3,964,274
Facultative inward premium	26,157	1,301	1,162	-	-	1,595	30,215
Administrative surcharge	6,992	8,526	26,947	11	154	4,374	47,004
Insurance premium earned	1,555,490	335,189	955,835	135,664	544,001	547,226	4,073,405
Insurance premium ceded to reinsurers	(1,357,026)	(167,128)	(141,818)	(122,379)	(79,743)	(363,769)	(2,231,863)
Net insurance premium	198,464	168,061	814,017	13,285	464,258	183,457	1,841,542
Commission income	319,502	34,839	33,553	7,972	7,669	68,746	472,281
Net underwriting income	517,966	202,900	847,570	21,257	471,927	252,203	2,313,823
Insurance claims	(968,563)	(151,662)	(579,946)	(35,617)	(598,389)	(284,268)	(2,618,445)
Insurance claims recovered from reinsurers	876,024	125,417	200,221	37,356	62,025	189,564	1,490,607
Net claims	(92,539)	(26,245)	(379,725)	1,739	(536,364)	(94,704)	(1,127,838)
Commission expenses	(318,236)	(105,717)	(83,223)	(638)	(24,502)	(47,602)	(579,918)
Management expenses	(146,943)	(33,945)	(244,440)	(13,869)	(57,222)	(55,838)	(552,257)
Premium deficiency reserve	-	-	-	-	-	(3)	(3)
Net insurance claims and expenses	(557,718)	(165,907)	(707,388)	(12,768)	(618,088)	(198,147)	(2,260,016)
Underwriting result	(39,752)	36,993	140,182	8,489	(146,161)	54,056	53,807
Investment income							102,026
Other income							39,588
Other expenses							(127,013)
Result of operating activities							68,408
Finance costs							(5,114)
Profit from Window takaful operations - net off tax							30,244
Profit before tax							93,538
Segment assets	1,502,864	347,170	977,507	141,848	567,438	571,083	4,107,910
Unallocated assets							1,758,605
							5,866,515
Segment liabilities	1,407,171	325,065	915,265	132,816	531,308	534,721	3,846,346
Unallocated liabilities							349,890
							[illegible]

	For the year ended 31 December 2019						
	Fire & property	Marine, aviation & transport	Motor	Bankers blanket	Health	Other classes	2019 Aggregate
	(Rupees in '000)						
Premium receivable (inclusive of Federal excise duty and Federal insurance fee and Administrative surcharge)	1,752,438	384,890	1,112,998	155,005	560,946	548,840	4,515,117
Less: Federal excise duty / sales tax	(211,987)	(40,538)	(130,935)	(18,141)	(24,757)	(60,361)	(486,718)
Less: Federal insurance fee	(15,135)	(3,427)	(9,659)	(1,355)	(5,310)	(4,809)	(39,696)
Gross written premium (inclusive of Administrative surcharge)	1,525,316	340,925	972,404	135,509	530,879	483,670	3,988,703
Gross direct premium	1,488,143	330,851	923,021	135,498	530,679	472,531	3,880,722
Facultative inward premium	28,934	2,386	19,168	-	-	6,292	56,780
Administrative surcharge	8,240	7,688	30,214	11	200	4,848	51,201
Insurance premium earned	1,350,443	339,148	972,580	134,966	630,492	470,432	3,898,059
Insurance premium ceded to reinsurers	(1,090,447)	(164,205)	(169,438)	(122,826)	(191,908)	(389,269)	(2,128,092)
Net insurance premium	259,996	174,943	803,142	12,139	438,584	81,163	1,769,967
Commission income	216,533	41,188	45,386	14,577	19,618	58,018	395,320
Net underwriting income	476,529	216,131	848,528	26,716	458,202	139,181	2,165,287
Insurance claims	(786,120)	(141,616)	(497,598)	(56,427)	(550,572)	(244,976)	(2,277,309)
Insurance claims recovered from reinsurers	733,756	128,756	239,762	46,389	289,342	192,488	1,630,494
Net claims	(52,364)	(12,860)	(257,836)	(10,037)	(261,230)	(52,487)	(646,814)
Commission expenses	(252,437)	(88,725)	(91,398)	(685)	(75,144)	(45,441)	(553,831)
Management expenses	(147,919)	(33,062)	(222,013)	(13,141)	(53,523)	(46,904)	(516,562)
Reversal of premium deficiency reserve	-	-	-	-	-	18	18
Net insurance claims and expenses	(452,720)	(134,647)	(571,247)	(23,863)	(389,896)	(144,815)	(1,717,189)
Underwriting result	23,809	81,484	277,281	2,853	68,305	(5,634)	448,098
Investment income							79,661
Other income							36,182
Other expenses							(124,743)
Result of operating activities							439,198
Finance costs							(4,970)
Profit from Window takaful operations - net off tax							14,329
Profit before tax							448,557
Segment assets	1,606,101	358,981	1,023,905	142,686	558,996	509,287	4,199,957
Unallocated assets							1,554,850
							5,754,807
Segment liabilities	1,447,943	323,631	923,078	128,635	503,949	459,136	3,786,372
Unallocated liabilities							302,483
							4,088,854

38 MOVEMENT IN INVESTMENT

	Held to Maturity	Available for Sale	Total
	(Rupees in '000)		
At beginning of previous year	587,540	284,534	872,074
Additions	1,467,233	103,286	1,570,519
Disposal (sale and redemptions)	(1,382,000)	(249,900)	(1,631,900)
Fair value net gains (excluding net realised gains)	-	10,975	10,975
Amortization of discount	11,700	1,780	13,480
Impairment losses	-	(7,736)	(7,736)
At beginning of current year	684,473	142,939	827,412
Additions	2,422,423	-	2,422,423
Disposal (sale and redemptions)	(2,110,017)	(114,815)	(2,224,832)
Fair value net gains (excluding net realised gains)	-	(2,090)	(2,090)
Amortization of discount	39,809	10,301	50,110
Impairment losses	-	(5,972)	(5,972)
At end of current year	**1,036,688**	**30,363**	**1,067,051**

39 MANAGEMENT OF INSURANCE AND FINANCIAL RISK

The Company issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Company manages them.

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39.1 Insurance risk management

Insurance risk

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of compensation to the insured. Generally most insurance contracts carry the insurance risk for a period of one year (refer note 3.3).

The Company accepts insurance through issuance of general insurance contracts. For these general insurance contracts the most significant risks arise from fire, atmospheric disturbance, earthquakes, transit, theft, third party liabilities and other catastrophes. For health insurance contracts significant risks arise from epidemics.

The Company's risk exposure is mitigated by employing a comprehensive framework to identify, assess, manage and monitor risk. This framework includes implementation of underwriting strategies which aim to ensure that the underwritten risks are well diversified in terms of type and amount of the risk. Adequate reinsurance is arranged to mitigate the effect of the potential loss to the Company from individual to large or catastrophic insured events. Further, the Company adopts strict claim review policies including active management and prompt pursuing of the claims and regular detailed review of claim handling procedures.

(a) Frequency and severity of claims

Risk associated with general insurance contracts includes the reasonable possibility of significant loss as well as the frequent occurrence of the insured events. This has been managed by having in place underwriting strategy, reinsurance arrangements and proactive claim handling procedures.

The reinsurance arrangements against major risk exposure include excess of loss, quota share, surplus arrangements and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on Company's net retentions.

Concentration of risk

To optimise benefits form 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 risk with reference to the geographical location, the most important of which is risk survey.

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

The ability to manage catastrophic risk is tied managing the density of risk within a particular area. For catastrophic aggregates, the system assigns precise geographic CRESTA (Catastrophe Risk Evaluating and standardising Target Accumulations) codes with reference to the accumulation of sum insured in force at any particular location against natural perils.

For marine risks, complete underwriting details such as sums insured, mode of transport (air / inland transit), vessel identification, sailing dates, origin and destination of the shipments, per carry limits, accumulation of sum insured on a single voyage etc. are taken into consideration.

A number of proportional and non-proportional reinsurance arrangements are in place to protect the net account. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional treaty, any loss over and above the said limit would be recovered from the non-proportional treaty which is very much in line with the risk management philosophy of the Company.

The insurers monitors concentration of insurance risks primarily by class of business. The table below sets out the concentration of the gross exposure by class of business:

Class	Maximum gross risk exposure 2020	2019
	(Rupees in '000)	
Fire and property	895,827,397	1,318,177,323
Marine, aviation and transport	335,671,374	460,357,495
Motor	46,013,687	45,448,716
Banker's blanket	3,628,500	4,030,500
Health	29,995,682	27,281,646
Other classes	388,416,072	399,466,351

The Company minimises its exposure to significant losses by obtaining reinsurance from a number of reinsurers, who are dispersed over several geographical regions.

(b) Uncertainty in the estimation of future claim payments

Claims on general insurance contracts are payable on a claim occurrence basis. The Company is liable for all insured events as per terms and condition of the insurance contract.

An estimated amount of the claim is recorded immediately on the intimation to the Company. The estimation of the amount is based on management judgement or preliminary assessment by the independent surveyor appointed for the purpose. The initial estimates include expected settlement cost of the claims. Provision for IBNR is recorded based on the advice of the actuary.

There are several variable factors which affect the amount and timing of recognised claim liabilities. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from initial recognised amount. Similarly, the provision for claims incurred but not reported is based on historic reporting pattern of the claims other than exceptional losses. Hence, actual amount of incurred but not reported claims may differ from the amounts estimated.

(c) Key assumptions

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

Actuarial valuation is carried out for the determination of IBNR which is based on a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation as required / allowed by the SECP circular 9 of 2016.

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 that may include a margin for adverse deviation as required / allowed by the circular 9 of 2016. IBNR is determined by using Chain Ladder Method for all classes of business. The claim outstanding and claims paid till date are deducted from the ultimate claim payments for that particular year to derive an IBNR estimate for that year. Any negative values are ignored. The total for each accident year shall be the total IBNR as at the end of reporting year for that risk class. IBNR triangles are made on a yearly basis for each class of business except for motor and health, the IBNR triangle for which are made on quarterly and monthly basis respectively. The methods used, and the estimates made, are reviewed regularly.

The Company determines adequacy of liability of premium deficiency by carrying out analysis of its loss ratio of expired periods of the contracts. For this purpose average loss ratio of last three years inclusive of claim settlement cost but excluding major exceptional claims are taken into consideration to determine ultimate loss ratio to be applied on unearned premium. The liability of premium deficiency reserve in relation to accident and health insurance is calculated in accordance with the advice of the actuary (note 3.6).

(d) Changes in assumptions

The Company did not change its assumptions for the insurance contracts as disclosed above in (b) and (c).

(e) Sensitivity analysis

The insurance claim liabilities are sensitive to the incidence of insured events and severity / size of claims. The impact of 10% increase / decrease in incidence of insured events on underwriting results and shareholder's equity is as follows:

Average claim cost	Underwriting results December 31, 2020	Underwriting results December 31, 2019	Shareholder's equity December 31, 2020	Shareholder's equity December 31, 2019
	(Rupees in '000)			
Fire and property	9,254	5,236	6,570	3,718
Marine and transport	2,625	1,286	1,863	913
Motor	37,973	25,784	26,960	18,306
Health Insurance	53,636	26,123	38,082	18,547
Banker's blanket	(174)	1,004	(123)	713
Others	9,470	5,249	6,724	3,727
	112,784	64,681	80,076	45,924

39.2 Financial risk management

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Financial risk
- Credit risk
- Liquidity risk
- Market risk

39.2.1 Financial risk

Maturity profile of financial assets and liabilities:

	December 31, 2020							
	Profit rate % per annum	Profit / mark-up bearing financial instruments			Non profit / mark-up bearing financial instruments			Total
		Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
		(Rupees in '000)						
Financial assets								
Cash and bank	5.25 - 7.75	168,707	-	168,707	45,589	-	45,589	214,296
Investments	7.08- 9.19	901,279	135,409	1,036,688	30,363	-	30,363	1,067,051
Loans and other receivables		-	-	-	39,396	19,100	58,496	58,496
Insurance / reinsurance receivables		-	-	-	1,791,268	-	1,791,268	1,791,268
Reinsurance recoveries against outstanding claims		-	-	-	1,347,852	-	1,347,852	1,347,852
		1,069,986	135,409	1,205,395	3,254,468	19,100	3,273,568	4,478,963
Financial liabilities								
Underwriting Provision for outstanding claims including IBNR		-	-	-	1,669,471	-	1,669,471	1,669,471
Insurance / reinsurance payables		-	-	-	510,196	-	510,196	510,196
Other creditors and accruals		-	-	-	161,892	-	161,892	161,892
Lease Liability					18,584	32,590	51,174	51,174
		-	-	-	2,360,143	32,590	2,392,733	2,392,733
Interest rate risk sensitivity gap		1,069,986	135,409	1,205,395				
Cumulative interest rate risk sensitivity gap		1,069,986	1,205,395					

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	Profit rate % per annum	December 31, 2019 Profit / mark-up bearing financial instruments Maturity upto one year	Maturity after one year	Sub total	Non profit / mark-up bearing financial instruments Maturity upto one year	Maturity after one year	Sub total	Total
		(Rupees in '000)						
Financial assets								
Cash and bank	10.00 - 11.75	311,752	-	311,752	48,684	-	48,684	360,436
Investments	7.25- 15.51	509,446	277,548	786,994	40,418	-	40,418	827,412
Loans and other receivables		-	-	-	44,305	18,652	62,957	62,957
Insurance / reinsurance receivables		-	-	-	1,507,508	-	1,507,508	1,507,508
Reinsurance recoveries against outstanding claims		-	-	-	1,490,143	-	1,490,143	1,490,143
		821,198	277,548	1,098,746	3,131,058	18,652	3,149,710	4,248,456
Financial liabilities								
Underwriting Provision for outstanding claims including IBNR		-	-	-	1,655,260	-	1,655,260	1,655,260
Insurance / reinsurance payables		-	-	-	425,805	-	425,805	425,805
Other creditors and accruals		-	-	-	151,760	-	151,760	151,760
Lease Liability					13,200	29,766	42,966	42,966
		-	-	-	2,246,025	29,766	2,275,791	2,275,791
Interest rate risk sensitivity gap		821,198	277,548	1,098,746				
Cumulative interest rate risk sensitivity gap		821,198	1,098,746					

a) **Sensitivity analysis- interest rate risk**

a.1) Fair value sensitivity analysis for fixed rate instruments

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

a.2) Cash flow sensitivity analysis for variable rate instruments

The Company is exposed to cash flow interest rate risk in respect of its balances with saving account with banks, investments in term finance certificates and sukuk certificates. A change of 100 basis points in interest rates at the year end would not have material impact on profit for the year and equity of the Company.

b) **Sensitivity analysis- Price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's listed securities are susceptible to market price risk arising from uncertainties about the future value of investment securities. In case of 5% decrease / increase in the market price of listed securities on December 31, 2020, with all other variables held constant, total comprehensive income for the year and net assets would be lower/higher by Rs. 1.52 million (2019: Rs. 2.02 million).The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity market.

39.3 **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 exposures by undertaking transactions with a large number of counterparties in various industries and by continually assessing the credit worthiness of counterparties.

39.3.1 Exposure to credit risk

Credit risk of the Company arises principally from the balances with banks, loans to employees, investments (except for investment in government securities, units of mutual funds and listed equity shares), premium due but unpaid, amount due from other insurers / reinsurers, reinsurance and other recoveries against outstanding claims and sundry receivable. To reduce the credit risk the management continuously reviews and monitors the credit exposure towards the policyholders and other insurers / reinsurers and makes provision against those balances considered doubtful of recovery.

In summary, compared to the amount included in statement of assets and liabilities, the maximum exposure to credit risk as follows:

	Note	December 31, 2020		December 31, 2019	
		Balance as per the financial statement	Maximum exposure	Balance as per the financial statement	Maximum exposure
		(Rupees in '000)			
Cash and bank	16	214,296	212,432	360,436	358,043
Investments	8, 9 & 10	1,067,051	135,409	827,412	240,551
Loans and other receivables	11	58,496	58,496	62,957	62,957
Insurance / reinsurance receivables	12	1,791,268	1,791,268	1,507,508	1,507,508
Reinsurance recoveries against outstanding claims		1,347,852	1,347,852	1,490,143	1,490,143
		4,478,963	3,545,457	4,248,456	3,659,202

Differences in the balances as per financial statements and maximum exposure in investments is due to cash in hand, policy stamps in hand, investments in government securities and equity securities of Rs. 933.506 million (2019 Rs. 589.254 million) which are not exposed to credit risk.

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

	Rating		Rating	2020	2019
	Short term	Long term	Agency	(Rupees in '000)	
United Bank Limited	A-1+	AAA	VIS	82,739	94,006
Summit Bank Limited	Suspended	Suspended	VIS	8	7
Telenor Microfinance Bank	A-1	A+	VIS	485	60,696
FINCA Microfinance Bank	A-1	A	VIS	87,681	176,861
Khushhali Bank Limited	A-1	A+	VIS	418	394
Bank Al-Habib Limited	A-1+	AA+	PACRA	4,546	4,771
Faysal Bank Limited	A-1+	AA	PACRA	19,821	21,309
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA	16,734	-
				212,432	358,043

Concentration of credit risk

Concentration of credit risk arises when a number of counterparties have similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. The Company manages concentration of credit risk through diversification of activities among individuals, groups and industry segments.

The Company enters into re-insurance / co-insurance arrangements with re-insurers / other insurers having sound credit ratings accorded by reputed credit rating agencies. Further, the Company is required to comply with the requirements of circular no. 32 / 2009 dated October 27, 2009 issued by the SECP which requires an insurance company to place at least 80% of their outward treaty cessions with reinsurers rated 'A' or above by Standard & Poors with the balance being placed with entities rated at least 'BBB' by reputable ratings agency. An analysis of all reinsurance assets recognised by the rating of the entity from which it is due is as follows:

	Amount due from other insurers / reinsurers	Reinsurance and other recoveries against outstanding claims	Prepaid reinsurance premium ceded	2020	2019
	(Rupees in '000)				
A or above (including PRCL)	938,985	1,347,852	681,328	2,968,165	2,923,430
	938,985	1,347,852	681,328	2,968,165	2,923,430

39.3.2 Liquidity risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting its financial obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due under normal circumstances. To guard against the risk, the Company has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity is maintained.

The following are the contractual maturities of financial liabilities:

	Carrying Amount	
	2020	2019
Non-Derivative Financial liabilities	----- (Rupees in '000) ------	
Underwriting Provision for outstanding claims including IBNR	1,669,471	1,655,260
Insurance / reinsurance payables	510,196	425,805
Other creditors and accruals	161,892	151,760
Lease liabilities	51,174	42,966
	2,392,733	2,275,791

The carrying amounts represent contractual cash flows maturing within one year.

39.3.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise of interest rate risk, foreign currency risk and other price risk. The Company manages the market risk exposures by following internal risk management policies.

39.3.4 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company invests in securities and has deposits that are subject to interest / mark-up rate risk. The Company limits interest / mark-up rate risk by monitoring changes in interest / mark-up rates in the currencies in which its cash and investments are denominated. Refer note 39.2.1 for exposure to interest rate risk.

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

The Company is exposed to cash flow interest rate risk in respect of its balances with profit and loss sharing account with banks, term finance certificates and sukuk certificates. A change of 100 basis points in interest rates at the year end would not have material impact on profit for the year and equity of the Company.

39.3.5 Foreign Currency risk

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

39.4 Capital Management Policies And Procedures

The Company's objective when managing capital is 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 other stakeholders; and to maintain a strong capital base to support the sustained development of its business.

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

The Company currently meets the minimum paid-up capital requirement i.e., Rs. 500 million as required by the Securities and Exchange Commission of Pakistan.

40 FAIR VALUE 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. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

40.1 Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Company to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

On balance sheet financial instruments	December 31, 2020						Fair value		
	Fair value through profit or loss	Available-for- sale	Held to maturity	Loans and Other Receivable	Other financial liabilities	Total	Level 1	Level 2	Level 3
	(Rupees in '000)								
Financial assets measured at fair value									
- Investments									
Ordinary shares of quoted companies	-	30,363	-	-	-	30,363	30,363	-	-
Government securities	-	-	-	-	-	-	-	-	-
Debt securities	-	50,000	-	-	-	50,000	-	50,000	-
Financial assets not measured at fair value									
Government securities	-	-	901,279	-	-	901,279	-	-	-
Debt securities	-	-	85,409	-	-	85,409	-	-	-
Investment in term deposit *	-	-	-	-	-	-	-	-	-
Cash and Bank *	-	-	-	214,296	-	214,296	-	-	-
Loans and other receivables *	-	-	-	58,496	-	58,496	-	-	-
Insurance / reinsurance receivables *	-	-	-	1,791,268	-	1,791,268	-	-	-
Reinsurance recoveries against outstanding claims *	-	-	-	1,347,852	-	1,347,852	-	-	-
Total Assets of Windows Takaful Operations - Operator's Fund									
Investments	-	6,969	-	-	-	6,969	6,969	-	-
Investments	-	-	52,998	-	-	52,998	-	-	-
Other than investments *	-	-	-	176,098	-	176,098	-	-	-
	-	87,332	1,039,686	3,588,010	-	4,715,028			
Financial liabilities not measured at fair value									
Underwriting Provision for outstanding claims including IBNR *	-	-	-	-	1,669,471	1,669,471			
Insurance / reinsurance payables *	-	-	-	-	510,196	510,196			
Other creditors and accruals *	-	-	-	-	161,892	161,892			
Total liabilities of Window Takaful Operations-Operator's Fund *	-	-	-	-	151,055	151,055			
	-	-	-	-	2,492,614	2,492,614			

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On balance sheet financial instruments	December 31, 2019								
	Fair value through profit or loss	Available-for- sale	Held to maturity	Loans and Other Receivable	Other financial liabilities	Total	Fair value		
							Level 1	Level 2	Level 3
	(Rupees in '000)								
Financial assets measured at fair value									
- Investments									
Ordinary shares of quoted companies	-	40,418	-	-	-	40,418	40,418	-	-
Government securities	-	102,521	-	-	-	102,521	-	102,521	-
Debt securities	-	50,000	-	-	-	50,000	-	50,000	-
Financial assets not measured at fair value									
Government securities	-	-	443,922	-	-	443,922	-	-	-
Debt securities	-	-	40,551	-	-	40,551	-	-	-
Investment in term deposit *	-	-	150,000	-	-	150,000	-	-	-
Cash and Bank *	-	-	-	360,436	-	360,436	-	-	-
Loans and other receivables *	-	-	-	62,957	-	62,957	-	-	-
Insurance / reinsurance receivables *	-	-	-	1,507,508	-	1,507,508	-	-	-
Reinsurance recoveries against outstanding claims *	-	-	-	1,490,143	-	1,490,143	-	-	-
Total Assets of Windows Takaful Operations - Operator's Fund									
Investments	-	4,093	-	-	-	4,093	4,093	-	-
Investments *	-	-	38,997	-	-	38,997	-	-	-
Other than investments *	-	-	-	135,255	-	135,255	-	-	-
	-	197,032	673,470	3,556,299	-	4,426,801			
Financial liabilities not measured at fair value									
Underwriting Provision for outstanding claims including IBNR *	-	-	-	-	1,655,260	1,655,260			
Insurance / reinsurance payables *	-	-	-	-	425,805	425,805			
Other creditors and accruals *	-	-	-	-	151,760	151,760			
Total liabilities of Window Takaful Operations-Operator's Fund *	-	-	-	-	114,787	114,787			
	-	-	-	-	2,347,612	2,347,612			

* The Company has not disclosed the fair value of these items because their carrying amounts are a reasonable approximation of fair value.

41 PROVIDENT FUND

The following is based on un-audited financial statements for the year ended December 31, 2020 and audited financial statement for the year ended December 31, 2019.

	2020	2019
	(Rupees in '000)	
Size of the fund - net assets	109,400	102,545
Cost of investments	100,118	97,745
Percentage of investments made	91.51%	95.32%
Fair value of investments	100,807	97,784

The investments in collective investment schemes, listed equity and listed debt securities out of provident fund/trust have been made in accordance with the provisions of section 218 of the Act and the Rules formulated for this

41.1 The breakup-value of fair value of investments is as follows:

	2020	2019	2020	2019
	Percentage		(Rupees)	
Bank balances	9.3%	1.0%	9,407	957
Pakistan investment bonds	24.8%	23.7%	25,008	23,196
Market treasury bills	12.7%	20.9%	12,792	20,431
Term deposits	53.2%	54.4%	53,600	53,200
	100.0%	100.0%	100,807	97,784

		2020	2019
42	**NUMBER OF EMPLOYEES**	----------- (Number) ----------	
	At December 31	284	283
	Average during the year	289	278

43 EFFECTS OF COVID-19 PANDEMIC

The World Health Organisation declared COVID-19 a global pandemic in March 2020. Like other parts of the world, Pakistan also went into lockdown which impacted the economies and businesses in different facets globally. After the outbreak of COVID-19, the Company had invoked necessary measures to ensure the safety and health of its staff and an uninterrupted service to its clients. These include implementing mandatory adherence to the recommended standard operating procedures within the Company. The remote work capabilities for critical staff have been assessed to make sure they are fully protected using virtual private network ("VPN") connections. Further, the Company has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber-attacks.

The Company has made an assessment in order to evaluate the impact of COVID-19 pandemic over the business, operations and profitability of the Company as well as a going concern assessment. The Company's underwriting results were impacted due the pandemic and the lockdown. However, the fall in the underwriting results was marginally offset by the growth in investment income. Further, the management has also evaluated that it does not foresee any going concern risk in the Company due to the pandemic and they believe that the Company's operations, financial position and results will not be impacted significantly as the operations are gradually returning to normal and the market is still showing a positive outlook and upward trend subsequent to the financial year-end. Therefore, it has concluded that there are no material implications of COVID-19 on any balance in the financial statements.

44 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors in their meeting held on 03rd March 2021

45 GENERAL

45.1 Non adjusting event after balance sheet date.

The Board of Directors of the Company in their meeting held on February 25, 2021 has proposed a final cash dividend of Rs. NIL per share amounting to Rs. NIL million (2019: 62 million) for the year ended December 31, 2020. The approval of the Members of the Company for the dividend shall be obtained at the Annual General Meeting to be held on 26-03-21 The financial statements for the year ended December 31, 2020 do not include the effect of the proposed final dividend which will be accounted for in the year ending December 31, 2021.

45.2 Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.

Chief Executive Officer	**Director**	**Director**	**Chairman**

UBL INSURERS LIMITED –
WINDOW TAKAFUL OPERATIONS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Shariah Advisory Board's Report to the Board of Directors
For the year ended 31 December 2020

The Company, UBL Insurers Limited commenced Window Takaful Operations on January 1, 2016. By the grace of Almighty Allah and sincere efforts of Management, the year under review was the fifth successful year of Window Takaful Operations.

We acknowledge that as Shariah Advisory Board members of Takaful Operator, it is our responsibility to provide Shariah guidelines and develop framework for assurance that the financial arrangements, contracts and transactions undertaken 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 Advisory Board are fully complied with, and that all policies and services being offered are duly approved by the Shariah Advisory Board.

The Takaful Operator's activities and operations are periodically checked and monitored by Shariah Advisory Board. In order to have an independent assessment of the Shariah Governance and Compliance environment of the Takaful operations under taken by the Operator and the conformity of Takaful operations with Shariah rules and principles an external audit was conducted. Further, internal audit via BDO Ebrahim & Co. and Shariah Compliance review through Internal Shariah Compliance Department were conducted as well. Based on their reports and statement of compliance with the Shariah Principles submitted by the Operator/Management to the Board of Director, We hereby present our report as follows:

i. transactions undertaken by the Takaful Operator were in accordance with guidelines issued by Shariah Advisory Board as well as requirements of Takaful Rules, 2012;
ii. the investments have been done from the Participant's Takaful Fund and Operator's Fund into Shariah Compliant avenues as per Shariah Guidelines for Investment already approved by Shariah Advisory Board;
iii. during the year, zero non-shariah income was realized;
iv. takaful membership issuance process is improvised and after due screening process takaful membership is issued to avoid issuance of takaful membership to non-shariah compliant business;
v. transactions and activities of Window Takaful Operations are in accordance with the Shariah principles in respect of the Participants Takaful Fund (Waqf Fund) and Operator's Fund (OF);
vi. training sessions were held in across Pakistan on awareness of Takaful for Managerial and Business Development Staff and facilitated by Chairman – Shariah Advisory Board;

We are grateful to the Board of Directors of UBL Insurers Limited, Management, and all relevant departments who cooperated with the Shariah Compliance function and provided every possible support to ensure Shariah Compliance in our Takaful practices.

While concluding; we state that over all the financial arrangements, products, services and transactions entered into by the Operator and the PTF/Waqf, as the case may be, for the year ended December 31, 2020 are in compliance with the requirements of the Shariah rules and guidelines And Allah knows the best. However, the following are recommended:

- The Operator/management should take concrete measures to play pivotal role in sound and transparent growth of Takaful countrywide.

May Allah bless us with the best Tawfeeq and bestow us with success in this world and in the world hereafter, and forgive us for our mistakes. A'ameen.

Mufti Muhammad Hanif
Shariah Advisor & Member
Shariah Advisory Board

Mufti Muhammad Ashraf Alam
Member
Shariah Advisory Board

Mufti Imtiaz Alam
Chairman & Member
Shariah Advisory Board

Date: March 3rd, 2021

UBL INSURERS LIMITED

WINDOW TAKAFUL OPERATIONS

Statement of Compliance with the Shariah Principles

The financial arrangements, contracts and transactions, entered into by Window Takaful Operations of the UBL Insurers Limited for the year ended December 31, 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 Advisory Board 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 Advisory Board and Board of Directors have been implemented;

- All the products and policies have been approved by Shariah Advisory Board and the financial arrangement including investments made, policies, contracts and transactions entered into by Window Takaful Operations are in accordance with the policies approved by Shariah Advisory Board; and

- The assets and liabilities of Window Takaful Operations (Participant Takaful Fund and Operator's fund) are segregated from its other assets and liabilities, at all times in accordance with provisions of the Takaful Rules, 2012

Nadeem Raza
Chief Financial Officer

Zeeshan Muhammad Raza
Chief Executive Officer

Date: March 3rd, 2021

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INDEPENDENT ASSURANCE REPORT ON THE STATEMENT OF MANAGEMENT'S ASSESSMENT OF COMPLIANCE WITH THE SHARIA'H PRINCIPLES

TO THE BOARD OF DIRECTORS OF UBL INSURERS LIMITED

We were engaged by the Board of Directors of UBL Insurers 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 limited assurance conclusion about whether the annexed statement reflects the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects. This engagement was conducted by a multidisciplinary team including assurance practitioners and independent Sharia'h scholars.

Applicable Criteria

The criteria for the assurance engagement against which the annexed statement has been assessed comprises of the Takaful Rules, 2012, issued by the Securities and Exchange Commission of Pakistan (SECP).

Management's Responsibility for Sharia'h Compliance

The management of the Company is responsible for preparation of the annexed statement that is free from material misstatement.

This responsibility includes 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.

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

Our responsibility and summary of the work performed

Our responsibility is to examine the annexed statement and to report thereon in the form of an independent limited 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 limited assurance about whether the annexed statements reflect the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

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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. 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.

In this connection, we have also reviewed the work carried out by the Internal Sharia'h Compliance Department and the Sharia'h reviews carried out by the Internal Sharia'h Compliance Department. We have designed and performed necessary verification procedures on various financial arrangements, contracts, classes of transactions and related policies and procedures based on judgmental and systematic samples with regard to the compliance with the Takaful Rules, 2012 and Sharia'h guidelines issued by the Sharia'h Advisory Board of the Company. In performing our audit procedures necessary guidance on Sharia'h matters was provided by independent Sharia'h scholars referred above.

We believe that the evidences we have obtained through performing our procedures were sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the annexed statement does not reflect the Company's status of compliance, in all material respects with the Takaful Rules, 2012 for the year ended December 31, 2020.

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A.F. Ferguson & Co.
Chartered Accountants
Engagement Partner: **Shahbaz Akbar**
Dated: March 10, 2021
Karachi

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INDEPENDENT AUDITOR'S REPORT

To the members of UBL Insurers Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of UBL Insurers 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 fund and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in fund and the cash flow statement together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Operator's affairs as at December 31, 2020 and of the profit, total comprehensive income, the changes in fund and its cash flows for the year then ended.

Basis for Opinion

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

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

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

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

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

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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Report on Other Legal and Regulatory Requirements

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

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

b) the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in fund and the cash flow statement together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Operator's business; and

d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

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A. F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: March 10, 2021

UBL INSURERS LIMITED - WINDOW TAKAFUL OPERATIONS
STATEMENT OF FINANCIAL POSITION OF OPF & PTF
AS AT DECEMBER 31, 2020

	Note	Operator's Fund (OPF)		Participants' Takaful Fund (PTF)	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Assets		-------------------(Rupees in '000)-------------------			
Investments	5				
Equity securities		6,969	4,093	9,969	7,161
Debt securities		1,498	1,997	19,805	11,459
Term Deposits	12	51,500	37,000	331,000	230,000
Loan and other receivable	7	488	981	2,808	5,588
Takaful / retakaful receivables	8	-	-	203,806	155,599
Salvage recoveries accrued		-	-	9,646	3,837
Deferred wakala fee		-	-	78,816	68,490
Receivable from PTF	9	126,760	96,028	-	-
Taxation - payment less provisions		-	-	7,624	3,223
Retakaful recoveries against outstanding claims		-	-	119,232	65,499
Deferred Commission Expense / Acquisition cost	19	37,206	32,498	-	-
Prepayments	11	326	326	83,597	78,608
Cash and bank	12	11,318	5,422	44,858	43,509
Total assets		236,065	178,345	911,161	672,973
Funds and Liabilities					
Reserves attributable to the OPF					
Statutory Reserve		50,000	50,000	-	-
Revaluation Reserve		45	66	-	-
Accumulated profit		34,965	13,492	-	-
Total Reserves attributable to the OPF		85,010	63,558	-	-
Participants' Takaful Fund					
Seed money		-	-	500	500
Revaluation Reserve		-	-	29	318
Accumulated surplus		-	-	208,759	132,904
Balance of Participants' Takaful Fund		-	-	209,288	133,722
Qard-e-Hasna	6	-	-	-	23,000
Liabilities					
PTF Underwriting Provisions					
Outstanding claims including IBNR		-	-	191,770	103,671
Unearned contribution reserves		-	-	248,662	215,968
Reserve for Unearned retakaful rebate		-	-	20,787	17,745
		-	-	461,219	337,384
Deferred taxation	10	18	27	-	-
Unearned wakala fees		78,816	68,490	-	-
Takaful / Retakaful payables	13	-	-	103,329	100,732
Other creditors and accruals	14	61,568	43,758	10,565	5,107
Taxation - provision less payment		10,653	2,512	-	-
Payable to OPF	9	-	-	126,760	73,028
Total liabilities		151,055	114,787	701,873	539,251
Total Reserves and Liabilities		236,065	178,345	911,161	672,973
Contingencies and Commitments	15				

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Executive Officer Director Director Chairman

UBL INSURERS LIMITED - WINDOW TAKAFUL OPERATIONS
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020	2019
		(Rupees in '000)	
Participants' Takaful Fund - (PTF)			
Contributions earned	16	363,781	335,723
Less: Contributions ceded to retakaful	16	(200,395)	(176,345)
Net contributions revenue		163,386	159,378
Re-takaful rebate earned	17	50,487	38,218
Net underwriting income		213,873	197,596
Net claims - reported / settled		(135,192)	(138,626)
- IBNR		(10,267)	(1,218)
	18	(145,459)	(139,844)
Other direct expenses		(16,356)	(11,506)
Surplus before investment income		52,058	46,246
Investment income	22	26,108	22,396
Other income	23	3,295	4,379
Less: Modarib's share of investment income	24	(5,606)	(4,986)
Surplus transferred to accumulated surplus		75,855	68,035
Operator's Fund - (OPF)			
Wakala fee	20	167,300	155,808
Commission expense	19	(76,634)	(86,323)
General, administrative and management expenses	21	(53,130)	(48,668)
		37,536	20,817
Mudarib's share of PTF investment income	24	5,606	4,986
Investment income	22	4,382	4,576
Direct expenses	25	(17,552)	(16,437)
Other income	23	272	387
Profit before taxation		30,244	14,329
Taxation	26	(8,771)	(4,155)
Profit after taxation		21,473	10,174

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Executive Officer	Director	Director	Chairman

UBL INSURERS LIMITED - WINDOW TAKAFUL OPERATIONS
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
	-----------(Rupees in '000)---------	
Participants' Takaful Fund - (PTF)		
Surplus for the year	75,855	68,035
Other comprehensive income:		
Items that will be reclassified to profit and loss subsequently		
Unrealised (loss) / gain on available-for-sale investments	(289)	300
Other comprehensive (loss) / income for the year	(289)	300
Total comprehensive income for the year	75,566	68,335
Operator's Fund - (OPF)		
Profit after tax	21,473	10,174
Other comprehensive income:		
Items that will be reclassified to profit and loss subsequently		
Unrealised (loss) / gain on available-for-sale investments	(30)	86
Related tax impact	9	(25)
Other comprehensive (loss) / income for the year	(21)	61
Total comprehensive income for the year	21,452	10,235

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Executive Officer	**Director**	**Director**	**Chairman**

UBL INSURERS LIMITED - WINDOW TAKAFUL OPERATIONS
STATEMENT OF CHANGES IN OPERATOR'S FUND AND PARTICIPANTS' TAKAFUL FUND
AS AT DECEMBER 31, 2020

	Attributable to Operator's Fund			
	Statutory Reserve	Revaluation reserve	Accumulated profit	Total
	(Rupees in thousand)			
Balance as at January 1, 2019	50,000	5	3,318	53,323
Profit for the year	-	-	10,174	10,174
Other Comprehensive income for the year	-	61	-	61
Balance as at December 31, 2019	**50,000**	**66**	**13,492**	**63,558**
Profit for the year	-	-	21,473	21,473
Other Comprehensive loss for the year	-	(21)	-	(21)
Balance as at December 31, 2020	**50,000**	**45**	**34,965**	**85,010**

	Attributable to Participants of PTF			
	Seed money	Revaluation reserve	Accumulated surplus	Total
	(Rupees in thousand)			
Balance as at January 1, 2019	500	18	64,869	65,387
Surplus for the year	-	-	68,035	68,035
Other Comprehensive income for the year	-	300	-	300
Balance as at December 31, 2019	**500**	**318**	**132,904**	**133,722**
Surplus for the year	-	-	75,855	75,855
Other Comprehensive loss for the year	-	(289)	-	(289)
Balance as at December 31, 2020	**500**	**29**	**208,759**	**209,288**

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Executive Officer Director Director Chairman

UBL INSURERS LIMITED - WINDOW TAKAFUL OPERATIONS
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2020

	Operator's Fund (OPF)		Participants' Takaful Fund (PTF)	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	Rupees in '000		Rupees in '000	
Operating cash flows				
(a) **Takaful activities**				
Contributions received	-	-	517,331	484,710
Retakaful contribution paid	-	-	(204,298)	(161,368)
Claims / Benefits paid	-	-	(214,241)	(240,949)
Retakaful and other recoveries received	-	-	97,339	89,675
Commissions paid	(66,089)	(82,342)	-	-
Retakaful rebate received	-	-	53,529	38,218
Wakala fees received	121,500	148,496	-	-
Wakala fees paid	-	-	(121,500)	(148,496)
Modarib share received	8,000	-	-	-
Modarib share paid	-	-	(8,000)	-
Net cash flow from takaful activities	63,411	66,154	120,160	61,790
(b) **Other operating activities**				
Income tax paid	(630)	(419)	(4,401)	(2,470)
General and other expenses paid	(67,921)	(59,905)	(9,409)	(21,248)
Net cash flow from other operating activities	(68,551)	(60,324)	(13,810)	(23,718)
Total cash (outflow on) / inflow from all operating activities	(5,140)	5,830	106,350	38,072
(c) **Investment activities**				
Profit / return received	4,566	3,625	29,639	18,871
Dividend received	376	74	817	306
Payment for investments	(196,820)	(116,558)	(1,294,195)	(649,314)
Proceeds from investments	179,914	120,563	1,181,738	563,017
Total cash (outflow on) / inflow from investing activities	(11,964)	7,704	(82,001)	(67,120)
(d) **Financing activities**				
Qard e Hasna	23,000	(18,000)	(23,000)	18,000
Total cash inflow from / (outflow on) financing activities	23,000	(18,000)	(23,000)	18,000
Net cash flow from all activities	5,896	(4,466)	1,349	(11,048)
Cash and cash equivalents at the beginning of the year	5,422	9,888	43,509	54,557
Cash and cash equivalents at the end of the year	11,318	5,422	44,858	43,509
Reconciliation to Profit and Loss Account				
Operating cash flows	(5,140)	5,830	106,350	38,072
Dividend income	376	74	817	306
Other Investment income	4,006	4,502	25,291	22,090
Other income	272	387	3,295	4,379
Increase in unearned contribution	-	-	(32,694)	(30,887)
Taxation	(8,771)	(4,155)	-	-
Increase in assets other than cash	61,392	24,489	131,329	126,549
Increase in liabilities other than borrowings	(36,268)	(25,939)	(152,927)	(87,488)
Other adjustments	5,606	4,986	(5,606)	(4,986)
Profit or loss after taxation	21,473	10,174	75,855	68,035
Surplus in participants' equity	-	-	75,855	68,035
Profit after tax	21,473	10,174	-	-
	21,473	10,174	75,855	68,035

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Executive Officer	Director	Director	Chairman

1. LEGAL STATUS AND NATURE OF BUSINESS

UBL Insurers Limited ("the Company"), a subsidiary of Bestway (Holdings) Limited, was incorporated as an unlisted public limited company on June 29, 2006 under the Companies Ordinance, 1984. The registered office of the Company is situated at 126-C, Jami Commercial Street Number 14, D.H.A., Phase VII, Karachi. The Company currently operates a network of 22 (2019:21) branches in various cities. The Company received Certificate of Registration under Section 6 of the Insurance Ordinance, 2000 on January 05, 2007. The objects of the Company include providing general insurance services (in spheres of Fire, Marine, Aviation and Transport, Motor, Bankers Blanket and Miscellaneous) and general takaful services.

The Company was granted authorisation on December 29, 2015 under Rule 6 of the Takaful Rules, 2012 to undertake Takaful Window Operations in respect of general takaful products by the Securities and Exchange Commission of Pakistan (SECP) and subsequently the Company commenced Window Takaful Operations on January 1, 2016.

For the purpose of carrying on the takaful business, the Operator has formed a Waqf / Participant Takaful Fund (PTF) on January 1, 2016 under the waqf deed. The Waqf deed governs the relationship of Operator and participants for management of takaful operations.

2. BASIS OF PREPARATION & STATEMENT OF COMPLIANCE

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

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

- Provision of and directives issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules, 2017, Insurance Accounting Regulations, 2017, Takaful Rules, 2012 and General Takaful Accounting Regulations, 2019.

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

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

2.1 Basis of measurement

These financial statements have been prepared under the historical cost convention except available-for-sale investments that have been measured at fair value.

2.2 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is also the Company's functional currency.

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

2.3.1 During 2019, the Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O. 1416 (I)/2019 dated November 20, 2019 have issued the General Takaful Accounting Regulations, 2019. The Regulations prescribe the format for the regulatory returns and published financial statements of the Operator applicable from January 1, 2020. The operator has prepared the financial statements for the current period based on the above mentioned regulations. The comparative information has also been presented in line with the above mentioned regulations.

The changes in the statement of financial position, profit and loss account, statement of changes in funds and notes to the financial statements are given below:

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1. **Statement of financial position**

(a) "Wakala and modarib fee receivable" and "qard-e-hasna" have been merged and presented as "receivable from PTF"

(b) "Wakala and modarib fee payable" have been renamed as "payable to OPF"

(c) "Deferred wakala fee" has been added as a separate line item. Accordingly, "unearned contribution reserves" has been adjusted with the amount of deferred wakala fee.

2. **Profit and loss account**

(a) Profit and loss account - PTF

(i) "Investment income net of modarib fee" and "other income net of modarib fee" has been rearranged to "investment income", "other income" and "modarib share of investment income".

(ii) "Net takaful contribution" has been split into "contribution earned" and "contribution ceded to retakaful"

(iii) "Net takaful claims" has been split into "net claims - reported / settled" and "net claims- IBNR"

(b) Profit and loss account - OPF

" Net investment income" has been split into "investment income" and "modarib's share of PTF investment income".

3. **"Statement of changes in funds"** has been renamed to "statement of changes in operator's fund" and "participants' takaful fund"

4. **Notes to the financial statements**

Notes 6 (qard-e-hasna) and 9 (receivable / payable) have been added

2.3.2 There are certain other new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore, have not been stated in these financial statements.

2.4 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are not yet effective at year end

The following standards, amendments and interpretations of the accounting and reporting standards as applicable in Pakistan will be effective for accounting periods beginning on or after January 1, 2021:

Standards, amendments or interpretations	**Effective date (period beginning on or after)**
- IFRS 16 - 'Leases' (amendments)	January 1, 2021
- IAS 16 - 'Property plant and equipment' (amendments)	January 1, 2022
- IAS 37 - 'Provisions, contingent liabilities and Contingent assets' (amendments)	January 1, 2022
- IAS 1 - 'Presentation of financial statements' (amendments)	January 1, 2023
- IFRS 9 - 'Financial Instruments'	January 1, 2023*

* The management has opted temporary exemption from the application of IFRS 9 as allowed by the International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance. Further details relating to temporary exemption from the application of IFRS 9 are given in notes 2.4.1 and 2.4.1.1 to these financial statements.

The management is in the process of assessing the impacts of these standards and amendments on the financial statements of the Company.

2.4.1 Temporary exemption from application of IFRS 9

As an insurance company, the management has opted temporary exemption from the application of IFRS 9 as allowed by the International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance. Additional disclosures, as required by IASB, for being eligible to apply the temporary exemption from the application of IFRS 9 are given in note 2.4.1.1 below.

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2.4.1.1 Fair value of financial assets as at December 31, 2020 and change in the fair values during the year

	As at December 31, 2020	As at December 31, 2019	Change during the year
		(Rupees in '000)	
Financial assets with contractual cash flows that meet the SPPI criteria, excluding those held for trading			
Sukuk - Dawood Hercules Corporation - Held to maturity - OPF	1,516	2,495	(979)
Sukuk - Hub Power Company - Held to maturity - PTF	5,112	5,070	42
Sukuk - Government securities - Held to maturity - PTF	8,965	-	8,965
Sukuk - Dawood Hercules Corporation - Held to maturity - PTF	4,853	7,984	(3,131)
Financial assets that do not meet the SPPI criteria			
Equity securities - available-for-sale - OPF	6,969	4,093	2,876
Equity securities - available-for-sale - PTF	9,969	7,161	2,809

The fair value of the remaining financial assets are not significantly different from their carrying amounts since these assets are short term in nature or are frequently repriced to market rate.

2.4.2 There are certain other new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2021 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore not stated in 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.

3.1 Takaful contracts

Takaful contracts are those contracts under which the Company as takaful operator has accepted Takaful risk from the Takaful contract holder (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 the Takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

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

a) Fire and property damage

Fire and property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their

b) Marine, Aviation and Transport

Marine and transport insurance covers the loss or damage of ships, cargo, terminals, and any transport or property by which cargo is transferred, acquired, or held between the points of origin and final destination.

c) Motor

Motor insurance is to provide protection against losses incurred as a result of traffic accidents and against liability that could be incurred in an accident.

d) Bankers Blanket

Bankers' blanket insurance covers losses as a result of dishonest or fraudulent acts by officers and employees of the bank, including on premises coverage of cash, coverage of cash during transit and coverage of forged cheques.

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f) **Other Classes**

Miscellaneous insurance includes various types of coverage mainly burglary, loss of cash in safe and cash in transit, engineering losses, accident and health, money and other coverage.

These contracts are normally one year takaful contracts except marine and some contracts of fire and property and miscellaneous class. Normally all marine insurance contracts and some fire and property contracts have three months period. In miscellaneous class, some engineering takaful contracts have more than one year period whereas normally travel takaful contracts expire within one month time.

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

The Company also accepts takaful risk pertaining to takaful contracts of other takaful as retakaful inward. The takaful risk involved in these contracts is similar to the contracts undertaken by the Company as insurer. All retakaful inward contracts are facultative (specific risk) acceptance contracts.

The revenue recognition policy for the above is disclosed in note 3.9.

3.2 Deferred commission expense / acquisition cost

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

3.3 Reserve for unearned contribution

Reserve for unearned contribution represents the portion of contribution written relating to the unexpired period of coverage at the reporting date and is recognised as a liability by the Company. This liability is calculated by applying the 1/24th method as specified in the SEC (Insurance) Rules, 2017.

3.4 Contribution deficiency reserve

The Company maintains a provision in respect of contribution deficiency for the class of business where the unearned contribution liability is not adequate to meet the expected future liability, after retakaful, from claims and other supplementary expenses expected to be incurred after the date of statement of financial position in respect of the unexpired policies in that class of business at the date statement of financial position. The movement in the contribution deficiency reserve is recorded as an expense / income in the profit and loss account for the year.

For this purpose, loss ratios for each class are estimated based on historical claim development. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. If these ratios are adverse, contribution deficiency is determined.

3.5 Retakaful contracts held

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

Retakaful assets represent balances due from retakaful companies and retakaful recoveries against outstanding claims. Due from retakaful companies are carried at cost less any provision for impairment. Cost represents the fair value of the consideration to be received. Retakaful recoveries against outstanding claims are measured at the amount expected to be received.

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

Retakaful liabilities represent balances due to retakaful companies. Due to retakaful companies are carried at cost which is the fair value of the consideration to be paid.

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

3.6 Amount due to / from retakaful operators

Amounts due to / from retakaful operators are recognized when due, and carried at cost less provision for impairment, if any. Cost is the fair value of the consideration to be received / paid in the future for services rendered / received.

3.7 Segment reporting

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

The Operator presents segments reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Insurance Accounting Regulations, 2017. The reported operating segments are also consistent with the internal reporting process of the Operator for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment. All the Operator's business segments operate in Pakistan only.

Based on its classification of takaful contracts issued, the Operator has five primary business segments for reporting purposes namely fire & property damage, marine, aviation and transport, motor, bankers blanket and miscellaneous. The nature and business activities of these segments are disclosed in note 3.1.

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

3.8 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 consists of cash in hand, stamps in hand , bank deposits and term deposits having maturity of less than three months.

3.9 Revenue recognition

3.9.1 Contribution

Contribution Receivable under a policy / cover note issued is recognized as written from date of attachment of risk to the policy / cover note and over the period of takaful from inception to expiry. Contribution is recognized as revenue evenly over the period of the policy.

The unearned portion of Contribution income is recognized as a liability. Such liability is calculated by applying the one by twenty-forth method , whereby the liability shall equal 1/24 of the Contribution relating to policies commencing in the first month of the takaful operator financial year, 3/24 of the Contributions relating to policies commencing in the second month of the takaful operator financial year, and so on.

For facultative acceptance, the basis of recognizing Contribution and determining the unearned Contribution reserve is the same as for the direct policies.

3.9.2 Wakala and modarib fee

Wakala Fee

The Takaful operator manages the general takaful operations for the participants and charges 30% of gross contribution on fire & property damage, marine, aviation & transport, bankers blanket and miscellaneous and 32.5% of gross contribution on motor as wakala fees against the services given to Participants' Takaful Fund. Wakala fee under a policy is recognised evenly over the period of takaful from the date of issuance of the policy till the date of its expiry.

Modarib Fee

The Operator also manages the participants' investment as Modarib and charges 20% of the investment income earned by the PTF as Modarib fee. It is recognised on the same basis on which the related revenue is recognised.

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3.9.3 Rebate from retakaful operators

Re-takaful rebate from retakaful is recognised at the date from attachment of risk to the policy / cover note and over the period of takaful from inception to expiry. Re-takaful rebate is recognized as revenue evenly over the period of the policy of issuance of the underlying takaful.

The unearned portion of Re-takaful rebate is recognized as a liability. Such liability is calculated by applying the one by twenty-forth method , whereby the liability shall equal 1/24 of the Contribution relating to policies commencing in the first month of the takaful operator financial year, 3/24 of the Contributions relating to policies commencing in the second month of the takaful operator financial year, and so on.

For facultative acceptance, the basis of recognizing commission and determining the unearned commission reserve is the same as for the direct policies.

3.9.4 Dividend income

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

3.9.5 Investment income

- Unrealised appreciation or diminution on revaluation of investments classified as available-for-sale is included in the statement of comprehensive income in the period to which it relates.
- Gain or loss on sale of investments is accounted for in the profit and loss account in the period to which it relates.
- Interest / mark-up on bank balances, term deposits and government securities is recognised on an accrual basis using the effective interest method.

3.10 Investments

3.10.1 Classification and measurement

The classification of financial assets is determined at initial recognition and depends on the purpose for which the financial assets were acquired. All investments are initially recognised at cost, being the fair value of the consideration given and include transaction cost, except for held for trading investments in which case transaction costs are charged to the statement of comprehensive income. Currently, the financial assets of the Company are classified into the following categories:

a) Held to maturity

These are investments with fixed or determinable payments and fixed maturities. The company classifies these debt securities under "held-to-maturity" (where the Company has intention and ability to hold till maturity) category.

These investments are subsequently measured and carried at amortised cost. Premium or discount on debt securities classified as held to maturity is amortised using effective interest method and taken to the profit and loss account.

Provision for impairment against debt securities is made in accordance with the requirements of the law. In case of unquoted equity securities, the breakup value of the security should be considered to determine impairment amount.

b) Available for sale

Surplus / (deficit) arising on revaluation of quoted securities which are classified as available for sale investments is taken to a separate account which is shown in the statement of changes in equity as revaluation surplus. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realised upon disposal.

Provision for diminution in the values of securities is made after considering impairment, if any, in their value and is taken to profit and loss account. Impairment is booked when there is an objective evidence of significant or prolonged decline in the value of such securities.

Unquoted investments are recorded at cost less accumulated impairment losses, if any.

3.11 Off setting of financial assets and liabilities

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

3.12 Creditors, accruals and provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

3.13 Taxation

3.13.1 Current

Provision for current taxation is the higher of the amount computed on taxable income at the current tax rate after taking into account tax credits / rebates, if any, and the minimum tax computed at the prescribed rate on turnover. 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.

3.13.2 Deferred

Deferred tax is recognised using the statement of financial position liability method, on all temporary differences arising at the date of statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The carrying amount of deferred tax asset is reviewed at each date of statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recognised. Unrecognised deferred tax assets are reassessed at each date of statement of financial position and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is utilised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the date of statement of financial position.

3.14 Takaful surplus

Takaful surplus attributable to the participants is calculated after charging all direct cost and setting aside various reserves. Allocation to participants, if applicable, is made after adjustment of claims paid to them during the year.

3.15 Impairment of assets

The carrying amount of the assets is reviewed at each statement of financial position date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such assets is estimated and the impairment losses are recognised in the profit and loss account currently.

Provisions for impairment are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. Changes in the provisions are recognised as income / expense currently.

3.16 Allocation of management expenses

Expenses of management of the Window Takaful Operations have been charged to the Operator's Fund on a basis deemed equitable by the operator.

3.17 Qard-e-Hasna

Qard-e-hasna is provided by the Operator's fund to Participants' Takaful Fund in case of deficit or to fulfill cash flow requirements.

3.18 Retakaful expense

Contribution Ceded to re-takaful operators is recognized as an expense. For retakaful contracts operating on a proportional basis, on attachment of the underlying policies retakaful; and for retakaful contracts operating on a non-proportional basis, on inception of the retakaful contract.

Retakaful Contribution shall be recognized as an expense. For proportional retakaful business, evenly over the period of the underlying policies, for non-proportional retakaful business, evenly over the period of indemnity.

The portion of retakaful Contribution ceded not yet recognized as an expense is recognized as a prepayment. The prepaid portion of Contribution ceded is recognized as an asset. Such asset is calculated by applying the one by twenty-forth method, whereby the liability shall equal 1/24 of the Contribution ceded relating to reinsurance contract commencing in the first month of the takaful operators financial year, 3/24 of the Contributions ceded relating to policies commencing in the second month of the takaful operator financial year, and so on.

3.19 Dividend Distribution

Dividends, if any, declared and transfers between reserves made subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the year in which such dividends are declared and transfers are made.

3.20 Receivable and Payable related to takaful contracts

Receivables related to takaful contracts are known as Due from takaful contract holders. These are recognised at cost, which is the fair value of the consideration to be received less provision for impairment, if any. Contributions received in advance is recognised as liability till the time of issuance of takaful contract thereagainst.

Provision for impairment and write-off is estimated on a systematic basis after analysing the receivables as per their aging.

4 CRITICAL ACCOUNTING ESTIMATES ND JUDGEMENTS

The preparation of financial statements in conformity with accounting and reporting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting polices. The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgment or complexity, or areas where assumption and estimates are significant to the financial statements, or judgment was exercised in application of accounting policies, are as follows:

a) Provision for outstanding claims including IBNR (note 4.1)
b) Reserve for unearned contribution (note 3.3)
c) Contribution deficiency reserve (note 3.4)
d) Classification and impairment of investments (note 3.10)
e) Provision for current and deferred tax (note 3.13)
f) Takaful / retakaful receivables (note 3.6 and 3.20)
g) Deferred commission expense (note 3.2)

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

Provision for outstanding claims include amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Outstanding claims

The amount of claims that have been reported and are yet unpaid or partially unpaid at the end of reporting year for a given accident year.

A liability for outstanding claims (claim incurred) is recognized for all claims incurred which represents the estimates of the claims intimated or assessed before the end of the reporting period and measured at the undiscounted value of expected future payments. Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates while taking into consideration the past claims settlement experience including handling costs and the Company's reserving policy. Where applicable, deductions are made for salvage and their recoveries.

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Incurred but not reported claims (IBNR)

The losses that have incurred or are in the occurrence period at the end of reporting year and have not been intimated to the Company by that end of reporting year, or if reported, complete details are not available to the Company, so as to ascertain the amount of loss for that claim as claims outstanding.

The Company is required, as per SECP circular no. 9 of 2016 dated 09 March 2016 "Guidelines for Estimation of Incurred but not reported claims reserve, 2016" to estimate and maintain the provision for claims incurred but not reported for each class of business by using prescribed Method "Chain Ladder Method" and other alternate method as allowed under the provisions of the Guidelines.

5 INVESTMENTS

5.1 INVESTMENTS IN EQUITY SECURITIES - AVAILABLE FOR SALE

Particulars	As at December 31, 2020			As at December 31, 2019		
	Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value
	(Rupees in '000)					
Operator's fund (OPF)						
NAFA Mahana Aamdani Fund	2,324	-	2,324	4,000	-	4,000
NBP Islamic Daily Dividend Fund	4,582	-	4,582	-	-	-
	6,906	-	6,906	4,000	-	4,000
Surplus on revaluation			63			93
Carrying Value (OPF)			6,969			4,093

Particulars	As at December 31, 2020			As at December 31, 2019		
	Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value
	(Rupees in '000)					
Participants' fund (PTF)						
NAFA Mahana Aamdani Fund	3,268	-	3,268	1,084	-	1,084
Atlas Islamic Income Fund	-	-	-	5,759	-	5,759
NBP Islamic Daily Dividend Fund	6,672		6,672	-	-	-
	9,940	-	9,940	6,843	-	6,843
Surplus on revaluation			29			318
Carrying Value (PTF)			9,969			7,161

5.2 INVESTMENTS IN DEBT SECURITIES - HELD TO MATURITY

	As at December 31, 2020			As at December 31, 2019		
	Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value
Operator's fund	(Rupees in '000)					
Sukuk - Dawood Hercules Corporation	1,495	-	1,498	1,995	-	1,997
Carrying value	1,495	-	1,498	1,995	-	1,997

	No. of Certificates		Face Value	Value of Certificates	
	2020	2019	2020	2020	2019
			(Rupees)	(Rupees in '000)	
5.2.1 Dawood Hercules Corporation	25	25	60,000	1,500	2,000

The market value of the investments in sukuk as at December 31, 2020 is Rs 1.516 million (2019: Rs. 2.494).

5.3 Participants' Fund

	As at December 31, 2020			As at December 31, 2019		
	Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value
	(Rupees in '000)					
Sukuk - Hub Power Company	5,070	-	5,049	5,070	-	5,069
Sukuk - Dawood Hercules Corporation	4,784	-	4,795	6,374	-	6,390
Government Sukuk	9,960	-	9,961	-	-	-
Carrying value	19,814	-	19,805	11,444	-	11,459

5.3.1

	No. of Certificates		Face Value	Value of Certificates	
	2020	2019	2020	2020	2019
			(Rupees)	(Rupees in '000)	
Hub Power Company	50	50	100,000	5,000	5,000
Dawood Hercules Corporation	80	80	60,000	4,800	6,400
Government Sukuk	100	-	100,000	10,000	-

5.3.2 The market value of the investments in sukuk as at December 31, 2020 is Rs 18.930 million (2019: Rs. 13.024).

6 QARD-E-HASNA

	As at December 31, 2020	As at December 31, 2019
	(Rupees in '000)	
Opening Balance of Qard-e-Hasna	23,000	5,000
Qard-e-Hasna transferred from OPF during the year	-	18,000
Qard-e-Hasna returned by PTF during the year	(23,000)	-
	-	23,000

7 LOANS AND OTHER RECEIVABLES

	OPF		PTF	
	As at December 31, 2020	As at December 31, 2019	As at December 31, 2020	As at December 31, 2019
	(Rupees in '000)			
Accrued investment income	488	903	2,808	5,588
Other receivable	-	78	-	-
	488	981	2,808	5,588

8 TAKAFUL / RETAKAFUL RECEIVABLES - PTF

	As at December 31, 2020	As at December 31, 2019
	(Rupees in '000)	
Due from takaful participants holders	89,690	67,466
Less: provision for impairment of receivables from takaful participants holders	(5)	-
Due from other insurers/retakaful operators	114,121	88,133
Less: provision for impairment of receivables from takaful participants holders	-	-
	203,806	155,599

9 RECEIVABLE FROM PTF / PAYABLE TO OPF

	OPF		PTF	
	As at December 31, 2020	As at December 31, 2019	As at December 31, 2020	As at December 31, 2019
	(Rupees in '000)			
Wakala fee	121,634	65,508	121,634	65,508
Modaraba fee	5,126	7,520	5,126	7,520
Qard-e-Hasna	-	23,000	-	-
	126,760	96,028	126,760	73,028

10 DEFERRED TAXATION

	OPF As at December 31, 2020	OPF As at December 31, 2019
	(Rupees in '000)	
Deferred credits arising in respect of surplus on investment - available for sale	18	27
	18	27

11 PREPAYMENTS

	OPF As at December 31, 2020	OPF As at December 31, 2019	PTF As at December 31, 2020	PTF As at December 31, 2019
	(Rupees in '000)			
Prepaid retakaful contribution ceded	-	-	80,133	74,857
Tracker monitoring fee	-	-	3,464	3,751
Prepaid software charges	326	326	-	-
	326	326	83,597	78,608

12 CASH & BANK

	Note	OPF As at December 31, 2020	OPF As at December 31, 2019	PTF As at December 31, 2020	PTF As at December 31, 2019
Cash and Cash Equivalent					
Cash in hand		-	-	-	-
Policy & Revenue stamps		-	-	123	41
Cash at bank					
- Current account		455	1,911	23,961	19,476
- Savings account	12.1 & 12.2	10,863	3,511	20,774	23,992
Cash and Bank		11,318	5,422	44,858	43,509
Deposits maturing within 12 months					
Term deposits receipts	12.2	51,500	37,000	331,000	230,000
		62,818	42,422	375,858	273,509

Cash and cash equivalents include the following for the purposes of the cash flow statement:

	As at December 31, 2020	As at December 31, 2019
	(Rupees in '000)	
Cash and bank balances	56,176	48,931
Short term investments with 3 months or less maturity	382,500	267,000
	438,676	315,931

12.1 This includes balance with a related party amounting to Rs. 1.160 million (2019: Rs. 1.530 million).

12.2 These carry profit rates ranging between 3.00% to 7.00% (2019: 3.00% to 13.30%) per annum.

12.2.1

Participants' takaful fund	**Maturity date**	As at December 31, 2020	As at December 31, 2019
		(Rupees in '000)	
Dubai Islamic Bank	16-Mar-21	110,000	-
Dubai Islamic Bank	27-Feb-20	-	56,500
Bank Islami	23-Jan-21	10,000	-
Bank Islami	16-Feb-21	90,000	-
Bank Islami	28-Mar-21	26,000	-
Bank Islami	9-Jan-20	-	76,000
Bank Islami	2-Mar-20	-	7,000
Bank Islami	11-Mar-20	-	4,000
Bank Al Baraka limited	28-Jan-21	95,000	-
Bank Al Baraka limited	20-Jan-20	-	75,000
Bank Al Baraka limited	3-Mar-20	-	7,000
Bank Al Baraka limited	18-Mar-20	-	4,500
		331,000	230,000

Operators' fund	Maturity date	As at December 31, 2020	As at December 31, 2019
		-------- (Rupees in '000)	------
Dubai Islamic Bank	16-Mar-21	14,500	-
Dubai Islamic Bank	27-Feb-20	-	5,000
Dubai Islamic Bank	31-Mar-20	-	4,000
Bank Islami	18-Jan-21	15,000	-
Bank Islami	17-Mar-21	6,000	-
Bank Islami	9-Jan-20	-	15,000
Bank Al Baraka limited	29-Jan-21	16,000	-
Bank Al Baraka limited	20-Jan-20	-	13,000
		51,500	37,000

13 TAKAFUL / RETAKAFUL PAYABLES

	PTF	
	As at December 31, 2020	As at December 31, 2019
	-------- (Rupees in '000)	--------
Due to takaful participants / Retakaful payable	94,795	95,537
Due to other takaful operators	8,534	5,195
	103,329	100,732

14 OTHER CREDITORS AND ACCRUALS

	Note	OPF		PTF	
		As at December 31, 2020	As at December 31, 2019	As at December 31, 2020	As at December 31, 2019
		-------------------------	(Rupees in '000)	-------------------------	
Federal excise duty and sales tax		327	-	4,629	1,384
Federal takaful fee		-	-	425	399
Commissions payable		52,568	37,315	-	-
Unclaimed takaful benefits	14.1	-	-	1,228	929
Accrued expenses		2,463	1,468	2,113	592
Others		20	18	1,691	774
Payable to UBL Insurers Limited		6,190	4,957	479	1,029
		61,568	43,758	10,565	5,107

14.1 This represents outstanding claims in respect of which cheques have been issued by the Company for claim settlement but the same have not been encashed by the claimant. The following is the ageing as required by SECP circular No. 11 dated May 19, 2014:

	2020	2019
	------- (Rupees in '000)	-------
More than 6 months	1,228	929
1 to 6 months	12,188	16,379

	December 31, 2020					
	(Age-wise Breakup)					
	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months	Total
	(Rupees in '000)					
Claims not encashed	12,188	101	340	496	291	13,416

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	December 31, 2019					
	(Age-wise Breakup)					
	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months	Total
	(Rupees in '000)					
Claims not encashed	16,379	140	496	287	6	17,308

15 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as on 31 December 2020 and December 31, 2019

16 NET CONTRIBUTION

	PTF	
	December 31, 2020	December 31, 2019
	(Rupees in '000)	
Written gross contribution	563,775	522,418
Less: Wakala fee	(177,626)	(165,598)
Contribution Net of Wakala Fee	386,149	356,820
Add: Unearned contribution reserve opening	147,478	126,381
Less: Unearned contribution reserve closing	(169,846)	(147,478)
Contributions Earned	363,781	335,723
Retakaful contribution ceded	(205,671)	(195,378)
Add: Prepaid retakaful ceded opening	(74,857)	(55,824)
Less: Prepaid retakaful ceded closing	80,133	74,857
Retakaful expense	(200,395)	(176,345)
Net Contribution	163,386	159,378

17 RETAKAFUL REBATE

Retakaful rebate/commission received	53,529	41,208
Add: Unearned retakaful rebate/commission opening	17,745	14,755
Less: Unearned retakaful rebate/commission closing	(20,787)	(17,745)
	50,487	38,218

18 TAKAFUL BENEFITS / CLAIMS EXPENSE

Benefits / Claims paid	214,241	240,949
Add: outstanding benefits / claims including IBNR closing	191,770	103,671
Less: outstanding benefits / claims including IBNR opening	(103,671)	(79,236)
Claim expense	302,340	265,384
Re-Takaful and other recoveries received	97,339	89,675
Add: Re-Takaful and other recoveries in respect of outstanding claims closing	128,878	69,336
Less: Re-Takaful and other recoveries in respect of outstanding claims opening	(69,336)	(33,471)
Retakaful and other recoveries revenue	(156,881)	(125,540)
Net Claims Expense	145,459	139,844

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18.1 BENEFIT / CLAIM DEVELOPMENT

The following table shows the development of claims over a period of time on gross basis.

Analysis on gross basis

Accident year	2016	2017	2018	2019	2020
	(Rupees in '000)				
At end of accident year	10,325	61,818	161,346	230,033	293,467
One year later	16,058	64,398	190,977	248,061	-
Two years later	18,161	65,585	188,391	-	-
Three years later	18,072	64,333	-	-	-
Four years later	17,417	-	-	-	-
Current estimate of cumulative claims	17,417	64,333	188,391	248,061	293,467
Cumulative payment made to date	(16,215)	(60,579)	(178,989)	(222,398)	(141,718)
Liability recognised in the statement of financial position	1,202	3,754	9,402	25,663	151,749

19 COMMISSION EXPENSE

	OPF December 31, 2020	OPF December 31, 2019
	(Rupees in '000)	
Commission paid or payable	81,342	92,848
Add: Deferred commission expense opening	32,498	25,973
Less: Deferred commission expense closing	(37,206)	(32,498)
	76,634	86,323

20 Wakala Fee

The Takaful operator manages the general takaful operations for the participants and charges 30% of gross contribution on fire, marine and other classes and 32.5% of gross contribution on motor as wakala fees against the services given to Participants' Takaful Fund. Wakala fee under a policy is recognised evenly over the period of takaful from the date of issuance of the policy till the date of its expiry.

21 GENERAL AND ADMINISTRATIVE EXPENSES

	Note	OPF December 31, 2020	OPF December 31, 2019
		(Rupees in '000)	
Employee benefit cost	21.1	35,339	32,603
Traveling expenses		182	910
Printing & stationery		778	296
Rent, rates and taxes		1,035	1,412
Legal and professional charges		1,504	495
Electricity, gas and water		853	735
Entertainment		248	272
Vehicle running expenses		7,072	6,146
Office repairs and maintenance		816	631
Postages, telegrams, and telephone		3,616	2,222
Shariah Advisor's fee		1,360	1,200
Bad and doubtful debts		5	-
Miscellaneous		322	1,746
		53,130	48,668

21.1 Employee benefit cost

	2020	2019
Salaries, allowance and other benefits	32,938	30,325
Charges for post employment benefit	2,401	2,278
	35,339	32,603

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22 INVESTMENT INCOME

	OPF		PTF	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(Rupees in '000)		(Rupees in '000)	
Income from equity securities - (available for sale)				
- Dividend income	376	74	817	306
Income from debt securities - (Held to maturity)				
- Return on debt securities	200	292	1,403	968
- Amortization of discount / (premium)	1	2	(15)	5
Income from term deposits - (Held to maturity)				
- Return on term deposits	3,679	3,689	23,534	20,080
Realised gains on investments				
- Equity Securities - (available for sale)	126	519	369	1,037
	4,382	4,576	26,108	22,396

23 OTHER INCOME

Return on bank balances	272	331	1,921	2,536
Misc.	-	56	1,374	1,843
	272	387	3,295	4,379

24 MODARIB'S FEE

The Operator also manages the participants' investment as Mudarib and charges 20% of the investment income (including return on bank balances) earned by the PTF as Mudarib fee. It is recognised on the same basis on which the related revenue is recognised.

25 DIRECT EXPENSES

	Note	OPF	
		December 31, 2020	December 31, 2019
		(Rupees in '000)	
Legal & professional fee		282	270
Auditor's remuneration	25.1	420	291
Shariah audit fee		380	340
Salaries & Benefits		10,193	9,449
Rent and Rates & Taxes		1,978	1,670
Communication		1,388	971
Others		2,911	3,446
		17,552	16,437

25.1 Auditor's remuneration

Audit fee	173	170
Half yearly review	57	57
Certifications	50	-
Out of pocket expense	140	64
	420	291

26 TAXATION

For the year		
Current	8,771	4,155
Deferred	-	-
	8,771	4,155
For the prior years		
Current	-	-
Deferred	-	-
	8,771	4,155

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		Note	OPF	
			December 31, 2020	December 31, 2019
26.1	**Relationship between tax expense and accounting profit**		(Rupees in '000)	
	Profit before taxation for the year		30,244	14,329
	Tax at the applicable rate of 29% (2019: 29%)		8,771	4,155
			8,771	4,155

		Executives	
		2020	2019
27	**COMPENSATION OF DIRECTORS AND EXECUTIVES**	(Rupees in '000)	
	Managerial remuneration	779	779
	Bonus	-	70
	House rent allowance	351	351
	Utilities	156	156
	Medical	78	78
	Retirement benefits	130	114
	FuelAllowance	276	290
	Cell allowance	36	36
	Driver Salary	120	120
	Guard Salary	11	11
	Others	1,937	2,005
	Number of persons	1	1

28 RELATED PARTY TRANSACTIONS

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

	Participants' Takaful Fund	
Transactions and balances with related parties	December 31, 2020	December 31, 2019
Associated companies	(Rupees in '000)	
Contribution underwritten	11,129	7,897
Takaful claims expense	6,687	1,030
Profit on bank accounts	156	112

	Participants' Takaful Fund	
Balances	December 31, 2020	December 31, 2019
Associated companies	(Rupees in '000)	
Bank balances	1,160	1,530
Contribution due but unpaid	1	0.3
Claim outstanding	10,390	4,075

29 SEGMENT INFORMATION

The Window Takaful Operation has five primary business segments for reporting purposes namely fire and property damage, marine, aviation and transport, motor and bankers blanket and other classes segment.

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

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Particulars	(Audited) For the year ended December 31, 2020					
	Fire and property damage	Marine, Aviation and Transport	Motor	Bankers Blanket	Other Classes	Total
Participants' Takaful Fund	(Rupees in '000)					
Contribution receivable (inclusive of Federal excise duty and Federal takaful fee and Administrative surcharge)	146,084	55,240	389,382	34,457	20,653	645,816
Less: Federal excise duty/ sales tax	(17,324)	(6,516)	(46,210)	(3,929)	(2,422)	(76,401)
Less: Federal takaful fee	(1,239)	(484)	(3,435)	(302)	(180)	(5,640)
Gross written contribution (inclusive of Administrative surcharge)	127,521	48,240	339,737	30,226	18,051	563,775
Gross direct contribution	121,655	46,301	324,641	30,217	17,702	540,516
Facultative inward contribution	4,323	126	4,966	-	70	9,485
Administrative surcharge	1,543	1,813	10,130	9	279	13,774
	127,521	48,240	339,737	30,226	18,051	563,775
Wakala fee	38,256	14,472	110,415	9,068	5,415	177,626
Takaful contribution earned	83,229	31,662	215,350	20,498	13,042	363,781
Takaful contribution ceded to retakaful	(110,396)	(39,506)	(26,524)	(7,808)	(16,161)	(200,395)
Net takaful contribution	(27,167)	(7,844)	188,826	12,690	(3,119)	163,386
Retakaful rebate	28,857	11,305	5,568	1,015	3,742	50,487
Net underwriting income	1,690	3,461	194,394	13,705	623	213,873
Takaful claims	(100,741)	489	(185,102)	(4,331)	(12,655)	(302,340)
Takaful claims recovered from retakaful	93,773	(179)	46,739	4,030	12,518	156,881
Net claims	(6,968)	310	(138,363)	(301)	(137)	(145,459)
Other direct expense	(946)	(358)	(14,693)	(224)	(135)	(16,356)
Surplus / (deficit) before investment income	(6,224)	3,413	41,338	13,180	351	52,058
Investment income						26,108
Other income						3,295
Mudarib's share of investment income						(5,606)
Surplus transferred to Balance of PTF						75,855
Corporate segment assets	113,711	43,016	302,945	26,953	16,096	502,721
Corporate unallocated assets						408,440
Total assets						911,161
Corporate segment liabilities	127,696	48,306	340,203	30,267	18,076	564,548
Corporate unallocated liabilities						137,325
Total liabilities						701,873

Particulars	(Audited) For the year ended December 31, 2020					
	Fire and property damage	Marine, Aviation and Transport	Motor	Bankers Blanket	Other Classes	Total
Operator's Fund	(Rupees in '000)					
Wakala fee	35,669	13,570	103,687	8,785	5,589	167,300
Commission expense	(19,834)	(7,017)	(47,331)	(697)	(1,755)	(76,634)
Management expenses	(12,018)	(4,546)	(32,017)	(2,848)	(1,701)	(53,130)
	3,817	2,007	24,339	5,240	2,133	37,536
Mudarib's share of PTF investment income						5,606
General and administrative expenses						(17,552)
Investment income						4,382
Other income						272
Profit before taxation						30,244
Taxation						(8,771)
Profit after tax						21,473
Corporate segment assets	37,088	14,030	98,807	8,791	5,250	163,966
Corporate unallocated assets						72,099
Total assets						236,065
Corporate segment liabilities	29,718	11,242	79,173	7,044	4,207	131,384
Corporate unallocated liabilities						19,671
Total liabilities						151,055

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Particulars	Fire and property damage	Marine, Aviation and Transport	Motor	Bankers Blanket	Other Classes	Total
	(Audited)					
	For the year ended December 31, 2019					
Participants' Takaful Fund	(Rupees in '000)					
Contribution receivable (inclusive of Federal excise duty and Federal takaful fee and Administrative surcharge)	121,342	31,024	402,539	20,487	19,092	594,484
Less: Federal excise duty/ sales tax	(14,621)	(3,629)	(44,341)	(2,336)	(2,187)	(67,114)
Less: Federal takaful fee	(1,043)	(272)	(3,290)	(180)	(167)	(4,952)
Gross written contribution (inclusive of Administrative surcharge)	105,678	27,123	354,908	17,971	16,738	522,418
Gross direct contribution	101,630	26,036	315,030	17,962	16,459	477,117
Facultative inward contribution	2,536	66	29,123	-	69	31,794
Administrative surcharge	1,512	1,021	10,755	9	210	13,507
	105,678	27,123	354,908	17,971	16,738	522,418
Wakala fee	31,703	8,137	115,345	5,391	5,021	165,597
Takaful contribution earned	70,566	19,803	225,417	10,245	9,692	335,723
Takaful contribution ceded to retakaful	(85,600)	(24,616)	(50,116)	(4,690)	(11,323)	(176,345)
Net takaful contribution	(15,034)	(4,813)	175,301	5,555	(1,631)	159,378
Retakaful rebate	24,514	7,246	4,067	257	2,135	38,219
Net underwriting income	9,480	2,433	179,368	5,812	504	197,597
Takaful claims	(50,840)	(28,499)	(176,687)	(5,752)	(3,606)	(265,385)
Takaful claims recovered from retakaful	48,126	25,859	42,946	5,522	3,087	125,541
Net claims	(2,714)	(2,640)	(133,741)	(230)	(519)	(139,844)
Contribution deficiency expense	-	-	-	-	-	-
Other direct expense	(462)	(119)	(10,774)	(79)	(73)	(11,507)
Surplus / (deficit) before investment income	6,304	(327)	34,854	5,503	(89)	46,246
Net investment income						22,396
Other income						4,379
Mudarib share of investment income						(4,986)
Surplus / (Deficit) transferred to Balance of PTF						68,035
Corporate segment assets	75,257	19,315	252,743	12,798	11,920	372,033
Corporate unallocated assets						300,940
Total assets						672,973
Corporate segment liabilities	88,625	22,745	297,637	15,071	14,038	438,116
Corporate unallocated liabilities						101,135
Total liabilities						539,251

Particulars	Fire and property damage	Marine, Aviation and Transport	Motor	Bankers Blanket	Other Classes	Total
	(Audited)					
	For the year ended December 31, 2019					
Operator's Fund	(Rupees in '000)					
Wakala fee	30,243	8,487	108,534	4,391	4,153	155,808
Commission expense	(18,334)	(4,851)	(61,373)	(37)	(1,728)	(86,323)
Management expenses	(9,845)	(2,527)	(33,063)	(1,674)	(1,559)	(48,668)
	2,064	1,109	14,098	2,680	866	20,817
Mudarib's share of PTF investment income						4,986
General and administrative expenses						(16,437)
Investment income						4,576
Other income						387
Profit before taxation						14,329
Taxation						(4,155)
Profit after tax						10,174
Corporate segment assets	25,999	6,673	87,315	4,421	4,118	128,526
Corporate unallocated assets						49,819
Total assets						178,345
	21,403	5,493	71,879	3,640	3,390	105,805
Corporate segment liabilities						8,982
Corporate unallocated liabilities						114,787

30 MOVEMENT IN INVESTMENT

Operator's Fund	Operator Fund			
	Held to maturity	Available for sale	Fair Value through P & L	Total
	(Rupees in '000)			
Balance as at 01 January 2019	37,000	10,007	-	47,007
Additions	105,495	11,063	-	116,558
Disposal (sale and redemptions)	(103,500)	(17,063)	-	(120,563)
Fair value net gains (excluding net realised gains)	-	86	-	86
Impairment losses	2	-	-	2
Balance as at 01 January 2020	38,997	4,093	-	43,090
Additions	182,000	14,820	-	196,820
Disposal (sale and redemptions)	(168,000)	(11,914)	-	(179,914)
Fair value net gains (excluding net realised gains)	-	(30)	-	(30)
Discount / premium amortization	1	-	-	1
Balance as at December 31, 2020	52,998	6,969	-	59,967

Participants' Takaful Fund	Window Takaful Operation			
	Held to maturity	Available for sale	Fair Value through P & L	Total
	(Rupees in '000)			
Balance as at 01 January 2019	137,000	25,018	-	162,018
Additions	641,054	8,260	-	649,314
Disposal (sale and redemptions)	(536,600)	(26,417)	-	(563,017)
Fair value net gains (excluding net realised gains)	-	300	-	300
Impairment losses	5	-	-	5
Balance as at 01 January 2020	**241,459**	**7,161**	-	**248,620**
Additions	1,207,000	87,195	-	1,294,195
Disposal (sale and redemptions)	(1,097,640)	(84,098)	-	(1,181,738)
Fair value net gains (excluding net realised gains)	-	(289)	-	(289)
Discount / premium amortization	(15)	-	-	(15)
Balance as at December 31, 2020	**350,804**	**9,969**	-	**360,773**

31 MANAGEMENT OF TAKAFUL AND FINANCIAL RISK

The Company issues contracts that transfer Takaful risk or financial risk or both. This section summarises these risks and the way the Company manages them.

31.1 Takaful risk management

Takaful risk

The risk under any takaful contract is the possibility that the takaful event occurs and the uncertainty of the amount of compensation to the takaful. Generally most takaful contracts carry the takaful risk for a period of one year (refer note 3.1).

The Company accepts takaful through issuance of general takaful contracts. For these general takaful contracts the most significant risks arise from fire, atmospheric disturbance, earthquakes, transit, theft, third party liabilities and other catastrophes. For health takaful contracts significant risks arise from epidemics.

The Company's risk exposure is mitigated by employing a comprehensive framework to identify, assess, manage and monitor risk. This framework includes implementation of underwriting strategies which aim to ensure that the underwritten risks are well diversified in terms of type and amount of the risk. Adequate retakaful is arranged to mitigate the effect of the potential loss to the Company from individual to large or catastrophic takaful events. Further, the Company adopts strict claim review policies including active management and prompt pursuing of the claims and regular detailed review of claim handling procedures.

(a) Frequency and severity of claims

Risk associated with general takaful contracts includes the reasonable possibility of significant loss as well as the frequent occurrence of the insured events. This has been managed by having in place underwriting strategy, retakaful arrangements and proactive claim handling procedures.

The retakaful arrangements against major risk exposure include excess of loss, quota share, surplus arrangements and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on the Company's net retentions.

Concentration of risk

To optimise benefits form 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 risk with reference to the geographical location, the most important of which is risk survey.

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the commercial/ industrial/ residential occupation of the participant. Details regarding the fire separation/ segregation with respect to the manufacturing process, storage, utilities, etc are extracted form the layout plan of the participant facility. Such details form part of the reports which are made available to the underwriters/ retakaful personnel for their evaluation. Reference is made to the standard construction specification as laid down by IAP (Insurance Association of Pakistan). For instance, the presence of perfect party walls, double fire proof iron doors, physical separation between the building within a participant's premises. It is basically the property contained within an area which is separated by another property by sufficient distance to confine participant damage from uncontrolled fire and explosion under the most adverse conditions to that one area.

The ability to manage catastrophic risk is tied managing the density of risk within a particular area. For catastrophic aggregates, the system assigns precise geographic CRESTA (Catastrophe Risk Evaluating and standardising Target Accumulations) codes with reference to the accumulation of sum covered in force at any particular location against natural perils.

For marine risks, complete underwriting details such as sums covered mode of transport (air / inland transit), vessel identification, sailing dates, origin and destination of the shipments, per carry limits, accumulation of sum covered on a single voyage etc. are taken into consideration.

A number of proportional and non-proportional retakaful arrangements are in place to protect the net account. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional treaty, any loss over and above the said limit would be recovered from the non-proportional treaty which is very much in line with the risk management philosophy of the Company.

The operator monitors concentration of takaful exposer primarily by class of business. The table below sets out the concentration of the gross risk exposure by class of business at date of statement of financial position:

	laximum gross risk exposur	
	2020	2019
Class	(Rupees in '000)	
Fire and property	89,609,237	87,233,845
Marine, aviation and transport	71,623,582	38,297,402
Motor	15,826,085	17,034,277
Bankers blanket	1,507,250	1,810,563
Other classes	3,977,619	2,398,367

The Company minimises its exposure to significant losses by obtaining retakaful from a number of retakaful operators, who are dispersed over several geographical regions.

(b) Uncertainty in the estimation of future claim payments

Claims on general insurance contracts are payable on a claim occurrence basis. The Company is liable for all insured events as per terms and condition of the takaful contract.

An estimated amount of the claim is recorded immediately on the intimation to the Company. The estimation of the amount is based on management judgement or preliminary assessment by the independence surveyor appointed for the purpose. The initial estimates include expected settlement cost of the claims. Provision for IBNR is recorded based on the advice of the actuary.

Alt

There are several variable factors which affect the amount and timing of recognised claim liabilities. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from initial recognised amount. Similarly, the provision for claims incurred but not reported is based on historic reporting pattern of the claims other than exceptional losses. Hence, actual amount of incurred but not reported claims may differ from the amounts estimated.

(c) Key assumptions

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

Actuarial valuation is carried out for the determination of IBNR which is based on a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation as required / allowed by the SECP circular 9 of 2016.

IBNR is determined by using the "Chain Ladder Method" for all classes of business including in-patient claims of accident and health class. Alternative method is used for accident and health out-patient (OP) takaful. The claims outstanding and claims paid till date are deducted from the ultimate claim payments for that particular year to derive an IBNR estimate for that year. IBNR triangles are made on a yearly basis for each class of business except for marine, motor which is made on a quarterly basis and health which is made on monthly basis. For accident and health OP business, IBNR has been set equal to monthly average of OP claims reported in preceding three months, including margins for adverse deviations. For accident and health takaful business, a loss ratio method has been used. The methods used, and the estimates made, are reviewed regularly.

The Operator determines adequacy of liability of contribution deficiency by carrying out analysis of its loss ratio of expired periods of the contracts. For this purpose average loss ratio of last three years inclusive of claim settlement cost but excluding major exceptional claims are taken into consideration to determine ultimate loss ratio to be applied on unearned contribution. The liability of contribution deficiency reserve in relation to accident and health takaful is calculated in accordance with the advice of the actuary (refer note 3.1).

(d) Changes in assumptions

The Company did not change its assumptions for the takaful contracts as disclosed above in (b) and (c).

(e) Sensitivity analysis

The takaful claim liabilities are sensitive to the incidence of participant events and severity / size of claims. The impact of 10% increase / decrease in incidence of participant events on underwriting results and participants' Takaful Fund is as follows:

Average claim cost	Underwriting results		Participants' Takaful Fund	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(Rupees in '000)			
Fire and property	697	271	495	192
Marine and transport	(31)	264	(22)	187
Motor	13,836	13,374	9,824	9,496
Banker's blanket	30	23	21	16
Others	14	52	10	37
	14,546	13,984	10,328	9,928

31.2 Financial risk management

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Financial risk
- Credit risk
- Liquidity risk
- Market risk

31.2.1 Financial risk

Maturity profile of financial assets and liabilities:

OPF

	Profit rate % per annum	31 December 2020						
		Profit / mark-up bearing financial instruments			Non profit / mark-up bearing financial instruments			Total
		Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
		(Rupees in '000)						
Financial assets								
Cash and bank	3.00 - 7.00	10,863	-	10,863	455	-	455	11,318
Investments	6.46 - 8.62	51,500	1,498	52,998	6,969	-	6,969	59,967
Receivable from PTF		-	-	-	126,760	-	126,760	126,760
		62,363	1,498	63,861	134,184	-	134,184	198,045
Financial liabilities								
Other creditors and accruals		-	-	-	61,241	-	61,241	61,241
		-	-	-	61,241	-	61,241	61,241
Interest rate risk sensitivity gap		62,363	1,498	63,861				
Cumulative interest rate risk sensitivity gap		62,363	63,861					

PTF

	Profit rate % per annum	31 December 2020						
		Profit / mark-up bearing financial instruments			Non profit / mark-up bearing financial instruments			Total
		Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
		(Rupees in '000)						
Financial assets								
Cash and bank	3.00 - 7.00	20,774	-	20,774	24,084	-	24,084	44,858
Investments	6.46 - 8.62	331,000	19,805	350,805	9,969	-	9,969	360,774
Takaful / retakaful receivables		-	-	-	203,806	-	203,806	203,806
Retakaful recoveries against outstanding claims		-	-	-	119,232	-	119,232	119,232
		351,774	19,805	371,579	357,091	-	357,091	728,670
Financial liabilities								
Outstanding claims including IBNR		-	-	-	191,770	-	191,770	191,770
Payable to OPF		-	-	-	126,760	-	126,760	126,760
Takaful / Retakaful payables		-	-	-	103,329	-	103,329	103,329
Other creditors and accruals		-	-	-	5,511	-	5,511	5,511
		-	-	-	427,370	-	427,370	427,370
Interest rate risk sensitivity gap		351,774	19,805	371,579				
Cumulative interest rate risk sensitivity gap		351,774	371,579					

OPF

	Profit rate % per annum	31 December 2019						
		Profit / mark-up bearing financial instruments			Non profit / mark-up bearing financial instruments			Total
		Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
		(Rupees in '000)						
Financial assets								
Cash and bank	3.00 - 13.30	3,511	-	3,511	1,911	-	1,911	5,422
Investments	12.25 - 13.30	37,000	1,997	38,997	4,093	-	4,093	43,090
Receivable from PTF		-	-	-	73,028	-	73,028	73,028
Qard-e-Hasna		-	-	-	23,000	-	23,000	23,000
		40,511	1,997	42,508	102,032	-	102,032	144,540
Financial liabilities								
Other creditors and accruals		-	-	-	43,758	-	43,758	43,758
		-	-	-	43,758	-	43,758	43,758
Interest rate risk sensitivity gap		40,511	1,997	42,508				
Cumulative interest rate risk sensitivity gap		40,511	42,508					

PTF

	Profit rate % per annum	Profit / mark-up bearing financial instruments: Maturity upto one year	Profit / mark-up bearing financial instruments: Maturity after one year	Sub total	Non profit / mark-up bearing financial instruments: Maturity upto one year	Non profit / mark-up bearing financial instruments: Maturity after one year	Sub total	Total
		31 December 2019						
		(Rupees in '000)						
Financial assets								
Cash and bank	3.00 - 13.30	23,992	-	23,992	19,517	-	19,517	43,509
Investments	12.25 - 13.30	230,000	11,459	241,459	7,161	-	7,161	248,620
Takaful / retakaful receivables		-	-	-	155,599	-	155,599	155,599
Retakaful recoveries against outstanding claims		-	-	-	65,499	-	65,499	65,499
		253,992	11,459	265,451	247,776	-	247,776	513,227
Financial liabilities								
Outstanding claims including IBNR		-	-	-	103,671	-	103,671	103,671
Contribution received in advance		-	-	-	-	-	-	-
Payable to OPF		-	-	-	73,028	-	73,028	73,028
Takaful / Retakaful payables		-	-	-	100,732	-	100,732	100,732
Other creditors and accruals		-	-	-	3,324	-	3,324	3,324
Qard-e-Hasna		-	-	-	23,000	-	23,000	23,000
		-	-	-	303,755	-	303,755	303,755
Interest rate risk sensitivity gap		253,992	11,459	265,451				
Cumulative interest rate risk sensitivity gap		253,992	265,451					

a) Sensitivity analysis- interest rate risk

a.1) Fair value sensitivity analysis for fixed rate instruments

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

a.2) Cash flow sensitivity analysis for variable rate instruments

The Company is exposed to cash flow interest rate risk in respect of its balances with saving account with banks and investments in sukuk certificates. A change of 100 basis points in interest rates at the year end would not have material impact on profit for the year and equity of the Company.

b) Sensitivity analysis- Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Operator's listed securities are susceptible to market price risk arising from uncertainties about the future value of investment securities. The Operator limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity market.

The following table summarises the Operator's other price risk as at December 31, 2020 and 2019. It shows the effects of an estimated increase of 5% in the market prices as on those dates. A decrease of 5% in the fair values of the listed equity securities would affect it in a similar and opposite manner.

	Fair value (Rupees in '000)	Price change	Effect on fair value (Rupees in '000)
December 31, 2020	6,969	+5%	348
	(6,969)	-5%	(348)
December 31, 2019	4,093	+5%	205
	(4,093)	-5%	(205)

Afm

31.2.2 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 exposures by undertaking transactions with a large number of counterparties in various industries and by continually assessing the credit worthiness of counterparties.

31.2.2. Exposure to credit risk

Credit risk of the Company arises principally from the balances with banks, loans to employees, investments (except for investment in government securities, units of mutual funds and listed equity shares), contribution due but unpaid, amount due from other takaful operator / retakaful operator, retakaful and other recoveries against outstanding claims and sundry receivable. To reduce the credit risk the management continuously reviews and monitors the credit exposure towards the participants and other takaful operator / retakaful operator and makes provision against those balances considered doubtful of recovery.

In summary, compared to the amount included in statement of assets and liabilities, the maximum exposure to credit risk as at December 31, 2020 is as follows:

OPF

	December 31, 2020		December 31, 2019	
	Balance as per the financial	Maximum exposure	Balance as per the financial	Maximum exposure
	(Rupees in '000)			
Equity Securities	6,969	-	4,093	-
Debt Securities	1,498	1,498	1,997	13,456
Term Deposit	51,500	51,500	37,000	267,000
Receivable from PTF	126,760	126,760	73,028	73,028
Qard-e-Hasna	-	-	23,000	23,000
Cash and bank	11,318	11,318	5,422	23,000
	198,045	191,076	144,540	399,484

PTF

	December 31, 2020		December 31, 2019	
	Balance as per the financial	Maximum exposure	Balance as per the financial	Maximum exposure
	(Rupees in '000)			
Equity Securities	9,969	-	7,161	-
Debt Securities	19,805	19,805	11,459	11,459
Term Deposit	331,000	331,000	230,000	230,000
Takaful / retakaful receivables	203,806	203,806	155,599	155,599
Retakaful recoveries against outstanding claims	119,232	119,232	65,499	65,499
Cash and bank	44,858	44,858	43,509	43,509
	728,670	718,701	513,227	506,066

Differences in the balances as per financial statements and maximum exposure in investments is mainly due to investments equity securities of Rs. 16.938 million (2019 Rs. 11.254 million) which are not exposed to credit risk.

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

Bank	Rating Agency	Short Term Rating	Long Term Rating	2020	2019
				(Rupees in '000)	
Meezan Bank Limited - Participant Takaful Fund	VIS	A-1+	AA+	1,204	89
Dubai Islamic Bank - Participant Takaful Fund	VIS	A-1+	AA	24,764	19,724
BankIslami Pakistan Limited - Participant Takaful Fund	PACRA	A-1	A+	16,867	22,046
Al Baraka Bank (Pakistan) Limited - Participant Takaful Fund	VIS	A-1	A+	740	80
United Bank Limited - Participant Takaful Fund	VIS	A-1+	AAA	1,160	1,530
				44,735	43,469

Bank	Rating Agency	Short Term Rating	Long Term Rating	2020	2019
				------ (Rupees in '000) ------	
Meezan Bank Limited - Operator Fund	VIS	A-1+	AA+	203	952
Dubai Islamic Bank - Operator Fund	VIS	A-1+	AA	455	1,911
Al Baraka Bank (Pakistan) Limited - Operator Fund	VIS	A-1	A+	8,540	1,017
BankIslami Pakistan Limited - Operator Fund	PACRA	A-1	A+	2,120	1,542
				11,318	5,422

Concentration of credit risk

Concentration of credit risk arises when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. The Company manages concentration of credit risk through diversification of activities among individuals, groups and industry segments. The Company enters into re-takaful / co-takaful arrangements with re-takaful operator / other takaful operator having sound credit ratings accorded by reputed credit rating agencies. Further, the Company is required to comply with the requirements of circular no. 32 / 2009 dated October 27, 2009 issued by the SECP which requires takaful company to place at least 80% of their outward treaty cessions with retakaful operator rated 'A' or above by Standard & Poors with the balance being placed with entities rated at least 'BBB' by reputable ratings agency. An analysis of all retakaful assets recognised by the rating of the entity from which it is due is as follows:

	Amount due from other cotakaful / retakaful	Retakaful recoveries against outstanding claims	Prepaid retakaful contribution ceded	2020	2019
			(Rupees in '000)		
A or above (including PRCL)	114,121	119,232	80,133	313,486	228,489
	114,121	119,232	80,133	313,486	228,489

31.2.3 Liquidity risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting its financial obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due under normal circumstances. To guard against the risk, the Company has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity is maintained.

The following are the contractual maturities of financial liabilities:

Non-Derivative Financial liabilities	Carrying Amount 2020	Carrying Amount 2019
	-------- (Rupees in '000)	--------
OPF		
Other creditors and accruals	61,241	43758
	61,241	43,758
PTF		
Outstanding claims including IBNR	191,770	103,671
Wakala and mudarib fee payable	126,760	73,028
Retakaful / co-takaful payables	103,329	100,732
Other creditors and accruals	5,511	3,324
Qard-e-Hasna	-	23,000
	427,370	303,755

The carrying amounts represent contractual cash flows maturing within one year.

31.2.4 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise of interest rate risk, foreign currency risk and other price risk. The Company manages the market risk exposures by following internal risk management policies.

Fair value sensitivity analysis for fixed rate instruments

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

All.

Cash flow sensitivity analysis for variable rate instruments

The Company is exposed to cash flow interest rate risk in respect of its balances with profit and loss sharing account with banks

31.2.4. Foreign Currency risk

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

32 FAIR VALUE 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. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Operator is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

OPF

	2020							
	Available-for-sale	Held to Maturity	Loans and Receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
	(Rupees in '000)							
On-balance sheet financial instruments								
Financial assets measured at fair value								
Investments								
- Units of open ended mutual fund	6,969	-	-	-	6,969	-	6,969	-
- Corporate Sukuks	-	1,498	-	-	1,498	-	-	-
Financial assets not measured at fair value								
Cash and bank *	-	-	11,318	-	11,318	-	-	-
Investment in term deposit *	-	51,500	-	-	51,500	-	-	-
Receivable from PTF*	-	-	126,760	-	126,760	-	-	-
	6,969	52,998	138,078	-	198,045			
Financial liabilities not measured at fair value								
Other creditors and accruals *	-	-	-	61,241	61,241			
	-	-	-	61,241	61,241			

PTF

	2020							
	Available-for-sale	Held to Maturity	Loans and Receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
	(Rupees in '000)							
On-balance sheet financial instruments								
Financial assets measured at fair value								
Investments								
- Units of open ended mutual fund	9,969	-	-	-	9,969	-	9,969	-
- Corporate Sukuks	-	19,805	-	-	19,805	-	-	-
Financial assets not measured at fair value								
Cash and bank *	-	-	44,858	-	44,858	-	-	-
Investment in term deposit *	-	331,000	-	-	331,000	-	-	-
Takaful / ReTakaful receivables *	-	-	203,806	-	203,806	-	-	-
Re-takaful recoveries against outstanding claims *	-	-	119,232	-	119,232	-	-	-
	9,969	350,805	367,896	-	728,670			
Financial liabilities not measured at fair value								
Underwriting provision for outstanding claims including IBNR *	-	-	-	191,770	191,770			
Takaful / Retakaful payables*	-	-	-	103,329	103,329			
Payable to OPF*	-	-	-	126,760	126,760			
Other creditors and accruals *	-	-	-	5,511	5,511			
	-	-	-	427,370	427,370			

OPF

	2019							
	Available-for-sale	Held to Maturity	Loans and Receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
	(Rupees in '000)							
On-balance sheet financial instruments								
Financial assets measured at fair value								
Investments								
- Units of open ended mutual fund	4,093	-	-	-	4,093	-	4,093	-
- Corporate Sukuks	-	1,997	-	-	1,997	-	-	-
Financial assets not measured at fair value								
Cash and bank *	-	-	5,422	-	5,422	-	-	-
Investment in term deposit *	-	37,000	-	-	37,000	-	-	-
Receivable from PTF*	-	-	73,028	-	73,028	-	-	-
Qard-e-Hasna *	-	-	23,000	-	23,000	-	-	-
	4,093	38,997	101,450	-	144,540			
Financial liabilities not measured at fair value								
Other creditors and accruals *	-	-	-	43,758	43,758			
	-	-	-	43,758	43,758			

PTF

	2019							
	Available-for-sale	Held to Maturity	Loans and Receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
	(Rupees in '000)							
On-balance sheet financial instruments								
Financial assets measured at fair value								
Investments								
- Units of open ended mutual fund	7,161	-	-	-	7,161	-	7,161	-
- Corporate Sukuks	-	11,459	-	-	11,459	-	-	-
Financial assets not measured at fair value								
Cash and bank *	-	-	43,509	-	43,509	-	-	-
Investment in term deposit **	-	230,000	-	-	230,000	-	-	-
Takaful / ReTakaful receivables *	-	-	155,599	-	155,599	-	-	-
Re-takaful recoveries against outstanding claims *	-	-	65,499	-	65,499	-	-	-
	7,161	241,459	264,607	-	513,227			
Financial liabilities not measured at fair value								
Underwriting provision for outstanding claims including IBNR *	-	-	-	103,671	103,671			
Retakaful / co-takaful payables *	-	-	-	100,732	100,732			
Payable to OPF*	-	-	-	73,028	73,028			
Other creditors and accruals *	-	-	-	3,324	3,324			
Qard-e-Hasna *				23,000	23,000			
-	-	-	-	-	-	-	-	-
	-	-	-	303,755	303,755			

* The operator / participant has not disclosed the fair value of these items because their carrying amounts are a reasonable approximation of fair value.

33 EFFECTS OF COVID-19 PANDEMIC

The World Health Organisation declared COVID-19 a global pandemic in March 2020. Like other parts of the world, Pakistan also went into lockdown which impacted the economies and businesses in different facets globally. After the outbreak of COVID-19, the Company had invoked necessary measures to ensure the safety and health of its staff and an uninterrupted service to its clients. These include implementing mandatory adherence to the recommended standard operating procedures within the Company. The remote work capabilities for critical staff have been assessed to make sure they are fully protected using virtual private network ("VPN") connections. Further, the Company has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber-attacks. 'On March 11, 2020, the World Health Organisation made an assessment that the outbreak of a coronavirus (COVID-19) can be characterised as a pandemic. As a result, businesses have subsequently been affected amongst others with temporary suspension of travel, and closure of recreation and public facilities.

The Company has made an assessment in order to evaluate the impact of COVID-19 pandemic over the business, operations and profitability of the Company as well as a going concern assessment. As a result of such assessment, the management has not identified any adverse impact on the profitability, liquidity and the continuity of the company due to COVID-19 pandemic situation. Further, the management has also evaluated that it does not foresee any going concern risk in the Company due to the pandemic and they believe that the Company's operations, financial position and results will not be impacted significantly as the operations are gradually returning to normal and the market is still showing a positive outlook and upward trend subsequent to the financial year-end. Therefore, it has concluded that there are no material implications of COVID-19 on any balance in the financial statements.

34 DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue in accordance with a resolution of the Board of Directors on ________________.

35 GENERAL

All figures have been rounded off to the nearest rupees, unless otherwise stated.

Chief Executive Officer	Director	Director	Chairman