

**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;

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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 3<sup>rd</sup>, 2021

## Statement of Compliance with the Shariah Principles

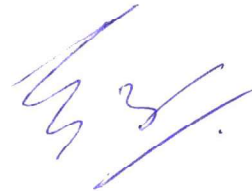
The financial arrangements, contracts and transactions, entered into by Window Takaful Operations of the UBL Insurers Limited for the year ended December 31, 2020 are in compliance with the Takaful Rules, 2012.

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

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**Nadeem Raza**  
Chief Financial Officer

A handwritten signature in blue ink, appearing to read 'Zeeshan Muhammad Raza'.

**Zeeshan Muhammad Raza**  
Chief Executive Officer

Date: March 3<sup>rd</sup>, 2021



**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.



A.F. FERGUSON &amp; Co.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliance 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



**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.



### **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.



A·F·FERGUSON&Co.

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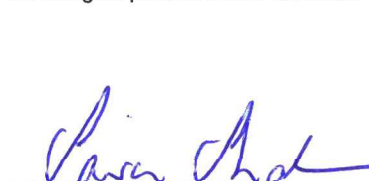
A. F. Ferguson & Co.  
Chartered Accountants  
Karachi  
Dated: March 10, 2021

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

		Operator's Fund (OPF)		Participants' Takaful Fund (PTF)	
	Note	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
		(Rupees in '000)			
<b>Assets</b>					
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
<b>Total assets</b>		<b>236,065</b>	<b>178,345</b>	<b>911,161</b>	<b>672,973</b>
<b>Funds and Liabilities</b>					
<b>Reserves attributable to the OPF</b>					
Statutory Reserve		50,000	50,000	-	-
Revaluation Reserve		45	66	-	-
Accumulated profit		34,965	13,492	-	-
<b>Total Reserves attributable to the OPF</b>		<b>85,010</b>	<b>63,558</b>	<b>-</b>	<b>-</b>
<b>Participants' Takaful Fund</b>					
Seed money		-	-	500	500
Revaluation Reserve		-	-	29	318
Accumulated surplus		-	-	208,759	132,904
<b>Balance of Participants' Takaful Fund</b>		<b>-</b>	<b>-</b>	<b>209,288</b>	<b>133,722</b>
<b>Qard-e-Hasna</b>	6	-	-	-	23,000
<b>Liabilities</b>					
<b>PTF Underwriting Provisions</b>					
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
<b>Total liabilities</b>		<b>151,055</b>	<b>114,787</b>	<b>701,873</b>	<b>539,251</b>
<b>Total Reserves and Liabilities</b>		<b>236,065</b>	<b>178,345</b>	<b>911,161</b>	<b>672,973</b>
<b>Contingencies and Commitments</b>					
	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)-----	
<b>Participants' Takaful Fund - (PTF)</b>			
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)
<b>Surplus before investment income</b>		52,058	46,246
Investment income	22	26,108	22,396
Other income	23	3,295	4,379
Less: Mudarib's share of investment income	24	(5,606)	(4,986)
<b>Surplus transferred to accumulated surplus</b>		75,855	68,035
<b>Operator's Fund - (OPF)</b>			
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
<b>Profit before taxation</b>		30,244	14,329
Taxation	26	(8,771)	(4,155)
<b>Profit after taxation</b>		21,473	10,174

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

Attn

*[Signature]*

Chief Executive Officer

*[Signature]*

Director

*[Signature]*

Director

*[Signature]*

Chairman

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

	2020	2019
	----- (Rupees in '000) -----	
<b>Participants' Takaful Fund - (PTF)</b>		
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

<b>Total comprehensive income for the year</b>	<b>75,566</b>	<b>68,335</b>
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**Operator's Fund - (OPF)**

Profit after tax	21,473	10,174
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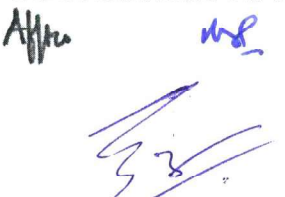
**Other comprehensive income:**

*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

<b>Total comprehensive income for the year</b>	<b>21,452</b>	<b>10,235</b>
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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			Total
	Statutory Reserve	Revaluation reserve (Rupees in thousand)	Accumulated profit	
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
<b>Balance as at December 31, 2019</b>	<b>50,000</b>	<b>66</b>	<b>13,492</b>	<b>63,558</b>
Profit for the year	-	-	21,473	21,473
Other Comprehensive loss for the year	-	(21)	-	(21)
<b>Balance as at December 31, 2020</b>	<b>50,000</b>	<b>45</b>	<b>34,965</b>	<b>85,010</b>

	Attributable to Participants of PTF			Total
	Seed money	Revaluation reserve (Rupees in thousand)	Accumulated surplus	
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
<b>Balance as at December 31, 2019</b>	<b>500</b>	<b>318</b>	<b>132,904</b>	<b>133,722</b>
Surplus for the year	-	-	75,855	75,855
Other Comprehensive loss for the year	-	(289)	-	(289)
<b>Balance as at December 31, 2020</b>	<b>500</b>	<b>29</b>	<b>208,759</b>	<b>209,288</b>

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

*Am* *MS*

  
**Chief Executive Officer**

  
**Director**

  
**Director**

  
**Chairman**

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

**Operating cash flows**

**(a) Takaful activities**

	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	
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)
<b>Total cash (outflow on) / inflow from all operating activities</b>	<b>(5,140)</b>	<b>5,830</b>	<b>106,350</b>	<b>38,072</b>

**(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
<b>Total cash (outflow on) / inflow from investing activities</b>	<b>(11,964)</b>	<b>7,704</b>	<b>(82,001)</b>	<b>(67,120)</b>

**(d) Financing activities**

Qard e Hasna	23,000	(18,000)	(23,000)	18,000
<b>Total cash inflow from / (outflow on) financing activities</b>	<b>23,000</b>	<b>(18,000)</b>	<b>(23,000)</b>	<b>18,000</b>

**Net cash flow from all activities**

	5,896	(4,466)	1,349	(11,048)
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Cash and cash equivalents at the beginning of the year

	5,422	9,888	43,509	54,557
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**Cash and cash equivalents at the end of the year**

	11,318	5,422	44,858	43,509
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**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)
<b>Profit or loss after taxation</b>	<b>21,473</b>	<b>10,174</b>	<b>75,855</b>	<b>68,035</b>

Surplus in participants' equity

	-	-	75,855	68,035
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Profit after tax

	21,473	10,174	-	-
	<u>21,473</u>	<u>10,174</u>	<u>75,855</u>	<u>68,035</u>

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

*Signature*

Chief Executive Officer

Director

Director

Chairman

**UBL INSURERS LIMITED - WINDOW TAKAFUL OPERATIONS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

**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:



## 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.

#### 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)			
<b>Financial assets with contractual cash flows that meet the SPPI criteria, excluding those held for trading</b>			
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)
<b>Financial assets that do not meet the SPPI criteria</b>			
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-fourth 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.

### 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-fourth method, whereby the liability shall equal  $\frac{1}{24}$  of the Contribution relating to policies commencing in the first month of the takaful operator financial year,  $\frac{3}{24}$  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-fourth 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 AND 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 policies. 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)						
<b>Operator's fund (OPF)</b>						
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
<b>Carrying Value (OPF)</b>			<u>6,969</u>			<u>4,093</u>

Particulars	As at December 31, 2020			As at December 31, 2019		
	Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value
(Rupees in '000)						
<b>Participants' fund (PTF)</b>						
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
<b>Carrying Value (PTF)</b>			<u>9,969</u>			<u>7,161</u>

### 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
(Rupees in '000)						
<b>Operator's fund</b>						
Sukuk - Dawood Hercules Corporation	1,495	-	1,498	1,995	-	1,997
<b>Carrying value</b>	<u>1,495</u>	<u>-</u>	<u>1,498</u>	<u>1,995</u>	<u>-</u>	<u>1,997</u>

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
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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	-	-	-
<b>Carrying value</b>	<b>19,814</b>	<b>-</b>	<b>19,805</b>	<b>11,444</b>	<b>-</b>	<b>11,459</b>

#### 5.3.1

	No. of Certificates		Face Value	Value of Certificates	
	2020	2019	2020 (Rupees)	2020 (Rupees in '000)	2019 (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)	-
	<b>-</b>	<b>23,000</b>

### 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	-	-
	<b>488</b>	<b>981</b>	<b>2,808</b>	<b>5,588</b>

### 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	-	-
	<b>203,806</b>	<b>155,599</b>

### 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	-	-
	<b>126,760</b>	<b>96,028</b>	<b>126,760</b>	<b>73,028</b>

**10 DEFERRED TAXATION**

Deferred credits arising in respect of surplus  
on investment - available for sale

OPF	
As at December 31, 2020	As at December 31, 2019
----- (Rupees in '000) -----	

18	27
18	27

**11 PREPAYMENTS**

Prepaid retakaful contribution ceded  
Tracker monitoring fee  
Prepaid software charges

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) -----			
-	-	80,133	74,857
-	-	3,464	3,751
326	326	-	-
326	326	83,597	78,608

**12 CASH & BANK**

Cash and Cash Equivalent  
Cash in hand  
Policy & Revenue stamps

Cash at bank

- Current account  
- Savings account

**Cash and Bank**

**Deposits maturing within 12 months**

Term deposits receipts

12.1 & 12.2

12.2

-	-	-	-
-	-	123	41
455	1,911	23,961	19,476
10,863	3,511	20,774	23,992
11,318	5,422	44,858	43,509
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	110,000	-
Dubai Islamic Bank	-	56,500
Bank Islami	10,000	-
Bank Islami	90,000	-
Bank Islami	26,000	-
Bank Islami	-	76,000
Bank Islami	-	7,000
Bank Islami	-	4,000
Bank Al Baraka limited	95,000	-
Bank Al Baraka limited	-	75,000
Bank Al Baraka limited	-	7,000
Bank Al Baraka limited	-	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
		<u>51,500</u>	<u>37,000</u>

PTF	
As at December 31, 2020	As at December 31, 2019
----- (Rupees in '000) -----	
94,795	95,537
8,534	5,195
<u>103,329</u>	<u>100,732</u>

### 13 TAKAFUL / RETAKAFUL PAYABLES

Due to takaful participants / Retakaful payable  
Due to other takaful operators

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) -----			
14	<b>OTHER CREDITORS AND ACCRUALS</b>			
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	-	-	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
	<u>61,568</u>	<u>43,758</u>	<u>10,565</u>	<u>5,107</u>

- 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	<u>12,188</u>	<u>16,379</u>

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)					
12,188	101	340	496	291	13,416

*Attn*

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)
<b>Contribution Net of Wakala Fee</b>	<b>386,149</b>	<b>356,820</b>
Add: Unearned contribution reserve opening	147,478	126,381
Less: Unearned contribution reserve closing	(169,846)	(147,478)
<b>Contributions Earned</b>	<b>363,781</b>	<b>335,723</b>
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
<b>Retakaful expense</b>	<b>(200,395)</b>	<b>(176,345)</b>
<b>Net Contribution</b>	<b>163,386</b>	<b>159,378</b>

## 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)
	<b>50,487</b>	<b>38,218</b>

## 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)
<b>Claim expense</b>	<b>302,340</b>	<b>265,384</b>
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)
<b>Retakaful and other recoveries revenue</b>	<b>(156,881)</b>	<b>(125,540)</b>
<b>Net Claims Expense</b>	<b>145,459</b>	<b>139,844</b>

**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

**OPF**

December 31, 2020      December 31, 2019

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

**19 COMMISSION EXPENSE**

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)
	<u>76,634</u>	<u>86,323</u>

**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.

Note

**OPF**

December 31, 2020      December 31, 2019

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

**21 GENERAL AND ADMINISTRATIVE EXPENSES**

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
		<u>53,130</u>	<u>48,668</u>

**21.1 Employee benefit cost**

Salaries, allowance and other benefits	32,938	30,325
Charges for post employment benefit	2,401	2,278
	<u>35,339</u>	<u>32,603</u>

**22 INVESTMENT INCOME**

	OPF		PTF	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(Rupees in '000)		(Rupees in '000)	
<b>Income from equity securities - (available for sale)</b>				
- Dividend income	376	74	817	306
<b>Income from debt securities - (Held to maturity)</b>				
- Return on debt securities	200	292	1,403	968
- Amortization of discount / (premium)	1	2	(15)	5
<b>Income from term deposits - (Held to maturity)</b>				
- Return on term deposits	3,679	3,689	23,534	20,080
<b>Realised gains on investments</b>				
- Equity Securities - (available for sale)	126	519	369	1,037
	<u>4,382</u>	<u>4,576</u>	<u>26,108</u>	<u>22,396</u>
<b>23 OTHER INCOME</b>				
Return on bank balances	272	331	1,921	2,536
Misc.	-	56	1,374	1,843
	<u>272</u>	<u>387</u>	<u>3,295</u>	<u>4,379</u>
<b>24 MODARIB'S FEE</b>				

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)	
	282	270
25.1	420	291
	380	340
	10,193	9,449
	1,978	1,670
	1,388	971
	2,911	3,446
	<u>17,552</u>	<u>16,437</u>

**25.1 Auditor's remuneration**

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

**26 TAXATION**

<b>For the year</b>		
Current	8,771	4,155
Deferred	-	-
	<u>8,771</u>	<u>4,155</u>
<b>For the prior years</b>		
Current	-	-
Deferred	-	-
	<u>8,771</u>	<u>4,155</u>

Note

OPF	
December 31, 2020	December 31, 2019
(Rupees in '000)	

**26.1 Relationship between tax expense and accounting profit**

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
(Rupees in '000)	

**27 COMPENSATION OF DIRECTORS AND EXECUTIVES**

Managerial remuneration

779 779

Bonus

- 70

House rent allowance

351 351

Utilities

156 156

Medical

78 78

Retirement benefits

130 114

Fuel Allowance

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 :

**Transactions and balances with related parties****Associated companies**

Contribution underwritten

11,129 7,897

Takaful claims expense

6,687 1,030

Profit on bank accounts

156 112

**Balances****Associated companies**

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.

Particulars	(Audited)					
	For the year ended December 31, 2020					
	Fire and property damage	Marine, Aviation and Transport	Motor	Bankers Blanket	Other Classes	Total
<b>Participants' Takaful Fund</b>	(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
<b>Net underwriting income</b>	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
<b>Net claims</b>	(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)
<b>Surplus transferred to Balance of PTF</b>						75,855
Corporate segment assets	113,711	43,016	302,945	26,953	16,096	502,721
Corporate unallocated assets						408,440
<b>Total assets</b>						911,161
Corporate segment liabilities	127,696	48,306	340,203	30,267	18,076	564,548
Corporate unallocated liabilities						137,325
<b>Total liabilities</b>						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
<b>Operator's Fund</b>	(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
<b>Profit before taxation</b>						30,244
Taxation						(8,771)
<b>Profit after tax</b>						21,473
Corporate segment assets	37,088	14,030	98,807	8,791	5,250	163,966
Corporate unallocated assets						72,099
<b>Total assets</b>						236,065
Corporate segment liabilities	29,718	11,242	79,173	7,044	4,207	131,384
Corporate unallocated liabilities						19,671
<b>Total liabilities</b>						151,055

Particulars	(Audited)					
	For the year ended December 31, 2019					
	Fire and property damage	Marine, Aviation and Transport	Motor	Bankers Blanket	Other Classes	Total
<b>Participants' Takaful Fund</b>	(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
<b>Net underwriting income</b>	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
<b>Net claims</b>	(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)
<b>Surplus / (Deficit) transferred to Balance of PTF</b>						68,035
Corporate segment assets	75,257	19,315	252,743	12,798	11,920	372,033
Corporate unallocated assets						300,940
<b>Total assets</b>						672,973
Corporate segment liabilities	88,625	22,745	297,637	15,071	14,038	438,116
Corporate unallocated liabilities						101,135
<b>Total liabilities</b>						539,251

Particulars	(Audited)					
	For the year ended December 31, 2019					
	Fire and property damage	Marine, Aviation and Transport	Motor	Bankers Blanket	Other Classes	Total
<b>Operator's Fund</b>	(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
<b>Profit before taxation</b>						14,329
Taxation						(4,155)
<b>Profit after tax</b>						10,174
Corporate segment assets	25,999	6,673	87,315	4,421	4,118	128,526
Corporate unallocated assets						49,819
<b>Total assets</b>						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

## Balance as at 01 January 2019

	Held to maturity	Available for sale	Fair Value through P & L	Total
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

	Held to maturity	Available for sale	Fair Value through P & L	Total
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

## Balance as at 01 January 2019

	Held to maturity	Available for sale	Fair Value through P & L	Total
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

	Held to maturity	Available for sale	Fair Value through P & L	Total
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 from the principle of average and law of large numbers, geographical spread of risk is of extreme importance. There are a number of parameters which are significant in assessing the accumulation of 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 from 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 exposure 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:

Class	Maximum gross risk exposure	
	2020	2019
	(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.

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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
	<u>14,546</u>	<u>13,984</u>	<u>10,328</u>	<u>9,928</u>

## 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

OPF

31 December 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)								
<b>Financial assets</b>								
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
<b>Financial liabilities</b>								
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

PTF

31 December 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)								
<b>Financial assets</b>								
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
<b>Financial liabilities</b>								
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

OPF

31 December 2019								
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)								
<b>Financial assets</b>								
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
<b>Financial liabilities</b>								
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

PTF

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

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### 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
	<u>198,045</u>	<u>191,076</u>	<u>144,540</u>	<u>399,484</u>

#### 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
	<u>728,670</u>	<u>718,701</u>	<u>513,227</u>	<u>506,066</u>

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
				<u>44,735</u>	<u>43,469</u>

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
				<u>11,318</u>	<u>5,422</u>

### 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
	<u>114,121</u>	<u>119,232</u>	<u>80,133</u>	<u>313,486</u>	<u>228,489</u>

### 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	2019
----- (Rupees in '000) -----		
<b>OPF</b>		
Other creditors and accruals	61,241	43,758
	<u>61,241</u>	<u>43,758</u>
<b>PTF</b>		
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
	<u>427,370</u>	<u>303,755</u>

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.

### 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
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## Financial liabilities not measured at fair value

Other creditors and accruals *	-	-	-	43,758	43,758
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-	-	-	43,758	43,758
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## 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
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## 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

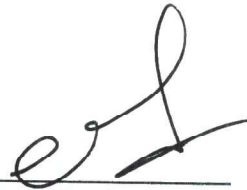
These financial statements have been authorised for issue in accordance with a resolution of the Board of Directors on \_\_\_\_\_.

### 35 GENERAL

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

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Chairman