IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO



POWER TO THE PEOPLE

# ANNUAL REPORT 2022



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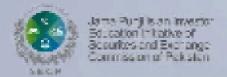
## **Key features:**

- Licensed Entities Verification
- A Scam meter\*
- Jamapunji games\*
- Tax credit calculator\*
- Company Verification
- Insurance & Investment Checklist
- 347 FAQs Answered

- Stock trading simulator (based on live feed from KSE)
- Knowledge center
- Risk profiler\*
- Financial calculator
- Subscription to Alerts (event notifications, corporate and regulatory actions)
- Jamapunji application for mobile device
- Online Quizzes







#### **COMPANY INFORMATION**

#### **Board of Directors**

Syed Akhtar UI Islam (Chairman) Sajid Jamal Abro Mushtaq Malik Raja Muhammad Abbas Zahid Hussain Khawaja Tajammul Hussain

Saleem Zamindar Hina Marvi

#### **Chief Executive Officer**

Muhammad Faisal Siddigui

#### **Chief Financial Officer & Company Secretary**

Nadeem Akhter

#### **BOARD COMMITTEES**

#### **Audit Committee**

Zahid Hussain Khawaja Tajammul Hussain Saleem Zamindar

#### **Risk Management Committee**

Mushtaq Malik Raja Muhammad Abbas Hina Marvi

#### **Human Resources Committee**

Khawaja Tajammul Hussain Syed Akhtar UI Islam Saleem Zamindar

#### **Procurement & Information Technology Committee**

Hina Marvi Zahid Hussain Khawaja Tajammul Hussain

#### **Nomination Committee**

Syed Akhtar Ul Islam Khawaja Tajammul Hussain Zahid Hussain

#### **Investment Committee**

Syed Akhtar UI Islam Zahid Hussain Saleem Zamindar Muhammad Faisal Siddiqui Nadeem Akhter

#### **MANAGEMENT COMMITTEES**

#### **Underwriting Committee**

Syed Akhtar UI Islam Muhammad Faisal Siddigui Nadeem Akhter

#### **Claim Committee**

Mushtaq Malik Raja Muhammad Abbas Muhammad Faisal Siddiqui Muhammad Sarfraz Awan

#### **Reinsurance Committee**

Syed Akhtar UI Islam Muhammad Faisal Siddiqui Nadeem Akhter

#### **Risk Management & Compliance Committee**

Syed Akhtar Ul Islam Muhammad Faisal Siddiqui Nadeem Akhter

#### **Auditors**

M/s. BDO Ebrahim & Company **Chartered Accountants** 

#### **Legal Advisor**

Muhammad Nadeem Khan

#### **Bankers**

Sindh Bank Limited NRSP Microfinance Bank Limited Telenor Microfinance Bank Limited Khushali Microfinance Bank Limited

#### **IFS Credit Rating**

A++(Double A Plus) by Rating Agency (PACRA)

#### **Company Incorporate Number**

0086229

#### **National Tax Number**

4231500-0

#### Membership

The Insurance Association of Pakistan (IAP)

#### **Registered Office/Head Office**

1<sup>st</sup> Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi, Pakistan

#### Contact

Tel : (92-21) 35640715-17 Fax : (92-21) 35640714

Email: info@sindhinsuranceltd.com Website: www.sindhinsuranceltd.com

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# Our Vision

Reaching everyone for insurance and to meet expectations of our customers and shareholders.



# Our Mission



To provide best returns to our shareholders, job opportunities to the people and premium service at competitive price to our customers.



#### **PRODUCT PORTFOLIO**

#### **Property Insurance**

Fire & Explosion
Riot Strike Damage
Malicious Damage
Atmospheric Disturbances
Earthquake
Air Craft Damage
External Explosion
Burglary
Terrorism

#### **Marine Insurance**

Cargo Export Cargo Import Cargo Inland

#### **Motor Insurance**

Comprehensive Private Car Comprehensive Commercial Vehicle Comprehensive Motorcycles Motor Third Party Insurance

#### **Engineering Insurance**

All Risk Contractors
Machinery Breakdown (MBD)
Computer Equipment
Electronic Equipment
Boiler & Pressure Vessels
Erection All Risk
Third Party Liability
Machinery Breakdown
Contractors' Plant & Machinery
Comprehensive Machinery Insurance

#### Miscellaneous Insurance

Cash in Transit
Cash in Safe
Fidelity Guarantee
Mobile Phone
All Risk
Bond
Bankers Blanket
Burglary
Product Liability
Public Liability
Workman Compensation
Commercial General Liability

#### **Accident & Health**

Health Insurance Personal Accident Insurance IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO

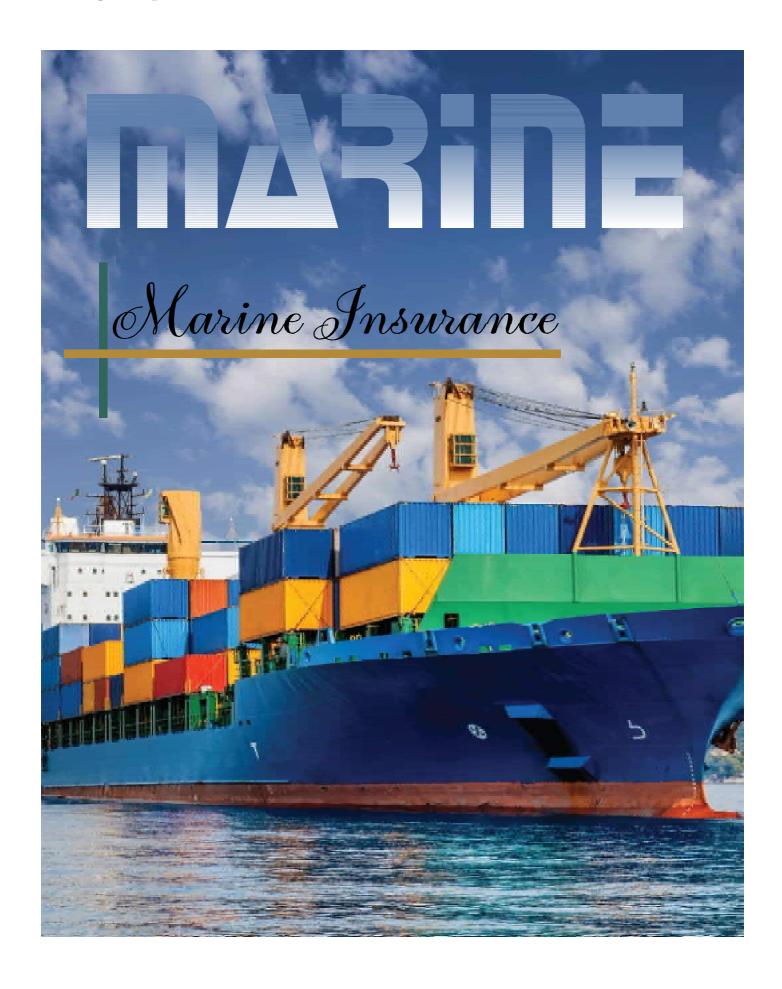


IFS Rating By

# **PACRA**



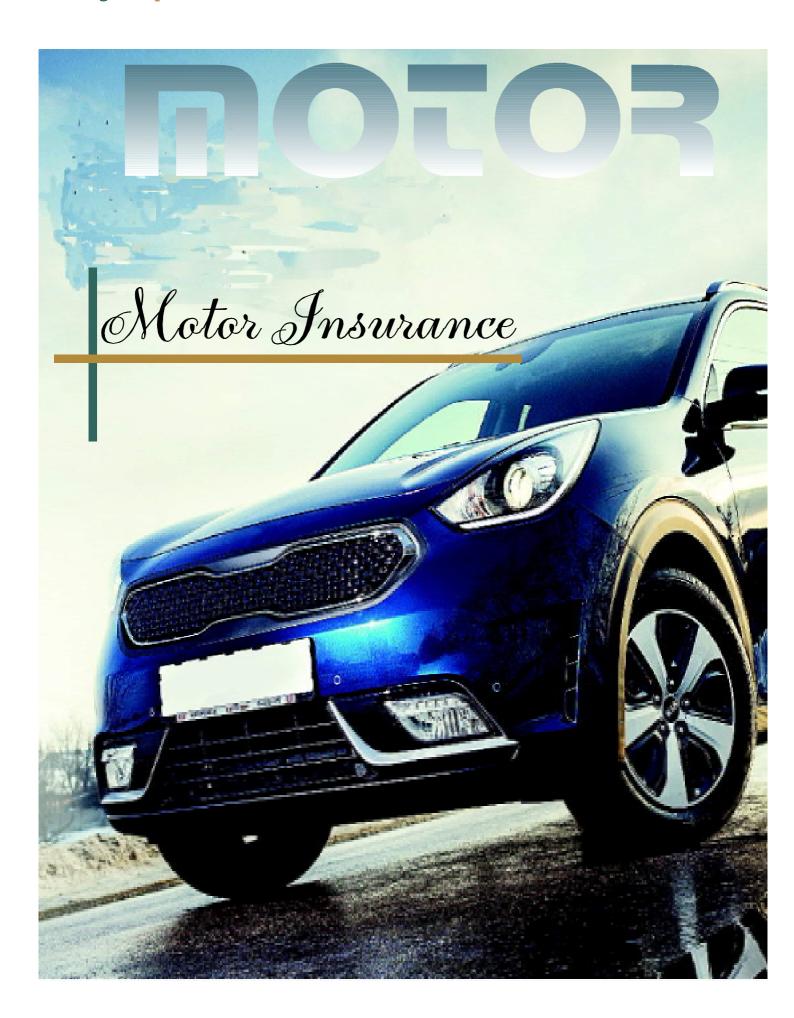




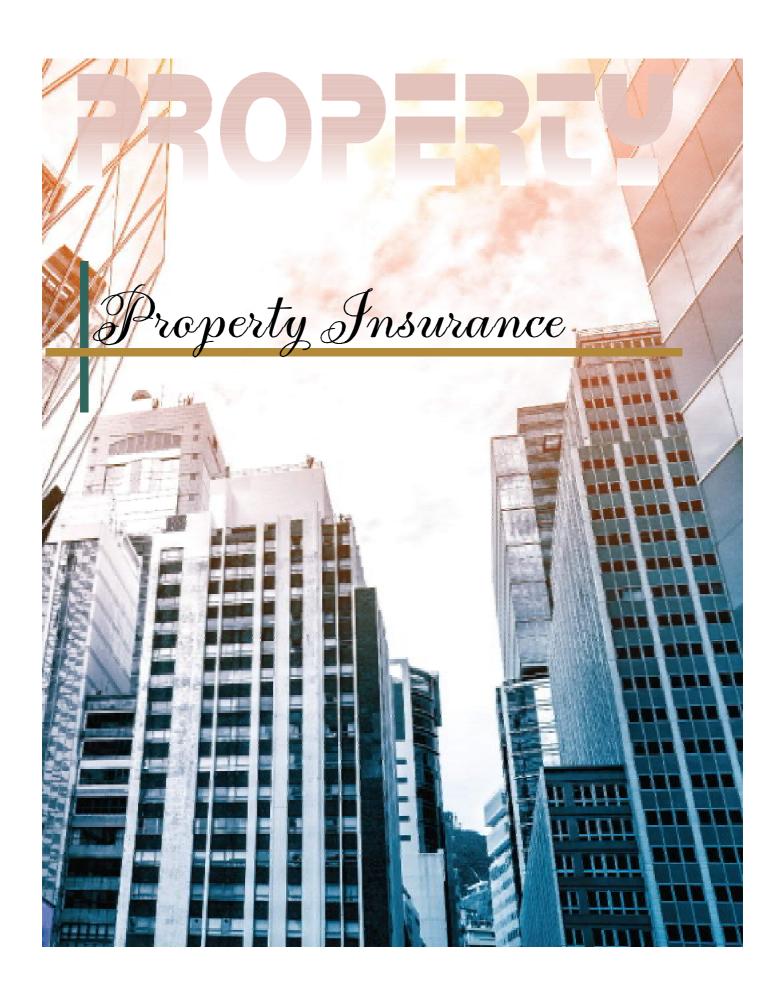
# BURGLARY

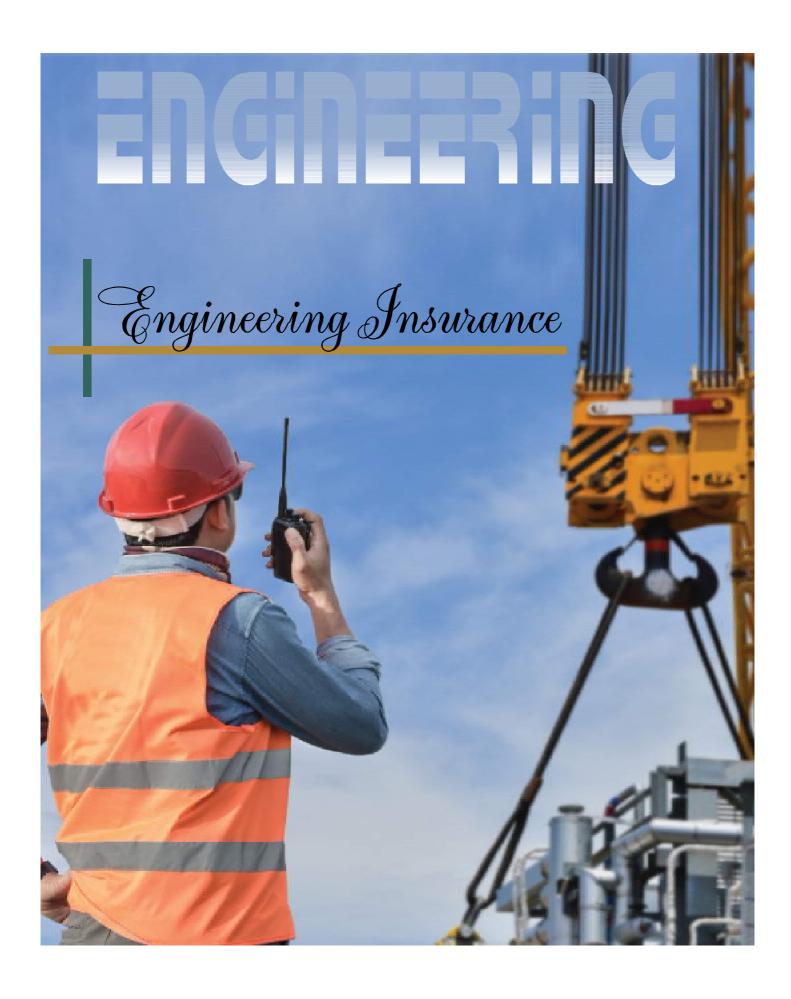
Burglary Insurance

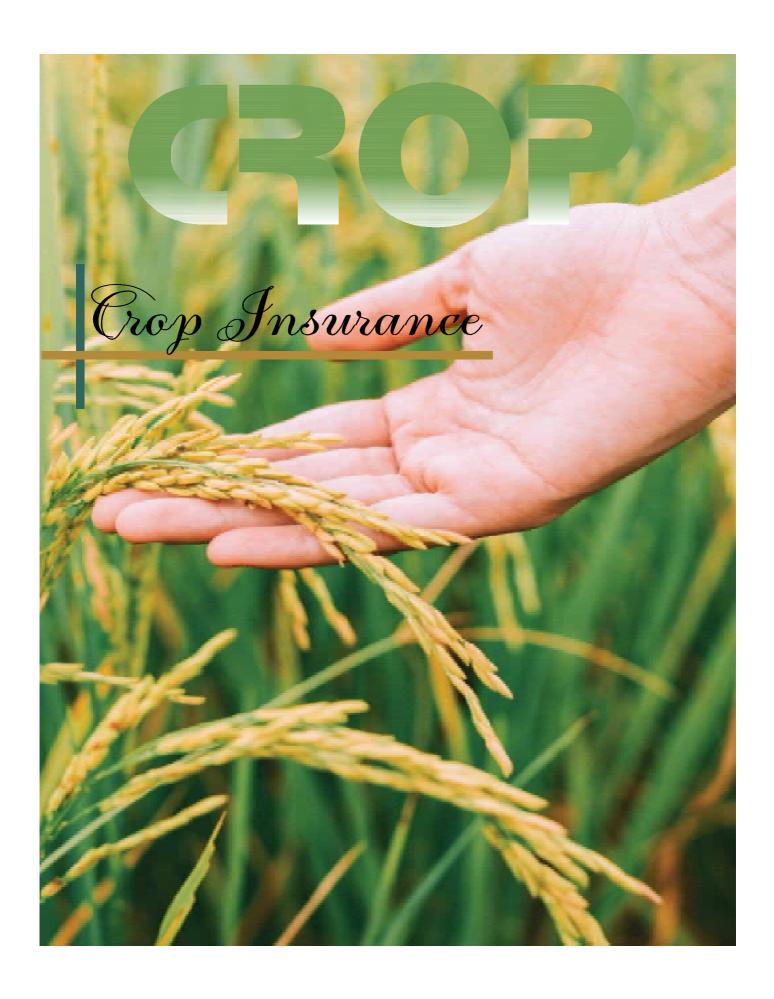


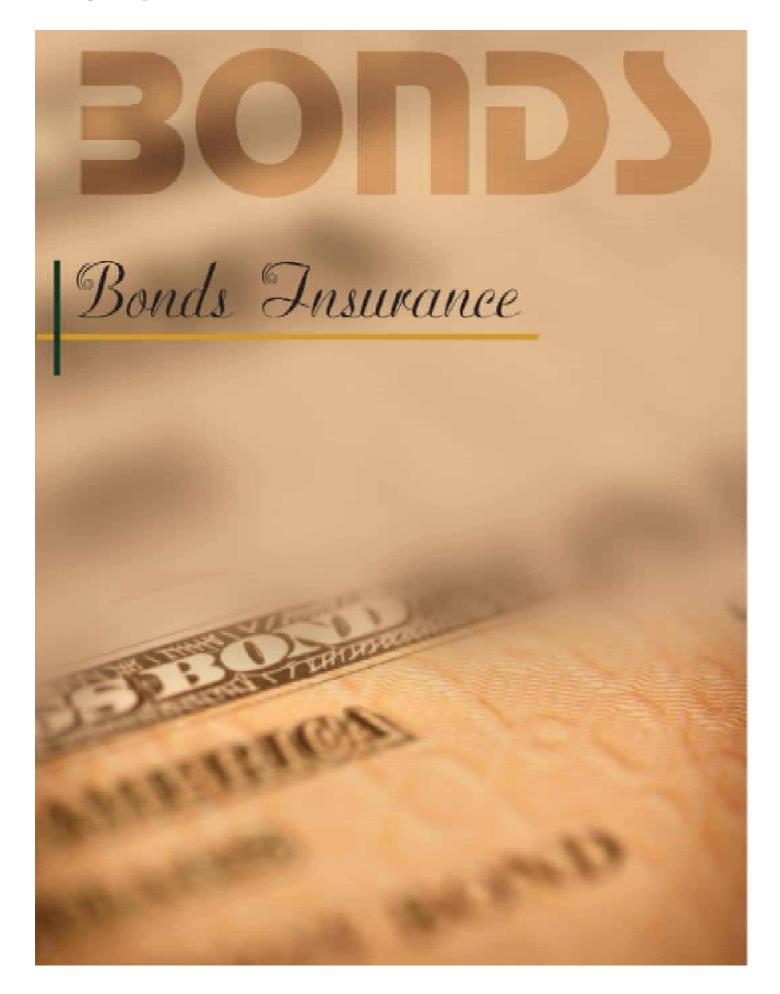


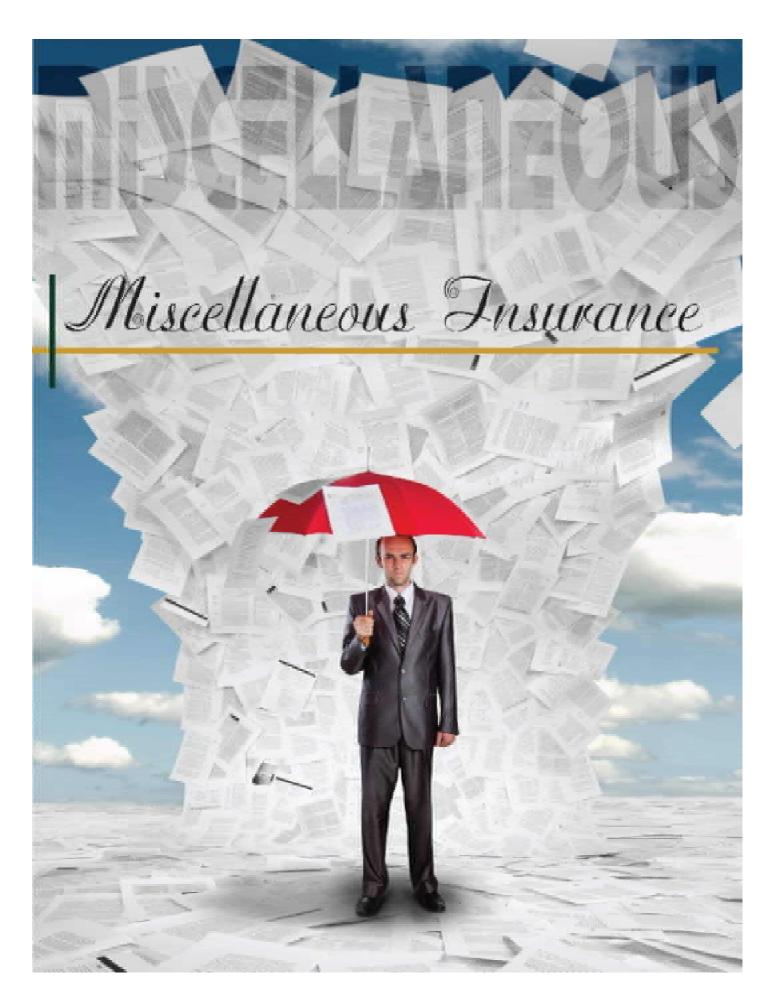


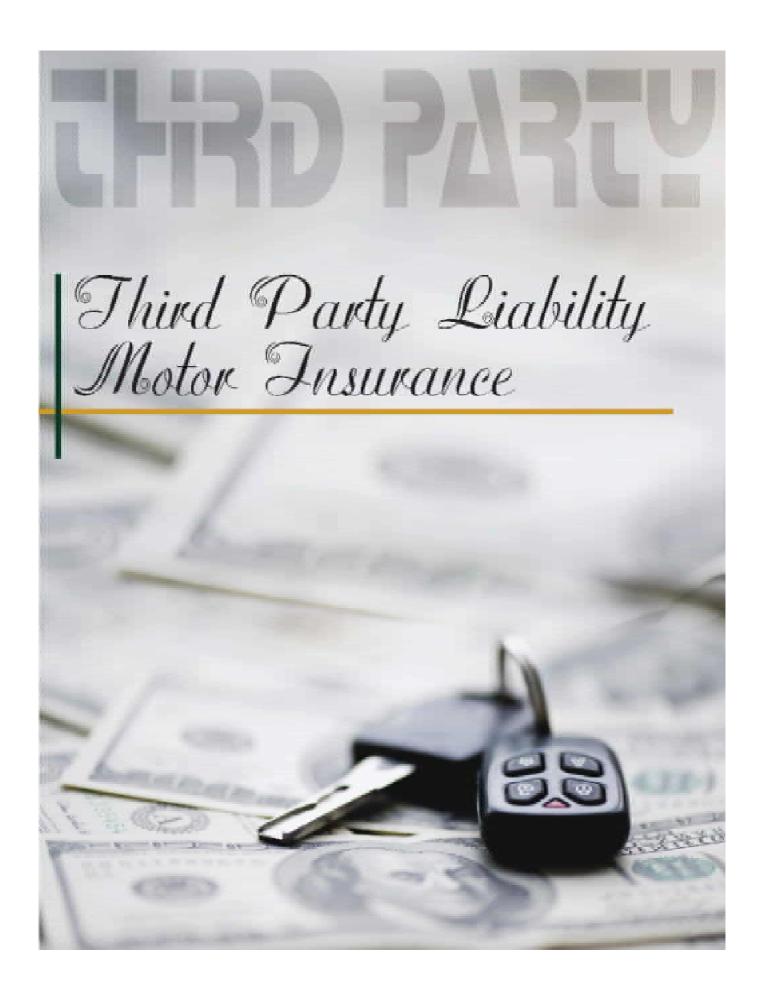














IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO



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# Another Important Step of Government of Sindh

## **UNIVERSAL ACCIDENT INSURANCE SCHEME**

GOVERNMENT OF SINDH IS PAYING AMOUNT OF

Rs. 100,000/-

THROUGH SINDH INSURANCE TO THE BENEFICIARY AGAINST ACCIDENTAL DEATH

(Terms & Conditions Apply)

# CAUSES OF ACCIDENTAL DEATH

- Terrorism
- Burning
- TARGET KILLING
- ELECTRIC SHOCK
- BOMB BLAST
- STAMPEDE
- FIRING
- FLOOD
- Building Collapse
- HURRICANE

- FALL FROM ROOF
- RIOT & CIVIL COMMOTION
- DROWNING
- INDUSTRIAL ACCIDENT
- Road/Train/Air Accident
- Murder
- SNAKE BITE
- TOXICATION
- WILD ANIMAL ATTACK
- By Poisioned Gas

SCHEME IS EFFECTIVE FROM 01ST OCTOBER, 2016

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IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO



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# حكومت سنده كاايك اوراجم قدم

# **Universal Accident Insurance Scheme**

حكومت سنده حادثاتي موت كي صورت ميس "سندھانشورنس"کے توسط سے لواحقین کو

مبلغ ایک لا کھ روپے -/Rs. 100,000

ادا کررہی ہے۔ (شرائط دضوابط لاکویں)

# حادثاتی موت کی وجو ہات

- ٹارگٹ کلنگ
  - بم دھا کہ

- ا الرنگ طوفان الرنگ طوفان الرنگ الرنگ الرنگ الرنگ الرنگ الرنگ الرنگ الرانگ الرنگ الرانگ الرنگ ا

اسكيم كااطلاق مكم اكتوبر 2016 سے ہے۔



www.sindhinsuranceltd.com

#### **BOARD OF DIRECTORS**

## SYED AKHTAR UL ISLAM Chairman / Director

Chairman/Director of Sindh Insurance Limited. Mr. Akhtar is presently Chief Executive Officer in Meridian Aviation. Also served as Chief Operating Officer in Quality Aviation Services. He have extensive experience of cargo marketing in Pakistan International Air Lines for more than thirty years. He have graduation in Political Sciences.

#### **SAJID JAMAL ABRO**

#### Director - Representing Government of Sindh

Mr. Sajid Jamal Abro is a career civil servant working in the Government of Sindh since 1992. He is currently serving as Secretary, Finance Department, Government of Sindh since January, 2022. Previously, he has served as Principal Secretary to Chief Minister Sindh, Secretary (GA), SGA&CD Department, Secretary Agriculture, Supply and Prices Department, Secretary (Services) SGA&CD Department, Commissioner Hyderabad Division, Managing Director Sindh Public Procurement Regulatory Authority, Secretary, Miniorities Affair Department, Secretary, Land Utilization Department and various positions in Sindh.

He also holds a bacherlor's degree in Law and Master's of Economics.

#### MUSHTAQ MALIK

#### Director

He enjoys excellent working relations with the political as well as bureaucratic elite of Pakistan. He has worked at the topmost positions in some of the important military/civil and public sector organizations of Pakistan. He headed the Board of Investment (BOI) and Pakistan Electronic and Media Regulatory Authority (PEMRA) and has represented Pakistan at various international forums. Mr. Malik has been an Economic Minister and Financial Advisor in the Embassy of Pakistan at Washington, United States of America. He holds a Master's degree in Economics from Boston University, USA. He also possesses MBA degree with specialization in International Business Management and Marketing from Boston University.

#### **RAJA MUHAMMAD ABBAS**

#### Director

Mr. Raja Muhammad Abbas is a retired senior bureaucrat and served in the federal and provincial governments for over two decades. He remained Secretary Board of Investment and Ministry of Interior, Chairman State Engineering Corporation and Chief Secretary Government of Sindh. He attended various seminars and training sessions regularly both local and international.

#### **ZAHID HUSSAIN**

#### Director

Mr. Hussain a seasoned banker has professional experience of around three decades in Branch Banking, Marketing, Sales, Credit, Operation, Foreign Trade and Training with a leading foreign and local banks. Designated trainer on a project and conducted training for staff in UAE, Qatar, Jordan and Bangladesh. He worked at senior-management level position in respective banks. He received his bachelors degree from University of Karachi.

#### KHAWAJA TAJAMMUL HUSSAIN

#### Director

Mr. Hussain holds a Master's degree in Economics. He also holds LLM degree which is treated to be equivalent to M.Phil. by HEC. He is presently enrolled for Ph.D program in Labour Laws with School of Law, University of Karachi. He also holds the prestigious Fellow Membership of The Institute of Bankers Pakistan (IBP). Mr. Hussain started his career in Banking in January 1983 when he joined NDFC and worked there in various capacities till March 2002. During his association with NDFC he remained posted at various leading branches and Head Office including Chairman's Sectt. He also remained associated with NBP for sometime after NDFC's amalgamation with NBP. In April 2002, he moved to PICIC Commercial Bank and rose to the level of SVP. He also looked after HR of PICIC Commercial Bank prior to its formal amalgamation with NIB Bank till mid-November 2007. In November 2007, he joined MyBank as SVP/Head of HR and worked there till mid-November 2010. Subsequently, he was selected for the position of Head of HR in newly established Sindh Bank Limited in November 2010 and he remained associated with Sindh Bank for more than a decade i.e. upto April 2021. Last position held by Mr. Hussain in Sindh Bank was that of SEVP/Head of HR & Training.

#### **HINA MARVI**

#### Director

Ms. Hina Marvi has done a Bachelor of Architecture (B. Arch) and a Master in City and Regional Planning (M. CRP), from Mehran University of Engineering and Technology, Jamshoro. Her PhD of City and Regional Planning (PhD. in CRP) is in progress. She is an Architect and academician; having over 16 years of experience of teaching Architecture as Lecturer/Assistant Professor at Shaheed Allah Buksh Soomro University, of Art Design and Heritages, Jamshoro. Currently she is Chairperson at Department Architecture and Planning, Shaheed Allah Buksh Soomro University of Art, Design and Heritages, Jamshoro. Ms. Hina Marvi is Associate member at Institute of Architects Pakistan and Life Member at Pakistan Council of Architects and Town Planners. Her research work and architectural Documentation of Jam Nizam Ud Din Samoo Tomb, Makli, Thatta is published in International Research Journal of Innovations in Engineering and Technology (IRJIET). Her other research work is on Urban Landscape of Hyderabad and its Impact on social Life and Redesigning Gymkhana at Sukkur.

#### **SALEEM ZAMINDAR**

#### Director

Mr. Saleem Zamindar has a Bachelor of Arts (BA) degree in Economics from Boston University, USA and a Master of Business Administration (MBA) from Durham University Business School, UK. He has over 26 years of experience across several countries in investment management, board level general management in public & private sector, international banking, think tanks, private country clubs & international organizations like English Speaking Union & Rotary International. He is a Certified company Director by the Pakistan Institute of Corporate Governance and additionally also holds the globally prestigious Certificate in Company Direction from the Institute of Directors (IoD) UK. He is an IFC Certified Trainer on Corporate Governance and is a member of the faculty of Pakistan Institute of Corporate Governance (PICG). He serves on the Board of Directors of several publicly listed & private limited companies. He is the past President of the Rotary Club of Karachi, the largest and oldest Rotary Club in District 3271 and also a Paul Harris Fellow. He is a former member of the Managing Committee of the Karachi Boat Club, and current member of the Board of Governors of the Karachi Council on Foreign Relations & Life Member of English-Speaking Union. Mr. Zamindar attended the World Economic Forum at Davos, Switzerland in January 2019 as part of the Pakistan private sector delegation.

#### **DIRECTORS' REPORT TO THE SHAREHOLDERS**

The Directors of your company are pleased to present the Annual Report along with the Audited Accounts and Auditors' Report for the year ended December 31, 2022.

#### **Country Review**

Pakistan's economy is forecast to slow to 3.5% in fiscal year (FY) 2023 (ending 30 June 2023) amid devastating floods, policy tightening, and critical efforts to tackle sizable fiscal and external imbalances, even as growth in FY2022 is expected to have reached 6.0%. Gross domestic product (GDP) growth in Pakistan in FY2022 was propelled by higher private consumption and an expansion in agriculture, services, and industry particularly large-scale manufacturing. But in FY2023 as well as climate headwinds and Pakistan's critical policy efforts. Lower growth projection also reflects double-digit inflation.

The recent devastating floods in Pakistan add profound risk to the country's economic outlook. Pakistan hopes that flood related reconstruction and economic reforms will catalyze significant international financial support, stimulate growth, and preserve social and development spending to protect the vulnerable. International donors are preparing a package of relief, rehabilitation, and reconstruction to support people, livelihoods, and infrastructure immediately and in the long-term.

The economic outlook will be shaped largely by the restoration of political stability and the continued implementation of reforms under the revived International Monetary Fund program to stabilize the economy and restore fiscal and external buffers. According to the update, private consumption expanded by 10% in FY2022 resulting in improved employment conditions and higher household incomes. Agriculture output increased by 4.4% in FY2022 supported by strong performances in crops and livestock. Agriculture growth is expected to moderate due to flood damage and high input costs next year, which may diminish services growth, particularly wholesale and retail trade.

In FY2023, fiscal adjustments and monetary tightening are expected to suppress domestic demand. A contraction in demand, together with capacity and input constraints created by higher import prices from the rupee's depreciation, will reduce industry output. Inflation accelerated sharply in the fourth quarter (April–June) of FY2022, spurred by the removal of fuel and electricity subsidies, a significant depreciation in the rupee, and the surge in international commodity prices. Inflation spiked to 21.3% in June, its highest since 2008, lifting average headline inflation to 12.2% in FY2022. Inflationary pressures will remain high in FY2023 with inflation forecast to rise to 18%. In addition to the floods, the elevated inflation rate along with possible fiscal slippages as general elections approach, and a higher-than-projected increase in global food and energy prices, remain downside risks to the outlook.

#### **Company Performance**

During the year under review, it is notable to state that Sindh Insurance's gross premium written crossed one billion threshold and reached Rs. 1,055.482 million as compared to the last year gross premium written of Rs. 714.554 million. The profit before tax has reached to Rs. 572.370 million in 2022 as compared to Rs. 404.611 million in 2021. The earnings per share was 3.65, wherein, last year it was 2.89.

The underwriting results were Rs. 34.325 million as compared to Rs. 28.994 million in year 2021. The investment income increased to Rs. 520.840 million as compared to Rs. 374.010 million. In the market higher rate of returns are prevailing, which played important part for increase in investment income.

#### Below are key financial figures for last two year:

	2022	2021
Gross Premium	1,055,482,041	714,554,286
Net Premium Revenue	202,620,618	85,966,268
Underwriting Results	34,325,458	30,030,772
Investment Income	520,840,420	374,010,333
Profit before tax	572,370,417	404,611,128
Profit after tax	364,810,587	288,703,182
Earning per share	3.65	2.89

#### **Insurance Sector Review**

Strong demand for insurance of vehicles, property, health and other insurances across Pakistan are driving the revenues of insurance companies in the country. Growing life expectancy, tax incentives on insurance products, favorable savings associated with insurance are further encouraging the customers across insurance segments. Pakistan's insurance industry is facing stiff competition as the insurance companies not only compete with each other, but also compete with the risk retention groups, government, and self-insurance. The companies generally compete mainly based on two factors including the quality of the services and price that they provide. Many large organizations self-insure for most of their employee benefits like health coverage that lowers market scope for insurance companies.

Economic growth, rising government spending, technological innovations and increased consumer awareness about insurance products are key market drivers in Pakistan. The government's policy of insuring the uninsured has progressively pushed the insurance penetration in Pakistan and the proliferation of insurance schemes. The increasing number of digital distribution channels is favoring the insurers to easily obtain insurance policies. Insurtech, messaging platforms, and online sales channels are contributing to the insurance landscape in the country.

Through different distribution channels, insurance companies in Pakistan are providing a wide variety of products with varying levels of complexity that are designed for different groups of businesses, individuals and other organizations. This will provide ways to meet the emerging demands of every end-use customer and propel net sales. Local market players in the country are focusing on marketing their competitive edge by rolling out more plans customized to diverse sectors and developing more innovative digital features.

The insurance penetration rate in Pakistan remains low, with a ratio of premiums to GDP of less than 1%. This suggests that there is still a large untapped market for insurance products in the country. However, the regulatory environment for the insurance sector has been improving in recent years, with the State Bank of Pakistan issuing new guidelines in 2022 to promote growth, innovation, and competition in the industry.

These guidelines include measures such as allowing new entrants to obtain an insurance license more easily, increasing the minimum paid-up capital requirements for insurers, and encouraging the use of technology in insurance operations. The insurance industry in Pakistan has been growing steadily over the past few years, with an average annual growth rate of around 12% over the past decade, and this growth is expected to continue in the coming years.

Overall, the insurance sector in Pakistan faces challenges but also has the potential for continued growth and development in 2023 and beyond, given the large untapped market and favorable regulatory environment

#### **Window Takaful Operations**

Securities and Exchange Commission of Pakistan (SECP) granted license to the Company to act as Window Takaful Operator on September 22, 2016 under Takaful Rules, 2012. The Company commenced its Window Takaful Operation in year 2016.

The contribution written for the year 2022 was Rs. 13.581 million as compared to Rs. 19.280 million in the comparative year. During the year under review, Participant Takaful Fund surplus was Rs. 10.282 million and Operators Fund profit was Rs. 4.263 million. The total investment portfolio of window takaful operations reached to Rs. 101.067 million as compared to last total investment portfolio of window takaful operation of Rs. 86.605 million. A slow but consistent growth in takaful business profitability will give strength to the footing of takaful operations of the Company.

#### Reinsurance

During the year, Hannover Re – Malaysia, PRCL –Pakistan, Trust Re – Bahrain, Labuan Re - Malysia, Arab Re – UAE and Tunis Re - Tunisia participated in the Re-insurance Conventional Treaty for the year 2022. The panel of Reinsurers led by Hanover Re

For the Window Takaful Operations, PRCL – Pakistan, Labuan Re, Malaysia, Arab Re – UAE and Tunis Re – Tunisia participated in the Re-Takaful Treaty for the year 2022.

#### **Corporate and Financial Reporting Framework**

The Board is aware of its responsibility under the Company law and the Public Sector Companies (Corporate Governance) Rules, 2013, and Code of Corporate Governance for Insurers 2016 issued by the Securities and Exchange Commission of Pakistan (SECP). Accordingly, the Board is pleased to state as follows:

- The Board has complied with the relevant principles of corporate governance, and has also identified the rules that have not been complied with and reasons for such non-compliance.
- The financial statements prepared by the management of the Company, presented fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.

- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting
  estimates are based on reasonable and prudent judgment.
- The Directors recognize their responsibility to establish and maintained a sound system of internal control, which is regularly reviewed and monitored.
- International Financial Reporting Standards and International Accounting Standards, or any other regulation or law including Shariah guidelines and principles, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.
- There are no material departure from the best practices of corporate governance.
- There are no doubts upon the company's ability to continue as a going concern.
- Key operating and financial data is included in the Report.
- The appointment of Chairman and other members of Board and the terms of their appointment along with the remuneration policy are in the best interest of the Public Sector Company as well as in line with the best practices.
- The statement of shareholding in the Company as on December 31, 2022, is included in the Report.
- The value of investment in the Provident Fund as on December 31, 2022, was Rs. 22,079,776/- and the value of investment in the Gratuity Fund as on December 31, 2022, was Rs. 9,211,836/-

#### **Board Meetings**

During the year, five (5) meetings of the Board of Directors were held and attendance position was as under:

Serial No.	Name of Director	Number of Meetings Attended
01	Mr. Sajid Jamal Abro	04
02	Mr. Mushtaq Malik	05
03	Mr. Raja Muhammad Abbas	05
04	Mr. Syed Akhter Ul Islam	05
05	Mr. Zahid Hussain	05
06	Mr. Khawaja Tajammul Hussain	05
07	Mr. Saleem Zamindar	05
08	Ms. Hina Marvi	05

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

#### **Achievements**

We are pleased to announce that our company has reached a new milestone in the past year by writing one billion rupees in premium. This is a significant achievement that demonstrates the strength and growth of our business.

Our team of dedicated professionals has worked tirelessly to achieve this record-breaking milestone. It is a testament to their hard work, determination, and commitment to excellence that we have achieved this remarkable feat. We are confident that our continued focus on providing exceptional customer service and innovative products will enable us to achieve even greater success in the future. We believe that our continued growth will translate into even more significant returns for our valued shareholders.

On behalf of the Board of Directors, we would like to thank you for your ongoing support and trust in our company. We remain committed to delivering outstanding results and creating long-term value for our shareholders.

Your Company continued to provide accidental insurance coverage of Rs. 100,000/- to all adult residents of Sindh Province under the "Universal Accident Insurance and Social Benefit Scheme". This scheme provides social protection in the event of accidental death of a family member or bread earner. The Company appointed their representatives in each district of Sindh Province, which in return improved the performance of the product and resulted three times increase in the reported incidents. At the year end since inception of scheme 5625 accident victims families approached Sindh Insurance to get accidental insurance coverage of Rs. 100,000/-. The scheme shared the benefits to more than 4100 families since its inception by more than Rs. 410 million.

#### Insurer Financial Strength (IFS) Rating

Pakistan Credit Rating Company Limited (PACRA) has been upgraded by Insurer Financial Strength (IFS) rating of the Company at "A++" (A Double Plus). The rating denotes strong capacity to meet policyholders and contract obligations.

#### **Performance Evaluation**

The Board has carried out performance evaluation of its members, including the Chairman and the Chief Executive Officer, on the basis of process developed by it. The Board has also monitored and assessed the performance of senior management on annual basis.

#### **Corporate Social Responsibility**

Sindh Insurance ensures its role of a Responsible Corporate citizen by conducting business in a socially responsible and ethical manner, protecting the environment, and supporting the communities and cultures with which it works. To save the victims of floods the Company donated Rs. 20 million through various deputy commissioners of GoS.

#### **Statement of Code of Conduct**

The Board has adopted the statement of Code of Conduct. The code has been conveyed to all employees and directors, who have signed the same and are required to observe rules of conduct in relation to business and regulations.

#### **Material Changes**

There have been no material changes since December 31, 2022 and the Company has not entered into any commitment, which would affect its financial position at that date.

#### Dividend

No dividend was declared in the year ended December 31, 2022.

#### **Auditors**

M/s BDO Ebrahim & Company, Chartered Accountants have audited the accounts for the year 2022. The Audit Committee has recommended the appointment and fixation of audit fee of external auditors as per regulations.

#### **Future Outlook**

The company is working to procure captive insurance business related to un-insured properties and funds of the GOS, for which the Company has right to provide insurance coverage under "The Sindh Insurance of Public Property Act, 2015". We are already working to provide health insurance coverage to the employees of all departments of GOS. These unexplored opportunities will add strength and impact positively on the financial position of the Company. As per advice of the Board the Company extending its private business portfolio and capacity to take risk exposure from the market.

#### Acknowledgement

The directors would like to take this opportunity to express their sincere gratitude to the Government of Sindh, Ministry of Commerce Government of Pakistan, Securities and Exchange Commission of Pakistan (SECP), Insurance Association of Pakistan (IAP) and Sindh Bank Limited for their continued guidance and support.

Further, the Board also wishes to record its appreciation for the staff and policyholders for their dedication and support.

For and on behalf of the Board of Directors

Akhtar Ul Islam Chairman Muhammad Faisal Siddiqui Chief Executive Officer

March 03, 2023

# ڈائر کیٹرز کی رپورٹ برائے صص یافتگان

31 دسمبر2022 كواختنام پذيرسال پرآپ كى كىپنى كە دائر كىٹر زسالاندر پورٹ مع پڑتال شدہ گوشوارے اورآ دیٹر كی رپورٹ پیش كرتے ہوئے خوشی محسوں كرتے ہیں۔

# ملكى حائزه

تباہ کن سیاب، مالیاتی تختی اور وسیع اقتصادی اور بیرونی عدم توازن سے نبرد آزماء ہونے کے لیے کئے جانے والے اقد امات سے توقع ہے کہ پاکستان کی معیشت اقتصادی سال 2022 جس کا اختیام جون 2023 پر ہوگا) ست روی کا شکار ہوکر 5. فیصدر ہے گی، جبکہ اقتصادی سال 2022 میں شرح نمو 6 فیصد تک رہنے گ توقع ہے۔ مالی سال 2022 میں پاکستان کی مجموعتی قومی پیداوار (GDP) میں تیزی کی وجہ نجی کھیت میں اضافہ اور زراعت، خدمات اور صنعت خاص طور پر بڑے پیانے کے پیداواری اداروں میں توسیع تھا۔ لیکن مالی سال 2023 میں موسمیاتی تبدیلیوں اور پاکستان کی اہم پالیسی کی کوششوں کے باوجود تخمینہ ہے کہ کم تر نمو کے ساتھ ساتھ افراط زر دوہر سے ہند سے (digit-double) میں رہے گی۔

حالیہ تباہ کن سیلاب نے پاکستان کے معاثی منظرنا مے کوشد یدخطرے میں ڈال دیا ہے۔ پاکستان کوامید ہے کہ سیلاب سے متعلق تغییر نو اور معاثی اصلاحات قابلِ ذکر مین الاقوامی مالی جہائت حاصل ہوگی جو نمو کو بڑھاوا دے گی اور زویندیر (vulnerable) طبقے کے تحفظ کے لیے ساجی اور ترقیاتی اخراجات کی مدمیں وسائل میسر ہونگے۔ بین لاقوامی امدادی ادارے بحالی اور تغییر نو کے لیے عوام کی معاونت، روزگار اور بنیادی ڈھانچے کی از سرِ بحالی کے لئے مختصر اور طویل مدتی امدادی بیکن کی تیاری کی مکررہے ہیں۔

معاثی منظرنا ہے کی حتی اثرات کا انتصار سیاسی استحکام کی بحالی اور بین الاقوامی مالیاتی فنڈ (IMF) کے بحال ہوتے ہوئے پروگرام کے تحت اصلاحات کے مسلسل نفاذ پر ہے تاکہ معیشت کو متحکم کیا جا سکے اور مالی اور بیرونی بفرز (buffers) کو بحال کیا جائے۔ تازہ ترین صور تحال کے تحت، مالی سال 2022 میں چیزوں کے تجی کفیت میں 10 فیصد کا اضافہ ہوا جس کا بتیجہ روزگا رکی بہتر صور تحال اور گھر بلوآ مدینوں میں اضافہ تھا۔ مالی سال 2022 میں زرعئی پیداوار میں 4.4 فیصد اضافہ ہوا جس کی بدولت فصلوں اور مال مولیثی کی پیداوار میں مضبوط کار کردگی رہی۔ سیلا بی نقصانات اور پیداوار کی اشیاء کی لاگت میں اضافہ کے باعث آئندہ سال زرعی پیداوار کم رہنے کی تو قع ہے سے جو خدمات کی نمو خاص طور تھوک (wholesale) اور پر چون (retail) کی تجارت میں کمی کا باعث بن سکتی ہے۔

توقع ہے کہ مالی سال 2023 میں مالیاتی ردوبدل اور مالیاتی نظم وضبط ملک کی واخلی طلب میں کمی کاباعث ہوں گی۔ ملکی طلب میں کمی کے ساتھ ساتھ استعداد میں کی اور روپے کی قدر میں کمی کے باعث پیداوار اور درامدی اشیاء کی لاگتوں میں اضافے کے سبب ہونے والی مشکلات صنعتی پیداوار میں کمی کا باعث ہوگی۔ مالی سال 2022 کی چوتھی سہ ماہی (اپریل – جون) میں افراط زر کی رفتار میں تیزی سے اضافہ ہوا، جس کی وجہ ایند صن اور گیس میں دی گئی مالی اعانت کا خاتمہ، روپے کی قدر میں خاصی کمی اور اجناس کی مین الاقوامی قیمتوں میں تیزی سے اضافہ تھیں۔ مالی سال 2022 کا اوسط 12.2 فیصد افراط زر جون میں بڑھ کر 20.3 فیصد ہوگیا جو 2008 سے اب تک کی بلندترین سطح ہے۔ 2023 میں افراطی دباؤ بلندر ہے گا افراط زرکا اندازہ بڑھ کر 18 فیصد رہے گا۔

ائیشن کی آمد کے سبب سیلاب کے علاوہ ہڑھی ہوئی افراط زر کی شرح اور مکنہ مالی گراوٹ اور عالمی غذائی اشیاء اور توانائی کی قیمتوں کے بارے میں لگائے گئے اندازوں سے زیادہ قیمتیں مستقبل کے منظرنا سے کامنٹی پہلور ہے گا۔

# سمپتی کی کارکردگی

یہ بات خاص طور پر بیان کرنے کی ہے کہ ذیر جائزہ سال کے دوران سندھ انشورنس کا تحریر شدہ مجموعی پر بمیم ایک ارب کا سنگ میل عبور کرکے 1,055.482 ملین رو پے تک پہنچ گیا ہے جبکہ اس کے مقابلے میں گذشتہ سال تحریر شدہ مجموعی پر بمیم 414.554 ملین رو پے تھا۔ سال 2022 میں قبل از محصول منافع 572.370 ملین رو پے تک پہنچ گیا تھا جو کہ سال 2021 میں 404.611 ملین رو پے تھا۔ آمدنی فی حصص 3.65رو پے رہی جبکہ گذشتہ سال آمدنی فی حصص 2.89 روپے تھی۔ سال کے دوران انڈررائنگ کے نتائج 33.325 ملین روپے پررہے جبکہ اس کے مقابلے میں سال 2021 میں پید28.994 ملین روپے تھے۔ سر مابیکاری سے آمدن بڑھ کر 520.840 ملین روپے ہوگئ جبکہ اس کے مقابلے میں گذشتہ سال اس کی مالیت 374.010 ملین روپے تھی۔ مارکیٹ کے زیادہ منافع کی موجودہ شرح نے سر مابیکاری آمدنی کے بڑھانے میں اہم کردار اداکیا۔

# گذشته دوسالوں کے اہم مالیاتی اعدادوشار درج ذیل ہیں:

2021	2022	
714,554,286	1,055,482,041	
85,966,268	202,620,618	
30,030,772	34,325,458	
374,010,333	520,840,420	
404,611,128	572,370,417	
288,703,182	364,810,587	
2.89	3.65	

مجوئ پر پمیم خالص پر پمیمآ مدن انڈررائٹنگ نتائج مرماییکاری سے آمدن قبل ازمحصول منافع بعدازمحصول منافع فی حصص منافع

# انشورنس شعبے كا جائزه

پاکستان چر میں موٹرگاڑیوں، پراپرٹی، صحت اور دیگر چیزوں کی انشورنس کی بڑھتی طلب، ملک بھر میں انشورنس کمپنیوں کی مال گذاریوں (revenue) میں اضافے کامحرک ہیں۔ زندگی کا تحفظ کے رحجان میں اضافے، انشورنس مصنوعات پڑئیس کی ترغیبات، انشورنس کے ساتھ نسلک مناسب بچت جیسے پرکشش مواقع صارفین کو انشورنس کے استعمال کی طرف راغب کرنے کا باعث ہیں۔

پاکستان کی انشورنس کی صنعت کوسخت مقابلے کا سامنا ہے کیونکہ انشورنس کمپنیاں نہ صرف آپس میں مقابلہ کررہی ہیں بلکہ ان کا مقابلہ رسک ریٹیشن گروپس ( retention groups ) ہے بھی ہے۔ عام طور پر انشورنس کمپنیاں کی مسابقت دوعناصر بشمول خدمات کا معیار اور پیش کردہ قیمت کی بنیاد پر ہوتی ہے۔ بہت می بڑی کمپنیاں اپنے زیادہ تر ملاز مین کو صحت سے متعلق فوائد فراہم کرتی ہیں جس سے انشورنس کمپنیوں کی مارکیٹ کا دائرہ کارگھٹ جاتا ہے۔

پاکتان میں انشورنس کی مصنوعات کے اضافے کے سلسلے میں معاشی نمو، حکومت کے بڑھتے ہوئے اخراجات، ٹیکنالوجی میں جدت اور صارف کی بڑھتی ہوئی آگاہی مارکیٹ کے بنیادی محرکات ہیں۔ حکومت کی غیر بیمہ شدہ کا بیمہ کروانے کی پالیسی نے پاکتان میں انشورنس کا ہر شعبے میں بتدریج اضافہ ہوا ہے اور اس کے سبب انشورنس کی اسکیموں میں تیزی سے اضافہ دیکھا گیا ہے۔ تیزی سے بڑھتے ہوئے برقیاتی ذرائع انشورنس کے آسان حصول میں معاونت کر رہیں ہیں۔ انشور ئیک (Insurtech) بیغام رسانی کے پلیٹ فارم اور آن لائین فروخت کے ذرائع ملک میں انشورنس لینڈ اسکیپ (Landscape) میں حصد ڈال رہے ہیں۔

پاکتان میں انشورنس کمپنیاں ،مختلف ذرائع سے کی اقسام کی مصنوعات، کاروباری گروپس، افراد اوردیگراداروں کوپیش کررہی ہیں۔ بی حکمتِ عملی صارفین کی انجرتی ہوئی طلب کو پورا کرے گی اورخالص سیلز کو بھی بڑھا کیس گی مارکیٹ کے کھلاڑیوں نے اپنی توجہ سابقتی ایج (edge) کی مارکیٹنگ پررکھی ہے اوراس کے لیے مختلف سیکٹرز کے ضرورت کے مطابق تیار کر کے بیش کررہے ہیں اور زیادہ جدت پسندی کی ڈیجیٹل خصوصیات کی تیاری کررہے ہیں۔

پاکتان میں انشورنس کے سرایت کرنے کی شرح کم رہتی ہے جس کے پریمیم کا مجموعی قومی پیداوار کا تناسب ایک فیصد ہے کم ہے۔ بیظا ہر کرتا ہے کہ ملک میں انشورنس کی صنعت میں نموہ جدت اور مسابقت کو فروغ دینے کے سلسط میں ہدایات کی مصنوعات کی بہت گنجائش ہے۔ تا ہم، بینک دولت پاکتان کی 2022 میں انشورنس کی صنعت میں نموہ جدت اور مسابقت کو فروغ دینے کے سلسط میں ہدایات کی میں جس سے حالیہ سالوں میں انشورنس کیٹی کے انضباطی (regulatory) ماحول میں بہتری آتی رہی ہے۔ ان ہدایات میں، نئی انشورنس کمپنی کے لیے آسانی

سے النسنس کا حصول، انشورنس کمپنیوں کے کم سے کم اداشدہ سرمائے کی حدیث اضافہ اور انشورنس کے آپریشن میں ٹیکنالو، بی کے استعمال جیسے اقد امات شامل ہیں۔ گذشتہ چند سالوں میں، پاکستان میں انشورنس کی صنعت با قائدگی سے ترقی کی جانب گامزن ہے، جس کی گذشتہ دہائی میں سالا نہ اوسط ترقی کی شرح تقریباً 12 فیصدر ہی اور توقع ہے آنے والے سالوں میں ترقی کا سفر جاری رہے گا۔ مجموعی طور پر، پاکستان میں انشورنس سیکٹر کو مشکلات کا سامنا ہے لیکن اس میں صلاحیت ہے کہ نمواور ترقی کا سفر 2023 اور اس کے بعد بھی جاری رہے بشرطیکہ انشورنس سیکٹر میں غیر استعمال کی ہوئی گنجائش کو استعمال کیا جائے اور اس کے ساتھ ساتھ بہتر انضباطی ماحول فرا ہم کیا جائے۔

# ونڈو نکافل آپریشنز

۔ ری تکافل کے توائد 2012 کے تحت، سیکوریٹر اینڈ ایکیچنج کمیش آف پاکستان (SECP) کی جانب سے 22 ستبر 2016 کو کمپنی کو ونڈو تکافل آپریٹر کے طور پر کام کرنے کا اجازت نامہ جاری کیا۔ کمپنی نے ونڈو تکافل آپریشن کا آغاز دسمبر 2016 سے کیا۔

سال 2022 کا تحریر کردہ (written) حصہ 13.581 ملین روپے رہا جبہ اس کے مقابل گذشتہ سال 19.280 ملین روپے تھا۔ زیر جائزہ مدت کے دوران شراکت داروں کا تکافل فنڈ 10.282 تھا اور آپریٹرز فنڈ کا منافع 4.263 ملین روپے تھا۔ ونڈ و تکافل آپریشن کی سرمایہ کاری کے پورٹ فولیو 101.067 ملین روپے جبکہ گذشتہ سال ونڈ و تکافل آپریشن کی کل سرمایہ کاری پورٹ فولیو 86.605 ملین روپے رہا تھا۔ تکافل کاروبار کی منافع بخشی میں سے کیکن شکسل سے ہونے والی نمو، ممپنی کے تکافل آپریشن کو استحکام دے گی۔

## بیره کا بیره (Reinsurance)

سال کے دوران؛ ہنوورری - ملائیشیا، پی آری ایل - پاکستان، ٹرسٹ ری - بحرین المیدوان ری - ملائیشیا، عرب ری - متحدہ عرب امارات اور تیونس ری - تنوشیاء نے سال 2022 کے ری انشور نس کنویشنل ٹریٹی میں شرکت کی ۔ پینل کی قیادت ہنوورری کررہاتھا۔

ونڈ و تکافل آپریشنز کے لیے، پی آری ایل- پاکستان الیوان ری - ملائیشیا، عرب ری - متحدہ عرب امارات اور تینس ری - توشیاء نے سال 2022 میں ری انشورنس ٹریٹ میں شرکت کی ۔

# اداره جاتی اور مالیاتی ر پورٹنگ ڈھانچہ

سکیورٹی اینڈ ایکیچنج کمیشن آف پاکستان (SECP) کی جانب ہے جاری کردہ کمپنی لاءاور پبلک سیکٹیپینر (اداراتی نظم وضبط)رولز 2013اوراداراتی نظم وضبط کے ضوابط 2016 برائے ہیمہ ساز کمپنی کے تحت بورڈ اپنی ذمہ داریوں سے بخو بی آگاہ ہے۔ بورڈ درج ذیل بیان کرتے ہوئے خوشی محسوس کرتا ہے:

- 🖈 پورڈنے اداراتی نظم وضبط کے متعلقہ اصولوں کی بیروی کی ہےاور جہال کسی قتم کی عدم بیروی ہوئی ہےاس کی نشاندہی وجوہات سمیت بیان کی ہیں۔
- 🖈 تھیٹی انتظامیہ کے تیار کردہ مالیاتی گوشوارےا سکیموجودہ جاری حالات، آپریشن کے نتائج ،نفته بہاؤ (cash flows) اورملکیتی اٹا شہ جات (equity) میں تبدیلی کونصیلی طور پر پیش کرتے ہیں۔
  - ابت کمینی کے حمایات کے کھاتے باضابط طور پر مرتب کئے گئے ہیں۔
  - 🖈 سالانہ حسابات کی تیاری کے لیے مناسب حکمتِ عملیاں تشکسل کے ساتھ اپنائی گئی ہیں اور مالیاتی اندازے مناسب ہیں اور مختاط روی سے کئے گئے ہیں۔
- ا ڈائز کیٹرز ایک مضبوط داخلی مگرانی کے نظام کے قیام اوراسے برقر ارر کھنے کے حوالے سے اپنی ذمہ داریوں سے مکمل طور پر آگاہ ہیں اوران کا با قائدگی ہے جائزہ لیاجا تا ہے اورنگرانی کی جاتی ہے۔
- ک مالیاتی گوشوارے کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ اور حساب کتاب کے معیارات، یا دیگر ضوابط اور قوانین بشمول شریعہ کے رہنمااصول جو پاکستان میں مروح ہیں کولمحوظ خاطر رکھا گیا ہے اور کسی قتم کااحتر از مناسب انداز میں وجوہات سمیت بیان کیا گیا ہے۔
  - 🖒 اداراتی حسنِ کارکردگی کی درج شدہ ضوابط برائے بہترین طریقہ کار پرعملدرآ مدہ کوئی مادی انحراف نہیں کیا گیاہے۔

- 🖈 کمپٹی کے قائم رہنے کی صلاحیت کسی شک وشبہ سے بالاتر ہے۔
- 🤝 اس رپورٹ کے ساتھ اہم آپریٹنگ اور مالیاتی اعدادوشار منسلک ہے۔
- پر اور ڈے چیر مین اور دیگرار کان کا انتخاب، مدت انتخاب اور اس کے ساتھ ان کے مشاہرہ کی پالیسی پبلک سیکٹر کمپنی کے بہترین مفاد میں ہیں اور بہترین مشتول (practices) کے عین مطابق ہیں۔
  - 🖈 اس رپورٹ میں 31 دیمبر 2022 کے مطابق شیئر ہولڈنگ کا گوشوارہ شامل ہے۔
- 31 دسمبر2022 کو پراویڈینٹ فنڈ میں سرماییکاری کی مالیت -/22,079,776 روپے تھی اور 31 دسمبر 2022 گریجویٹی میں سرماییکاری کی مالیت -/9,211,836 روپے تھی۔

اجلاس میں شرکت کی تعداد	ڈائز یکٹر کے نام	نمبرشار
04	چناب ساجد جمال ابرو	01
05	جناب مشتاق مل <i>ك</i>	02
05	چناب راج <i>ه مجمد عب</i> اس	03
05	جناب سيداختر الاسلام	04
05	چنابزاہد <sup>حسی</sup> ن	05
05	جناب خواجه <sup>تج</sup> ل <sup>حس</sup> ين	06
05	جناب سليم زميندار	07
05	محتر مه حناماروی	08

اجلاس سے غیر حاضر پورڈ ارکان کی حاضری سے رخصت کی منظوری حاصل کی گئی۔

## كارنمايال

ہمیں اس بات کا اعلان کرتے ہوئے خوشی ہور ہی ہے کہ گذشتہ سال آپ کی کمپنی نے ایک ارب روپے کا پریمیم تحریر کرنے کے سنگ میل عبور کیا ہے۔ یہ اہم کارنامہ ہمارے کاروبار کا استحکام اور ترقی کو ظاہر کرتا ہے۔

ہماری شیم کے پیشہور اوگوں نے ان تھک (tirelessly) طور پر محت سے ریکارڈ توڑنے والاسٹک میل حاصل کیا ہے۔اس حاصل کردہ نمایاں کارنامہ میں برتری کے حصول کے لیے بیدان کی سخت محت ،عزم اور کئن بات کا ثبوت ہے۔ہم پراعتاد ہیں ہماری گا کبوں کو بے مثل خدمات اور جدت والی مصنوعات کی فراہمی پر مسلسل توجہ سے ہمیں اس بات کے قابل ہنائے گا کہ مستقبل میں ہم اس سے بڑی کا میابی حاصل کریں۔ہم یقین رکھتے ہیں کی جاری ترقی کا نتیجہ ہمارے قابل قدر حصص کنندگان کی زیادہ آمدنی میں ہموگا۔

ہم بورڈ آف ڈائر یکٹرز کی جانب سے کمپنی کی مسلسل حمایت اوراس پراعتا دکرنے پرشکر بیادا کرنا چاہتا ہوں۔ہم،اپنے تصص کنندگان کے لیے غیر معمولی نتائج اور طویل المدت قدر پیدا کرنے کے سلسلے میں برعزم ہیں۔ آ کی کمپنی" یونیورسل ایسیڈین انشورنس اینڈشوشل بینیفٹ اسکیم" کے تحت صوبہ سندھ کے تمام رہائشی افراد کے لیے ۔/100,000روپے کے حادثاتی بیمہ کورت کی سہولت جاری رکھے ہوئے ہے۔ بیاسکیم خاندان کے کسی رکن یا کمانے والے کی حادثاتی موت پر ساجی تحفظ فراہم کرتی ہے۔ کمپنی نے صوبہ سندھ کے ہر شلع میں اپنے نمائندوں کا انتخاب کیا ہے، جس کی وجہ سے خدمات کی ادائیگی کا معیار بہتر ہواہے۔

# کمپنی کی مالیاتی مضبوطی (IFS) کی درجه بندی

پاکستان کریڈٹ ریڈنگ ایجنسی (PACRA) نے کمپنی کی "مالیاتی مضبوطی (IFS) کی درجہ بندی کو بڑھا کر''++A'' (دومثبت A) کر دیا ہے۔درجہ بندی میں سیہ اسٹحکام انشورنس کنندگان کے اعتاد اور معاہداتی ذمہ داریوں کو یورا کرنے کی مضبوط استعداد کو ظاہر کرتا ہے۔

# كاركردگى كى قدر پيائى

بورڈ اپنے وضع کردہ طریقہ کار کے تحت اپنے ارکان بشمول چیر مین اور چیف ایکز مکیوٹیوآ فیسر کی قدر پذیری (evaluation) کر چکا ہے۔ پورڈ نے انتظامیہ کے اعلیٰ عہدے داروں کی کارکردگی کا سالانہ بنیادیر جائزہ لینے کے بعد تعین کیا۔

# اداراتی ساجی ذمهداری

سندرہ انشورنس کمیٹر تمام کاروباری سرگرمیوں کی انجام دہی کے دوران اخلاقی اقد اراور سابق ذمہ داریوں ، تحفظ ماحول اور دائر ، عمل میں آنے والے طبقات اور ثقافتوں کی معاونت پڑمل پیرا ہوکرایک ذمہ دارادارہ ہونے کا کردار تقیقی بنا تا ہے۔ حالیہ سیلاب کے متاثرین کو اس کے تباہ کن اثر ات سے بچاؤ کے لیے کمپنی نے حکومت سندھ کو 20 ملین روپے کا عطیہ دیا ہے۔

# صابطه إخلاق كابيان

بورڈا کیٹ ضابطہ اخلاق پڑ<sup>عم</sup>ل بیرا ہے۔جس کے بارے میں تمام ڈائر کیٹرز اور ملاز مین کومطلع کر کے دشخط حاصل کیے گئے میں اور ان سے کاروباری اور قانونی معاملات میں مذکورہ ضابطہء اخلاق کی کممل یاسداری مطلوب ہے۔

## مادى تبريليان

31 دسمبر2022 کے بعد کسی قتم کی مادی تبدیلیاں وقوع پذر نہیں ہوئیں ہیں اور کمپنی ایسے کسی انتظام یا معاہدے میں ملوث نہیں ہوئی جواس تاریخ پر مالی صور تحال کو متاثر کرے۔

# منقسمه منافع

31 دسمبر2022 کواختیام پذریدت کے لیے کسی قتم کے منافع منقسمہ کا علان نہیں کہا گیا۔

## محاسب(Auditors)

میسرز:BDO ابراہیم اینڈ کمپنی، چارٹرڈا کاؤٹٹنیٹس، نے سال 2022 کے گوشواروں کا آڈٹ کیا ہے۔ آڈٹ کمپیٹی کی طرف سے بطور بیرونی محاسب،ان کے تقر راور ضابطوں کے مطابق ان کی آڈٹ فیس کانعین کرنے کی سفارش کی گئی۔

# مستنقبل كامنظرنامه

۔ مینی، حکومت سندھ کاغیر بعیدشدہ جائیداداور مالی اٹا ثہ جات سے متعلق تفویض شدہ انشورنس (captive) کاروبارحاصل کرنے کی بھر پورکوشش کررہی ہے۔ اس کے لیے کمپنی کوسندھ انشورنس آف پبلک ایکٹ، 2015 کے تحت بیمہ خدمات فراہم کرنے کا ترجیحی حق حاصل ہے۔ ہم پہلے ہی حکومت سندھ کے تمام شعبوں کے ملاز مین کو صحت کے لیے بیمہ خدمات فراہم کرنے پرکام کررہے ہیں۔ اوران غیر استعال شدہ مواقع سے فائدہ اٹھا کر، کمپنی بہتر مالیاتی استحکام کا سنگ میل حاصل کر پائے گا۔ بورڈ کے مشورے کے مطابق کمپنی نجی کی اروبار کے پورٹ فولیو میں توسیع اور مارکیٹ میں خطرہ لینے کی استعداد میں پرکام کررہی ہے۔

# اظهارتشكر

\_\_\_\_\_\_ اس موقع پرڈائر کیٹرز حکومت سندھ، وزارتِ تجارت، حکومتِ پاکستان، سیکیورٹیز اینڈ ایکیچنج کمیشن آف پاکستان (SECP)، انشورنس ایسوی ایشن آف پاکستان (IAP)اور سندھ بینک کمیٹڈ کے مسلس تعاون اور سر پرسی پرسب کے لیےاپنے خلصانہ جذباتِ ممنونیت کااظہار کرناچاہتے ہیں۔

مزید بیر که بورڈ اپنے ملاز مین اور پالیس کنندگان کی وابستگی اور حمائت کا تبهدول سے شکر گزارہے۔

برائے ومنجانب بورڈ آف ڈائر یکٹرز

ایم فیصل صدیق دند سازی مرد و

اختر لاسلام چیئر مین

03 ارچ 2023

# **KEY FINANCIAL DATA**

	2022	2021	2020	2019	2018
Written Premium	1,055,482,041	714,554,286	488,545,805	895,899,066	426,426,907
Earned Premium	877,072,978	640,363,202	668,114,144	659,113,386	515,299,305
Net Premium Revenue	202,620,618	85,966,268	254,168,143	377,973,119	358,774,796
Underwriting Result	34,325,458	30,030,774	54,306,365	55,990,057	5,980,802
Investment & Other Income	548,262,997	384,650,302	399,173,043	403,148,528	272,370,559
Profit / (Loss) before tax	572,370,417	404,611,128	451,164,562	458,494,648	278,824,560
Profit / (Loss) after tax	364,810,587	288,703,182	320,395,390	325,826,580	198,429,427
Paid-up Capital	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Shareholdhers' Equity	2,778,494,306	2,414,214,450	2,202,310,190	1,818,744,830	1,479,355,722
Breakup Value per Share (RS.)	27.78	24.14	22.02	18.19	14.79
Investment & properties	3,980,289,076	3,486,434,708	3,366,363,486	2,900,226,190	279,915,200
Cash & Bank Balances	356,457,127	258,880,331	310,727,509	462,870,278	2,881,017,842
Total Assets Book Value	5,477,923,257	4,720,023,939	4,737,621,445	4,640,312,298	3,860,006,895

#### NOTICE OF THE NINETH ANNUAL GENERAL MEETING

Notice is hereby given that the Nineth Annual General Meeting of the shareholders of **Sindh Insurance Limited** will be held on **Thursday, April 27, 2023 at 10:00 am** at the registered office of the Company at 1<sup>st</sup> Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi, to transact the following business:

#### **ORDINARY BUSINESS**

- 1. To confirm minutes of the Eighth Annual General Meeting held on April 22, 2022.
- 2. To receive, consider and adopt the Audited Accounts for the year ended December 31, 2022 along with Directors' and Auditors' Report thereon.
- 3. To reappoint Auditors for the year 2023 and fix their remuneration, Retiring Auditor M/s BDO Ebrahim & Co., Chartered Accountants being eligible, have offered themselves for re-appointment.
- 4. To transact any other business that may be placed before the meeting with the permission of the Chair.

Karachi March 03, 2023 By Order of the Board Nadeem Akhter Company SecretarySecretary

#### **NOTES:**

- 1) A member entitled to attend and vote is entitled to appoint another member/any other person as his/her proxy to attend and vote.
- 2) Duly completed instrument of proxy, and the other authority under which it is signed, must be lodged with the Company Secretary at the company's registered office 1<sup>ST</sup> Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi, at least 48 hours before the time of the meeting.
- 3) Share Transfer Books of the Company will remain closed from April 27, 2023 to May 03, 2023 (both days inclusive).
- 4) Any change of address of Member should be immediately notified to the company's registered office 1<sup>st</sup> Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi.
- 5) The CDC account holder will further have to follow the under-mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.
- A. For attending the meeting:
- i. In Case of individuals, the account holder or sub-accounts holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original computerized national identity card (CNIC) or original passport at the time of attending the meeting.
- ii. In case of corporate entity the Board of Directors resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.
- B. For appointing proxies:
- i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per account and their registration details are uploaded as per the regulations, shall submit the proxy form accordingly.
- ii. The proxy form shall be witnessed by two persons whose names, address and CNIC numbers shall be mentioned on the form.
- iii. Attested copies of CNIC or the passport
- iv. The proxy shall produce his/her original CNIC or original passport at the time of meeting.
- v. in Case of Corporate entity, the board of Director's resolution / power of attorney with specimen signature shall be submitted along with proxy form to the company.

# STATEMENT OF COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013 AND CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2016

Name of Company: SINDH INSURANCE LIMITED

Name of the line ministry: Ministry of Finance, Government of Sindh

For the year ended: 31 December 2022

- I. This statement is being presented to comply with the Public Sector Companies (Corporate Governance) Rules, 2013 and Code of Corporate Governance for Insurers, 2016 (hereinafter collectively called "the Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance.
- II. The Company has complied with the provisions of the Public Sector Companies (Corporate Governance) Rules, 2013 in the following manner:

C N-	2		Rule	Y	N	
S. No.	Provision of the Rules			No.	Tick the relevant box	
1.	The independent directors n	neet the criteria of independence,	as defined under the	2(d)	✓	
2.	The Board has at least one-third of its total members as independent directors.  At present Board includes:					
	Category	Names	Date of Appointment			
	Independent Directors  Non-Executive Director	Syed Akhtar UI Islam Mushtaq Malik Raja Muhammad Abbas Syed Zahid Hussain Hina Marvi Saleem Zamindar Sajid Jamal Abro	19-04-2021 19-04-2021 19-04-2021 19-04-2021 19-04-2021 19-04-2021 08-02-2022	3(2)	<i>,</i>	
	Executive Director	Khawaja Tajammul Hussain Muhammad Faisal Siddiqui	19-04-2021 19-04-2021			
3.		d that none of them is serving as a des and listed companies simultan		3(5)	<b>✓</b>	
4.	All resident directors of the of has defaulted in payment of being a member of stock exch	A DFI or an NBFI or,		1		
5.	A casual vacancy occurring directors within 90 days ther		1			
6.	The appointing authorities have applied the fit and proper criteria given in the Annexure in making nominations of the persons for election as Board members under the provisions of the Act.				1	
7.	The chairman of the Board Company.	hief executive of the	4(1)	<b>✓</b>		
8.	The chairman has been elected by the Board of directors except where chairman of the Board has been appointed by the Government.				1	
9.		candidates for the position of the cardinates for the guidelines specifie		5(2)	1	

S. No.	Provision of the Rules	Rule	Y	N
5. NO.	Provision of the Rules	No.	Tick the re	levant box
10.	(a) The Company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place.			
	(b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures, including posting the same on the Company's website.  (www.sindhinsuranceltd.com)	5(4)	✓	
	(c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.			
11.	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	<b>√</b>	
12.	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interest, and the procedure for disclosing such interest.	5(5)(b)(ii)	✓	
13.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the Company.	5(5)(b)(vi)	✓	
14.	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service	5(5)(c)(ii)	✓	
15.	The Board has ensured compliance with the law as well as the Company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5)(c)(iii)	J	
16.	The Board has developed a vision or mission statement and corporate strategy of the Company.	5(6)	✓	
17.	The Board has developed significant policies of the Company. A complete record of particulars of significant policies along with the dates, on which they were approved or amended, has been maintained.	5(7)	✓	
18.	The board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation, and have submitted its request for appropriate compensation to the Government for consideration.	5(8)	N	'A
19.	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)	✓	
20.	The meetings of the Board were presided over the Chairman and, in his absence, by a director elected by the Board for this purpose:			
	a) The Board has met at least four times during the year.	6(1)		
	(b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings,	6(2)	1	
	(c) The minutes of the meetings were appropriately recorded and circulated.	6(3)		
21.	The Board has monitored and assessed the performance of senior management on annual basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8(2)	<b>√</b>	
22.	The Board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	✓	
23.	(a) The Board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as financial year end.	10(a)	✓	

S. No.	Provision of the Rules		Rule No.	Υ	N	
					Tick the re	elevant box
24.	(b) In case if listed PSCs, the limited scope review by the state of t		early accounts and undertaken	10(b)	N/A	
25.	(c) The Board has placed the	annual financial statemer	nts on the Company's website.	10(c)	1	
26.	All the Board members under to apprise them of the mater Rules.			11	1	
27.	(a) The Board has formed	the requisite committees	s, as specified in the Rules.			
	(b) The Committees were publications, authorities and continuous		m of reference defining their			
	(c) The minutes of the meet members.	ings of the committees we	ere circulated to all the Board			
	(d) The committees were	chaired by the following	ng non-executive directors:			
	Committee	Number of members	Name of Chair	12	✓	
	Audit Committee	3	Syed Zahid Hussain			
	Risk Management	3	Mushtaq Malik			
	Committee		0 1011 1111			
	Human Resources Committee	3	Syed Akhtar UI Islam			
	Procurement Committee	3	Hina Marvi			
	Nomination Committee	3	Mushtaq Malik			
28.	The Board has approved appound Chief Internal Auditor, by terms and conditions of emplo	/ whatever name called,		13	<b>✓</b>	
29.	The Chief Financial Officer ar prescribed in the Rule.	nd the Company Secretar	y have requisite qualification	14	1	
30.	The Company has adopted In the Commission in terms			16	1	
31.	The directors' report for this year of the Act and the Rules and f		•	17	1	
32.	The directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the Company except those disclosed to the Company.			18	1	
33.	(a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration.				/	
34.	(b) The annual report of the of each director	Company contains criteri	a and details of remuneration	19		
35.	The financial statements of the and chief financial officer before and the Board.			20	1	

S. No.	Provision of the Rules		Rule No.	Υ	N	
				110,	Tick the re	levant box
36.	The Board has formed an audit committee, with defined and written terms of reference, and having the following members:					
	Name of Member	Category	Professional Background	21(1)		
	Zahid Hussain	Independent	Banker	and	1	
	Khawaja Tajammul Hussain	Independent	Retired	21(2)		
	Saleem Zamindar	Independent	Consultant			
	The chief executive and chairma	n of the Board are not m	nembers of the audit committee.			
37.		all meetings of the au	or, and a representative of the dit committee at which issues		1	
38.		t least once a year, without the ef internal auditor and other	21(3)	✓		
39.	( )	ast once a year, withou	tor and other members of the the presence of chief financial		1	
40.	charter, duly approved by	the audit committee.	t function, which has an audit	22	1	
	in the Rules.					
	(c) The internal audit reports review.	have been provided to	the external auditors for their			
41.	The external auditors of the Con are in compliance with Internati Code of Ethics as applicable in	onal Federation of Acc	•	23(4)	<b>/</b>	
42.	The Auditors have confirmed the by IFAC with regard to provision			23(5)	1	

III. The Company has complied with the additional provisions of Code of Corporate Governance for Insurers, 2016 in the following manner:

S. No.	S. No. Provision of the Rules		Υ	N
3. 140.	r Tovision of the Rules	No.	Tick the relevant box	
43.	The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance for Insurers, 2016.		1	
44.	The statutory auditors of the Company have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.		/	
45.	The Board ensures that the investment policy of the Company has been drawn up in accordance with the provisions of the Code of Corporate Governance for Insurers, 2016.		1	
46.	The Board ensures that the risk management system of the Company is in place as per the requirements of the Code of Corporate Governance for Insurers, 2016.		1	

S. No.	F	Provision of the Rules	Rule No.	Υ	N
			140.	Tick the re	elevant box
47.	The Company has set up a risk mana covered under the Code of Corporate	agement function, which carries out its tasks as e Governance for Insurers, 2016.		1	
48.	itself rated from PACRA (credit rat management function and the respe rating assigned by the said rating age	The Board ensures that as part of the risk management system, the Company gets itself rated from PACRA (credit rating agency) which is being used by its risk management function and the respective Committee as risk monitoring tool. The rating assigned by the said rating agency dated January 31, 2023 is A++ (A Double Plus) with strong capacity to meet policyholder and contractual obligations.		1	
49.	The Board has formed the following r	management committee:			
	Underwriting Committee:			1	
	Name of the member	Category	xxxvi		
	Syed Akhtar UI Islam	Independent Director			
	Muhammad Faisal Siddiqui	Executive Director			
	Nadeem Akhter	Management			
	Claim Committee:				
	Name of the member	Category	xxxvii	1	
	Mushtaq Malik	Independent Director			
	Raja Muhammad Abbas	Independent Director			
	Muhammad Faisal Siddiqui	Executive Director			
	Muhammad Sarfraz Awan	Management			
	Reinsurance & Co-insurance Com	mittee:			
	Name of the member	Category	xxxviii	/	
	Syed Akhtar UI Islam	Independent Director			
	Muhammad Faisal Siddiqui	Executive Director			
	Nadeem Akhter	Management			
	Risk Management & Compliance C	anagement & Compliance Committee:			
	Name of the member	Category	xxxix	1	
	Syed Akhtar Ul Islam	Independent Director			
	Muhammad Faisal Siddiqui	Executive Director			
	Nadeem Akhter	Management			
50.	The Board has formed the following	Board Committees:			
	Human Resource Committee:				
	Name of the member	Category	xli	<b>/</b>	
	Syed Akhtar Ul Islam	Independent Director			
	Khawaja Tajammul Hussain	Non-Executive Director			
	L. Calaan Zaniadan	Independent Director			
	Saleem Zamindar				1
	Procurement & Information Technol	ology Committee:			
		ology Committee:  Category		✓	
	Procurement & Information Techno			✓	
	Procurement & Information Technology  Name of the member	Category		1	

S. No.		Provision of the Rules	Rule No.	Y N Tick the relevant box	
			140.		
	Nomination Committee:				
	Name of the member	Category	xli	/	
	Mushtaq Malik	Independent Director			
	Raja Muhammad Abbas	Independent Director			
	Hina Marvi	Independent Director			
	Risk management Committee:			<b>√</b>	
	Name of the member	Category			
	Mushtaq Malik	Independent Director			
	Raja Muhammad Abbas	Independent Director			
	Hina Marvi	Independent Director			
	Investment Committee:			✓ ·	
	Name of the member	Category	xliv		
	Syed Akhtar Ul Islam	Independent Director			
	Zahid Hussain	Independent Director			
	Saleem Zamindar	Independent Director			
	Muhammad Faisal Siddiqui	Chief Executive Officer			
	Nadeem Akhter	Chief Finance Officer			
51.	of Internal Audit possess such quali code of Corporate Governance fo Company (if any) also meets the co the person heading the underwrit grievance function / departments	inance Officer, Compliance Officer and the Head fication and experience as is required under the r Insurer, 2016. The Appointed Actuary of the nditions as laid down in the said code. Moreover, er, claim, reinsurance, risk management, and possess qualification and experience of direct n, as required under section 12 of the Insurance XIX of 2000).  Category	xxi, xxiii, xxxii, lxxiii	✓	
	Muhammad Faisal Siddiqui	Chief Executive Officer			
	Nadeem Akhter	Chief Finance Officer/ Company Secretary			
	Imtiaz Ali Yasir Malik	Compliance Officer Chief Internal Auditor			
	Irfan Ali	Head of Underwriting & Reinsurance			
	man Ali	Operations			
	Muhammad Saleem	Head of Claim			
	Muhammad Faisal Siddiqui	Head of Risk Management			
	Muhammad Sarfraz Awan	Head of Grievance Department			
	Widifallillad Salliaz Awali	riead of Glievance Department			
52.		epartment/ function, which fully complies with the e governance for insurers, 2016.	lxxiv	1	

Syed Akhtar UI Islam Chairman Muhammad Faisal Siddiqui Chief Executive Officer

# SCHEDULE II SEE Paragraph 2(3)

# EXPLANATION FOR NON-COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

We confirm that all other material requirements envisaged in the Rules have been complied with except for the following, toward which reasonable progress is being made by the Company to seek compliance by the end of next accounting year.

Sr. No.	Rule/sub-rule no.	Reasons for non-compliance	Future Course of Action
		NIL	

Syed Akhtar UI Islam Chairman Muhammad Faisal Siddiqui Chief Executive Officer

# REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013 AND CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2016

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 and Code of Corporate Governance for Insurers, 2016 (referred to as 'the Codes') prepared by the Board of Directors of Sindh Insurance Limited for the year ended December 31, 2022 to comply with the requirements of provisions of Public Sector Companies (Corporate Governance) Rules, 2013 and Code of Corporate Governance for Insurers, 2016.

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

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

The Codes require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Codes as applicable to the Company for the year ended December 31, 2022.

**KARACHI** 

**DATED:03 MAR 2023** 

UDIN: CR202210067WKAeoc4IV

**CHARTERED ACCOUNTANTS** 

Engagement Partner: Zulfikar Ali Causer

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SINDH INSURANCE LIMITED

#### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### **Opinion**

We have audited the annexed financial statements of **SINDH INSURANCE LIMITED**, (the Company), which comprise the statement of financial position as at December 31, 2022, and profit and loss account, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2022 and of its profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

#### **Basis for Opinion**

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

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

Board of directors are 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 the accounting and reporting standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 and the 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

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

#### **Report on Other Legal and Regulatory Requirements**

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

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

The engagement partner on the audit resulting in this independent auditor's report is Zulfikar Ali Causer.

**KARACHI** 

**DATED: 03 MAR 2023** 

UDIN:AR202210067pXbzmYJ1B

BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS



# STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note	2022	2021
		Ru	pees
ASSETS			
Property and equipment	6	23,254,990	30,595,494
Intangible assets	7	1,720,303	535,724
Investments			
Debt securities	8	3,980,289,076	3,486,434,708
Term deposit receipts	9	200,000,000	200,000,000
		4,180,289,076	3,686,434,708
Loans and other receivables	10	44,502,210	56,269,320
Insurance / reinsurance receivables	11	492,189,944	499,185,261
Re-insurance recoveries against outstanding claims	23 24	47,406,441	31,498,162
Deferred commission expense Deferred taxation	12	1,034,587 1,616,873	684,676 1,223,413
Prepayments	13	451,943,425	275,628,174
Taxation - net	20	-01,040,420	6,630,122
Cash and bank	14	156,457,127	58,880,331
		5,400,414,977	4,647,565,385
Total assets of takaful operations		77,508,280	72,458,554
TOTAL ASSETS		5,477,923,257	4,720,023,939
EQUITY AND LIABILITIES			
Capital and reserves attributable to Company's equity holders	15	4 000 000 000	4 000 000 000
Ordinary share capital  Revaluation reserve on available for sale investments	15	1,000,000,000 206,168	1,000,000,000 78,342
Unappropriated profit		1,778,288,138	1,414,136,108
TOTAL EQUITY		2,778,494,306	2,414,214,450
LIABILITIES			
Underwriting provisions			
Outstanding claims including IBNR	23	1,499,364,156	1,614,078,247
Unearned premium reserves	22	581,605,412	403,196,349
Premium deficiency reserves		25,583,309	29,032,000
Unearned reinsurance commission	24	21,542,710	10,761,048
	40	2,128,095,587	2,057,067,644
Premium received in advance	16	87,978,586	2,451,894
Insurance / reinsurance payables	17 18	431,136,428	207,129,686
Other creditors and accruals  Lease liabilities	18 19	34,101,746 1,407,248	25,054,964 6,039,999
Taxation - net	20	10,496,498	0,03 <del>3,333</del> -
TOTAL LIABILITIES	20	2,693,216,092	2.297.744.187
Total liabilities of takaful operations		6,212,859	8,065,302
TOTAL EQUITY AND LIABILITIES		5,477,923,257	4,720,023,939
CONTINGENCIES AND COMMITMENTS	21		

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

Chairman

Director

Director



## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2022

	Note	2022	2021
		Rup	ees
Net insurance premium	22	202,620,618	85,966,268
Net insurance claims	23	(68,042,669)	205,518,866
Reversal / (provision) of premium		3,448,691	(10,713,052)
Net commission	24	32,134,188	(155,233,812)
Insurance claims and acquisition expenses		(32,459,790)	39,572,002
Management expenses	25	(135,835,370)	(95,507,496)
Underwriting results		34,325,458	30,030,774
Investment income	26	520,840,420	374,010,333
Other income	27	27,422,577	10,639,969
Other expenses	28	(16,377,587)	(12,540,466)
Results of operating activities		566,210,868	402,140,610
Finance cost	29	(536,452)	(1,036,589)
Profit before taxation from window takaful			
operations - Operator's Fund		6,696,001	3,507,107
Profit before taxation		572,370,417	404,611,128
Income tax expense	30	(207,559,830)	(115,907,946)
Profit after taxation		364,810,587	288,703,182
Earnings per share - basic and diluted	31	3.65	2.89

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

Chairman

Director

Director

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2022

	Note	2022	2021	
		Rupees		
Profit after taxation		364,810,587	288,703,182	
Other comprehensive income				
Items that may be reclassified subsequently to profit or				
loss account				
Unrealised gain on available for sale investments		-	-	
Reclassification adjustment relating to available for sale				
investments disposed of during the year		-	(108,073,939)	
Deferred tax on available for sale investments		-	31,341,442	
		-	(76,732,497)	
Items that will never be reclassified subsequently to profit or				
loss account				
Loss on remeasurement of defined benefit liability		(927,545)	(203,897)	
Tax Impact		268,988	59,130	
		(658,557)	(144,767)	
Net unrealised income from window takaful operations -				
Operator's Fund (net of deferred tax)		127,826	78,342	
Total comprehensive income for the year		364,279,856	211,904,260	

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

Chairman

Director

Director

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2022

				i l	
	Issued, subscribed and paid-up capital	Revaluation reserve on available for sale investments	Unappropriated profit	Total	
		Rup	ees		
Balance as at January 01, 2021	1,000,000,000	76,732,497	1,125,577,693	2,202,310,190	
Total comprehensive income for the year					
Profit after taxation	-	-	288,703,182	288,703,182	
Loss on remeasurement of defined benefit obligation	-	-	(144,767)	(144,767)	
Other comprehensive loss	-	(76,732,497)	=	(76,732,497)	
Takaful operation - Operator fund - net of tax	-	78,342	-	78,342	
	-	(76,654,155)	288,558,415	211,904,260	
Balance as at December 31, 2021	1,000,000,000	78,342	1,414,136,108	2,414,214,450	
Total comprehensive income for the year					
Profit after taxation	-	-	364,810,587	364,810,587	
Loss on remeasurement of defined benefit obligation					
benefit obligation	-	-	(658,557)	(658,557)	
Takaful operation - Operator fund - net of tax	=	127,826	=	127,826	
	<u>-</u>	127,826	364,152,030	364,279,856	
Balance as at December 31, 2022	1,000,000,000	206,168	1,778,288,138	2,778,494,306	

Share capital

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

Chairman

Director

Chokin

Director

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2022

Note	2022	2021
	Ru	pees
OPERATING CASH FLOWS		
a) Underwriting activities		
Premium received	1,217,465,631	808,391,294
Reinsurance premium ceded	(696,483,034)	(492,810,426)
Claims paid	(240,532,538)	(178,560,774)
Reinsurance and other recoveries received	41,867,499	16,365,419
Commission paid	(2,776,748)	(177,324,975)
Commission received	45,341,035	24,486,228
Underwriting payments	(16,377,587)	(12,540,466)
Net cash generated from / (used in) underwriting activities	348,504,258	(11,993,700)
rect cash generated from 7 (used iii) underwriting activities	340,304,230	(11,993,700)
b) Other operating activities		
Income tax paid	(190,826,669)	(126,743,029)
Management and administrative expenses paid	(116,543,608)	(83,637,935)
Compensated absences paid	(26,302)	(20,000)
Other operating payments	(15,464,940)	(8,149,820)
Net cash used in other operating activities	(322,861,519)	(218,550,785)
Net cash generated from / (used in) all operating activities	25,642,739	(230,544,485)
INVESTING ACTIVITIES		
Profit / return received on investment	538,250,659	402,413,109
Other income received	27,422,577	10,639,968
Payments for investments	(8,442,058,960)	(10,280,758,120)
Proceeds from disposal of investment	7,958,330,825	10,058,234,234
Proceeds from disposal of fixed assets	94,250	(11,405,037)
Fixed capital expenditures	(5,472,545)	1,791,694
Net cash generated from investing activities	76,566,806	180,915,848
	, ,	, ,
FINANCING ACTIVITIES	(4.000.740)	(0.040.544)
Principal repayment of lease liabilities	(4,632,749)	(2,218,541)
Net cash used in financing activities	(4,632,749)	(2,218,541)
Net cash increase / (decrease) in cash and cash equivalents	97,576,796	(51,847,178)
Cash and cash equivalents at beginning of the year	258,880,331	310,727,509
Cash and cash equivalents at end of the year	356,457,127	258,880,331
Reconciliation to profit and loss account		
Operating cash flows	25,642,739	(230,544,485)
Depreciation expense	(10,435,531)	(8,761,652)
Amortisation of intangibles	(1,083,232)	(920,592)
Income tax paid	190,826,669	126,743,029
Increase in assets other than cash	199,190,620	(60,108,244)
Decrease in operating liabilities	(386,729,846)	190,045,662
Investment income	520,840,420	374,010,333
Profit before taxation from window takaful	6,696,001	3,507,107
Other income	27,422,577	10,639,969
Profit before taxation	572,370,417	404,611,128
CASH AND CASH EQUIVALENTS		
Cash and other equivalents	928,312	1,427,178
Saving accounts	155,528,815	57,453,153
Deposits maturing within 12 months	200,000,000	200,000,000
Soposia maining mainin 12 monato	356,457,127	258,880,331
	=======================================	
The annexed notes from 1 to 43 form an integral part of these financial statements.		

Chairman

Director

Director

## NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

#### 1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Sindh Insurance Limited (the Company) was incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) as an unlisted public company on December 20, 2013 and obtained the certificate of commencement of business on September 22, 2014. All shares of the Company are held beneficially by Government of Sindh, directly and through nominee directors. The Company is engaged in the non-life insurance business comprising of fire, marine, motor, aviation, engineering, transportation, accidental and health etc.
- 1.2 The registered office and principal place of business of the Company is situated at 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi. The Company was granted authorisation on September 22, 2016 under Rule 6 of the Takaful Rules, 2012 to undertake Window Takaful Operations (WTO) in respect of general takaful products by Securities and Exchange Commission of Pakistan (SECP) and, subsequently, the Company commenced Window Takaful Operations.
- 1.3 SECP carried out an onsite inspection in 2018 of the Company under Section 59A of the Insurance Ordinance, 2000. Based on the inspection, SECP highlighted various non-compliances with the insurance Ordinance, 2000 and various SROs of SECP in its letter of findings of the Company dated January 4, 2019. These non-compliances among other compliances, risk management and internal control issues mainly pertain to accounting treatment of Universal Accident Insurance and Social Benefit Scheme (the Scheme) of the Government of Sindh (GoS). Whereby, the recognition and measurement of premium, claims and commission relating to the Scheme under the Insurance Contract has been challenged on account of the immunity given by GoS to the Company where the Company will not suffer any loss under the Scheme if claims and other related expenditures exceed the revenue of the Company from the Scheme. The management of the Company vide its letter to SECP dated February 4, 2019 conveyed that the said accounting treatment was adopted based on a legal opinion and strongly believes that the adopted treatment is in line with the Insurance Ordinance, 2000. SECP issued inspection report, ref. ID/SD/IW/SIL/332 dated July 5, 2019, in which the aforementioned non compliances are reported. Many of such non compliances were already complied with, and the Company is committed to ensure the compliance with the rest of non compliances in due course.

#### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

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

In accordance with the requirement of Circular 25 of 2015, total assets, total liabilities and profit of Window Takaful Operations of the Company referred to as the Operator's Fund has been presented in these financial statements. A separate set of financial statements of General Window Takaful Operations has been reported which is annexed to these financial statements as per the requirements of the SECP Takaful Rules, 2012 and General Takaful Accounting Regulation 2019.

#### 2.2 Functional and presentation currency

These financial statements have been prepared and presented in Pakistan Rupees, which is the Company's functional and presentation currency.

#### 2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except for recognition of staff retirement benefits at present value and the investments available-for-sale measured at their fair value. The financial statements have been prepared following the accrual basis of accounting except for the cash flow information.

# 3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

# 3.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended December 31, 2022

The following standards, amendments and interpretations are effective for the year ended December 31, 2022. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the financial statements other than certain additional disclosures.

Effective date (annual periods beginning on or after)

Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework

January 01, 2022

Amendments to IFRS 16 'Leases' - Extended practical relief regarding Covid - 19 related rent consessions

April 01, 2021

Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use

January 01, 2022

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract

January 01, 2022

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

#### 3.1.1 IFRS 9 - Financial Instruments and Amendment to IFRS 4 'Insurance Contracts- Applying IFRS 9 with IFRS 4'

IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan through its S.R.O. 229 (I)/2019 and is effective for accounting period / year ending on or after June 30, 2019.

IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

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

#### Temporary Exemption from Application of IFRS 9

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

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

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

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

#### b) all other financial assets

	December 31, 2022			
	Fail the SPPI test		Pass the S	PPI test
	Fair value	Change in unrealised gain	Fair value	Change in unrealised gain
	Rupees			
Financial assets				
Investments				
Debt securities	3,863,921,757	=	116,367,319	=
Term deposit receipts	=	=	200,000,000	-
Loans and other receivable	=	=	44,502,210	-
Re-insurance recoveries against outstanding claims	-	-	47,406,441	-
Insurance / reinsurance receivables	-	-	492,189,944	_
Cash at bank	=	-	156,457,127	=
Window takaful operations- Operator's fund	13,936,670		63,571,610	
	3,877,858,427		1,120,494,651	

		December	31, 2022	
	AAA	A+	Α	Not rated
		Rupee	s	
Cash at bank	-	154,922,819	605,997	-
Investments Debt securities	425.000.000	_	_	150.000.000
Term deposit receipts	+20,000,000	200,000,000	-	-
Loans and other receivable Window takaful operations-	-	-	-	44,502,210
Operator's fund	25,810,000	4,219,931	47,194	47,406,441
	450,810,000	359,142,750	653,191	241,908,651

#### 3.2 New accounting standards, amendments and interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after)
Amendments to IFRS 16 'Leases' - Lease liability in a sale and leaseback	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with covenants	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies	January 01, 2023

Effective date (annual periods beginning on or after)

Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates

January 01, 2023

Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction

January 01, 2023

Note

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

IFRS 1 First Time Adoption of International Financial Reporting StandardsIFRS 17 Insurance Contracts

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

#### 4 USE OF JUDGMENTS AND ESTIMATES

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

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

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

	note
- Provision for unearned premiums	5.5.2
- Premium due but unpaid - net	5.5.3
- Premium deficiency reserve	5.5.4
- Prepaid reinsurance premium ceded	5.5.8
- Provision for outstanding claims (including IBNR)	5.6.1
- Reinsurance recoveries against outstanding claims	5.6.2
- Deferred commission expense	5.7.1
- Commission income unearned	5.7.2
- Taxation (current and deferred)	5.17
- Impairment in the value of investment	5.20

#### 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 5.1 Property and equipment

#### a) Owned assets

Owned fixed assets are stated at cost, signifying historical cost, less accumulated depreciation and any provision for accumulated impairment. Cost of an item of fixed assets consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying asset directly attributable cost of bringing the asset to working condition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit and loss account.

Depreciation is calculated on straight line basis at the rates specified in note 6 to the financial statements. Depreciation on additions is charged from the month the assets are available for use while on disposals, depreciation is charged up to the month in which the assets are disposed off.

The carrying value of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indications exist and where the carrying value exceed the estimated recoverable amounts, the assets are written down to their recoverable amount. The useful life and depreciation method are reviewed and adjusted, if appropriate, at each reporting date.

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

#### b) Right-of-use-asset

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

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

#### 5.2 Intangible assets

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

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

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

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

#### 5.3 Lease liability

Lease liability is initially measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

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

#### 5.4 Insurance contracts

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

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

- Fire and property damage
- Marine, aviation and transport
- Motor
- -Accidental and health
- -Engineering
- -Miscellaneous

#### a) Fire and property damage

Fire and property insurance contracts mainly compensate the customers for damage suffered to their property. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the covered properties in their business activities (business interruption cover).

#### b) Marine, aviation and transport

Marine, aviation and transport class of business provides coverage against loss and damage to goods in transit by any means of conveyance, physical loss or damage to aircraft, ships, and against liabilities to third parties and passengers arising from their use.

#### c) Motor

Motor insurance contracts cover physical loss or damage to the vehicle and liabilities to third parties as provided under the requirements of the Motor Vehicle Ordinance, 1965.

#### d) Accident and health

Accident and health insurance contracts mainly compensate hospitalisation and patient medical coverage to the insured and indemnity for the death as result of an accident. These contracts are generally one year contracts.

#### e) Engineering

Engineering insurance covers contractor's all risk, and compensate against damage of machinery, electronic equipment etc

#### f) Miscellaneous

All other insurance contracts like machinery breakdown, bonds, cash in hand, cash in transit, personal accident, public liabilities, health, crop, livestock, travel, bankers and other financial institutions packages, product liabilities, professional indemnity, workers compensation etc. are included under miscellaneous insurance cover.

#### 5.5 Premium

#### 5.5.1 Premium income earned

Premium written (direct or facultative) under a policy is recognised as income over the period of insurance from the date of issue of the policy to which it relates to its expiry as follows:

- a) for direct business, evenly over the period of the policy;
- b) for proportional reinsurance business, evenly over the period of underlying reinsurance policies; and
- for non-proportional reinsurance business, on inception of the reinsurance contract in accordance with the pattern of reinsurance service.

Where the pattern of incidence of risk varies over the period of the policy, premium is recognised as revenue in accordance with the pattern of incidence of risk.

Where premiums for a policy are payable in installments, full premium for the duration of the policy is recognised as income at the inception of the policy and a related asset is set up in respect of the premium receivable at a later date. Premium is stated gross of commission payable to intermediaries and exclusive of taxes and duties levied on premium.

#### 5.5.2 Provision for unearned premiums

Provision for unearned premiums represents the portion of premium written relating to the unexpired period of coverage, and is recognised as a liability. The liability is calculated as a proportionate of the gross premium of each policy, as specified in the Insurance Accounting Regulations, 2017.

#### 5.5.3 Premiums due but unpaid - net

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

#### 5.5.4 Premium deficiency reserve - (liability adequacy test)

"At each reporting date, liability adequacy tests are performed separately for each class of business under the Insurance Accounting Regulations, 2017 to ensure the adequacy of the unearned premium liability for that class. It is performed by comparing the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after reporting date in respect of policies in force at reporting date with the carrying amount of unearned premium liability.

The movement in the premium deficiency reserve is recorded as an expense / income in profit and loss account for the year.

The requirement for additional provision for unexpired risks is determined on the basis of an actuarial valuation. The latest valuation was carried out as of December 31, 2022. The actuary determines adequacy of liability of premium deficiency by multiplying unearned premium with the difference between excess of combined ratio over 100%. PDR is required if Loss Ratio exceeds 100% i.e. unearned premium reserve is not enough to cover for future claims and other expenses.

The loss ratios estimated on these basis for the unexpired portion are as follows:

	2022	2021
Fire and property damage	52%	52%
Marine, aviation and transport	61%	61%
Motor	87%	87%
Accidental and health	112%	112%
Engineering	67%	67%
Miscellaneous	67%	67%

#### 5.5.5 Reinsurance contracts held

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

#### 5.5.6 Reinsurance ceded

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or accepted reinsurance business being reinsured.

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

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

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

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

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

#### 5.5.7 Receivables and payables related to insurance contracts

Receivables and payables, other than claim payables, relating to insurance contracts are recognised when due. The claim payable is recorded when intimation is received. These include premiums due but unpaid, premium received in advance, premiums due and claims payable to insurance contract holders. These are recognised at cost, which is the fair value of the consideration given less provision for impairment, if any. If there is an objective evidence that any premium due but unpaid is impaired, the Company reduces the carrying amount of that insurance receivable and recognises the loss in statement of comprehensive income.

#### 5.5.8 Prepaid reinsurance premium ceded

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

#### 5.6 Claims expense

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

#### 5.6.1 Provision for outstanding claims including IBNR

A liability for outstanding claims is recognised in respect of all claims incurred as at the reporting date 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 outstanding claims include amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Provision for liability relating to unpaid reported claims is made on basis of individual case estimates.

The Company takes advice from actuary for the determination of IBNR claims. Provision for IBNR claims have been estimated based on Expected Loss Ratio (ELR) method except for health business, where a mix of ELR and Chain Ladder (CL) method is used. CL method is not completely used since portfolio experience of the Company in health business is small due to long period of claims development, volatility and credibility of experience. Accordingly, provision has been made based on IBNR factors applied on incurred claims determined by the actuary.

Reinsurance recoveries against outstanding claims and salvage recoveries are recognised as an asset and measured at the amount expected to be received.

#### 5.6.2 Reinsurance recoveries against outstanding claims

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

#### 5.7 Commission

#### 5.7.1 Commission expense

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

#### 5.7.2 Commission income

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

#### 5.8 Investments

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

#### 5.8.1 Held-to-maturity

Investments with fixed maturity and fixed income investments, where management has both the intent and the ability to hold to maturity, are classified as held-to-maturity. After initial recognition, these are carried at amortised cost.

#### 5.8.2 Available-for-sale

The financial assets that are intended to be held for an indefinite period of time and may be sold in response to the need for liquidity are classified as available-for-sale.

Subsequent to the initial recognition at cost, these are valued at market values and any unrealised gains / (losses) are taken to other comprehensive income.

#### 5.8.3 Held for trading

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

#### a) Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Company. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market place.

#### b) Derecognition

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

#### c) Impairment

#### Available-for-sale

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

#### 5.9 Employee benefits

#### a) Defined contribution plan

The Company operates an approved provident fund scheme for all its permanent employees. Equal monthly contributions are made, both by the Company and its employees, to the fund at the rate of 10% of basic salary of the employees.

#### b) Defined benefit plan

The Company operates an approved gratuity fund for all its permanent employees whose period of service is three years. Acturial valuation is carried out on yearly basis by using the projected unit credit method and contribution to the plans are made accordingly. Acturial gains and losses are recognized in other comprehensive income in the year in which they arise.

#### c) Employees' compensated absence

The Company accounts for the liability in respect of eligible employees' compensated absences in the period in which they are earned.

#### 5.10 Cash and cash equivalent

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash and bank deposits and exclude bank balances held under lien.

#### 5.11 Creditors, accruals and provisions

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

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

#### 5.12 Investment and other income

#### 5.12.1 Dividend income and bonus shares

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

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

#### 5.12.2 Interest income

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

#### 5.12.3 Rental income

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

#### 5.13 Segment reporting

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

The Company has seven major segments namely fire and property damage, marine, aviation and transport, motor, accident and health, engineering and miscellaneous.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them while the carrying amounts of certain assets used jointly by two or more segments have been allocated to segments on a reasonable basis. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

#### 5.14 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on the derecognition of the financial assets and liabilities is included in the profit and loss account for the period in which it arises.

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

#### 5.15 Off setting of financial asset and financial liabilities

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

#### 5.16 Related party transactions

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

#### 5.17 Taxation

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

#### 5.17.1 Current

Provision for current taxation is based on taxable income determined in accordance with the prevailing law for taxation of income and is calculated using enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for the current taxation also includes adjustments where considered necessary, relating to prior years which arise from assessments framed / finalised during the year or required by any other reason.

#### 5,17,2 Deferred

Deferred tax is recognised using the balance sheet liability method for all temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted at the date of statement of financial position.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### 5.18 Foreign currencies

Transactions in foreign currency, if any, are converted into Pakistani Rupees at the rate of exchange prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rate of exchange prevailing at the reporting date. Exchange difference are taken to profit and loss account

#### 5.19 Management expenses

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

#### 5.20 Impairment

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

#### 5.21 Earnings per share

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

#### 5.22 Dividend and bonus shares

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

#### 5.23 Fair value

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

#### 5.24 Share capital

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

#### 5.25 Window Takaful Operations

The accounting policies adopted for Window Takaful Operations are stated in the annexed financial statements of Window Takaful Operations for the year ended December 31, 2022.

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Particulars   As at January 01, Additions   Disposals   Decemb 2022   Decemb 2022					7707				
As at January 01, 2022         Additions         Disposals           ments         12,161,075         -         -           e         3,304,753         85,650         -           9,379,260         565,739         (346,955)           8,329,882         2,472,344         (273,073)           13,436,338         81,000         (88,940)           59,106,099         3,204,733         (708,968)           59,106,099         3,204,733         (708,968)           2021         As at January 01, Additions         Disposals           e         3,108,253         1,136,500           9,601,905         1,136,670         (1,359,315)           5,423,440         3,453,486         (547,044)           8,868,258         6,488,530         (1,920,450)	ဝိ	st			Depreciation	iation		Written down	Depreciation
ments 12,161,075 85,650 346,955) 8,329,882 2,472,344 (273,073) 13,436,338 81,000 (88,940) 12,494,791 8,841 59,106,099 3,204,733 (708,968)  As at January 01, Additions Disposals 2021 Additions Disposals 9,601,905 1,136,500 (1,359,315) 5,423,440 3,453,486 (547,044) 8,868,258 6,488,530 (1,920,450)			As at December 31, 2022	As at January 01, 2022	Depreciation for the year	Disposals	As at December 31, 2022	value as at December 31, 2022	rate (% per annum)
ments 12,161,075 85,650 9,379,260 565,739 (346,955) 8,329,882 2,472,344 (273,073) 13,436,338 81,000 (88,940)				Rupees					
ments 12,161,075									
e 3,304,753 85,650		ı	12,161,075	4,554,536	617,156	İ	5,171,692	6,989,383	2%
9,379,260 565,739 (346,955) 8,329,882 2,472,344 (273,073) 13,436,338 81,000 (88,940)		ı	3,390,403	2,102,947	352,403	İ	2,455,350	935,053	10%
8,329,882 2,472,344 (273,073) 13,436,338 81,000 (88,940)  12,494,791 59,106,099 3,204,733 Footing As at January 01, Additions  As at January 01, Additions  12,161,075 e 3,108,253 196,500 9,601,905 1,136,670 (1,359,315) 5,423,440 3,453,486 (547,044) 8,868,258 6,488,530 (1,920,450)		(346,955)	9,598,044	6,256,311	1,312,507	(343,509)	7,225,309	2,372,735	10%-20%
13,436,338 81,000 (88,940)  12,494,791 59,106,099 3,204,733 (708,968)  As at January 01, Additions Disposals 2021  ments 12,161,075 e 3,108,253 196,500 (1,359,315) 5,423,440 3,453,486 (547,044) 8,868,258 6,488,530 (1,920,450)		(273,073)	10,529,153	4,517,903	2,503,324	(241,573)	6,779,654	3,749,499	33.33%
12,494,791 59,106,099 3,204,733 (708,968)  As at January 01, Additions 2021  ments 12,161,075 e 3,108,253 9,601,905 1,136,670 6,488,530 (1,920,450) 8,868,258 6,488,530 (1,920,450)		(88,940)	13,428,398	3,694,306	2,553,937	(14,180)	6,234,063	7,194,335	%02
premises         12,494,791									
Particulars         As at 2021         Additions         Disposals           Hold improvements         12,161,075         -         -           equipment         9,601,905         1,136,670         (1,359,315)           es         8,868,258         6,488,530         (1,920,450)	94,791	1	12,494,791	7,384,602	3,096,204	İ	10,480,806	2,013,985	15% - 20%
Particulars         As at 2021         Additions         Disposals           Hold improvements         12,161,075         -         -           equipment         9,601,905         1,136,570         (1,359,315)           uters         5,423,440         3,453,486         (547,044)           es         8,868,258         6,488,530         (1,920,450)		(708,968)	61,601,864	28,510,605	10,435,531	(599,262)	38,346,874	23,254,990	
Particulars         As at 2021         Additions         Disposals           hold improvements         12,161,075         -         -           equipment         9,601,905         1,136,670         (1,359,315)           uters         8,868,258         6,488,530         (1,920,450)					2021				
Particulars         As at 2021         Additions         Disposals           January 01, 2021         Additions         Disposals           Including improvements         12,161,075         -           Including improvements         3,108,253         196,500           Equipment         9,601,905         1,136,670         (1,359,315)           Uters         5,423,440         3,453,486         (547,044)           es         8,868,258         6,488,530         (1,920,450)	ပိ	st			Depreciation	iation		Written down	Depreciation
inold improvements 12,161,075 - 1  ure and fixture 3,108,253 196,500 - 6  equipment 9,601,905 1,136,670 (1,359,315)  uters 5,423,440 3,453,486 (547,044)  es 8,868,258 6,488,530 (1,920,450) 1			As at December 31, 2021	As at January 01, 2021	Depreciation for the year	Disposals	As at December 31, 2021	value as at December 31, 2021	rate (% per annum)
inold improvements 12,161,075 1  ure and fixture 3,108,253 196,500 1  equipment 9,601,905 1,136,670 (1,359,315)  uters 5,423,440 3,453,486 (547,044)  es 8,868,258 6,488,530 (1,920,450) 1				Rupees-					
12,161,075 3,108,253 9,601,905 5,423,440 8,868,258 1,136,670 1,359,315 6,423,486 1,920,450 1,920,450									
- and fixture 3,108,253 196,500 - 6,000 (1,359,315)   iuipment 9,601,905 1,136,670 (1,359,315)   5,423,440 3,453,486 (547,044)   8,868,258 6,488,530 (1,920,450) 1		1	12,161,075	3,937,380	617,156	İ	4,554,536	7,606,539	2%
irs 9,601,905 1,136,670 (1,359,315) 5,423,440 3,453,486 (547,044) 8,868,258 6,488,530 (1,920,450) 1		ı	3,304,753	1,774,266	328,681	Ì	2,102,947	1,201,806	10%
srs 5,423,440 3,453,486 (547,044) 8,868,258 6,488,530 (1,920,450) 1		(1,359,315)	9,379,260	6,400,992	1,214,634	(1,359,315)	6,256,311	3,122,949	10%-20%
8,868,258 6,488,530 (1,920,450)		(547,044)	8,329,882	3,489,170	1,575,777	(547,044)	4,517,903	3,811,979	33.33%
		(1,920,450)	13,436,338	2,432,692	1,929,200	(667,586)	3,694,306	9,742,032	20%
sts							1		30
1		1	12,494,791	4,288,398	3,096,204	Ī	7,384,602	5,110,189	15% - 20%
$\frac{51,657,722}{106}$ $\frac{11,275,186}{106}$ $\frac{(3,826,809)}{106}$	ļ	(3,826,809)	59,106,099	22,322,898	8,761,652	(2,573,945)	28,510,605	30,595,494	

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					2022				
		ŭ	Cost			Amortisation		Written down	Amortization
Particulars	As at January 01, 2022	Additions	Adjustment	As at December 31, 2022	As at January 01, 2022	Amortisation for the year	As at December 31, 2022	value as at December 31, 2022	rate (% per annum)
				Rupees	seedr				
Computer softwares	7,705,322	2,267,812	1	9,973,133	7,169,598	1,083,232	8,252,830	1,720,303	33.33%
	7,705,322	2,267,812	 	9,973,133	7,169,598	1,083,232	8,252,830	1,720,303	
		ŭ	Cost			Amortisation		Written down	Amortization
Particulars	As at January 01, 2021	Additions	Adjustment	As at December 31, 2021	As at January 01, 2021	Amortisation for the year	As at December 31, 2021	value as at December 31, 2021	rate (% per annum)
				Rupees	səədr				
Computer softwares	7,805,322	50,000	(150,000)	7,705,322	6,249,006	920,592	7,169,598	535,724	33,33%
	7 805 322	50 000	(150 000)	7 705 322	6 249 006	920 592	7 169 598	535 724	

#### 8 INVESTMENTS IN DEBT SECURITIES

			2022				2021	
	Cost	Impairment / provision	Change in fairvalue	Carrying value	Cost	Impairment / provision	Change in fairvalue	Carrying value
		Rı	ipees			R	upees	
Held to maturity (note 8.1) Government securities Pakistan Investment Bonds								
(note 8.2)	116,367,319	-	-	116,367,319	113,862,118	-	-	113,862,118
Corporate Sukuk (note 8.3) TPL Trakker Limited	_	_	_	-	9.375.000	) -	<u>-</u>	9,375,000
	116,367,319	-	-	116,367,319	123,237,118		-	123,237,118
Available for sale (note 8.1) Government securities Treasury Bills	385.925.200	_	_	385 925 200	2,788,197,590	1 -	_	2,788,197,590
Pakistan Investment Bonds	2,902,996,557	-	-	2,902,996,557	-	. <u>-</u>	-	-
Term Finance Certificate - Unquoted (note 8.3)								
Meezan Bank Limited	143,000,000	-	-	143,000,000	143,000,000	)   -	-	143,000,000
Bank Al Habib Limited	132,000,000	-	-	132,000,000	132,000,000		-	132,000,000
Soneri Bank Limited	150,000,000	-	-	150,000,000	150,000,000		-	150,000,000
United Bank Limited	150,000,000	]	-	150,000,000	150,000,000		_	150,000,000
	575,000,000	<u> </u>	-	575,000,000	575,000,000			575,000,000
	3,863,921,757	<u> </u>	-	3,863,921,757	3,363,197,590			3,363,197,590
	3,980,289,076			3,980,289,076	3,486,434,708	<u> </u>		3,486,434,708

#### 8.1 Investments in debt securities - held to maturity and available for sale

#### 2022

Name of investment	Maturity year	Effective yield %	Profit Payment	Face Value	Total
				`Rupees	`Rupees
Held To Maturity					
Pakistan Investment Bonds					
10 Years Pakistan Investment Bond	2028	13.10%	Half yearly	37,500,000	31,213,447
10 Years Pakistan Investment Bond	2028	12.55%	Half yearly	100,000,000	85,153,872
					116,367,319
Available for sale					
Government securities					
Treasury Bills					
3 Months Treasury Bill	2023	16.85%	On maturity	400,000,000	385,925,200
Pakistan Investment Bonds-Floating r	ate				
2 Years Pakistan Investment Bond	2023	17.61%	Quarterly	125,000,000	124,280,336
2 Years Pakistan Investment Bond	2023	17.62%	Quarterly	335,000,000	333,044,369
2 Years Pakistan Investment Bond	2023	17.62%	Quarterly	125,000,000	124,270,287
2 Years Pakistan Investment Bond	2023	17.62%	Quarterly	370,000,000	367,840,049
2 Years Pakistan Investment Bond	2023	17.62%	Quarterly	125,000,000	124,279,555
2 Years Pakistan Investment Bond	2023	17.62%	Quarterly	1,340,000,000	1,332,177,476
2 Years Pakistan Investment Bond	2023	17.61%	Quarterly	125,000,000	124,281,788
2 Years Pakistan Investment Bond	2023	17.62%	Quarterly	75,000,000	74,562,172
2 Years Pakistan Investment Bond	2023	17.61%	Quarterly	125,000,000	124,282,123
2 Years Pakistan Investment Bond	2023	17.62%	Quarterly	175,000,000	173,978,402
				2,920,000,000	2,902,996,557
Term Finance Certificates					
Meezan Bank Limited	Perpetuity	(KIBOR+1.75%)	Monthly	143,000,000	143,000,000
Bank Al Habib Limited	Perpetuity	(KIBOR+1.50%)	Half yearly	132,000,000	132,000,000
Soneri Bank Limited	2038	(KIBOR+2.00%)	Half yearly	150,000,000	150,000,000
United Bank Limited	Perpetuity	(KIBOR+1.55%)	Quarterly	150,000,000	150,000,000
					575,000,000
					3,863,921,757
					3,980,289,076

#### 2021

		2021			
Name of investment	Maturity year	Effective yield %	Profit Payment	Face Value	Total
				`Rupees	`Rupees
Held To Maturity					
Pakistan Investment Bonds					
10 Years Pakistan Investment Bond	2028	13.10%	Half yearly	37,500,000	30,477,833
10 Years Pakistan Investment Bond	2028	12.55%	Half yearly	100,000,000	83,384,285
					113,862,118
Corporate Sukuk					
TPL Trakker Limited	2022	(KIBOR+3%)	Quarterly	9,375,000	9,375,000
Available for sale					
Government securities					
Treasury Bills					
3 Months Treasury Bill	2022	8.17%	On maturity	495,000,000	485,859,330
3 Months Treasury Bill	2022	8.38%	On maturity	495,000,000	485,635,095
3 Months Treasury Bill	2022	8.18%	On maturity	895,000,000	878,463,085
3 Months Treasury Bill	2022	8.50%	On maturity	200,000,000	196,162,600
3 Months Treasury Bill	2022	10.66%	On maturity	300,000,000	292,817,100
3 Months Treasury Bill	2022	10.39%	On maturity	460,000,000	449,260,380
					2,788,197,590
Term Finance Certificates					
Meezan Bank Limited	Perpetuity	(KIBOR+1.75%)	Monthly	143,000,000	143,000,000
Bank Al Habib Limited	Perpetuity	(KIBOR+1.50%)	Half yearly	132,000,000	132,000,000
Soneri Bank Limited	2038	(KIBOR+2.00%)	Half yearly	150,000,000	150,000,000
United Bank Limited	Perpetuity	(KIBOR+1.55%)	Quarterly	150,000,000	150,000,000
					575,000,000
					3,363,197,590
					3,486,434,708

**<sup>8.2</sup>** These include PIB's amounting to Rs. 116.367 million (2021: Rs. 113.862 million), which are pledged with State Bank of Pakistan under section 29 of the Insurance Ordinance, 2000.

#### 8.3 Term Finance Certificate and Corporate Sukuk

	No. of certif	ficates	
	2022	2021	Face value
Meezan Bank Limited	143	143	1,000,0
Bank Al Habib Limited	26,400	26,400	5,0
Soneri Bank Limited	30,000	30,000	5,0
United Bank Limited	30,000	30,000	5,0
TPL Trakker Limited		9.38	1,000,0
	86,543	86,552	

_	Value of certificate			
ce value	2022	2021		
1,000,000	143,000,000	143,000,000		
5,000	132,000,000	132,000,000		
5,000	150,000,000	150,000,000		
5,000	150,000,000	150,000,000		
1,000,000		9,375,000		
	575,000,000	584,375,000		

		Note	2022	2021
			Rupe	ees
9	INVESTMENT IN TERM DEPOSIT RECEIPTS			
	Deposits maturing within 12 months - local currency	9.1	200,000,000	200,000,000
	<b>,</b>			

**9.1** These represents Term Deposit Receipts (TDRs) with Sindh Bank Limited, a related party carrying markup ranging from 9.75% to 16.00% (2021: 7.2% to 9.75%) per annum.

#### 10 LOANS AND OTHER RECEIVABLES

Unsecured - considered good			
Accrued investment income		21,485,979	42,198,625
Loans to employees	10.1	-	953,732
Other receivables	10.2	22,633,467	13,116,963
Gratuity receivable	33.3	382,764	=
		44,502,210	56,269,320

- 10.1 This represents loans provided to employees for domestic purposes which do not carry any interest / markup.
- **10.2** This includes Rs. 0.416 million (2021: Rs. 0.385 million) receivable from Sindh Modarba Management Limited against payment of expenses on its behalf.
- **10.3** The maximum amount due from Sindh Modaraba Management Limited at the end of any month during the year was Rs. 0.832 million (2021: 0.060 million).

11	INSURANCE / REINSURANCE RECEIVABLES	Note	2022 Rup	2021 ees
	(Unsecured - considered good)  Due from insurance contract holders  Due from other insurers / reinsurers	11.1	353,965,124 138,224,820 492,189,944	430,422,022 68,763,239 499,185,261

- 11.1 Due from insurance contract holders includes Rs. 338.776 million due from related parties (2021: 339.067 million).
- **11.2** Since the Company has the policy of recovery of due from insurance contract holders within a period of 12 month, therefore, no provision for impairment of receivable form insurance contract holders has been recorded.

		Note	2022	2021
12	DEFERRED TAXATION		Rupees	
	Deferred tax asset arising in respect of: Provision for compensated leave absences Provision for gratuity Accelerated tax depreciation Lease liabilities		1,387,660 217,117 (396,006) 408,102 1,616,873	1,089,592 343,295 (1,961,074) 1,751,600 1,223,413
13	PREPAYMENTS			
	Prepaid reinsurance premium ceded Prepaid insurance expense Others		446,781,223 4,813,942 348,260 451,943,425	270,205,389 4,363,145 1,059,640 275,628,174
14	CASH AND BANK			
	Cash and cash equivalents Cash in hand Policy stamps Cash at bank Savings accounts	14.1 & 14.2	20,672 907,640 155,528,815 156,457,127	113,345 1,313,833 57,453,153 58,880,331

- **14.1** This represents interest bearing accounts carrying interest rates ranging from 8.4% to 14.5% (2021: 5.65% to 7.4%) per annum.
- 14.2 This includes balance amounting to 154.793 million Rs. (2021: 567.561 million) with Sindh Bank Limited, a related party.

#### 15 ORDINARY SHARE CAPITAL

#### 15.1 Authorized share capital

2022	2021		2022	2021
Number	of shares		Rup	oees
150,000,000	150,000,000	Ordinary shares of Rupees 10 each	1,500,000,000	1,500,000,000
15.2 Issued, subscribed	l and paid up sha	are capital		
2022	2021			
Number	of shares			
	100,000,000	Ordinary shares of Rupees 10 each fully paid in cash	1,000,000,000	1,000,000,000

**15.3** As at December 31, 2022, all the shares are beneficially held by Government of Sindh directly and through nominee directors

		Note	2022	2021
			Rupe	es
16	PREMIUM RECEIVED IN ADVANCE			
	Premium received in advance	16.1	87,978,586	2,451,894

**16.1** This includes premium received in advance amounting to Rs. 78.197 million from Sindh Coal Mining Company Limited against which the policy has not been issued.

		Note	2022	2021
		Note		
47	INSURANCE / REINSURANCE PAYABLES		Rupe	es
17	INSURANCE / REINSURANCE PATABLES			
	Due to other insurers / reinsurers			
	Local		177,027,926	96,828,400
	Foreign		254,108,502	110,301,286
			431,136,428	207,129,686
18	OTHER CREDITORS AND ACCRUALS			
	Agent commission payable		152,908	154,560
	Federal excise duty / sales tax		13,720,782	8,776,536
	Federal insurance fee		1,645,639	697,173
	Accrued expenses		8,644,164	7,503,735
	Withholding tax payable		1,261,493	639,504
	Provision for compensated leave absences	18.1	4,785,036	3,757,215
	Auditors' remuneration		736,368	843,968
	Rent payable		3,155,356	1,498,497
	Provision for gratuity	33.3		1,183,776
			34,101,746	25,054,964
18.1	Provision for compensated leave absences			
	Opening balance		3,757,215	3,113,778
	Provision for the year		1,054,121	663,437
	Payments made during the year		(26,300)	(20,000)
	Closing balance		4,785,036	3,757,215
19	LEASE LIABILITIES			
	Lease liabilities recongnized as on January 1		6,039,999	8,258,540
	Add: Additions during the year Interest accrued		536,452	1,036,589
	Less: Repayment of lease liabilities		(5,169,203)	(3,255,130)
	Less. Repayment of lease habilities		1.407.248	6.039.999

	No	ote 2022	2021
19.	1 Break up of lease liabilities	Ru	pees
	Lease liabilities	1,407,248	6,039,999
	Less: Current portion	(1,407,248)	(3,786,296)
			2,253,703
		<del></del>	· <del></del>
	Maturity analysis - contractual undiscounted cash flows:		
	Less than one year	1,407,248	5,323,018
	One to five year	-, ,	1,490,625
	Total undiscounted lease liability	1,407,248	6,813,643
	,		
19.2 20	2 When measuring lease liabilities, the Company discounted lease payme from 10.51% to 16.49% (2021: 10.51% to 16.49%) per annum.  TAXATION - NET	ents using incremental borro	wing rates ranging
20	IAXATION - NET		
	Provision for income tax	587,594,932	380,721,939
	Less: Advance tax	(577,098,434)	(387,352,061)
		10,496,498	(6,630,122)
21	CONTINGENCIES AND COMMITMENTS		
	There are no contingencies and commitments as at the reporting date (2	2021: Nil).	
22	NET INSURANCE PREMIUM		
	Written gross premium	1,055,482,041	714,554,286
	Unearned premium reserve - opening	403,196,349	329,005,265
	Unearned premium reserve - closing	(581,605,412)	(403,196,349)
	Premium earned	877,072,978	640,363,202
	Less: Reinsurance premium ceded	851,028,195	565,581,504
	Prepaid reinsurance premium ceded - opening	270,205,389	259,020,819
	Prepaid reinsurance premium ceded - closing	(446,781,223)	(270,205,389)
	Reinsurance expense	674,452,361	554,396,934
		202,620,618	85,966,268
23	NET INSURANCE CLAIMS		
	Claim paid	240,532,538	178,560,774
	Outstanding claims including IBNR - opening	(1,614,078,247)	
		3.1 <b>1,499,364,156</b>	1,614,078,247
	Claim income / (expense)	125,818,447	(176,327,238)
		,,	(,,,
	Less: Reinsurance and other recoveries received	41,867,499	16,365,419
	Reinsurance and other recoveries in		
	respect of outstanding claims - opening	(31,498,162)	(18,671,953)
	Reinsurance and other recoveries in		
	respect of outstanding claims - closing	47,406,441	31,498,162
	Reinsurance and other recoveries revenue	57,775,778	29,191,628
		68,042,669	(205,518,866)

23.1 This includes provision for incurred but not reported (IBNR) amounting to Rs. 1,323.972 million (2021: Rs. 1,490,278 million).

#### 23.2 Claim development

**Accident year** 

The Company maintains adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year. The following table shows the development of the claims over a year of time. All amounts are presented in gross numbers before reinsurance:

2019

2020

2021

2022

Total

2018

	Accident year	2010	2013	2020	2021	2022	Iotai
				Ru <sub>l</sub>	pees		
	Cationata of ultimate alaims and						
	Estimate of ultimate claims cost:	105 010 015	174 000 000	454 074 700	005 040 504	000 450 450	1 007 110 511
	At the end of accident year	165,813,645	174,823,399	151,371,769		309,458,170	1,007,113,544
	One year later	138,715,124	166,973,869	149,943,931	206,450,009	-	662,082,933
	Two years later	134,513,676	159,882,371	135,759,961	-	-	430,156,008
	Three years later	135,289,707	156,048,644	=	-	-	291,338,351
	Four years later	136,982,198	_	-	_	-	136,982,198
	Current estimate of cumulative claims	136,982,198	156,048,644	135,759,961	206,450,009	309,458,170	944,698,982
	Cumulative payment to date			(122,817,611)			
	Liability recognized in statement	(,,	(,,,	(	( , , ,	(,,,	(,,
	of financial position	5,345,678	238,000	12,942,350	38,681,766	118,184,400	175,392,194
	or interioral position			12,542,000		110,104,400	170,002,104
							0004
						2022	2021
						Rupee	S
24	NET COMMISSION EXPENSE						
	Commission paid or payable				2	2,775,096	177,335,780
	Deferred commission expense - ope	ening				684,676	31,991
	Deferred commission expense - clos	sing			(1	,034,587)	(684,676)
	Net commission				2	2,425,185	176,683,095
	Less: Reinsurance commission rece	eived or recove	erable			5,341,035)	(24,486,228)
	Unearned reinsurance commi	•	-			),761,048)	(7,724,103)
	Unearned reinsurance commi	ission - closin	g			1,542,710	10,761,048
	Commission from reinsurers					l,559,373)	(21,449,283)
					(32	2,134,188)	155,233,812
25	MANAGEMENT EXPENSES						
	Franksys a hamafita anat			25.1	C	074 000	EE 100 100
	Employee benefits cost Travelling expense			25.1		5,074,920 5,818,976	55,102,128 1,678,954
	Advertisement and sales promotion					1,168,962	1,326,864
	Printing and stationery	l				1,100,302 1,844,881	1,310,873
	Depreciation			6		),435,531	8,761,652
	Amortisation			7		1,083,232	920,592
	Rent, rates and taxes			,	•	29,350	219,749
	Legal and professional charges				2	2,242,591	1,842,146
	Electricity, gas and water					2,733,640	1,723,752
	Entertainment					2,001,137	1,407,861
	Vehicle running expense				_	46,810	179,569
	Office repairs and maintenance				e	6,795,255	3,280,805
	Insurance expense					5,811,974	4,690,150
	Office expense					,403,731	1,851,666
	Bank charges					795,956	169,545
	Postage, telegrams and telephones	5			1	,530,905	1,272,967
	Annual supervision fee SECP				1	,174,930	777,582
	Service charges (Health Econnex)				4	1,387,119	6,595,008
	Donations			25.4	19	9,995,000	-
	Miscellaneous				1	,460,470	2,395,633
					135	5,835,370	95,507,496
25.1	l Employee benefits cost						
		***			_ =	. 400 055	E0 00= 105
	Salaries, allowance and other benef			22.7		3,160,286	52,937,128
	Charges for post employment benef	แร		33.7		1,914,634	2,165,000
						5,074,920 —————	55,102,128
							_

	Note	2022 Rupe	2021 es
25.2 Employees' provident fund		·	
Size of the fund Number of members Cost of investment made Percentage of investment made Fair value / amortised cost of the investments		24,507,560 19 22,079,776 90% 22,079,776	17,776,888 19 16,212,045 91% 16,212,045
Break up of the investments is as follows:			
Government securities Pakistan Investment bonds Market Treasury bills		22,079,776	7,870,447 8,341,598 16,212,045

- **25.3** The Company has contributory provident fund scheme of all its permanent employees. The fund is maintained by the Trustees and all decisions regarding investments and distribution of income etc. are made by the Trustees. The investments by the fund have been made in accordance with the conditions specified in section 218 of the Companies Act 2017 and rules specified thereunder.
- 25.4 This represents the amount used for the purchase of tents for distribution to flood affectees in the district of Jamshoro and

		Note	2022	2021
			Rupe	es
26	INVESTMENT INCOME			
	Income from debt securities			
	Available for sale		256,915,583	343,330,617
	Held to maturity		239,407,851	15,836,001
	Income from term deposits		24,516,986	14,843,715
			520,840,420	374,010,333
27	OTHER INCOME			
	Profit on bank deposit		24,274,311	7,589,960
	Income on generator sharing		694,768	578,430
	Other		2,453,498	2,471,579
			27,422,577	10,639,969
28	OTHER EXPENSES			
	Auditors' remuneration	28.1	604,355	798,206
	Directors' remuneration	32	15,740,000	11,725,000
	Other		33,232	17,260
			16,377,587	12,540,466
28.	1 Auditors' remuneration		-	
	Audit fee		296,190	541,118
	Half yearly review fee		129,733	117,975
	Special certifications and sundry advisory services		145,200	121,908
	Out-of-pocket expenses		33,232	17,205
			604,355	798,206
29	FINANCE COST			
	Finance cost on lease liability	19	536,452	1,036,589
30	INCOME TAX EXPENSE			
	For the year			
	Current	30.1	188,279,257	115,471,186
	Prior		19,405,045	125,222
	Deferred		(124,472)	311,538
			207,559,830	115,907,946

		Note	2022 2021 Rupees	
	nip between accounting profit pense is as follows			
Accounting	g profit before tax		572,370,417	102,287,681
Tax at the	applicable rate of 33% (2021: 29%)		188,882,238	117,337,227
Prior year			19,405,045	125,222
Others			(727,453) 207,559,830	(1,554,504) 115,907,946
	S PER SHARE - D DILUTED			
Profit after	tax for the year		364,810,587	288,703,182
•	average number of nares outstanding (Numbers)		100,000,000	100,000,000
Earnings p	er share (Rupees)	31.1	3.65	2.89

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

**Directors** 

**Executives** 

Chief Executive Officer

#### 32 REMUNERATION OF DIRECTORS AND EXECUTIVES

	Time: Exce	Timer Excount of the					
	2022	2021	2022	2021	2022	2021	
		Rupees					
Meeting fee	-	=	15,740,000	11,725,000		-	
Managerial remuneration	6,882,738	5,795,988	-	=	12,256,711	7,393,818	
Rent and house maintenance	2,753,100	2,318,400	-	-	4,902,659	2,957,547	
Utilities	688,275	579,600	-	-	1,225,660	739,354	
Medical	688,275	579,600	-	-	1,225,655	739,354	
Conveyance	-	_	-	-	-	-	
Bonus	482,999	1,448,997	-	-	1,732,368	1,531,037	
Others	1,068,620	1,235,818	-	-	1,639,318	1,597,297	
	12,564,007	11,958,403	15,740,000	11,725,000	22,982,371	14,958,407	
Number of persons	1	1	7	7	10	5	

**32.1** In addition to the above, the Chief Executive and Executives of the Company are provided with company maintained cars and medical reimbursement as per the Company's policy.

#### 33 DEFINED BENEFIT PLAN

### 33.1 General description

The scheme provides to employees on cessation of employment to all of its permanent employees who attain the minimum qualifying period (3 years) at 100% of last drawn basic salary. Annual charge is based on actuarial valuation carried out as at December 31, 2022 using the Projected Unit Credit Method.

The Company faces the following risks on account of gratuity:

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Company has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Mortality risk - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

Withdrawal risk - The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

Asset volatility - Most assets are invested in risk free investments i.e. Government Bonds / Treasury bills. However, investments in equity instruments is subject to adverse fluctuations as a result of change in the market price.

Discount rate fluctuation - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plans' bond holdings.

Investment risks - The risk of the investment underperforming and not being sufficient to meet the liabilities.

Risk of insufficiency of assets - This is managed by making regular contribution to the Fund as advised by the Actuary.

#### 33.2 Principal actuarial assumptions

Following are a few important actuarial assumptions used in the valuation:

		2022 %age	2021 %age
Discount rate		16.00%	11.00%
Expected rate of return on plan assets		16.00%	11.00%
Expected rate of increase in salary		16.00%	11.00%
	Note	2022	2021
33.3 Reconciliation of balance due to defined benefit plan		Rupe	es <b></b>
Present value of defined benefit obligation	33.5	12,451,277	8,540,776
Fair value of plan assets	33.6	(12,834,041)	(7,357,000)
Closing net (assets) / liability		(382,764)	1,183,776
33.4 Movement of the liability recognized in the statement of financial position			
Opening net liability		1,183,776	6,171,879
Charge for the year		1,914,634	2,165,000
Remeasurement chargeable to other			
comprehensive income		927,545	203,897
Contribution made during the year	33.6	(4,408,719)	(7,357,000)
Closing net (assets) / liability		(382,764)	1,183,776
33.5 Movement in present value of defined benefit obligations			
Opening present value of defined benefit obligations		8,540,776	6,171,879
Current service cost for the year		1,784,905	1,548,000
Interest cost for the year		939,402	617,000
Remeasurement loss on obligation Benefits paid during the year		1,186,194	203,897
Closing present value of defined benefit obligations		12,451,277	8,540,776
33.6 Movement in fair value of plan assets		:=	
Opening fair value of plan assets		7,357,000	_
Contributions during the year		4,408,719	7,357,000
Interest income for the year		809,673	, , ,
Remeasurement on plan assets		258,649	<u> </u>
Closing fair value of plan assets		12,834,041	7,357,000

		2022	2021
33.7	Charge for the year		
	Current service cost Interest cost Charge for the year	1,784,905 129,729 1,914,634	1,548,000 617,000 2,165,000
33.8	Remeasurement chargeable to other comprehensive income		
	Remeasurement loss on defined benefit obligation Remeasurement gain on plan assets	1,186,194 (258,649) (927,545)	203,897

#### 33.9 Sensitivity analysis

The impact of 1% change in following variables on defined benefit obligation is as follows:

#### 33.10 Maturity Profile

Time in year		
1	410,000	294,000
2	494,000	301,000
3	441,000	336,000
4	369,000	284,000
5-10	65,408,000	25,760,000

#### 34 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated companies, entities under common control, entities with common directors, major shareholders and key management personnel of the Company. Transactions and balances with related parties have been disclosed in relevant notes to the financial statements. Other transactions and balances not elsewhere disclosed are summarised as follows:

Name of related party	Nature of relationship	Nature of transaction	2022	2021
name of related party	Tracare of relationship	Tractare of transaction	Rup	)ees
Transaction during the ye	ear			
Sindh Bank Limited	Companies having	Income on savings accounts	24,226,699	7,541,394
	common directorship			
		Income on investment		
		Term Deposit Receipts	24,516,986	14,843,715
		Premium written	110,607,467	107,027,592
		Claims paid	72,501,584	49,978,525
		Rental paid	=	540,000
Sindh Modarba	Companies having	Premium written	-	44,980
Management Limited	common directorship	Claims paid	-	1,062,545
		Income on sharing of generate	or <b>694,768</b>	578,430
Sindh Bank Limited	Companies having	Premium written	-	551,395
(Formerly Sindh Leasing Company Limited)	common directorship	Claims paid	-	736,162
Sindh Microfinance	Companies having	Premium written	2,779,950	553,311
Limited	common directorship	Claims paid	2,293,256	1,256,065



Name of related party	Nature of relationship	f relationship Nature of transaction -		2021			
Name of related party	nature of relationship	Hattare of transaction	Rup	ees			
Transaction during the ye	ear						
Directors	Directors	Premium written	112,448	502,559			
		Claims paid	136,100	141,499			
		Meeting fee paid	15,740,000	11,725,000			
Provident fund	Employees' fund	Contribution to provident fund	2,140,243	1,613,794			
Government of Sindh	Shareholder	Premium written	1	1			
		Claims paid	128,773,680	104,296,500			
		Commission expense	-	175,285,688			
Balances outstanding							
Sindh Bank Limited	Companies having						
	common directorship	Bank accounts Investment	154,793,033	56,758,146			
		Term Deposit Receipts  Due from insurance	200,000,000	200,000,000			
		contract holder	28,317,417	28,771,506			
		Claims payable	13,908,228	20,618,108			
		Lease liability	432,552	1,232,475			
		Claims payable	-	-			
Sindh Modarba	Companies having	Due from insurance					
Management Limited	common directorship	contract holder	-	(21,064)			
		Amount receivable for					
		sharing of generator	832,245	385,232			
Sindh Microfinance	Companies having	Due from insurance					
Bank Limited	common directorship	contract holder	173,475	14,174			
		Claims payable	15,000	98,091			
Directors	Directors	Due from insurance					
		contract holder	12,220	-			
		Receivable - Window					
		Takaful Operations	5,307,926	4,817,450			

## SEGMENT REPORTING

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

					2022			
Segment current year	Fire and property damage	Marine, aviation & transport	Motor	Accident and health	Engineering	Miscellaneous	Treaty	Total
				Rup	ees	Rupees		
Premium receivable (inclusive of federal excise duty, federal insurance fee and administrative surcharge) Less: Federal exercise duty Federal insurance fee Written gross premium including	78,587,720 8,719,407 672,724	24,887,646 2,800,637 215,475	111,537,807 11,902,241 915,474	61,476,966 - 642,617	853,214,400 97,234,496 7,479,468	64,240,185 7,316,523 563,619		1,193,944,724 127,973,304 10,489,377
administrative surcharge	69,195,589	21,871,534	98,720,092	60,834,349	748,500,436	56,360,043	   •    	1,055,482,043
Gross direct premium Facultative inward premium Administrative surcharge	54,391,311 2,581,780 38,959 57,012,050	53,727,221 351,182 69,295 54,147,698	70,964,659 5,996,921 717,994 77,679,574	59,931,223 - 27,792 59,959,015	573,454,540 928,527 19,053 574,402,120	53,510,813 202,816 158,893 53,872,522		865,979,767 10,061,226 1,031,986 877,072,979
Premium earned Reinsurance expense Net insurance premium Commission income Net underwriting income	57,012,050 (52,695,665) 4,316,385 7,889,813 12,206,198	54,147,698 (24,909,550) 29,238,148 1,650,221 30,888,369	77,679,574 (36,847,452) 40,832,120 12,062,432 52,894,552	59,959,015 - 59,959,015 - 59,959,015	574,402,120 (533,557,034) 40,845,086 19,151,515 59,996,601	53,872,522 (26,442,661) 27,429,861 (6,194,608) 21,235,253		877,072,979 (674,452,361) 202,620,618 34,559,373 237,179,989
Insurance claims Insurance claims recovered from reinsurers Net claims Commission expense Management expense Premium deficiency (expense) / income Net insurance claims and expenses Underwriting result Net investment income Other income Other income Profit from Window Takaful Operation Profit before tax	23,259,130 22,995,646 263,484 1,229,936 7,791,761 (2,048,319) 7,236,862 4,969,336	2,802,704 2,453,562 349,142 43,325 2,462,841 1,808,051 4,663,359 26,225,010	18,873,416 10,630,700 8,242,716 928,292 11,116,364 7,301,980 27,589,352 25,305,201	41,092,687 - 41,092,687 - 24,369,652 (2,024,306) 63,438,033 (3,479,018)	26,938,684 24,439,619 2,499,065 89,711 84,284,798 66,873,574 (26,876,973)	12,851,826 (2,743,750) 15,595,576 133,921 5,809,952 (8,486,097) 13,053,352 8,181,901		125,818,446 57,775,777 68,042,669 2,425,185 135,835,368 (3,448,691) 202,854,531 34,325,457 520,840,420 27,422,577 (16,377,587) (536,452) 6,696,001
Segment assets Un-allocated assets Total assets	66,141,631	20,906,230	94,363,065	58,149,415	715,465,251	53,872,581	 	1,008,898,174 4,469,025,083 5,477,923,257
Segment liabilities Un-allocated liabilities Total liabilities	174,244,735	55,075,760	248,591,804	153,189,895	1,884,834,888	141,922,925	 	2,657,860,008 41,568,943 2,699,428,951

					2021			
					707			
Segment current year	Fire and property damage	Marine, aviation & transport	Motor	Accident and health	Engineering	Miscellaneous	Treaty	Total
					-Rupees			
Premium receivable (inclusive of federal excise duty, federal insurance fee and administrative surcharge)	59.712.932	54.314,436	66,360,028	60.052,445	506,306,260	59,011,420	ı	805,757,521
Less: Federal exercise duty	6,630,724	6,160,326	7,105,897	ı	57,584,930	6,630,719	İ	84,112,596
Federal insurance fee	511,750	473,868	546,654	613,695	4,429,611	515,061	•	7,090,639
whiten gross premium including administrative surcharge	52,570,458	47,680,242	58,707,477	59,438,750	444,291,719	51,865,640	 	714,554,286
Gross direct premium	50,876,296	47,304,541	53,335,623	59,410,750	442,936,746	51,330,939	ı	705,194,895
Facultative inward premium	1,625,052	293,145	4,597,942	1	1,330,729	374,430	Ì	8,221,298
Administrative surcharge	69,110 52,570,458	82,556 47,680,242	773,912 58,707,477	28,000 59,438,750	24,244 444,291,719	160,271 51,865,640	1 1	1,138,093 714,554,286
Premium earned	63.172.097	27.564.317	57.073.959	55.426.084	391.013.594	46,113,151	ı	640.363.202
Reinsurance expense	(53,437,180)	(50,104,136)	(29,899,056)	1	(391,807,965)	(29,148,598)	i	(554,396,935)
Net insurance premium	9,734,917	(22,539,819)	27,174,903	55,426,084	(794,371)	16,964,553		85,966,267
Commission income	6,124,025	1,148,379	8,931,593	1 00 004	6,584,770	(1,339,484)	1	21,449,283
Net underwriting income	15,858,942	(21,391,440)	36,106,496	55,426,084	5,790,399	15,625,069	Ī	107,415,550
Insurance claims Insurance claims recovered from reinsurers	(661,741)	9,320,804 9,949,972	16,950,517	(205,981,982)	5,292,052	504,307 9,062,036	1 1	(174,576,043) 30,942,821
Net claims	549,888	(629,168)	9,900,310	(207,733,176)	951,011	(8,557,729)	] ]	(205,518,864)
Commission expense	938,507	30,530	224,580	175,285,688	209,091	(5,300)	İ	176,683,096
Management expense	6,127,723	5,557,709	6,843,067	20,182,443	51,269,278	5,527,272	ı	95,507,492
Net insurance claims and expenses	11.004.347	4.959.071	16,967,957	(14,387,939)	52.429.380	6,411,960	1	77.384.776
Underwriting result	4,854,595	(26,350,511)	19,138,539	69,814,023	(46,638,981)	9,213,110	   •	30,030,774
Net investment income								374,010,333
Other income								10,639,969
Office expenses								(12,340,400)
Profit from Window Takaful Operation								3,507,107
Profit before tax								404,611,128
Segment assets	62,147,307	56,366,232	69,402,317	70,266,807	525,229,087	61,314,091	i	844,725,840
Ortanocaca assets Total assets								4,720,023,939
Segment liabilities Un-allocated liabilities Total liabilities	166,500,390	151,012,169	185,937,467	188,253,544	1,407,154,267	164,268,100	,	2,263,125,937 42,683,552 2,305,809,489
							II	

#### 36. MOVEMENT IN INVESTMENT

As at January 01, 2021
Additions
Disposals (sale and redemptions)
Fair value net gains (excluding net realised gains)

As at December 31, 2021

Additions
Disposals (sale and redemptions)

Fair value net gains (excluding net realised gains)

As at December 31, 2022

Held to maturity	Available for sale	Total
	Rupees	
990,805,615	2,375,557,872	3,366,363,487
2,214,730	10,280,758,120	10,282,972,850
(869,783,225)	(9,183,614,379)	(10,053,397,604)
_	(109,504,025)	(109,504,025)
(867,568,495)	987,639,716	120,071,221
123,237,120	3,363,197,588	3,486,434,708
2,505,201	8,449,679,993	8,452,185,194
(9,375,000)	(7,948,955,826)	(7,958,330,826)
_	-	_
(6,869,799)	500,724,167	493,854,368
116,367,321	3,863,921,755	3,980,289,076

#### 37 MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

The Company's activities expose it to a variety of insurance and financial risks: credit risk, liquidity risk and market risk (including interest / mark-up rate risk, price risk and currency risk). The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to insurance and financial risk without any material change from previous year in the manner described in notes below. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing the Company's risk management policies.

#### 37.1 Insurance risk

The principal risk that the Company faces under insurance contracts is the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities. The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims and similar procedures are put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. Reinsurance policies are written with approved reinsurers on either a proportionate basis or non-proportionate basis. The reinsurers are carefully selected and approved and are dispersed over several geographical regions.

Experience shows that larger the portfolio is in similar insurance contracts, smaller will be the relative variability about the expected outcome. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Company principally issues the general insurance contracts. Risks under these policies usually cover twelve month or lesser duration. For general insurance contracts, the most significant risks arise from accidental fire, atmospheric disaster and terrorist activities.

#### 37.1.1 Frequency and severity of claims

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



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

		20	22		2021			
Class of business	Gross claims liability	Net claims liability	Gross premium liability	Net premium liability	Gross claims liability	Net claims liability	Gross premium liability	Net premium liability
	%	%	%	%	%	%	%	%
Fire and property damage	1.75%	0.13%	6%	1.59%	0.20%	0.10%	6%	1%
Marine, aviation and transport	0.89%	0.07%	1%	0.58%	0.65%	0.06%	9%	21%
Motor	0.92%	0.71%	8%	17.18%	1%	0.40%	6%	9%
Accident and health	94.27%	97.35%	6%	27.14%	95%	97.22%	9%	27%
Engineering	0.50%	0.09%	74%	41.26%	0.15%	0.02%	64%	34%
Miscellaneous	1.67%	1.64%	5%	12.25%	3%	2.20%	6%	8%
Total	100%	100%	100%	100%	100%	100%	100%	100%

#### 37.1.2 Geographical concentration of insurance risk

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

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated primarily with the commercial / industrial occupation of the insured. Details regarding the fire separation / segregation with respect to the manufacturing processes, storage, utilities, etc. are extracted from the layout plan of the insured facility. Such details are formed part of the reports which are made available to the underwriters / reinsurers for their evaluation. Reference is made to the standard construction specifications laid down by Insurance Association of Pakistan (IAP). For fire and property risk, a particular building and neighboring buildings, which could be affected by a single claim incident, are considered as a single location. For earthquake risk, a complete city is classified as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk. The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

A risk management solution is implemented to help assess and plan for risk in catastrophic scenarios. It provides a way to better visualize the risk exposure of the Company and to determine the appropriate amount of reinsurance coverage to protect the business portfolio.

#### 37.1.3 Reinsurance arrangements

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

In compliance with regulatory requirements, the reinsurance agreements are duly submitted to the SECP on an annual basis.

The Company's class wise risk exposure (based on maximum loss coverage in a single policy is as follows):

	Gross sum insured	Paincurance		Net exposure of risk			
Class			2022	2021			
		Rupees					
Fire and property damage	32,250,000,000	32,233,875,000	20,000,000	20,000,000			
Marine, aviation and transport	4,600,000,000	4,597,700,000	2,300,000	2,770,500			
Motor	62,557,160	49,288,868	13,268,292	5,251,950			
Accident and health	2,000,000	-	2,000,000	2,000,000			
Engineering	96,310,571,811	96,262,416,525	48,155,286	18,205,445			
Miscellaneous	5,375,000,000	5,372,312,500	2,687,500	2,062,500			
	138,600,128,971	138,515,592,893	88,411,078	50,290,395			

#### 37.1.4 Uncertainty in the estimation of future claims payment

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

An estimated amount of the claim is recorded immediately on the intimation to the Company. The estimation of the amount is based on management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims. For the estimation of provision of claims IBNR, the Company follows the recommendation of actuary.

There are several variable factors which affect the amount and timing of recognized 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 significantly different from initial recognized amount. Similarly, the provision for IBNR is based on historic reporting pattern of the claims other than exceptional losses. Hence, actual amount of IBNR may differ from the amount estimated.

#### 37.1.5 Key assumptions

The principal assumption underlying the liability estimation of IBNR is that the Company's future claim development will follow similar market pattern for occurrence and reporting. The management uses qualitative judgment to assess the extent to which reporting pattern will not apply in future. The judgment includes external factors such as 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.

#### 37.1.6 Sensitivity analysis

The insurance claim liabilities are sensitive to the incidence of insured events and severity / size of claims. The impact on the before tax and shareholders's equity of the changes in the claim liabilities net of reinsurance is analyzed below, the sensitivity to changes in claim liabilities net of reinsurance is determined separately for each class of business while keeping all the other assumptions constant.

#### 10% increase in loss

Fire and property damage Marine, aviation and transport Motor Accident and health Engineering Miscellaneous

Pre-tax p	profit	Shareholders' equity				
2022	2021	2022	2021			
Rup	ees-—	Rupees				
26,348	88,362	18,707	62,737			
34,914	(63,426)	24,789	(45,032)			
824,272	855,980	585,233	607,746			
4,109,269	5,238,315	2,917,581	3,719,204			
249,907	21,637	177,434	15,362			
1,559,558	538,895	1,107,286	382,616			
6,804,268	6,679,763	4,831,030	4,742,633			

#### 10% decrease in loss

Fire and property damage Marine, aviation and transport Motor Accident and health Engineering Miscellaneous

Pre-tax	profit	Shareholders	' equity
2022	2021	2022	2021
Rı	RupeesRupees		
(26,348)	(88,362)	(18,707)	(62,737)
(34,914)	63,426	(24,789)	45,032
(824,272)	(855,980)	(585,233)	(607,746)
(4,109,269)	(5,238,315)	(2,917,581)	(3,719,204)
(249,907)	(21,637)	(177,434)	(15,362)
(1,559,558)	(538,895)	(1,107,286)	(382,616)
(6,804,268)	(6,679,763)	(4,831,030)	(4,742,633)

#### 37.2 Financial risk

#### 37.2.1 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of adequate funds through committed credit facilities. The Company finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management follows an effective cash management program to mitigate the liquidity risk.

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

	202	22	
Carrying amount	Contractual cash flows	Upto one year	More than one year
	Ruj	oees	·

#### Financial liabilities

Premium received in advance
Outstanding claims including IBNR
Insurance / reinsurance payables
Other creditors and accruals
Lease liability
Liabilities of Window Takaful Operations Operator's Fund

87,978,586	87,978,586	79,792,127	
1,499,364,156	1,499,364,156	1,499,364,156	
431,136,428	431,136,428	431,136,428	=
13,951,671	13,951,671	13,951,671	=
1,407,248	1,407,248	1,407,248	=
6,212,859	6,212,859	1,407,248	
2,040,050,948	2,040,050,948	2,027,058,878	-

	202	:1	
Carrying amount	Contractual cash flows	Upto one year	More than one year
	Rup	ees	

#### Financial liabilities

Premium received in advance
Outstanding claims including IBNR
Insurance / reinsurance payables
Other creditors and accruals
Lease liability
Liabilities of Window Takaful Operations Operator's Fund

2,451,894	2,451,894	2,451,894	
1,614,078,247	1,614,078,247	1,570,069,743	44,008,504
207,129,686	207,129,686	207,129,686	_
10,697,933	10,697,933	10,697,933	-
6,039,999	6,039,999	3,786,296	2,253,703
8,065,302	8,065,302	8,065,302	
1,848,463,061	1,848,463,061	1,802,200,854	46,262,207

#### 37.2.2 Market risk

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The market risks associated with the Company's business activities are interest / mark-up rate risk, price risk and currency risk.

#### a) Interest / mark-up rate risk

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark-up rate risk arises from mismatching of financial assets and liabilities that mature or repaid in a given year. The Company manages this mismatchment through risk management strategies where significant changes in gap position can be adjusted. At the reporting date, the interest / mark-up rate profile of the Company's significant interest / mark-up bearing financial instruments was as follows:

				N	2022			
		Inte	Interest / mak-up bearing	ıring		Non-interest bearing	t bearing	
	Effective yield / interest rate	Maturity upto one year	Maturity affer one year	Sub total	Maturity within one year	Maturity after one year	Sub total	Total
					Rupees			
Financial assets								
Investments								
Debt securities	12.55% to 18.97%	2,902,996,557	691,367,319	3,594,363,876	ı	ı	ī	3,594,363,876
Term deposits	9.75% to 16.00%	200,000,000	1	200,000,000	•	1	1	200,000,000
		3,102,996,557	691,367,319	3,794,363,876	1	1		3,794,363,876
Loan and other receivables		ı	1	i	44,502,210	1	44,502,210	44,502,210
Insurance / reinsurance receivables		ı	1	i	492,189,944	•	492,189,944	492,189,944
Reinsurance recoveries against								
outstanding claims		ı	1	İ	47,406,441	ı	47,406,441	47,406,441
Cash and bank	8.4% to 14.5%	155,528,815	ı	155,528,815	928,312	I	928,312	156,457,127
		3,258,525,372	691,367,319	3,949,892,692	585,026,907	1	585,026,907	4,534,919,598
Financial liabilities								
Outstanding claims including IBNR	ı	ı	ı	I	1,499,364,156	ı	1,499,364,156	1,499,364,156
Insurance / reinsurance payables	ı	ı	ı	ı	431,136,428	ı	431,136,428	431,136,428
Other creditors and accruals	ı	ı	i	Ī	13,951,671	ī	13,951,671	13,951,671
Lease liability	10 51% to 16 39%	1,407,248	1	1,407,248	1	ı		1,407,248
		1,407,248	1	1,407,248	1,944,452,254	1	1,944,452,254	1,945,859,502
On balance sheet gap (a)		3,259,932,620	691,367,319	3,951,299,940	2,529,479,161	1	2,529,479,161	6,480,779,101
Off balance sheet financial instrument	+	1	ı	1	1	ı		1
Off balance sheet gap (b)		•	1	•	•	1		•
Total interest rate sensitivity gap (a) + (b)	(q) -	3,259,932,620	691,367,319	3,951,299,940				
Cumulative interest rate sensitivity gap	<u>a</u> .	3,259,932,620	691,367,319					

					2021			
		Inte	Interest / mak-up bearing	ring		Non-interest bearing	t bearing	
	Effective yield / interest rate	Maturity upto one year	Maturity after one year	Sub total	Maturity within one year	Maturity after one year	Sub total	Total
					Rupees			
Financial assets								
Investments								
Debt securities	8 15% to 13 10%	9,375,000	688,862,118	698,237,118	2,788,197,590	ı	2,788,197,590	3,486,434,708
Term deposits	7.20% to 9.75%	200,000,000	ı	200,000,000	ı	ı	ı	200,000,000
		209,375,000	688,862,118	898,237,118	2,788,197,590	1	2,788,197,590	3,686,434,708
Loan and other receivables		ı	ı	ı	56,269,320	ī	56,269,320	56,269,320
Insurance / reinsurance receivables		ı	1	1	499,185,261	Ī	499,185,261	499,185,261
Reinsurance recoveries against								
outstanding claims		1	ı	1	31,498,162	Í	31,498,162	31,498,162
Cash and bank	2.65%	57,453,153	ı	57,453,153	1,427,178	İ	1,427,178	58,880,331
		266,828,153	688,862,118	955,690,271	3,376,577,511	1	3,376,577,511	4,332,267,782
Financial liabilities								
Outstanding claims including IBNR	ı	ı	ı	ı	1,614,078,247	I	1,614,078,247	1,614,078,247
Insurance / reinsurance payables	1	1	ı	ı	207,129,686	I	207,129,686	207,129,686
Other creditors and accruals	ı	ı	1	ı	10,697,933	ı	10,697,933	10,697,933
Lease liability	10 51% to 16 39%	5,323,018	1,490,625	6,813,643	1	1		6,813,643
		5,323,018	1,490,625	6,813,643	1,831,905,866	1	1,831,905,866	1,838,719,509
On balance sheet gap (a)		272,151,171	690,352,743	962,503,914	5,222,840,408	1	5,222,840,408	6,185,344,322
Off balance sheet financial instrument		1	1	ı	Ī	1	ı	ı
Off balance sheet gap (b)		1	1	1	1	1	1	1
Total interest rate sensitivity gap (a) + (b)	(q)	272,151,171	690,352,743	962,503,914				
Cumulative interest rate sensitivity gap	C	272,151,171	690,352,743					



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

Carrying	amount
2022	2021
Rup	ees

Fixed rate instruments Financial assets

702,292,519

3,102,059,708

Variable rate instruments Financial assets

3,633,525,372

641,828,153

#### Sensitivity analysis for fixed rate instruments

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

#### Sensitivity analysis of variable rate instruments

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

Profit be	fore tax	Total	equity
100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	Ruj	oees	
36,335,254	(36,335,254)	25,798,030	(25,798,030)
6,418,282	(6,418,282)	4,556,980	(4,556,980)

As at December 31, 2022 Sensitivity

As at December 31, 2021 Sensitivity

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

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

#### b) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark-up rate risk or currency risk), whether those changes are caused by factor specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instrument traded in the market. The Company is not exposed to price risk as the Company has no equity investments.

#### c) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is not exposed to foreign currency risk as the Company has no financial assets and financial liabilities in foreign currencies.

#### 37.2.3 Credit risk

Credit risk is the risk that arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counterparties in various sectors and by continually assessing the credit worthiness of counterparties.

#### Exposure to credit risk

The maximum exposure to credit risk before any credit enhancements at December 31, 2022 is the carrying amount of the financial assets as set out below:

	Note	2022	2021
		Rup	oees
Nature of financial assets			
Bank balances		156,457,127	58,880,331
Investments			
Debt securities		3,980,289,076	3,486,434,708
Term deposits		200,000,000	200,000,000
·		4,180,289,076	3,686,434,708
Due from insurance contract holders		353,965,124	430,422,022
Due from other insurers / reinsurers		138,224,820	68,763,239
Loans and other receivables		44,502,210	56,269,320
Reinsurance recoveries against outstanding claims		47,406,441	31,498,162
-		4,920,844,798	4,332,267,782

Provision for impairment is made for doubtful receivables according to the Company's policy. The impairment provision is written off when the Company expects that it cannot recover the balance due.

The age analysis of due from insurance contract holders from other than related parties is as follows:

Upto 3 months	3,744,388	90,223,584
3 to 6 months	8,299,966	1,116,198
6 to 12 months	3,115,516	15,423
More than 12 months	-	=
	15,159,870	91,355,205

The age analysis of due from insurance contract holders with respect to related parties is as follows:

Upto 3 months	28,474,268	28,794,786
3 to 6 months	28,844	(4,756)
6 to 12 months	-	(25,410)
More than 12 months	310,302,142	310,302,197
	338,805,254	339,066,817

#### Concentration of credit risk

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

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

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

Ra	ıting	Rating	2022	2021
Long term	Short term	Agency	Rupe	es
A-1	A+	JCR-VIS	154,793,033	56,758,146
A-1	A-	JCR-VIS	243,688	228,276
A-2	Α	JCR-VIS	129,786	122,307
A-1	Α	JCR-VIS	362,309	344,424
			155,528,816	57,453,153
A-1	A+	JCR-VIS	200,000,000	200,000,000
			200,000,000	200,000,000
AAA	A-1+	JCR-VIS	143,000,000	143,000,000
AAA	A1+	PACRA	132,000,000	132,000,000
AA-	A1+	PACRA	150,000,000	150,000,000
AAA	A-1+	JCR-VIS	150,000,000	150,000,000
			• •	
A-	A2	PACRA	=	9,375,000
			575,000,000	584,375,000
	A-1 A-1 A-2 A-1 A-1 A-1 A-A-1	A-1 A+ A-1 A- A-2 A A-1 A+ A-1 A+  A-1 A+  A-1 A+  A-1 A+  A-1 A+  AAA A-1+  AAA A-1+  AAA A-1+	Long term         Short term         Agency           A-1         A+         JCR-VIS           A-1         A-         JCR-VIS           A-2         A         JCR-VIS           A-1         A         JCR-VIS           A-1         A+         JCR-VIS           AAA         A-1+         JCR-VIS           AAA         A1+         PACRA           AAA         A1+         PACRA           AAA         A-1+         JCR-VIS	A-1 A+ JCR-VIS 154,793,033 A-1 A- JCR-VIS 129,786 A-1 A JCR-VIS 129,786 A-1 A JCR-VIS 362,309 155,528,816  A-1 A+ JCR-VIS 200,000,000 200,000,000  AAA A-1+ JCR-VIS 143,000,000 AAA A-1+ PACRA 132,000,000 AAA A-1+ JCR-VIS 150,000,000 AAA A-1+ JCR-VIS 150,000,000 AAA A-1+ JCR-VIS 150,000,000 AAA A-1+ JCR-VIS 150,000,000 A- A2 PACRA -

#### **38 CAPITAL RISK MANAGEMENT**

The Company's goals and objectives when managing capital are:

To be an appropriately capitalized institution in compliance with the paid-up capital requirement set by the SECP. The minimum paid-up capital requirement for non-life insurers is Rs. 500 million. The Company's current paid-up capital is well in excess of the limit prescribed by the SECP;

To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for the other stakeholders;

To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk;

To maintain strong ratings and to protect the Company against unexpected events / losses; and

To ensure a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

#### 39 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input for which the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input for which the fair value measurement is unobservable.

The following tables show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

					2022					
			Carrying	Carrying amount				Fair value	alue	
	Held-to- maturity	Available for sale	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
			R	Rupees				(Rupees)	ees)	
Financial assets measured at fair value										
Investments Pakistan Investment Bonds	1 1	2,902,996,557			, ,	2,902,996,557	1 1	2,902,996,557	ı	2,902,996,557
Corporate Survin Treasury Bills Term Finance Certificates		385,925,200 575,000,000 3,863,921,757				385,925,200 575,000,000 3,863,921,757		575,000,000		575,000,000 3,477,996,557
Financial assets not measured at fair value										
Investments Pakistan Investment Bonds	116,367,319	ſ	•	•	•	116,367,319				
Term deposits	1 1	1 1	- 44 502 210	200,000,000	1 1	200,000,000				
Insurance / reinsurance receivable*	ı ı	ı <b>ı</b>	492,189,944			492,189,944				
Re-insulation recoveries against outstanding claims*	1 1	1 1	47,406,441	- 156 457 127	1 1	47,406,441 156,457,127				
	116,367,319	1	584,098,595	356,457,127	•	1,056,923,041				
Financial liabilities not measured at fair value										
Outstanding claims including IBNR*	ı	ı	ı	ı	(1,499,364,156)	(1,499,364,156)				
Insurance / reinsurance payables*	•	ı	ı	ı	(431,136,428)	(431,136,428)				
Curer Greations and accidants Lease liability				1 1	(1,407,248)	(1,407,248)				
			1		(1,945,859,501)	(1,945,859,501)				

					2021					
			Carryin	Carrying amount				Fair value	alue	
	Held-to- maturity	Available for sale	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2 Level 3	Level 3	Total
			R	Rupees				(Rupees)	ees)	
Financial assets measured at fair value										
Investments										
Pakistan Investment Bonds	i	ı	i	i	1	i	Í	ı	İ	·
Corporate Sukuk	i	1	i	1	1	i	İ	1	İ	·
Treasury Bills	i	2,788,197,590	İ	i	1	2,788,197,590	İ	ı	Ū	•
Term Finance Certificates	1	575,000,000	i	ı	ı	575,000,000	İ	575,000,000	ı	575,000,000
		3,363,197,590				3,363,197,590	1	575,000,000	İ	575,000,000

# Financial assets not measured at fair value

ı	ı	ı	56,269,320	499,185,261	31,498,162	ı	586,952,743
ı	İ	ı	ı	İ	ı	ı	23,237,118.09 3,363,197,590
113,862,118	9,375,000	ı	ı	ı	ı	ı	123,237,118.09
Investments Pakistan Investment Bonds	TPL Trakker Limited	Term deposits	Insurance / reinsurance receivable*	Loans and other receivable*	Re-insurance recoveries against outstanding claims*	Cash and bank balance*	

113,862,118 9,375,000 200,000,000 56,269,320 499,185,261 31,498,162 58,880,331

200,000,000

58,880,331 258,880,331

# Financial liabilities not measured at fair value

(1,614,078,247) (1,614,078,247)	(207,129,686) (207,129,686)	(10,697,933) (25,054,964)	(6,039,999) (6,039,999)	(1,837,945,865) (1,852,302,896)
	ı	ı	ı	ı
ı	ı	1	1	1
ı	ļ	ı	1	1
ı	•	I	ı	ı
Outstanding claims including IBNR*	Insurance / reinsurance payables*	Other creditors and accruals*	Lease liability	

<sup>\*</sup> The company has not disclosed the fair value of these items because their carrying amounts are a reasonable approximation of their fair values. Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently differences may arise between the carrying values and the fair value estimates.

		2022	2021
40	NUMBER OF EMPLOYEES		
	Number of employees at the end of the year Average number of employees	19 19	19 19

#### 41 CORRESPONDING FIGURES

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

#### 42 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 03 MAR 2023 by the Board of Directors of the Company.

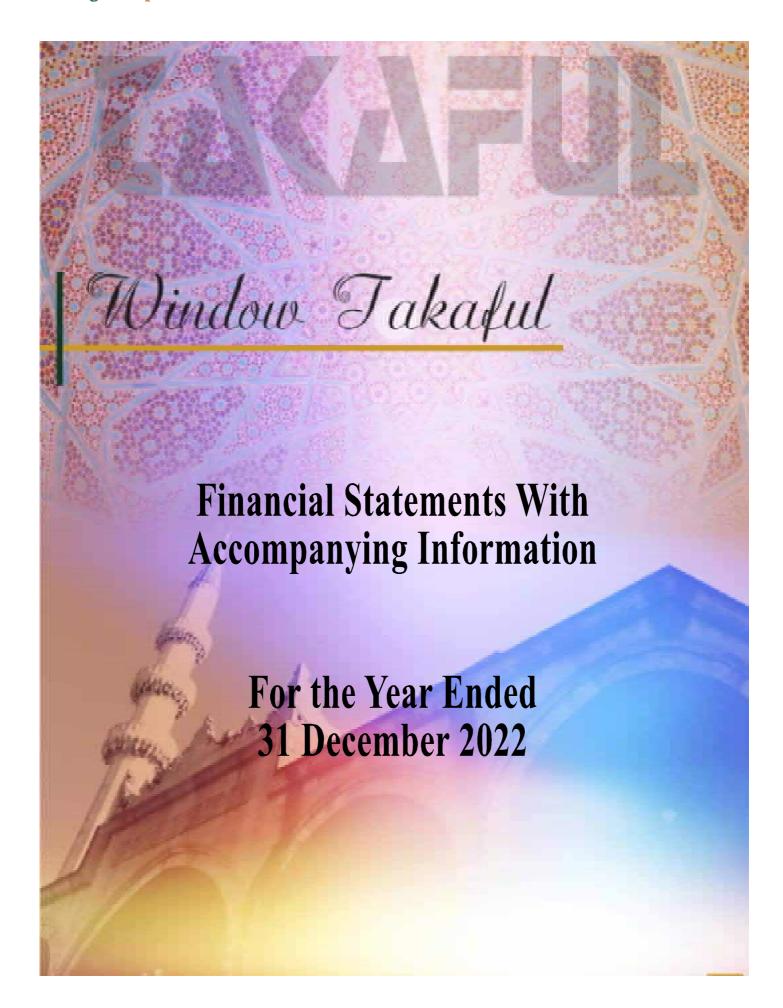
#### 43 GENERAL

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

1 - - -

Chairman Director

Director



#### SHARIA ADVISOR'S PROFILE

Mufti Muhammad Adnan is a prominent Shariah Scholar in the field of Islamic Finance and Takaful. Have completed his shariah graduation (Masters in Quran and Sunnah) and "Takhassus Fil Ifta" (Specialisation in Islamic Jurisprudence and fatwa) from Jamia Darul Uloom Karachi under the supervision of Mufti Muhammad Taqi Usmani. He is also a member of Darul Ifta, Jamiah Darul Uloom Karachi since year 2006, He has written more than Two thousand Fatawa's on different topics.

He is also working as teacher in Darul Uloom Karachi and Faculty member of Centre for Islamic Economics

Mufti Muhammad Adnan is serving as the Shariah Advisor of "Sindh Insurance Limited-Window Takaful Operations" since year 2016. He has special interest in the promotion of Islamic Finance particularly in the facilitation of conversion of conventional set-ups into Shariah-based organizations. He has recently completed his doctorate(PhD) in Islamic Finance from Federal Urdu University.

#### SHARIA ADVISOR'S REPORT TO THE BOARD OF DIRECTORS FOR THE YEAR ENDED DECEMBER 31, 2022

By the Grace of Almighty Allah, Sindh Insurance Limited has continued Window Takaful Operations in year 2022.

Shariah Advisor's report is prepared with aim to provide information about Window Takaful Operation transitions undertaken during the period are in compliance with Shariah Guidelines, includes to provide opinion of Shariah Advisor about transactions with consideration of their tactically and operational nature.

In my opinion and to the best of my understanding based on the provided information and explanation:

- 1. Transactions made by the Takaful Operator were in accordance with shariah guidelines issued by Shariah Advisor and requirements under Takaful Rules 2012.
- 2. The transactions and activities of Window Takaful Operations are in accordance with Shariah principles in respect of the Participants Takaful Fund (Waqf Fund) and Operator's Fund.
- 3. The investments have been made into Shariah Compliant avenues with shariah approval. All bank accounts related to Window Takaful Operations have been opened in Islamic banking Institutions with prior Shariah approval and these are separate from the conventional insurance business.
- 4. The Company has adopted treatments and formats provided in the General Takaful Accounting Regulations, 2019.

I pray that Window Takaful Operations of the Company be blessed by the Allah Almighty and takaful operations will flow with great success for achievement of the goals of the Company.



Mufti Muhammad Adnan Shariah Advisor Sindh Insurance Limited – Window Takaful Operation

March 03, 2023

Karachi

### STATEMENT OF COMPLIANCE OF WINDOW TAKAFUL OPERATIONS

The Sindh Insurance Limited – Window Takaful Operations entered in financial engagements and transactions for the year ended December 31, 2022 are in compliance with the Takaful Rules, 2012.

We affirm the following statements:

- 1. The Company has developed and implemented all the policies and procedures in accordance with the Takaful Rules, 2012 and guidelines of the Shariah Advisor. The company has also implemented governance arrangements including the reporting to the Audit Committee/ Shariah Advisor and the Board of Directors;
- 2. All the products and policies have been approved by Shariah Advisor and the financial arrangements including investments made, policies, contracts and transactions entered into by Window Takaful Operations are in compliance with the polices approved by Shariah Advisor;
- 3. The assets and liabilities of Window Takaful Operations of Participant Takaful Fund and Operator's fund are separated from each other, at all times in accordance with the provisions of the Takaful Rules, 2012;
- 4. The Company has adopted treatments and formats provided in the General Takaful Accounting Regulations, 2019.

Above statements have been duly endorsed by the Shariah Advisor of the Company.

Muhammad Faisal Siddiqui Chief Executive Officer

March 03, 2023

Karachi

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

#### Introduction

We were engaged by the Board of Directors of Sindh Insurance 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, 2022, with the Takaful Rules, 2012, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of compliance of the Operations with the Takaful Rules, 2012, in all material respects.

#### **Applicable Criteria**

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

#### **Responsibilities of the Management**

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

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

#### **Our Independence and Quality Management**

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

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

#### Our responsibilities

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

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

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

SINDH INSURANCE

- Evaluated the systems, procedures and practices in place with respect to the Takaful operations against the Takaful Rules, 2012 and Shariah advisor's guidelines;
- Evaluated the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee / Shariah Advisor and the board of directors;
- Tested for a sample of transactions relating to Takaful operations to ensure that these are carried out in accordance with the laid down procedures and practices including the regulations relating to Takaful operations as laid down in Takaful Rules, 2012; and
- Reviewed the statement of management's assessment of compliance of the Takaful transactions during the year ended December 31, 2022 with the Takaful Rules, 2012.

#### Conclusion

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

In our conclusion, the annexed statement, for the year ended December 31, 2022, presentsfairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

**KARACHI** 

**DATED: 03 MAR 2023** 

CHARTERED ACCOUNTANTS

Engagement Partner: Zulfikar Ali Causer

#### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SINDH INSURANCE LIMITED (WINDOW TAKAFUL OPERATIONS)

#### Introduction

We have audited the annexed financial statement of **SINDH INSURANCE LIMITED (WINDOW TAKAFUL OPERATION)** ("the Operator") as at December 31, 2022, which comprise the statement of financial position as at December 31, 2022, and the profit and loss account, the statement of comprehensive income, the statement of changes in funds and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Operator's affairs as at December 31,2022 and of the profit, other comprehensive income, the changes in funds and its cash flows for the year then ended.

#### **Basis for Opinion**

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

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

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

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

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

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

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

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

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

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

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

SINDH INSURANCE !

- 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.

#### **Report on Other Legal and Regulatory Requirements**

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

- a) proper books of account have been kept by the Operator as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in funds and the 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 Zulfikar Ali Causer.

KARACHI

**DATED: 03 MAR 2023** 

UDIN: AR202210067LzslxvD2N

BDO EBRAHIM & CO. CHARTERED ACCOUNTANTS



#### WINDOW TAKAFUL OPERATIONS STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2022

		Оре	rator's Fund	Participan	t's Takaful Fund
		2022	2021	2022	2021
	Note		- Rupees		Rupees
ASSETS					
Adders					
Property and equipment	6	21,082	26,706	-	-
Intangible assets	7	-	-	-	-
Investments					
Equity securities	8	15,174,692	13,936,670	2,127,011	1,940,851
Term deposit receipts	9	29,000,000	25,810,000	54,766,000	44,918,000
		44,174,692	39,746,670	56,893,011	46,858,851
Qard-e-Hasna to Participants' Takaful Fund	10	18,500,000	18,500,000	-	-
Loan and other receivables	11	275,713	987,918	1,402,486	2,229,818
Takaful / retakaful receivables	12	-	-	5,864,496	4,861,643
Receivable from PTF	13	10,601,721	8,476,952	-	-
Deferred wakala fee expense	26	-	-	1,967,998	3,436,813
Deferred commission expense	27	247,358	227,172	-	-
Prepayments	14	91,499	226,011	1,504,606	1,277,921
Taxation	15	-	<del>-</del>	2,998,425	716,642
Cash and bank	16	3,099,113	4,267,125	9,474,235	11,180,863
TOTAL ASSETS		77,011,178	72,458,554	80,105,257	70,562,551
			=======================================		

Chairman

Director

Director

#### WINDOW TAKAFUL OPERATIONS STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2022

		Ope	rator's Fund	Participant'	's Takaful Fund
		2022	2021	2022	2021
	Note		- Rupees	F	Rupees
FUND AND LIABILITIES					
Operator's fund					
Statutory fund	17	50,000,000	50,000,000	-	
Revaluation reserve on available					
for sale investment		373,999	167,831	-	
Accumulated profit		18,489,036	14,225,421	-	
Total Operators Fund		68,863,035	64,393,252	-	-
Participants' takaful fund					
Ceded money		-	-	500,000	500,000
Revaluation reserve on available					
for sale investment		-	-	136,174	78,645
Accumulated surplus		-	-	18,094,139	7,812,033
Balance of Participants' Takaful Fund		-	-	18,730,313	8,390,678
Qard-e-Hasna from Operator's Fund	10	-	-	18,500,000	18,500,000
LIABILITIES					
PTF underwriting provisions					
Outstanding claims including IBNR	25	-	-	8,741,085	10,895,048
Unearned contribution reserve	23	-	-	7,291,817	11,224,443
Unearned retakaful rebate	24	-	-	346,060	293,922
		-	-	16,378,962	22,413,413
Unearned wakala fee	26	1,967,998	3,436,813	-	-
Contribution received in advance		-	-	198,579	1,481,317
Takaful / re-takaful payables	18	-	-	9,606,049	5,654,251
Payable to OPF	13	-	-	10,601,721	8,476,952
Other creditors and accruals	19	475,282	1,036,732	6,089,633	5,645,940
Deferred taxation	20	123,736	51,220	-	-
Taxation - provision less payments	21	5,581,127	3,540,537	-	-
TOTAL LIABILITIES		8,148,143	8,065,302	42,874,944	43,671,873
TOTAL FUND AND LIABILITIES		77,011,178	72,458,554	80,105,257	70,562,551
CONTINGENCIES AND COMMITMENTS	22				

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

Chairman

Director

Director

#### WINDOW TAKAFUL OPERATIONS PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2022

	Note	2022	2021
		Rup	ees
Participants' Takaful Fund			
Contributions earned	23	12,311,623	10,916,085
Less: Contributions ceded to Retakaful	23	(5,644,522)	(4,971,671)
Net contributions revenue	23	6,667,101	5,944,414
Retakaful rebate earned	24	619.067	491,558
Net underwriting income	24	7,286,168	6,435,972
•	25	•	, ,
Net claims - reported / settled - IBNR	25	(1,853,789)	(5,782,665)
Other direct expenses		(5,020)	(264)
Surplus before investment income	00	5,427,359	653,043
Investment income	29	5,065,846	1,622,964
Other income	30	947,415	569,199
Less: Modarib's share of investment income	31	(1,158,514)	(368,342)
Surplus transferred to accumulated surplus		10,282,106	2,476,864
Operator's Fund			
Wakala fee	26	5,202,580	4,958,407
Commission expense	27	(475,988)	(228,373)
General administrative and management expenses	28	(3,289,641)	(3,257,071)
		1,436,951	1,472,963
Modarib's share of PTF investment income	31	1,158,514	368,342
Investment income	29	4,090,108	1,696,161
Direct expenses	32	(255,741)	(293,307)
Other income	30	266,169	262,948
Profit before taxation		6,696,001	3,507,107
Income tax expense	33	(2,432,386)	(918,676)
Profit after taxation		4,263,615	2,588,431

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

Chairman

Director

Director

#### WINDOW TAKAFUL OPERATIONS STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2022

Note	2022	2021
·	Rup	ees
Participants' Takaful Fund		
Surplus for the year	10,282,106	2,476,864
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss account		
Unrealised gain/ (loss) on 'available for sale' investments (net of deferred tax)	57,529	(998)
Total comprehensive income for the year	10,339,635	2,475,866
Operator's Fund		
Profit after taxation	4,263,615	2,588,431
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss account		
Unrealised gain on 'available for sale' investments (net of deferred tax)	206,168	78,342
Total comprehensive income for the year	4,469,783	2,666,773

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

Chairman

Director

Director

#### WINDOW TAKAFUL OPERATIONS STATEMENT OF CHANGES IN FUNDS

	Operator	's Funds	
Statutory fund	Unrealised gain / (loss) on revaluation of available for sale investments - net	Accumulated profit	Total
	Rup	ees	
50,000,000	89,489	11,636,990	61,726,479
		0.500.404	0.500.404
-	-	2,588,431	2,588,431
-	78,342	-	78,342
	78,342	2,588,431	2,666,773
50,000,000	167,831	14,225,421	64,393,252
		4.000.045	1 202 245
-		4,263,615	4,263,615
-	206,168	_	206,168

	Participants'	Γakaful Fund	
Ceded Money	Unrealised gain / (loss) on revaluation of available for sale investments - net	Accumulated surplus	Total
	Rup	ees	

4,263,615

18,489,036

4,469,783

68,863,035

206,168

373,999

50,000,000

	Rupe	ees	
500,000	79,643	5,335,169	5,914,812
	- (998)	2,476,864	2,476,864 (998)
500,000	(998) <b>78,645</b>	2,476,864 <b>7,812,033</b>	2,475,866 <b>8,390,678</b>
	<u>-</u> 57,529	10,282,106	10,282,106 57,529
500,000	57,529 <b>136,174</b>	10,282,106 18,094,139	10,339,635 18,730,313

## FOR THE YEAR ENDED DECEMBER 31, 2022

Balance as at January 01, 2021

Total comprehensive income for the year Profit for the year

Other comprehensive income for the year

Balance as at December 31, 2021

Total comprehensive income for the year Profit for the year Other comprehensive income for the year

Balance as at December 31, 2022

Balance	as	at	Januar.	/ N1.	2021

Total comprehensive income for the year Surplus for the year Other comprehensive loss for the year

#### Balance as at December 31, 2021

Total comprehensive income for the year Surplus for the year Other comprehensive income for the year

Balance as at December 31, 2022

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

Chairman

Director

Director

#### WINDOW TAKAFUL OPERATIONS CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

	Operator's Fund		Participant's Takaful Fund	
	2022	2021	2022	2021
		Rupees	R	upees
OPERATING CASH FLOWS				
a) Takaful activities				
Contribution received	-	-	12,556,231	21,148,243
Retakaful contribution paid	-	-	(3,094,902)	(5,523,769)
Wakala fee received / (paid)	-	-	-	-
Claims paid	-	-	(4,512,040)	(4,176,780)
Re-takaful and other recoveries received	-	-	-	621,049
Commission paid	(497,102)	(499,214)	-	_
Modarib share received / (paid)	611,507	-	(611,507)	_
Rebate received		<del></del>	671,204	724,761
Net cash flow from takaful activities	114,405	(499,214)	5,008,986	12,793,505
b) Other operating activities				
Income tax paid	(403,490)	(210,002)	(2,281,783)	(214,780)
General and other expenses paid	(2,700,546)	(2,051,657)		(= · · ·, · · · · /
Other operating payments	(1,920,619)	(851,991)	_	(601,341)
Other operating receipts	(1,020,010)	(50.,55.)	(4,910,557)	4,289,875
Net cash (used in) / generated from other operating activities	(5,024,655)	(3,113,650)	(7,192,340)	3,473,755
Net cash (used in) / generated from all operating activities	(4,910,250)	(3,612,864)	(2,183,354)	16,267,259
INVESTMENT ACTIVITIES				
Profit / return received on investment	4,821,585	1,687,874	5,537,906	1,950,881
Other income	266,169	262,948	947,415	569,199
Purchase of investments	(141,168,268)	(26,434,453)	(166,115,250)	(45,030,563)
Proceeds from disposal of investments	139,822,752	25,000,000	160,106,655	35,000,000
Net cash generated from / (used in) investing activities	3,742,238	516,369	476,726	(7,510,483)
FINANCING ACTIVITIES				
Inter fund Qard-e-Hasna Transfer	_	(500,000)		500,000
Total cash flow from financing activities	<u> </u>	(500,000)	<del>-</del>	500,000
Net cash used in / generated from all activities	(1,168,012)	(3,596,495)	(1,706,628)	9,256,776
Cash and cash equivalents at the beginning of year	4,267,125	7,863,620	11,180,863	1,924,087
Cash and cash equivalents at the beginning of year  Cash and cash equivalents at end of the year	3,099,113	4,267,125	9,474,235	11,180,863
		<del></del>		
Reconciliation to profit and loss account				
Operating cash flows	(4,910,250)	(3,612,864)	(2,183,354)	16,267,259
Depreciation	(5,624)	(5,624)	-	-
Amortization	· · · · · · · · · · · · · · · · · · ·	(152,500)		
Income tax paid	403,490	210,002	2,281,783	214,780
Other income	1,424,683	631,290	947,415	569,199
Increase in assets other than cash	3,663,329	5,861,871	3,373,486	6,306,766
Decrease / (increase) in liabilities	2,030,265	(1,121,229)	796,930	(22,504,104)
Investment income	4,090,108	1,696,161	5,065,846	1,622,964
Profit before taxation	6,696,001	3,507,107	10,282,106	2,476,864

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

Chairman

Director

Director

#### WINDOW TAKAFUL OPERATIONS NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

#### 1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Sindh Insurance Limited (the Company) was incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) as an unlisted public company on December 20, 2013 and obtained the certificate of commencement of business on September 22, 2014. All shares of the Company are held beneficially by Government of Sindh, directly and through nominee directors. The Company is engaged in the non-life insurance business comprising of fire, marine, motor, aviation, engineering, transportation, accidental and health etc.
- 1.2 The Company was granted authorization on September 22, 2016 under Rule 6 of the Takaful Rules, 2012 to undertake Window Takaful Operations (WTO) in respect of general takaful products by Securities and Exchange Commission of Pakistan (SECP) and, subsequently, the Company commenced Window Takaful Operations.
- 1.3 For the purpose of carrying on the takaful business, the Operator has formed a Participants' Takaful Fund (PTF) under the Waqf deed with the ceded money of Rs. 500,000. The Waqf deed and PTF policies (Waqf Rules) which govern the relationship of Operator, Waqf and Participants for management of Takaful operations, investment of Waqf and Operator's Fund are approved by the Shariah Advisor of the Operator.
- 1.4 The registered office and principal place of business of the Operator is situated at 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi.

#### 2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, Insurance Accounting Regulations, 2017, SECP Takaful Rules, 2012 and General Takaful Accounting Regulation 2019.

In case requirements differ, the provision of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, Insurance Accounting regulations, 2017, SECP Takaful Rules, 2012 and General Takaful Accounting Regulation, 2019 shall prevail.

These financial statements have been prepared in line with the format issued by the SECP through the General Takaful Accounting Regulation 2019, vide SRO 1416(1)/2019 dated November 20, 2019.

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

The financial statements have been prepared following the accrual basis of accounting except for the cash flow information.

#### 2.2 Functional and presentation currency

These financial statements have been prepared and presented in Pakistani "Rupees", which is the Operator's functional and presentation currency.

#### 3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

#### 3.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended December 31, 2022 but are not relvant to the Company

The following stantdards, amendments and interpretations are effective for the year ended December 31, 2022. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the financial statements other than certain additional disclosures.

Effective date (annual periods beginning on or after)

Amendmends to IFRS 3 'Business Combinations' - Reference to the conceptual framework January 01, 2022

Amendments to IFRS 16 'Leases' - Extended practical relief regarding Covid - 19 related rent consessions

April 01, 2021

Amendmends to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use January 01, 2022

Amendmends to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract

January 01, 2022

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

#### 3.1.1 IFRS 9 - Financial Instruments and Amendment to IFRS 4 'Insurance Contracts- Applying IFRS 9 with IFRS 4

IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan through its S.R.O. 229 (I)/2019 and is effective for accounting period / year ending on or after June 30, 2019.

IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

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

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

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

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

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

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

#### b) all other financial assets

December 31, 2022			
Fail the SPI	PI test	Pass the SPPI test	
Fair value	Change in unrealised gain	Fair value	Change in unrealised gain
Rupees			

#### Financial assets - Operator's Fund

Qard-e-Hasna to Participants' Takaful Fund	-	-	18,500,000	-
Investments				
Equity securities *	15,174,692	526,762	-	-
Term deposit receipts*	-	=	29,000,000	-
Loans and other receivable *	-	-	275,713	-
Receivable from PTF *	-	-	10,601,721	-
Cash at bank *	<u> </u>	<u> </u>	3,099,113	
	15,174,692	526,762	61,476,547	_

#### Financial assets - Participant's Takaful Fund

Investments				
Equity securities*	2,127,011	335,009	-	_
Term deposit receipts*	-	=	54,766,000	=
Loan and other receivable *	-	=	1,402,486	=
Takaful / retakaful receivables *	-	-	5,864,496	-
Cash at bank *	<u> </u>		9,474,235	
	2,127,011	335,009	71,507,217	-

<sup>\*</sup> The carrying amounts of these financial assets measured applying IAS 39 are a reasonable approximation of their fair value.

	December 31, 2022			
	Gross carrying amount of financial assets that pass SPPI test			ass SPPI test
	AAA	A+	Α	Not rated
		Rup	ees	
Operator's fund				
Qard-e-Hasna to Participants' Takaful Fund	=	-	-	18,500,000
Loans and other receivable	=	=	-	275,713
Receivable from PTF	-	-	-	10,601,721
Cash at bank	-	3,033,555	50,170	-
Term deposit receipts within				
maturing 12 months	<del>_</del> _			
		3,033,555	50,170	29,377,434
Participant's Takaful Fund				4 400 400
Loan and other receivable	=	-	-	1,402,486
Takaful / retakaful receivables	=	-	-	5,864,496
Cash at bank	-	9,442,248	-	-
Term deposit receipts within	40.700.000			
maturing 12 months	10,766,000	0.442.249		7 266 092
	10,766,000	9,442,248		7,266,982

#### 3.2 New accounting standards, amendments and interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Effective date (annual periods beginning on or after)

Amendmends to IFRS 16 'Leases' - Lease liability in a sale and leaseback

January 01, 2024

Effective date (annual periods beginning on or after)

Amendmends to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with covenants	January 01, 2024
Amendmends to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendmends to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023

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

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

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

#### 4 USE OF JUDGEMENTS AND ESTIMATES

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

#### **Estimates**

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

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Note
5.4.3
5.5.1
5.6.3
5.20

#### 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparation of these financial statements are set out below. These policies have been applied consistently to all years presented except stated in note 5.1.

#### 5.1 Property and equipment

Owned fixed assets are stated at cost, signifying historical cost, less accumulated depreciation and any provision for accumulated impairment. Cost of an item of fixed assets consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying asset directly attributable cost of bringing the asset to working condition.

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



Depreciation is calculated on straight line basis at the rates specified in note 6 to the financial statements. Depreciation on additions is charged from the month the assets are available for use while on disposals, depreciation is charged up to the month in which the assets are disposed off.

The carrying value of assets are reviewed for impairment when events or changes in circumstances indicate that carrying value may not be recoverable. If any such indication exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts. The useful life and depreciation method are reviewed and adjusted, if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing process with the carrying amount of the assets disposed of, these are taken to profit or loss account.

#### 5.2 Intangible assets

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

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

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

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

#### 5.3 Takaful contracts

Takaful contracts are based on the principles of Wakala. Takaful contracts so agreed usually inspire concept of Tabarru (to donate for benefit of others) and mutual sharing of losses with the overall objective of eliminating the element of uncertainty.

A separate Participants Takaful Fund (PTF) is created in which all contribution received under general takaful contribution net off any government levies and administrative surcharge are credited. The role of Takaful Operator is of the management of the PTF. At the initial stage of the setup of the PTF, the Takaful Operator makes payment as ceded money to the PTF. The terms of the takaful contracts are in accordance with the generally accepted principles and norms of insurance business suitably modified with guidance by the Shariah Advisor of the Takaful Operator.

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

The Operator underwrites non-life takaful contracts that can be categorised into:

- Fire and property damage
- Marine, aviation and transport
- Motor
- -Accidental and health
- -Miscellaneous

Contracts may be concluded for a fixed term of one year, for less than one year and in some cases for more than one year. However, most of the contracts are for twelve months duration. Takaful contracts entered into by the Operator under which the contract holder is another takaful operator (inwards retakaful) of a facultative nature are included within the individual category of takaful contracts, other than those which fall under treaty. The takaful risk involved in these contracts is similar to the contracts undertaken by the Operator as Takaful Operator.

#### a) Fire and property damage

Fire and property takaful contracts mainly compensate the customers for damage suffered to their property. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the covered properties in their business activities (business interruption cover).

#### b) Marine, aviation and transport

Marine, aviation and transport class of business provides coverage against loss and damage to goods in transit by any means of conveyance, physical loss or damage to aircraft, ships, and against liabilities to third parties and passengers arising from their use.

#### c) Motor

Motor takaful contracts cover physical loss or damage to the vehicle and liabilities to third parties as provided under the requirements of the Motor Vehicle Ordinance, 1965.

#### d) Accident and health

Accident and health takaful contracts mainly compensate hospitalization and patient medical coverage to the insured and indemnity for the death as result of an accident. These contracts are generally one year contracts.

#### e) Miscellaneous

All other takaful contracts like machinery breakdown, bonds, cash in hand, cash in transit, personal accident, public liabilities, health, crop, livestock, travel, bankers and other financial institutions packages, product liabilities, professional indemnity, workers compensation etc. are included under Miscellaneous takaful cover.

#### 5.4 Contribution

#### 5.4.1 Contribution income earned

Contribution written under a policy is recognised as income over the period of takaful from the date of issue of the policy to which it relates to its expiry as follows:

- a) for takaful business, evenly over the period of the policy;
- b) for proportional retakaful business, evenly over the period of underlying retakaful policies; and
- for non-proportional retakaful business, on inception of the retakaful contract in accordance with the pattern of retakaful service.

Where the pattern of incidence of risk varies over the period of the policy, contribution is recognised as revenue in accordance with the pattern of incidence of risk.

Where contribution for a policy is payable in instalments, full contribution for the duration of the policy is recognised as written at the inception of the policy and a related asset is set up in respect of the contribution receivable at a later date. Contribution is stated gross of commission payable to intermediaries and exclusive of taxes and duties levied on contributions.

#### 5.4.2 Unearned contribution reserve

The unearned contribution reserve is the unexpired portion of the contribution including administrative surcharge which relates to business in force at the reporting date. Unearned contribution has been calculated by applying 1/24th method and proportionate method for policies covering a period of one year and other policies respectively as specified in the General Takaful Accounting Regulations, 2019.

#### 5.4.3 Contribution due but unpaid - net

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

#### 5.4.4 Contributory deficiency reserve

At each reporting date, liability adequacy tests are performed separately for each class of business under the Insurance Accounting Regulations, 2017 to ensure the adequacy of the unearned contribution liability for that class. It is performed by comparing the expected future liability, after retakaful, from claims and other expenses, including retakaful expense, wakala and other underwriting expenses, expected to be incurred after reporting date in respect of policies in force at reporting date with the carrying amount of unearned contribution liability.



The movement in the contribution deficiency reserve is recorded as an expense / income in profit and loss account for the year.

The requirement for additional provision for unexpired risks is determined on the basis of an actuarial valuation. The latest valuation was carried out as of December 31, 2022. No contribution reserve is required as at December 31, 2022 as determined by actuary.

#### 5.5 Claims expense

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

#### 5.5.1 Provision for outstanding claims (including IBNR)

The PTF recognises liability in respect of all claims incurred upto the reporting date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in a Takaful contract.

The Operator takes advice from actuary for the determination of IBNR claims. Provision for IBNR claims have been estimated based on Expected Loss Ratio (ELR) method except for health business, where a mix of ELR and Chain Ladder (CL) method is used. CL method is not completely used since portfolio experience of the Operator in health business is small due to long period of claims development, volatility and credibility of experience. Accordingly, provision has been made based on IBNR factors applied on incurred claims determined by the actuary.

#### 5.6 Retakaful contracts

#### 5.6.1 Retakaful expense

Contribution ceded is recognised as an expense over the period of retakaful from inception to which it relates to its expiry as follows:

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

Where the pattern of incidence of risk varies over the period of the policy, retakaful contribution is recognised as expense in accordance with the pattern of incidence of risk.

#### 5.6.2 Prepaid retakaful contribution ceded

The portion of retakaful contribution ceded not recognised as an expense as at year end is recognised as prepaid retakaful contribution ceded. Unrecognised portion is determined in the same manner as for unearned contribution reserve.

#### 5.6.3 Retakaful recoveries against outstanding claims

Claims recoveries receivable from retakaful operator are recognised as an asset at the same time as the claims, which give rise to the right of recovery, are recognised as a liability and are measured at the amount expected to be received.

#### 5.7 Deferred commission

#### 5.7.1 Commission expense

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

#### 5.7.2 Rebate from retakaful operators

Rebate income from retakaful is recognised at the time of issuance of the underlying takaful policy. These are deferred and recognised as liability and recognised in the profit and loss account as revenue in accordance with the pattern of recognition of retakaful contribution.

#### 5.8 Wakala fee

The Operator manages the general takaful operations for the participants and charges 25% for fire and property damage, 25% for marine, aviation and transport, 35% for motor, 22.5% for miscellaneous and 25% for accident and health, on gross contribution written including administrative surcharge as wakala fee against the services.

Wakala fee is recognised on the same basis as the related contribution is recognised. Unexpired portion of wakala fee is recognised as a liability of OPF and an asset of PTF.

#### 5.9 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.

#### 5.10 Mudarib's fee

The Operator also manage the participant's investment as Mudarib and charges 20% of the investment income earned by the PTF as Mudarib's fee. It is recognized on the same basis on which related revenue is recognized.

#### 5.11 Qard-e-Hasna

Qard-e-Hasna is provided by Operator's Fund to PTF in case of deficit in PTF. Qard-e-Hasna is recognised at the amount provided to PTF less impairment, if any. In the event of future surplus in the PTF, to which a Qard-e-Hasna has been made, the Qard-e-Hasna shall be repaid prior to distribution of surplus to Participants.

#### 5.12 Investments

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

#### 5.12.1 Available-for-sale

The financial assets that are intended to be held for an indefinite period of time and may be sold in response to the need for liquidity are classified as available-for-sale.

Subsequent to the initial recognition at cost, these are valued at market values and any unrealised gain / (loss) are taken to other comprehensive income.

#### a) Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Operator. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market place.

#### b) Derecognition

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

#### c) Impairment

#### Available-for-sale

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

#### 5.13 Employee benefits

#### a) Defined contribution plan

The Operator has an approved provident fund scheme for all its permanent employees. Equal monthly contributions are made, both by the Operator and its employees, to the fund at the rate of 10% of basic salary of the employees.

#### b) Defined benefit plan

The Operator operates an unfunded gratuity scheme for its permanent employees whose period of service is three years. Provision is made annually to cover obligations under the scheme. Gratuity accruing to staff is equal to one month gross salary for each completed year of service.

#### c) Employees' compensated absence

The Operator accounts for the liability in respect of eligible employees' compensated absences in the period in which they are earned.

#### 5.14 Investment income

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

#### 5.15 Dividend

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

#### 5.16 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. The Operator presents segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Insurance Rules, 2017 as the primary reporting format

The Operator has five primary business segments for reporting purposes namely; fire and property damage, marine, aviation and transport, motor, accident and health and miscellaneous. The nature and business activities of these segments are disclosed in note 35.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them while the carrying amounts of certain assets used jointly by two or more segments have been allocated to segments on a reasonable basis. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

#### 5.17 Financial instruments

Financial assets and financial liabilities are recognised when the Operator becomes a party to the contractual provisions of the instrument and derecognised when the Operator loses control of contractual rights that comprise the financial assets and, in the case of financial liabilities, when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on the derecognition of the financial assets and liabilities is included on net basis in the profit and loss account for the period in which it arises.

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

#### 5.18 Off setting of financial asset and financial liabilities

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

#### 5.19 Related party transactions

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

#### 5.20 Taxation

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

The profit of the Operator is taxed as part of total profit of the Company, as the Operator is not separately registered for tax purposes.

#### a) Current

Provision for current taxation is based on taxable income determined in accordance with the prevailing law for taxation of income and is calculated using enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for the current taxation also includes adjustments where considered necessary, relating to prior years which arise from assessments framed / finalised during the year or required by any other reason.

#### b) Deferred

Deferred tax is recognised using the balance sheet liability method for all temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted at the date of statement of financial position.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### 5.21 Foreign currencies

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

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

#### 5.22 General administrative and management expenses

Expenses allocated to the PTF represent directly attributable expenses and these are allocated to various revenue accounts on equitable basis. Expenses not directly allocable to PTF are charged to OPF.

#### 5.23 Creditors, accruals and provisions

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

Provisions are recognised when the Operator / PTF has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

Provisions will be reviewed at each reporting date and will be adjusted to reflect the current estimate.

#### 5.24 Receivables and payables related to Takaful contracts

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

#### 5.25 Impairment

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

#### 5.26 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of statement of cash flows, cash and cash equivalents consist of cash at bank in current and savings account, cash in hand, stamps in hand and bank deposits.

					2022			
		Cost			Depreciation			
Particulars	As at January 01, 2022	Additions / (disposals)	As at December 31, 2022	As at January 01, 2022	Depreciation for the year	As at December 31, 2022	Written down value as at December 31, 2022	Depreciation rate (% per annum)
				Rupees	ees			
Owned Furniture and fixture Computers	56,062 39,500	1 1	56,062 39,500	29,356 39,500	5,626	34,982 39,500	21,082	10% 33.33%
	95,562	•	95,562	68,856	5,626	74,482	21,082	
					2021			
		Cost			Depreciation			
Particulars	As at January 01, 2021	Additions / (disposals)	As at December 31, 2021	As at January 01, 2021	Depreciation for the year	As at December 31, 2021	Written down value as at December 31, 2021	Depreciation rate (% per annum)
				Rup	Rupees			
Owned Furniture and fixture Computers	56,062 39,500		56,062	23,734	5,622	29,356	26,706	10% 33.33%
	95,562		95,562	63,234	5,622	68,856	26,706	
INTANGIBLE ASSETS - OPERATOR'S FUND	ND							
					2022			
		Cost		-	Amortisation			
Particulars	As at January 01, 2022	Additions / (disposals)	As at December 31, 2022	As at January 01, 2022	Amortisation for the year	As at December 31, 2022	Written down value as at December 31, 2022	Amortisation rate (% per annum)
				Rupees	ees			
Computer softwares	1,867,000	1 1	1,867,000	1,867,000	1 1	1,867,000	1 1	33.33%
					2021			
		Cost			Amortisation			
Particulars	As at January 01, 2021	Additions / (disposals)	As at December 31, 2021	As at January 01, 2021	Amortisation for the year	As at December 31, 2021	Written down value as at December 31, 2021	Amortisation rate (% per annum)
				Rup	Rupees			
Computer softwares	1,867,000	1 1	1,867,000	1,714,500	152,500	1,867,000		33.33%

PROPERTY AND EQUIPMENT - OPERATOR'S FUND

#### 8 INVESTMENTS IN EQUITY SECURITIES

			2022		2021			
	Cost	Impairment / provision	Surplus on revaluation	Carrying value	Cost	Impairment / provision	Surplus on revaluation	Carrying value
		Rı	ipees			Rı	ipees	
Operator's Fund Available for sale Others - Mutual fund ABL Islamic Income Fund	14,647,930	-	526,762	15,174,692	13,075,833	-	860,837	13,936,670
Participants' Takaful Fund Available for sale Others - Mutual fund Meezan Sovereign Fund	1,792,002	<u>-</u>	335,009	2,127,011	1,792,002	-	148,849	1,940,851

			Operato	or's Fund	Participant's T	akaful Fund
			2022	2021	2022	2021
		Note	R	upees	Rup	ees
9	TERM DEPOSIT RECEIPTS					
	Deposits maturing within 12 months					
	Term deposit receipts		29,000,000	25,810,000	54,766,000	44,918,000

**9.1** These represent term deposit receipts (TDRs) in local currency, issued by local banks, that carried profit ranging from 9.25% to 14.5% % per annum (2021: 3.81% to 7% per annum ).

		Operator's	s Fund
		2022	2021
10	QARD-E-HASNA	Rupe	es
	Opening balance Qard-e-Hasna transferred from OPF during the year Qard-e-Hasna returned by PTF during the year Closing balance	18,500,000 - - - 18,500,000	18,000,000 500,000 - 18,500,000

		Operator'	's Fund	Participant's T	akaful Fund
		2022	2021	2022	2021
		Rup	oees	Rup	ees
11	LOANS AND OTHER RECEIVABLES				
	(Unsecured - considered good)				
	Advance salary	19,638	8,565	-	-
	Accrued investment income	34,562	766,039	698,560	1,170,620
	Sales tax on services refund	215,531	163,156	403,520	369,892
	Receivable from Sindh Insurance Limited	5,982	50,158	2,018	425,766
	Other receivables			298,388	263,540
		275,713	987,918	1,402,486	2,229,818

			Participants Ta	kaful Fund
			2022	2021
12	TAKAFUL / RE-TAKAFUL RECEIVABLES	Note	Rupe	9s
	Due from takaful participant holders Less: provision for impairment of receivables	12.1	72,740	330,132
	from takaful participant holders	12.2		(84,752)
	Due from other takaful / re-takaful operators		72,740 5,791,756	245,380 4,616,263
	Due nom other taxarur/ re-taxarur operators		5,864,496	4,861,643

- 12.1 Due from takaful participant holders includes Rs. 0.007 million- due from related parties (2021: Rs. 0.171 million).
- 12.2 Provision for impairment of receivables

Opening	84,752	230,865
Provision made during the year	74,813	-
Reversal of provision	(159,565)	(146,113)
Closing Balance		84,752

			Operat	or's Fund	Participant's 1	akaful Fund
			2022	2021	2022	2021
			F	Rupees	Rup	oees
13	RECEIVABLE FROM PTF / PAYABLE TO	O OPF				
	Wakala fee receivable / (payable)		10,098,718	8,590,594	(10,098,718)	(8,590,594)
	Modarib share receivable / (payable)		1,000,106	453,099	(1,000,106)	(453,099)
	Other (payable) / receivable		(497,103)	(566,741)	497,103	566,741
			10,601,721	8,476,952	(10,601,721)	(8,476,952)
14	PREPAYMENTS					
	Prepaid retakaful contribution ceded		-	-	1,504,606	1,277,921
	Prepaid expenses		91,499	226,011	-	-
			91,499	226,011	1,504,606	1,277,921
15	TAXATION					
	Advance tax				2,998,425	716,642
16	CASH AND BANK					
	Cash and cash equivalent					
	Policy and revenue stamps		-	-	1,270	4,220
	Cash at bank					
	Saving accounts 16	.1 & 16.2	3,099,113	4,267,125	9,472,965	_11,176,643_
			3,099,113	4,267,125	9,474,235	11,180,863

<sup>16.1</sup> These saving accounts carry profit ranging from 3.4% to 5.25% per annum (2021: 4% to 4.5%) per annum.

#### 17 STATUTORY FUND

Amount of Rs. 50 million is deposited as statutory fund to comply with provisions of paragraph 4 of circular no. 8 of 2014 read with section 11(1)(c) of Takaful Rules, 2012 issued by SECP, which states that 'every insurer who is interested to commence Window Takaful business shall transfer an amount of not less than Rs. 50 million to be deposited in a separate bank account for Window Takaful business duly maintained in a scheduled bank'.

**<sup>16.2</sup>** This include balance with Sindh Bank Limited, a related party amounting to Rs. 3.033 million at operator's fund and Rs. 9.442 million at participants takaful fund.

		Operator	's Fund	Participant's T	akaful Fund
		2022	2021	2022	2021
	Note	Ru	pees	Rup	ees
OTHER CREDITORS AND ACCRUAL	.s				
Provincial sales tax on services		-	7,659	6,891	212,019
Federal insurance fee		-	-	24,337	16, <b>1</b> 66
Tax deducted / collected at source		7,630	35,953	315	61,913
Commission payable		7,599	8,527	-	-
Payable to Sindh Insurance Limited	19.1	98,738	680,884	5,458,390	4,879,642
Sundry creditors		8,427	8,427	599,700	476,200
Accrued expenses		255,268	237,207	-	-
Provision for compensated leave absences	19.2	97,620	34,418	-	-
Gratuity payable		-	23,657	-	-
		475,282	1,036,732	6,089,633	5,645,940
	Provincial sales tax on services Federal insurance fee Tax deducted / collected at source Commission payable Payable to Sindh Insurance Limited Sundry creditors Accrued expenses Provision for compensated leave absences	Provincial sales tax on services Federal insurance fee Tax deducted / collected at source Commission payable Payable to Sindh Insurance Limited Sundry creditors Accrued expenses Provision for compensated leave absences  19.2	2022   Note   2022	Note         Rupees           OTHER CREDITORS AND ACCRUALS           Provincial sales tax on services         -         7,659           Federal insurance fee         -         -           Tax deducted / collected at source         7,630         35,953           Commission payable         7,599         8,527           Payable to Sindh Insurance Limited         19.1         98,738         680,884           Sundry creditors         8,427         8,427           Accrued expenses         255,268         237,207           Provision for compensated leave absences         19.2         97,620         34,418           Gratuity payable         -         23,657	Note   2022   2021   2022   2021   2022

**19.1** This amount includes expenses paid by Sindh Insurance Limited on behalf of Window Takaful Operations related to regular expenses of electricity, telephone, water, fuel charges and taxes including FED, FTF.

Operator's Fund

			2022	2021
			Rupe	es
19.2 Provision for compensated leave absences				
Opening balance			34,418	16,857
Provision for the year			63,202	32,968
Payments made during the year				(15,407)
Closing balance			97,620	34,418
	Operator	's Fund	Participant's Ta	kaful Fund
	2022	2021	2022	2021
Note	Ru	pees	<b></b> Rupe	es
20 DEFERRED TAXATION				
Deferred debits arising in respect of				
Provision for gratuity	-	(6,861)	-	-
Accelerated tax depreciation	(715)	(489)	-	-
Provision for compensated leaves absences	(28,310)	(9,981)		
	(29,025)	(17,331)	-	-
Deferred credits arising in respect of				
Unrealised gain on available for sale investments	152,761	68,551	-	-
-	152,761	68,551	_	
	123,736	51,220	-	

21 TAXATION - PROVISION LESS PAYMENTS

	Provision for income tax Less: Advance tax		7,136,660 (1,555,532) 5,581,127	4,692,576 (1,152,039) 3,540,537
22	CONTINGENCIES AND COMMITMENTS			
	There are no contingencies and commitments as at reporting date (2021	: none).		
		,	<b>5</b>	
			Participant's	
		Note	2022 	2021 Dees —
		Note		Jees
23	NET TAKAFUL CONTRIBUTION			
	Written gross contribution		13,581,577	19,280,031
	Less: wakala fee	26	(5,202,580)	(4,958,407)
	Contribution net of wakala fee		8,378,997	14,321,624
	Add: unearned contribution reserve - opening		11,224,443	7,818,904
	Less: unearned contribution reserve - closing		(7,291,817)	(11,224,443)
	Contribution earned		12,311,623	10,916,085
	Less: Re-takaful contribution ceded		5,871,207	5,963,412
	Prepaid re-takaful contribution ceded - opening		1,277,921	286,180
	Prepaid re-takaful contribution ceded - closing		(1,504,606)	(1,277,921)
	Contribution ceded to retakaful		5,644,522	4,971,671
			6,667,101	5,944,414
24	RETAKAFUL REBATE EARNED			
	Retakaful rebate received or recoverable		671,205	724,761
	Unearned retakaful rebate - opening		(293,922)	(60,719)
	Unearned retakaful rebate - closing		346,060	293,922
	Rebate from takaful operator		619,067	491,558
25	NET TAKAFUL CLAIMS EXPENSE			
	Claim paid		4,512,040	4,176,780
	Outstanding claims including IBNR - opening		(10,895,048)	(5,729,876)
	Outstanding claims including IBNR - closing	25.1	8,741,085	10,895,048
	Claim expense		2,358,077	9,341,952
	Less: Re-takaful and other recoveries received		7,895	621,049
	Re-takaful and other recoveries in respect of outstanding claims - opening		(3,875,734)	(937,496)
	Re-takaful and other recoveries in respect of outstanding claims - closing		4,372,127	3,875,734
	Re-takaful and other recoveries revenue		504,288	3,559,287
	Net claim expense		1,853,789	5,782,665
				<del></del>

Operator's Fund

-Rupees —--

2021

2022

25.1 This includes provision for incurred but not reported (IBNR) amounting to Rs. 2.263 million (2021: Rs. 4.457 million).

#### 25.2 Claim development

The Operator maintains adequate reserves in respect of its takaful business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year. The following table shows the development of the claims over a year of time. All amounts are presented in gross numbers before re-takaful:



Accident year	2018	2019	2020	2021	2022	Total
			Ru <sub>l</sub>	oees		
Estimate of ultimate claims cost:						
At the end of accident year	1,845,753	3,185,894	4,481,443	8,727,395	4,749,627	22,990,112
One year later	2,784,293	2,701,635	3,621,211	8,780,790		17,887,929
Two years later	2,784,293	2,551,525	3,571,211	-	-	8,907,029
Three years later	2,784,293	2,451,525	-	-	-	5,235,818
Four years later	2,981,399		_			2,981,399
Current estimate of cumulative claims	2,981,399	2,451,525	3,571,211	8,780,790	4,749,627	22,534,552
Cumulative payment to date	(2,981,399)	(2,351,525)	(3,532,862)	(3,713,121)	(3,477,096)	(16,056,003)
Liability recognised in statement of						
financial position	- [	100,000	38,349	5,067,669	1,272,531	6,478,549

		Note	2022 Rupee	2021 es
26	WAKALA FEE EXPENSE			
	Gross wakala fee		3,733,765	5,793,475
	Deferred wakala fee expense - opening		3,436,813	2,601,745
	Deferred wakala fee expense - closing		(1,967,998)	(3,436,813)
	Net wakala expense	26.1	5,202,580	4,958,407

**26.1** The Operator manages the general takaful operations of the participants and charges 35% for the motor, 25% for the fire and property damage, 25% for the marine, aviation and transport, 22.5% for the miscellaneous and 25% for accident and health of the gross contribution written net off administrative surcharge on co - takaful inward as wakala fee against the services.

			2022	2021
		Note	Ru	pees
27	COMMISSION EXPENSE			
	Commission paid or payable		496,174	454,233
	Deferred commission expense - opening		227,172	1,312
	Deferred commission expense - closing		(247,358)_	(227,172)
			475,988	228,373
28	GENERAL ADMINISTRATIVE AND			
	MANAGEMENT EXPENSES			
	Employee benefit cost	28.1	1,487,038	1,356,059
	Printing and stationery expenses		136,000	125,000
	Depreciation	6	5,624	5,624
	Amortisation	7	=	152,500
	Legal and professional charges		1,097,712	1,008,868
	Employee health insurance		=	-
	Miscellaneous		563,267_	609,020
			3,289,641	3,257,071
28.	1 Employee benefit cost			
	Salaries, allowance and other benefits		1,420,592	1,299,741
	Charges for post employment benefit		66,446_	56,318
			1,487,038	1,356,059

			Operato	or's Fund	Participant's T	akaful Fund
			2022	2021	2022	2021
		Note		upees	Rup	ees
29	INVESTMENT INCOME					
	Income from equity securities -					
	available for sale					
	Mutual funds					
	Dividend income		1,114,876	734,651	197,810	132,427
	Income from term deposit receipts					
	Return on term deposits		2,975,232	961,510	4,868,036	1,490,537
			4,090,108	1,696,161	5,065,846	1,622,964
30	OTHER INCOME					
	Profit on bank deposits		258,868	260,525	726,722	218,744
	Others		7,301	2,423	220,693	350,455
			266,169	262,948	947,415	569,199

#### 31 MODARIB'S FEE

The operator manages the participants' investments as a Modarib and charge 20% Modarib's share of the investment income and profit on bank deposits earned by PTF.

Auditors' remuneration 32.1 255,741 293,307  32.1 Auditors' Remuneration  Annual audit fee 133,932 121,756 Half yearly review 69,878 63,525 Other certification 42,350 93,500 Out of pocket 9,582 14,526 255,742 293,307  2022 2021  Rupees				Operator	's Fund
Auditors' remuneration 32.1 255,741 293,307  32.1 Auditors' Remuneration  Annual audit fee 133,932 121,756 Half yearly review 69,878 63,525 Other certification 42,350 93,500 Out of pocket 9,582 14,526 255,742 293,307   2022 2021  Rupees  For the year Current 2,444,083 900,429 Deferred 2,444,083 900,429 Deferred 18,247				2022	2021
Auditors' remuneration 32.1 255,741 293,307  32.1 Auditors' Remuneration  Annual audit fee 133,932 121,756 Half yearly review 69,878 63,525 Other certification 42,350 93,500 Out of pocket 9,582 14,526 255,742 293,307  2022 2021  ——Rupees  For the year Current 2,444,083 900,429 Deferred 2,444,083 900,429 Deferred (11,697) 18,247			Note	Ru <sub>l</sub>	oees
32.1 Auditors' Remuneration  Annual audit fee	32	DIRECT EXPENSES			
Annual audit fee 133,932 121,756 Half yearly review 69,878 63,525 Other certification 42,350 93,500 Out of pocket 9,582 14,526 255,742 293,307  2022 2021  Rupees  For the year Current 2,444,083 900,429 Deferred 2,444,083 900,429 Deferred (11,697) 18,247		Auditors' remuneration	32.1	255,741	293,307
Half yearly review 69,878 63,525 Other certification 42,350 93,500 Out of pocket 9,582 14,526 255,742 293,307  2022 2021  Rupees  For the year Current 2,444,083 900,429 Deferred 2,444,083 900,429 Deferred (11,697) 18,247	32.1	Auditors' Remuneration			
Half yearly review 69,878 63,525 Other certification 42,350 93,500 Out of pocket 9,582 14,526 255,742 293,307  2022 2021  Rupees  For the year Current 2,444,083 900,429 Deferred 2,444,083 900,429 Deferred (11,697) 18,247		Annual audit fee		133.932	121 756
Other certification Out of pocket       42,350 93,500 93,500 9,582 14,526 255,742 293,307 293,307         2022 2021					
Out of pocket 9,582 14,526 293,307 293,307 293,307 2022 2021 2022 2021 2025 2021 2025 2025					
255,742 293,307  2022 2021  Rupees  For the year Current Deferred 2,444,083 900,429 18,247		Out of pocket			
## To the year  Current				255,742	293,307
33 INCOME TAX EXPENSE  For the year Current Deferred 2,444,083 900,429 18,247				2022	2021
33 INCOME TAX EXPENSE  For the year Current Deferred 2,444,083 900,429 18,247				Rupee	S
Current       2,444,083       900,429         Deferred       (11,697)       18,247	33	INCOME TAX EXPENSE		•	
Deferred (11,697) 18,247		For the year			
		•		2,444,083	900,429
<b>2,432,386</b> 918,676		Deferred			18,247
				2,432,386	918,676

	2022	2021
Note	Rur	ees

#### 33.1 Relationship between accounting profit and tax expense is as follows

The relationship between tax expense and accounting profit is as follows: Accounting profit / loss before tax	6,696,001	3,507,107
Tax @ 29%	1,941,841	1,017,061
Others	-	(98,385)
Provision for taxation	2,432,386	918,676

#### 34 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated companies, companies under common control, companies with common directors, shareholder, employees' retirement benefit plans, directors and key management personnel of the management. All transactions involving related parties arising in the normal course of business are conducted at commercial terms and conditions. Transactions with the key management personnel are made under their terms of employment / entitlements. Balances and transaction with related party are disclosed in relevant notes to the financial statements. Other transactions and balances not elsewhere disclosed are summarised as follows:

Transactions during th	ne year		Operator	's Fund	Participant's	Takaful Fund
			2022	2021	2022	2021
Name of related party	Nature of relationship	Nature of transaction	Ru	pees —	Ruj	oees —
Sindh Bank Limited	Common	Profit on bank balances	237,854	257,626	706,406	218,710
	directorship	Net contribution Gross contribution Claims paid	- - -	- - -	3,290,201 2,952,409 1,441,921	3,622,217 3,298,304 872,295
Sindh Modarba Management Limited	Common directorship	Net contribution Gross contribution Claims paid	- - -	- - -	1,885,918 1,807,872 395,939	925,256 885,420 782,480
Balances outstanding	as at					
Sindh Bank Limited	Common directorship	Cash and bank Due from takaful	3,033,555	4,219,931	9,442,248	11,175,589
		contract holder Claims payable	-	-	320,164	170,568 788,540
Sindh Modarba Management Limited	Common directorship	Due from takaful contract Claims payable	holder - -	-	7,204 121,000	- 155,000

SEGMENT REPORTING 35 35.1

5.1 Operator's Fund				2022			
	Fire and property damage	Marine, aviation & transport	Motor	Accident and health	Miscellaneous	Treaty	Total
			_	Rupees			
Wakala fee	186.636	8,199	3.214.620	1.109.040	684,085	ı	5.202.580
Management expenses	(152,964)	(6,525)	(1,092,239)	(1,200,953)	(836,960)		(3,289,641)
Net commission and expenses	(175,097)	(7,469)	(1,250,278)	(1,374,723)	(958,062)	ı	(3,765,629)
Modarib's share of PTF investment income	11,539	730	1,964,342	(265,683)	(273,977)	1	1,436,951 1,158,514
Net investment income							4,090,108
Officer income Direct expenses							(255,741)
Profit before tax							6,696,001
Corporate segment assets Corporate un-allocated assets Total assets	1,382,752	58,982	9,873,514	10,856,259	7,565,866	I	29,737,373 47,273,805 77,011,178
Corporate segment liabilities Corporate un-allocated liabilities Total liabilities	356,779	15,219	2,547,572	2,801,141	1,952,151	ı	7,672,861 475,282 8,148,143

				2021			
	Fire and property damage	Marine, aviation & transport	Motor	Accident and health	Miscellaneous	Treaty	Total
				Rupees			-
Wakala fee	126,735	15,140	3,671,552	594,375	550,605	ı	4,958,407
Management expenses	(125,331)	(14,444)	(1,803,863)	(737,351)	(576,083)	ı	(3,257,071)
Commission expenses	(8,788)	(1,013)	(126,480)	(51,700)	(40,393)	i	(228,374)
Net commission and expenses	(134,118)	(15,457)	(1,930,342)	(789,052)	(616,475)		(3,485,445)
	(7,383)	(317)	1,741,210	(194,677)	(65,871)	ı	1,472,963
Modarib's share of PTF investment income Net investment income							368,342 1,696,161
Other income							262,948
Other expenses Profit before tax							3 507 107
מוני מניים נמי							20,000
Corporate segment assets	1,094,542	126,142	15,753,551	6,439,461	5,031,063	ı	28,444,759
Corporate un-allocated assets							44,013,795
Total assets							72,458,554
Corporate segment liabilities	270,456	31,169	3,892,631	1,591,161	1,243,153	•	7,028,570
Corporate un-allocated liabilities Total liabilities							1,036,732

				2022			
	Fire and property damage	Marine, aviation & transport	Motor	Accident and health	Miscellaneous	Treaty	Total
			-	Rupees	Rupees	-	
Samont rocults							
Contribution receivable	675,593	26,938	5,146,447	5,011,090	3,551,575	ı	14,411,643
Less: Federal exercise duty	(40,924)	İ	(591,538)	- 000	(89,247)	ı	(721,709)
rederal insurance fee Gross written contribution	(3,142)	26,938	(45,503) 4,509,406	4,958,243	3,455,463		13,581,577
Direct contribution	(305,058)	1	(4,371,052)	(4,943,243)	(670,179)		(10,289,532)
Facultative inward contribution	(316,707)	(26,938)	(65,534)		(2,768,966)	1	(3,178,145)
Administrative surcharge	(9,762)	1	(72,820)	(15,000)	(16,318)	1	(113,900)
	(631,527)	(26,938)	(4,509,406)	(4,958,243)	(3,455,463)	•	(13,581,577)
Wakala expense Teloged contribution commod	(186,636)	(8,199)	(3,214,620)	(1,109,040)	(684,085)		(5,202,580)
rakalul contribution earried Re-takaful expense	(620,256)	(7.071)	6,042,622	5,342,113	(2.064.256)	i i	(5.644.522)
Net takaful contribution	(50,595)	17,524	3,089,883	3,342,113	268,176		6,667,101
Rebate from re-takaful operators	142,659	1,626	I	Î	474,782	ļ	619,067
Net underwriting income	92,064	19,150	3,089,883	3,342,113	742,958	•	7,286,168
Takaful claims	4,714	12,569	1,023,050	(2,630,792)	(767,618)	1	(2,358,077)
Re-takatul and other recoveries	(8)	- 0.0	0 000	- 000 00	504,296	ı	504,288
Net claims Direct expenses	4,706	12,569	1,023,050	(2,630,792)	(263,322)	i	(1,853,789)
Surplus before investment income Investment Income	96,770	31,719	4,112,933	711,321	479,636	1	5,427,360 5,065,846
Other Income Less: Modarib's share of investment income Surplus for the period							(1,158,514) (10,282,107
Corporate segment assets Corporate un-allocated assets Total assets	638,801	27,248	4,561,346	5,015,353	3,495,263	ı	13,738,011 66,367,246 80,105,257
Corporate segment liabilities Corporate un-allocated liabilities Total liabilities	2,570,700	109,654	18,356,036	20,183,076	14,065,844	ı	55,285,311 6,089,633 61,374,944

				2021			
	Fire and property damage	Marine, aviation & transport	Motor	Accident and health	Miscellaneous	Treaty	Total
				Rupees			
Segment results Contribution receivable Less: Federal exercise duty	765,064 (21,519)	85,500	11,665,881 (917,455)	4,365,232	3,421,675 (10,760)	1 1	20,303,352 (949,734)
Gross written contribution	741,887	85,500	10,677,853	4,364,706	3,410,085		19,280,031
Direct contribution Facultative inward contribution	(254,683)	- (85 500)	(10,366,964)	(4,349,706)	(1,168,086)	1 1	(16,139,439)
Administrative surcharge	(8,484)		(81,749)	(15,000)	(12,510)	•	(117,743)
Wakala expense	(741,887) (126,735)	(85,500) (15,140)	(10,677,853) (3,671,552)	(4,364,706) (594,375)	(3,410,085) (550,605)	1 1	(19,280,031) (4,958,407)
Takaful contribution earned	388,683	45,423	6,900,335	1,798,120	1,783,524	1	10,916,085
Ne-takatul expense Net takaful contribution	(12,016)	45,423	4,057,684	1,798,120	55,203	1	5,944,414
Rebate from re-takaful operators	92,157	- 46 403	1,874	1 708 130	397,527	1	491,558
net underwinnig moonie Takaful claims	(19,465)	(12,795)	(1,967,767)	(2,171,905)	(5,170,020)	1	(9,341,952)
Re-takaful and other recoveries Net claims	9,315	(12 795)	(351,449)	(2 171 905)	3,901,421	1 1	3,559,287
Direct expenses			()(1()()()()	(-)::::(-)	(000)(001)(1)		(264)
Surplus before investment income Investment Income Other Income Less: Modarib's share of investment income Surplus for the period	69,991	32,628	1,740,342	(373,785)	(815,869)		653,043 1,622,964 569,199 (368,342) 2,476,864
Corporate segment assets Corporate un-allocated assets Total assets	481,873	55,534	6,935,519	2,834,980	2,214,931		12,522,837 58,039,714 70,562,551
Corporate segment liabilities Corporate un-allocated liabilities Total liabilities	2,175,093	250,672	31,305,738	12,796,612	9,997,818	1	56,525,933 5,645,940 62,171,873

#### 36. MOVEMENT IN INVESTMENT

	Held to maturity	Available for sale	Total
		Rupees	
Operator's Fund			
As at January 01, 2021	=	13,201,876	13,201,876
Additions	-	624,453	624,453
Deletions	-	-	-
Fair Value net gain	-	110,341	110,341
	-	734,794	734,794
As at December 31, 2021		13,936,670	13,936,670
Additions	-	947,644	947,644
Fair value gain	_	290,378	290,378
	<u> </u>	1,238,022	1,238,022
As at December 31, 2022	<u> </u>	15,174,692	15,174,692
Participants' Takaful fund			
As at January 01, 2021	_	1,829,286	1,829,286
Additions	-	112,563	112,563
Fair Value loss	_	(998)	(998)
		111,565	111,565
As at December 31, 2021		1,940,851	1,940,851
Additions	-	128,631	128,631
Fair value loss	-	57,529	57,529
		186,160	186,160
As at December 31, 2022	<del>_</del>	2,127,011	2,127,011

#### 37 MANAGEMENT OF TAKAFUL AND FINANCIAL RISK

The risks involved with financial instruments and the Operator's approach to managing such risks are discussed below.

#### 37.1 Takaful risk

The risk under a takaful contract is the possibility that the covered event occurs and the uncertainty of the amount of the resulting claim. By the very nature of a takaful contract, this risk is random and therefore unpredictable. The principal risk faced under such contracts is the occurrence of the covered events and the severity of reported claims. The Operator's risk profile is improved by diversification of these risks of losses to a large portfolio of contracts as a diversified portfolio is less likely to be affected by an unexpected event in single subset.

The Operator principally issues the general takaful cover. Risks under these policies usually cover a twelve month duration. For general takaful contracts, the most significant risks arise from motor.

Underwriting limits and retention policies and procedures precisely regulate who is authorized and accountable for concluding takaful and retakaful contracts and at what conditions. Compliance with these guidelines is regularly checked and developments in the global, regional and local markets are closely observed, reacting where necessary with appropriate measures that are translated without delay into underwriting guidelines, if required.

The primary risk control measure in respect of the takaful risk is the transfer of the risks to third parties via retakaful. The retakaful business ceded is placed on a proportional and non proportional basis with retention limits varying by lines of business.

#### 37.1.1 Frequency and severity of claims

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

The Operator monitors concentration of takaful risks primarily by class of business. The table below sets out the concentration of the claims and takaful liabilities (in percentage terms) by class of business as at the reporting date:

		20	22			20	)21	
Class of business	Gross claims liability	Net claims liability	Gross contribution liability	Net contribution liability	Gross claims liability	Net claims liability	Gross contribution liability	Net contribution liability
			%				%	
Fire and property damage	0.16%	0.31%	3.51%	1.04%	0.17%	0.26%	3.39%	0.69%
Marine, aviation and transport	0.03%	0.06%	0.26%	0.03%	0.14%	0.22%	0.22%	0.25%
Motor	19.26%	38.54%	25.60%	32.25%	40.85%	63.40%	58.93%	66.50%
Accident and Health	12.77%	25.55%	46.90%	59.09%	11.41%	17.72%	25.95%	29.28%
Miscellaneous	67.78%	35.54%	23.73%	7.58%	47.43%	18.41%	11.51%	3.27%

#### 37.1.2 Retakaful arrangements

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

In compliance with regulatory requirements, the reinsurance agreements are duly submitted to the SECP on an annual basis.

The Operator's class wise major risk exposure is as follows:

Fire and property
Marine, aviation and transport
Motor
Accident and health
Miscellaneous

Gross sum insured	Reinsurance	Net exposure of risk	Net exposure of risk
	2022		2021
	Ru	pees	
102,740,000	92,740,000	10,000,000	3,760,000
19,241,651	17,317,486	1,924,165	50,000,000
6,600,000	-	6,600,000	6,600,000
1,000,000	-	1,000,000	1,000,000
39,000,000	29,114,010	9,885,990	22,590,868
168,581,651	139,171,496	29,410,155	83,950,868

The primary risk control measure in respect of the takaful risk is the transfer of the risks to third parties via re-takaful. The retakaful business ceded is placed on a proportional and non proportional basis with retention limits varying by lines of business.

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

#### 37.1.3 Uncertainty in the estimation of future claims payment

Claims on general takaful contracts are payable on a claim occurrence basis. The PTF is liable for all covered events that occur during the term of the takaful contract including the event reported after the expiry of the takaful contract term.

An estimated amount of the claim is recorded immediately on the intimation to the operator. The estimation of the amount is based on management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims.

There are several variable factors which affect the amount and timing of recognised claim liabilities. The operator takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be significantly different from initial recognized amount.

#### 37.1.4 Key assumptions

The principal assumption underlying the liability estimation of IBNR is that the Operator's future claim development will follow similar market pattern for occurrence and reporting. The management uses qualitative judgment to assess the extent to which reporting pattern will not apply in future. The judgment includes external factors such as 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.

#### 37.1.5 Sensitivity analysis

"The Operator believes that the claim liabilities under takaful contracts outstanding at the year end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The impact on the PTF surplus of the changes in the claim liabilities net of retakaful is analysed below. The sensitivity to changes in claim liabilities net of retakaful is determined separately for each class of business while keeping all other assumptions constant.

#### 10% increase in loss

Fire and property damage Marine, aviation and transport Motor Accident and health Miscellaneous

Pre-tax	profit	Shareholde	rs' equity
2022	2021	2022	2021
Rı	ıpees	Ru	pees
471	(1,015)	334	. (721)
1,257	(1,280)	892	(908)
102,305	(231,922)	72,637	(164,664)
(263,079)	(217,191)	(186,786	) (154,205)
(26,332)	(126,860)	(18,696	) (90,071)
(185,378)	(578,267)	(131,619	(410,570)

10% decrease in loss
Fire and property damage
Marine, aviation and transpor
Motor
Accident and health
Miscellaneous

Pre-tax	profit	Shareholders'	equity
2022	2021	2022	2021
R	upees	Rupe	es
(471)	1,015	(334)	721
(1,257)	1,280	(892)	908
(102,305)	231,922	(72,637)	164,664
263,079	217,191	186,786	154,205
26,332	126,860	18,696	90,071
185,378	578,267	131,619	410,569

#### 37.2 Financial risk

The operator has exposure to the following risks from its use of financial instruments:

#### 37.2.1 Liquidity risk

Liquidity risk is the risk that the Operator will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Operator could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Operator's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Operator's reputation. In the case of the Operator, the liquidity level remained on satisfactory level during the year and Operator did not face any difficulty in generation of liquidity.

The following are the contractual maturities of financial liabilities on an undiscounted cashflow basis:

	Carrying amount	Contractual cash flows	Upto one year	Greater than one year
		202	22	
Operator's Fund		Rup	ees	
Financial liabilities				
Other creditors and accruals	370,032	370,032	370,032	-
Participants' Takaful Fund				
Financial Liabilities				
Qard e Hasna	18,500,000	18,500,000	18,500,000	
Outstanding claims	6,478,551	6,478,551	6,478,551	-
Takaful / re-takaful payables	9,606,049	9,606,049	9,606,049	-
Payable to OPF	10,601,721	10,601,721	10,601,721	=
Other creditors and accruals	6,058,090	6,058,090	6,058,090	
	51,244,411	51,244,411	51,244,411	<del>-</del>
	Carrying amount	Contractual cash flows	Upto one year	Greater than one year
		20:	21	
		Rup	ees	
Operator's Fund				
Financial liabilities				
Other creditors and accruals	958,702	958,702	958,702	<del>-</del>
Participants' Takaful Fund				
Financial Liabilities				
Qard e Hasna	18,500,000	18,500,000	18,500,000	
Outstanding claims	6,437,723	6,437,723	6,437,723	-
Takaful / re-takaful payables	5,654,251	5,654,251	5,654,251	-
Payable to OPF	8,476,952	8,476,952	8,476,952	-
Other creditors and accruals	5,355,842	5,355,842	5,355,842	
	44,424,768	44,424,768	44,424,768	-

# 37.2.2 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices. The Operator manages the market risk through diversification of the investment portfolio and by following the internal guidelines established by the investment committee. Market risk comprises of three types of risk: currency risk, profit rate risk and price risk.

# a) Profit rate risk

Profit rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market profit rates. Sensitivity to profit rate risk arises from mismatching of financial assets and liabilities that mature or repaid in a given year. The Operator manages this mismatch through risk management strategies where significant changes in gap position can be adjusted. At the reporting date, the profit rate profile of the Operator's significant profit bearing financial instruments was as follows:

				2	2022			
			Profit bearing			Non-profit bearing		
Operator's Fund	Effective yield / profit rate	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
					Rupees			
Financial assets								
Investments								
Equity securities		ı	ı	ı	15,174,692	1	15,174,692	15,174,692
Term deposits	9.25%-14.5%	29,000,000	ı	29,000,000	1	1	ı	29,000,000
		29,000,000	1	29,000,000	15,174,692	1	15,174,692	44,174,692
Qard-e-Hasna to Participant's Takaful Fund	рı	1	ı	1	1	18,500,000	18,500,000	18,500,000
Loans and other receivable		ı	ı	ı	60,182	1	60,182	60,182
Receivable from PTF		1	ı	1	10,601,721	1	10,601,721	10,601,721
Cash and bank	3.4%-5.25%	3,099,113	ı	3,099,113	1	1	ı	3,099,113
		32,099,113	1	32,099,113	25,836,595	18,500,000	44,336,595	76,435,708
Financial liabilities								
Other creditors and accruals		ı	ı	I	(370,032)	ı	(370,032)	(370,032)
		1	1	ı	(370,032)		(370,032)	(370,032)
On balance sheet gap (a)		32,099,113	-	32,099,113	25,466,563	18,500,000	43,966,563	76,065,676
Off toward financial internation								
Off balance sheet marcial instrument		.	.	.	1	.	.	.
Oil Dalairea oileat gap (b)		ı			1			
Total interest rate sensitivity gap (a) + (b)		32,099,113	1	32,099,113				
Cumulative interest rate sensitivity gap		32,099,113	•					

				2	2021			
	;		Profit bearing			Non-profit bearing		
Operator's Fund	Effective yield / profit rate	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity affer one year	Sub total	Total
					Rupees			
Financial assets								
Investments								
Equity securities		ı	1	1	13,936,670	ı	13,936,670	13,936,670
Term deposits	3.81%-7%	25,810,000	i	25,810,000	•	1	1	25,810,000
		25,810,000	ı	25,810,000	13,936,670	ı	13,936,670	39,746,670
Qard-e-Hasna to Participant's								
Takaful Fund		ı	ı	ı	ı	18,500,000	18,500,000	18,500,000
Loans and other receivable		ı	1	1	824,762	ı	824,762	824,762
Receivable from PTF		ı	ı	ı	8,476,952	ı	8,476,952	8,476,952
Cash and bank	4%-4.25%	4,267,125	1	4,267,125	ı	1	1	4,267,125
		30,077,125	1	30,077,125	23,238,384	18,500,000	41,738,384	71,815,509
Financial liabilities								
Payable to OPF		ı	1	i	Ĭ			
Takaful/ Retakaful payables		ı	1	ı	ı			
Other creditors and accruals		ı	1	1	(958,702)	1	(958,702)	(958,702)
		ı	1	1	(958,702)	1	(958,702)	(958,702)
On balance sheet gap (a)		30,077,125	1	30,077,125	22,279,682	18,500,000	40,779,682	70,856,807
Off balance sheet financial instrument			·	ı	1		•	
Off balance sheet gap (b)		1		1	1	1		1
Total interest rate sensitivity gap (a) + (b)		30,077,125	ı	30,077,125				
Cumulative interest rate sensitivity gap		30,077,125	1					

				2	2022			
			Profit bearing			Non-profit bearing	6	
Participants' Fund	Effective yield / profit rate	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
					Rupees			
Financial assets								
Investments								
Equity securities		ı	ı	1	2,127,011	1	2,127,011	2,127,011
Term deposits	9.25%-14.5%	54,766,000	ı	54,766,000	1		I	54,766,000
Takaful / retakaful receivables		ı	ı	į	5,864,496	•	5,864,496	5,864,496
Loan and other receivable		1	ļ	1	998,966	1	998'866	998,966
Cash and bank	3.4%-5.25%	9,474,235	Ī	9,474,235	i	ı	ı	9,474,235
		64,240,235	1	64,240,235	8,990,473	1	8,990,473	73,230,708
Financial liabilities								
Qard e Hasna		ı	ı	ı	18,500,000	ı	18,500,000	18,500,000
Outstanding Claims incuding IBNR		ı	ı	ı	8,741,085	1	8,741,085	8,741,085
Payable to OPF		ı	ı	1	10,601,721	1	10,601,721	10,601,721
Takaful / Retakaful payables		ı	ı	1	9,606,049	1	9,606,049	9,606,049
Other creditors and accruals		ı	ı	ı	6,058,090	ı	6,058,090	6,058,090
			1	1	53,506,945	1	53,506,945	53,506,945
On balance sheet gap (a)		64,240,235	1	64,240,235	(44,516,472)	1	(44,516,472)	19,723,763
Off balance sheet financial instrument			ı	ţ	ı		ı	
Off balance sheet gap (b)		1	1	ī	ı	•	•	1
Total interest rate sensitivity gap (a) + (b)		64,240,235	1	64,240,235				
Cumulative interest rate sensitivity gap		64,240,235						

					2021			
			Profit bearing	-		Non-profit bearing	5	
Participants' Fund	Effective yield / profit rate	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
				] [ ]	Rupees			
Financial assets								
Investments								
Equity securities		ı	1	ı	1,940,851	ı	1,940,851	1,940,851
Term deposits	3.81%-7%	44,918,000	ı	44,918,000		•	Ī	44,918,000
Takaful / retakaful receivables		1 1	1 1	ı	4,861,643	ı	4,861,643	4,861,643
Loan and other receivable		1	1	ı	1,859,926	ı	1,859,926	1,859,926
Cash and bank	3-4.5%	11,180,863	1	11,180,863	ı	ı	ı	11,180,863
		56,098,863	1	56,098,863	8,662,420	1	8,662,420	64,761,283
Financial liabilities								
Qard e Hasna		ı	1	1	18,500,000	ı	18,500,000	18,500,000
Outstanding Claims incuding IBNR		1	1	ı	10,895,048	ı	10,895,048	10,895,048
Payable to OPF		ı	1	1	8,476,952	ı	8,476,952	8,476,952
Takaful / Retakaful payables		ı	1	1	5,654,251	ı	5,654,251	5,654,251
Other creditors and accruals		ı	ı	ı	5,355,842	ı	5,355,842	5,355,842
		ı	1	ı	48,882,093	1	48,882,093	48,882,093
On balance sheet gap (a)		56,098,863	1	56,098,863	(40,219,673)	1	(40,219,673)	15,879,190
Off balance sheet financial instrument		•	1		•	•	•	ı
Off balance sheet gap (b)		1	1	1	1	1	1	1
Total interest rate sensitivity gap (a) + (b)		56,098,863	1	56,098,863				
Cumulative interest rate sensitivity gap		56,098,863						



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

		2022		2021
	Operator's Fund	Participants' Fund	Aggregate	Aggregate
		Ruj	oees	
Fixed rate instruments				
Financial assets		-	=	=
	<del>-</del>	-	-	-
Variable rate instruments				
Financial assets	32,099,113	64,240,235	96,339,348	86,175,988
	32,099,113	64,240,235	96,339,348	86,175,988

#### Sensitivity analysis for fixed rate instruments

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

#### Sensitivity analysis of variable rate instruments

Presently, the Operator does not hold any variable rate instrument and is not exposed to profit rate risk except for balances in certain profit and loss sharing accounts and term deposits, the profit rate on which range between 3.4% to 7% per annum.

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

	Profit fo	r the period	Total e	quity
Operator's Fund	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
		Rup	ees	
As at December 31, 2022 Sensitivity	320,991	(320,991)	227,904	(227,904)
As at December 31, 2021				
Sensitivity	300,771	(300,771)	213,548	(213,548)

	Surplus for	the period	Total e	quity
Participant's Takaful Fund	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
		Ru	pees	
As at December 31, 2022 Sensitivity	642,402	(642,402)	456,106	(456,106)
As at December 31, 2021				
Sensitivity	560,989	(560,989)	398,302	(398,302)

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

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

The Operator monitors the profit rate environment on a regular basis and alters the portfolio mix of fixed and floating rate securities.

The Operator's policy requires the management to manage this risk by measuring the mismatch of the profit rate sensitivity gap of financial assets and liabilities and calculating the average duration of the portfolio of fixed profit securities.

The average effective duration of the Operator's portfolio is a measure of the sensitivity of the fair value of the Operator's fixed profit securities to changes in market profit rates.

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

#### b) 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 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 Operators and Participants equity investments amounting to Rs. 15.174 million and Rs. 2.127 million respectively are susceptible to market price risk arising from uncertainty about the future value of investment securities. The Operator limits market risk by diversifying its equity investment portfolio and by actively monitoring the developments in equity and money markets.

The table below summarizes Operators market price risk as of December 31, 2022 and 2021. It shows the effect of a 10 % increase and 10 % decrease in the market prices of equity investments as on those dates on Operators' profit and equity. Had all equity investments been measured at fair values as required by IAS 39, Financial Instrument: Recognition and measurement, the impact of hypothetical change would be as follow:

		Estimate	ed Fair value	Effect of F	air value
Operators' Fund	Fair value	10% increase	10% decrease	10% increase	10% decrease
			Rup	ees	
As at December 31, 2022 Sensitivity	15,174,692	16,692,161	13,657,223	1,517,469	(1,517,469)

		Estimate	ed Fair value	Effect of I	Fair value
Participants' Takaful Fund	Fair value	10% increase	10% decrease	10% increase	10% decrease
			Rupe	ees	
As at December 31, 2021 Sensitivity	2,127,011	2,339,712	1,914,310	212,701	(212,701)

#### c) Currency risk

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

#### 37.2.3 Credit risk

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

#### Exposure to credit risk

The maximum exposure to credit risk before any credit enhancements at December 31, 2022 is the carrying amount of the financial assets as set out below:

		2022		2021
	Operator's Fund	Participants' Fund	Aggregate	Aggregate
		Rup	ees——	
Nature of financial assets				
Bank balances	3,099,113	9,474,235	12,573,348	15,447,988
Investments	-			
Equity securities	15,174,692	2,127,011	17,301,703	15,877,521
Term deposits	29,000,000	54,766,000	83,766,000	70,728,000
	44,174,692	56,893,011	101,067,703	86,605,521
Qard-e-Hasna to Participants' Takaful Fund	18,500,000	-	18,500,000	18,500,000
Loans and other receivable	60,182	998,966	1,059,148	2,684,688
Receivable from PTF	10,601,721	-	10,601,721	8,476,952
Takaful / retakaful receivables	-	5,864,496	5,864,496	4,861,643
	76,435,708	73,230,708	149,666,416	136,576,792
		-		

Provision for impairment is made for doubtful receivables according to the Operator's policy. The impairment provision is written off when the Operator expects that it cannot recover the balance due.

The age analysis of due from insurance contract holders from other than related parties is as follows:

	2022	2021
	Rı	ıpee
Upto 3 months	65,536	-
4 to 6 months	-	=
7 to 12 months	-	74,813
More than 12 months	=	63,742
	65,536	138,555
The age analysis of due from insurance contract holders with respect to related parties i	s as follows:	
Upto 3 months	4,798	170,568
4 to 6 months	2,406	-
7 to 12 months	-	-
More than 12 months	-	21,009
	7,204	191,577

#### Concentration of credit risk

Concentration of risks arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Operator's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk. Provision for impairment is made for doubtful receivables according to the Operator's policy. The remaining past due balances were not impaired as they relate to a number of policy holders and other takaful / retakaful operators for whom there is no history of default. The credit quality of the financial assets can be assessed with reference to external credit ratings as follows:

	Rating	ing			2022		2021
Name of the company	Long term	Short term	Rating agency	Operator's Fund	Participants' Fund	Aggregate	Aggregate
					Rupees	nbees	
Cash at bank							
Sindh Bank Limited	<b>+</b>	A-1	JCR-VIS	3,033,555	9,442,248	12,475,803	15,395,520
Meezan Bank Limited	AAA	A1+	JCR-VIS	15,388	15,395	30,783	
NRSP Microfinance Bank Limited	⋖	A2	PACRA-VIS	50,170		50,170	47,403
National Banlk of Pakistan	AAA	A1+	PACRA-VIS	•	15,322	15,322	
				3,099,113	9,472,965	12,572,078	15,442,923
Term deposit certificates							
Habib Metro Bank Limited	AA+	A1+	PACRA-VIS	29,000,000	44,000,000	73,000,000	I
National Bank Limited	AAA	A1+	PACRA-VIS	ī	10,766,000	10,766,000	70,728,000
				29,000,000	54,766,000	83,766,000	70,728,000
Investments							
Mutual funds							
ABL Islamic Income Fund	A+ (f)	I	JCR-VIS	15,174,692	·	15,174,692	13,936,670
Meezan Sovereign Fund	AA-( f )	1	JCR-VIS	•	2,127,011	2,127,011	1,940,851
				15,174,692	2,127,011	17,301,703	15,877,521

Impaired assets

The provision for impairment is written-off when the Operator expects that it cannot recover the balance due. During the year, no receivable balances were provided for or impaired.

#### 38 CAPITAL RISK MANAGEMENT

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

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

#### 39 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the reporting date. The quoted market price used for financial assets held by the Operator is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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

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

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

Level 3:Valuation techniques for which the lowest level input for which the fair value measurement is unobservable.

39.1 Fair value of financial instruments

The following tables show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

					2022					
			Carrying	Carrying amount				Fair value	ralue	
Operator's Fund	Held-to- maturity	Available for sale	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
			Ru	Rupees				(Rup	(Rupees)	
Financial assets measured										
at fair value										
Investments										
Equity securities	1	15,174,692	i	1	ı	15,174,692	15,174,692	ı	•	15,174,692
Financial assets not measured										
at fair value										
Investments										
Term deposits	29,000,000	1	i	ı	1	29,000,000	Ì	1	ı	1
Loans and other receivable*	ı	ı	60,182	ı	1	60,182	ı	1	ı	1
Qard-e-Hasna to Participants'	1	1								
Takaful Fund (PTF)	•	ı	ı	18,500,000	•	18,500,000	•	•	•	•
Takaful / re-takaful receivable*	•		ı	•		•	•	•	•	•
Prepayments	ı	ı								
Receivable from PTF	ı	ı	10,601,721	ı	1	10,601,721	ı	1	ı	Ī
Cash and bank balance*	1	1	Í	3,099,113	1	3,099,113	ļ	1	ı	ı
	29,000,000	15,174,692	10,661,903	21,599,113	1	76,435,708	15,174,692	1	ı	15,174,692
Financial liabilities not measured										
at fair value										
Other creditors and accruals*	1	ı	i	1	370,032	370,032	ı	ı	•	į
	29,000,000	15,174,692	10,661,903	21,599,113	370,032	76,805,740	15,174,692		1	15,174,692

					2021					
			Carrying	Carrying amount				Fair value	/alue	
Operator's Fund	Held-to- maturity	Available for sale	Loans and receivables	Other financial assets	Other financial liabilities	l Total	Level 1	Level 2	Fevel 3	Total
			Ru	Rupees				(Rupees)	ees)	
Financial assets measured										
at fair value										
Investments										
Equity securities	ı	13,936,670	ı	ı	ı	13,936,670	13,936,670			13,936,670
Financial assets not measured										
at fair value										
Investments										
Term deposits	25,810,000	ı	1	ı	ı	25,810,000	1	Ī	1	ı
Loans and other receivable*	1	1	824,762	Í	1	824,762	1	ı	ı	ı
Qard-e-Hasna to Participants'	1	1								
Takaful Fund (PTF)	•	•	1	18,500,000	•	18,500,000	•	Ī	•	•
Takaful / re-takaful receivable*			•	ı	•	•	ı	•	•	•
Prepayments	1	1								
Receivable from PTF	1	1	8,476,952	Í	1	8,476,952	1	ı	ı	į
Cash and bank balance*	1	ı	1	4,267,125	1	4,267,125	1	ı	ı	ı
	25,810,000	13,936,670	9,301,714	22,767,125	1	71,815,509	13,936,670	1		13,936,670
Financial liabilities not measured										
at fair value										
Other creditors and accruals*	1	ı	ı	ı	958,702	958,702	ı	•	1	•
	25,810,000	13,936,670	9,301,714	22,767,125	958,702	72,774,211	13,936,670	Ī	ı	13,936,670

					2022					
			Carrying	Carrying amount				Fair value	lue	
Participants' Takaful Fund	Held-to- maturity	Available for sale	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
			Ru	Rupees				(Rupees)	es)	
Financial assets measured										
at fair value										
Investments										
Equity securities	•	2,127,011				2,127,011	2,127,011	•	1	2,127,011
Financial assets not measured										
at fair value										
Investments										
Term deposits	54,766,000	ı	ı	ı	1	54,766,000	ı	ı	i	ı
Loans and other receivable*	ļ	1	998,966	1	1	998,966	ı	ı	ı	į
Takaful / re-takaful receivable*	•	•	5,864,496	1		5,864,496	Ī	•	•	Ū
Cash and bank balance*	•			9,474,235		9,474,235	•	•	1	•
	54,766,000	2,127,011	6,863,462	9,474,235		73,230,708	2,127,011	1	ı	2,127,011
Financial liabilities not measured										
at fair value										
Outstanding claims including IBNR	ı	ı	1	ı	(8,741,085)	(8,741,085)	1		1	į
Qard-e-Hasna to Participants'										
Takaful Fund (PTF)	ı			•	(18,500,000)	(18,500,000)	•	•	•	•
Payable to OPF	ı	ı	ı	ı	(10,601,721)	(10,601,721)	1	ı	1	ı
Takaful / retakaful payable	ı	ı	ı	ı	(9,606,049)	(9,606,049)	ı	ı	ı	ı
Other creditors and accruals*	ı	ı	ı	ı	(6,058,090)	(6,058,090)	ı	ı	ı	ı
	54,766,000	2,127,011	6,863,462	9,474,235	(53,506,945)	19,723,763	2,127,011	ı	ı	2,127,011

					2021					
			Carrying	Carrying amount				Fair value	alue	
Participants' Takaful Fund	Held-to- maturity	Available for sale	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
			-R	Rupees				(Rupees)	(səə	
Financial assets measured										
at fair value										
Investments										
Equity securities	ı	1,940,851	ı	ı	ı	1,940,851	1,940,851	1	į	1,940,851
Financial assets not measured										
at fair value										
Investments										
Term deposits	44,918,000	•	•	•	•	44,918,000	•	•	Ī	ī
Loans and other receivable*	•	ı	1,859,926	•	•	1,859,926	•	•		•
Takaful / re-takaful receivable*	ı	ı	4,861,643	ı	ı	4,861,643	ı	1	į	1
Cash and bank balance*	ı	ı	1	11,180,863	ı	11,180,863	ı	1	į	1
	44,918,000	1,940,851	6,721,569	11,180,863	ı	64,761,283	1,940,851	1	1	1,940,851
Financial liabilities not measured										
at fair value										
Outstanding claims including IBNR		•	•	•	(10,895,048)	(10,895,048)	•	•	•	•
Qard-e-Hasna to Participants'										
Takaful Fund (PTF)	1	ļ	ı	1	(18,500,000)	(18,500,000)	•	1	ı	ı
Takaful / retakaful payable	1	ļ	ī	1	(8,476,952)	(8,476,952)	•	1	ı	ı
Payable to OPF	ı	ı	ı	1	(5,654,251)	(5,654,251)	1	1	ı	ı
Other creditors and accruals*	1	1	•	•	(5,355,842)	(5,355,842)	1		•	•
	44,918,000	1,940,851	6,721,569	11,180,863	(48,882,093)	15,879,190	1,940,851			1,940,851

\* The company has not disclosed the fair value of these items because their carrying amounts are a reasonable approximation of their fair values. Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently differences may arise between the carrying values and the fair value estimates.

		2022	2021
40	NUMBER OF EMPLOYEES		
	Number of employees at the end of the year Average number of employees	1 1	1 1

#### 41 CORRESPONDING FIGURES

The corresponding figures have been reclassified or re-arranged, wherever considered necessary, to comply with the requirements of General Takaful Accounting, Regulations 2019. Accordingly, no other significant re-classification or rearrangement have been made during the year.

#### 42 DATE OF AUTHORIZATION FOR ISSUE

These financial statements was authorized for issue on 03 MAR 2023 by the Board of Directors of the Operator.

#### 43 GENERAL

Figures have been rounded to the nearest Rupees.

Chairman

Director

Director

Chief Executive Officer

**Annual Report 2022** 

## Our Branches

### North Region Branch: Al Din Chambers

Al Din Chambers Venus Plaza, Egerton Road, Lahore. Ph: 042-36297709

#### Interior Sindh:

Naudero Branch Larkana Road, Naudero Ph: 074-4047528

#### **Hyderabad Region:**

Block - D, Unit No. 07 Latifabad, Hyderabad. Ph: 022-3821758

## PATTERN OF SHAREHOLDINGS HELD BY THE SHAREHOLDERS OF SINDH INSURANCE LIMITED AS AT DECEMBER 31, 2022

Number of		Share	holding		Shares Held	Percentage
Shareholders		From		То		
1	From	1	То	49,999,991	49,999,991	49.999991
9	From	49,999,991	То	50,000,000	9	0.000009
1	From	50,000,001	То	100,000,000	50,000,000	50.000000
10					100,000,000	100.0000

Categories of Shareholders	Shareholders	Shares Held	Percentage
Associated Company	-	-	-
Banks, Development Finance			
Institutions, Non-Banking Finance			
Companies, Insurance Companies,			
Takaful Companies and Modarabas	-	-	-
Mutual Funds	-	-	-
Other Companies	-	-	-
Shareholding Above 5%			
Governamet of Sindh	1	99,999,991	99,999991
Directors, CEO, Executives and their			
Spouses and Minor Childrens			
Muhammad Bilal Sheikh	1	1	0.000001
Sajid Jamal Abro	1	1	0.000001
Mushtaq Malik	1	1	0.000001
Syed Akhtar UI Islam	1	1	0.000001
Saleem Zamindar	1	1	0.000001
Zahid Hussain	1	1	0.000001
Raja Muhammad Abbas	1	1	0.000001
Khawaja Tajammul Hussain	1	1	0.000001
Hina Marvi	1	1	0.000001
Individuals	-	-	-
Total	10	100,000,000	100.000000

#### STATEMENT OF DIRECTORS

(As per the requirement of Section 46(6) of the Insurance Ordinance, 2000)

#### Section 46(6)

- (a) In our opinion the annual statutory accounts of Sindh Insurance Limited set out in the forms attached to the statement have been drawn up in accordance with the Ordinance and any rules made there under;
- (b) Sindh Insurance Limited has at all times in the year complied with the provisions of the Ordinance and the rules made there under relating to paid-up capital, solvency and reinsurance arrangements; and
- (c) As at December 31, 2022 Sindh Insurance Limited continues to be in Compliance with provisions of the Ordinance and the rules made there under relating to paid-up capital, solvency and reinsurance arrangements.

Chairman

Director

Director

Chief Executive Officer

Ounte	Folio No.	
Quote	FUIIO INO.	

#### **FORM OF PROXY**

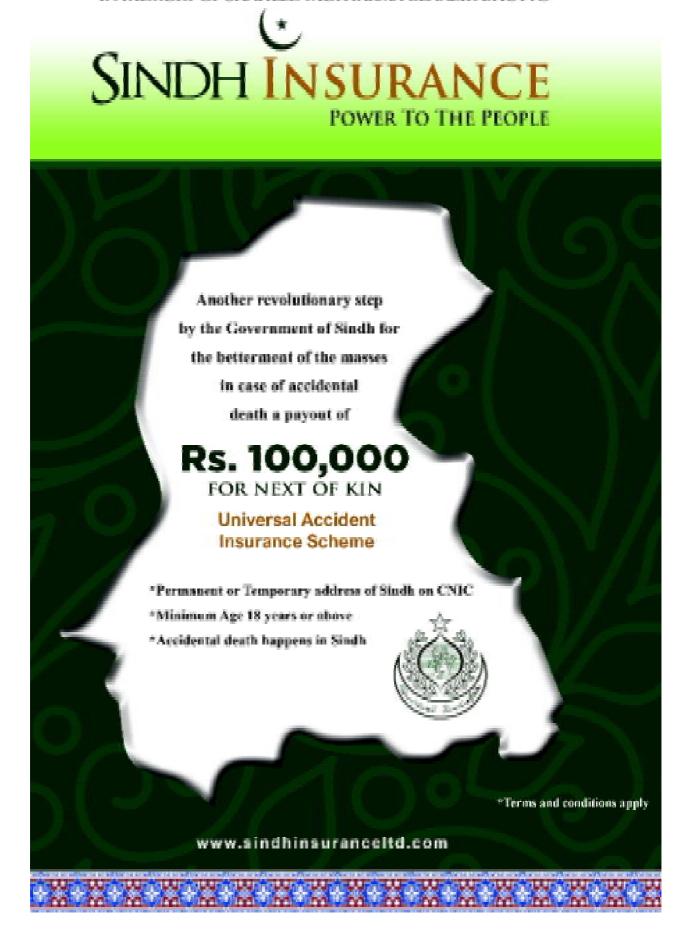
#### **Nineth Annual General Meeting**

I/We	of	
being a member of Sindh Insurance	<b>Limited</b> and holder of _	ordinary
shares, hereby appoint	of	
or failing him	of	
		r proxy in my/our absence to attend and General Meeting to be held on Thursday,
April 27, 2023 at 10:00 am at 1 <sup>st</sup> Floadjournment thereof.	oor, Imperial Court, Dr. Zi	auddin Ahmed Road, Karachi and at any
Signed this	day of	2023
1) Witness: Signature Name Address NIC No. Passport No.		Please affix Rupees Five Revenue Stamp
2) Witness: Signature Name Address NIC No. Passport No.		Signature of Member

**Importants**: This instrument appointing a proxy, duly completed, must be received by the Company Secretary at the Company's Head Office/Registered Office, 1<sup>st</sup> Floor, Imperial Court, Dr. Ziauddin Amed Road, Karachi., not later than 48 hours before the time of holding the meeting.

فوليونمبرحواله		
	نمائندگی (Proxy)	<i>ר</i> א
	نویںسالا نہاجلاس ء	
مين/نهم	اباکن	جیثیت رکن سند هانشورنس کمینیژاور حامل
		عام حصص ،اس دستاویز کے ذریعے
	ما کن	
· · · · · · · · · · · · · · · · · · ·	ماکن	*** ** ** ** ** ** ** ** ** ** ** ** **
		ور میرے/ ہمارے مجا زنمائندہ، نویں سالانہ عام اجلاس، منعقا بناحمد روڈ، کراچی یاکسی بھی دیگر تجویز کردہ مقام پرشرکت کرنے اہ
	یں 10 ہجری، بھا ہم جن مرکز ہیں ورک اور مرکبات ہوں۔ نام استعال کرنے کے لیے مقرر کرتے ہیں۔	بن مرردد، راپي يا ن دير وړ رده سه ۱ پر مرت رسي
	ورخه2023	
و حط	ورجہ2023	
1- گواه		
ر <i>ستخط</i> :		
:/t		
چية: مريخ الم		
قومی شناختی کارا	ŕ	
اسده ط تمير :		
پاسپورٹ نمبر:		برائے مہربانی پانچ روپے
پاسپورٹ نمیر: 2- گواہ		كرسيدى مكث چسپال
*		
2- گواه		كرسيدى مكث چسپال
2- گواه دستخط: نام: پیته:		كرسيدى مكث چسپال
2- گواه دستخط: نام: پية: پية: قومي شناختي کارهٔ		كرسيدى مكث چسپال
2- گواه دستخط: نام: پیته:		كرسيدى مكث چسپال
2- گواه دستخط: نام: پية: پية: قومي شناختي کارهٔ		كرسيدى مكث چسپال

IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO





#### Registered / Head Office:

1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi - Pakistan. Tel: +92-21-3564 0715 - 17 Fax: +92-21-3564 0714 Website: www.sindhinsuranceltd.com