# SINDH INSURANCE LIMITED

ANNUAL AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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· Paragraphic

A A IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO



## 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, 2020.

#### Country Review

Pakistan economy will return to growth in fiscal year 2020-21, gaining a modest 1.5 per cent and accelerate to 4.4 per cent in 2022. The government and state bank responses and reforms will partially soften the pandemic's impact and help revive the economy. Last year, Pakistan economy contracted for the first time in 68 years by registering 0.4 per cent negative growth due to outbreak of the Covid-19 pandemic. It posted 1.9 per cent growth in fiscal year 2018-19 as compared to a record-high 5.8 per cent GDP growth in 2017-18.

The economy expected to rebound in FY 2021 as the impact of the pandemic gradually fades and domestic demand recovers. Moreover, structural reforms helps to boost investment, while foreign demand is expected to pick up in tandem with the global economic recovery. However, mounting debt, uncertainty over the evolution of the virus and geopolitical tensions cloud the outlook. Economics panelists project growth of 1.5% in FY 2021, which is down 0.1 percentage points from last month's estimate, and 4.0% in FY 2022.

In light of reduction in growth and inflation expectations, the State Bank of Pakistan maintained the policy rate by 7.00% at the end of year 2020 and in beginning of year 2021.

#### Company Performance

During the year under review it is notable to state that Sindh Insurance's profit before tax has reached to Rs. 451.164 million in 2020 as compared to Rs. 458.494 million in 2019. The earnings per share was 3.20.

The underwriting results maintained at Rs. 54.306 million as compared to Rs. 55.990 million in year 2019. The investment income increased to Rs. 385.107 million as compared to Rs. 360.059 million. The reason for increase that investment was made in portfolios having highest rate of returns.

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Below are key financial figures for last two year:

•	2020	2019
Gross Premium	488,545,805	895,899,066
Net Premium Revenue	254,168,143	377,973,119
Underwriting Results	54,306,364	55,990,057
Investment Income	385,107,690	360,059,551
Profit before tax	451,164,563	458,494,649
Profit after tax	320,395,391	325,826,581
Earning per share	3.20	3.26

#### Insurance Sector Review

Conditions in the insurance industry continued to be challenging due to Covid-19 pandemic as well as torrential rains and flood in August. The pandemic outbreak Covid - 19 globally poses lots of new challenges and learning especially in the corporate world. Challenges related to cross-functional teams preparing comprehensive plan, taking all relevant measures and SOPs for the safety and health of our employees regular review and updation of plans, operating from home during the lockdown period, ensuring Company's smooth operations. Besides these challenges your Company continues to maintain its financial strength in the insurance industry by offering the best professional service to its clients.

Insurance industry shifting its functioning from personal dealing to virtual arrangements through online solutions for almost every segment of its operations. This trend will benefit the insurance industry in many ways from low cost to quicker services to clients and customers.

#### 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 2020 was Rs. 16.050 million as compared to Rs. 14.170 million in the comparative year. During the year under review, Participant Takaful Fund surplys was 5.212 million and Operators Fund profit was Rs. 5.514 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, GIC Re – UAE, Arab Re – UAE and Tunis Re participated in the Re-insurance Conventional Treaty for the year 2020. The panel of Reinsurers led by Hanover Re.

For the Window Takaful Operations, Swiss Re – Malaysia, PRCL –Pakistan, GIC Re – UAE, Kenya Re – Nairobi and Tunis Re – Tunisia participated in the Re-Takaful Treaty for the year 2020. The panel led by Swiss Re.

### 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, 2020, is included in the Report.
- The value of investment in the Provident Fund as on December 31, 2020, was Rs 12,389,554/-.



#### **Board Meetings**

During the year, six (6) 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. Muhammad Bilal Sheikh	06
02	Mr. Mushtaq Malik	06
03	Mr. Raja Muhammad Abbas	06
04	Mr. Syed Akhter Ul Islam	06
05	Mr. Muhammad Aley Abid	06
06	Mr. Zahid Hussain	06

<sup>\*</sup> Mr. Syed Hassan Naqvi fit and proper approval is not received from SECP therefore he did not attend any meeting.

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

#### Achievements

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.

#### Insurer Financial Strength (IFS) Rating

Pakistan Credit Rating Company Limited (PACRA) has maintained Insurer Financial Strength (IFS) rating of the Company at "A+" (A 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.

POWER TO THE PROPLE

#### 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.

#### 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, 2020 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, 2020.

#### **Auditors**

M/s BDO Ebrahim & Company, Chartered Accountants have audited the accounts for the year 2020. 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.

#### 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

Muhammad-Bffaf Shaikh

Chairman

Muhammad Faisal Siddiqui Chief Executive Officer

March 29, 2021

# IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO

# SINDH INSURANCE POWER TO THE PEOPLE

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# ڈائریکٹرزرپورٹ برائے حصص یافتگان

سمینی فائر کیشرز 13 دسمبر 2020 کو اختیام پذیر سال کی سالانه رپورٹ مع پڑتال شدہ گوشوارے اور آڈیٹر رپورٹ پیش کرنے پر سرت کا اظہار کرتے ہیں۔

# ملكى جائزه

معيشت نے سکو کر منفی 0.4 فيمد کي نموه اصل کي ۔ مالي سال 2018-19 ميں مجوعي قوي پيداوار کي نمو 1.9 فيمدر اي جبد سال 2017-18 ميں يہ 5.8 فيمد تھي۔

توقع ہے کہ عالی دباء کے اثرات میں بندر نئے کی اور داخلی طلب کی بحال ہے مالی سال 2021 میں پاکستان کی معیشت بہتری کی طرف گامزن ہوگی۔علاوہ ازیں ڈھانچہ جاتی اصلاحات سرمایہ کاری کو فروغ ویں گی، جبکہ عالمی معیشت کی بحالی کے ساتھ غیر ملکی مانگ میں اضافے کی توقع ہے۔ تاہم، بڑھتے ہوئے قرضہ جات، دائری کی مبہم معلومات اور علا تا کی سیاست صور تحال کو دھندلا کرتی ہے۔معاشی

> ۔ شرح نمواور افراط ذرمیں متوقع کی کے بیٹی نظر سال 2020 کے انتقام اور سال 2021 کے آغاز پر بینک دولت یاکستان نے یالیسی نرخ کو 7 فیصد پر بر قرار ر کھا۔

ماہرین سال 2021 کے لئے 1.5 فیصد تک شرح نمو تجویز کی ہے جو گذشتہ ماہ کے تخیینہ ہے 1.1 فیصد تم ہے اور مانی سال 2021 تخیینہ 4.0 فیصد ہے۔

# سمپنی کی کار کروگ

انڈررائننگ نتائگ 54.306 ملین روپے پر ہر قرار رہے جبکہ تھا کی سال 2019 میں یہ 55.990 ملین روپے تھے۔ سرمایہ کاری سے حاصل ہونے والی آمدن گذشتہ سال کی 360.059 ملین روپے ہوئے ۔ سے بڑھ کر 385.107 ملین روپے ہوگئی۔ آمدن میں اضافے کی وجہ بہترین شرح منافع دینے والے پورٹ فولیو میں سرمایہ کاری تھی۔

گذشته دوسالوں کے کلیدی ہالیاتی اعدادشار درج ذیل ہیں:



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2020

مجمو گاپريميم	488,545,805	895,899,066
خالص پر میم آ مدن	254,168,143	377,973,119
انڈررائنگ مآئ	54,306,364	55,990,057
سرمار یکاری سے آ مدن	385,107,690	360,059,551
قبل از محصول مثافع	451,164,563	458,494,649
بعد از محصول منافع	320,395,391	325,826,581
نی خصعص منافع	3.20	3.26

# انشورلس شعبه كاجائزه

کودڈ - 19 کی عالی وباء اور اگست میں طوفانی بار شوں اور سیلاب کی صور تحال کی دجہ ہے انشور نس کی صنعت مسائل کا شکار رہی۔ کودڈ - 19 کی دباء کے عالمی پھیلاؤ نے فاص طور پر کاردباری دبنا کے لئے بہت ہے نے مسائل اور ان سے سیکھنے کے مواقع بیدا گئے۔ سپینی امور بنار کاوٹ جاری رکھنے کے لئے کثیر الامور منصوبہ ساز ٹیموں کو در پیش مسائل، اسپے ملاز ٹین کی صحت اور تحفظ کے لیے تمام متعلقہ اقد المت اور معیاری طریقہ کار کااطلاق، تمام اقد امات کا با قاعد گی سے جائزہ اور ان میں بہتری لانا، دوران بندش گھرے کام کی انجام دہی۔ ان مسائل کے بادجود آپ کی سمبینی نے اپنے صار فین کو بہترین پیشے ورانہ خدمات پیش کر کے انشور نس صنعت میں اپنے مالی استخام کو بر قرادر کھا۔ انشور نس صنعت بالشافہ ملا قات کے ذریعے معاملات کی آب لائن بھری انظامت کے ذریعے انہا ہورہی ہے۔ بیر بھان انشور نس صنعت کو مختلف طریقوں سے فائدہ بہنچائے گا جس میں صار فین کو کم فرج اور تیز ترین خدمات کی فراہی شائل ہیں۔

# وندُو تَعَاشُ ٱيرِيشَرَ

ٹکافل تواکد2012 کے تحت، سیکوریٹزائیڈائیسیٹی کمیشن آف پاکستان(SECP) کی جانب ہے 22 ستبر 2016 کو سمپٹن کو ونڈو ٹکافل آپریٹر کے طور پر کام کرنے کا اجازت نامہ جاری ہوا۔ سمپٹن نے ونڈو تکافل آپریٹر کے طور پر کام کرنے کا اجازت نامہ جاری ہوا۔ سمپٹن نے ونڈو تکافل آپریٹر کے طور پر کام کرنے کا اجازت نامہ جاری ہوا۔ سمپٹن نے ونڈو تکافل آپریٹر کا آغاز دسمبر 2016 سے کیا۔

# SINDH INSURANCE

اور آپریٹرز فنڈ کا منافع 1.5.5 ملین روپے تھا۔ تکافل کاروبار کی ست مگر شلسل سے ہونیوالی نمو، کمپنی کے تکافل آپریشنز کو استحکام دے گی۔

### (Reinsurance) بيمه كابيمه

دوران سال ہنوور ری- ملائیٹیا، پی آرسی ایل- پاکستان، ٹرسٹ ری- بحرین، ٹی آئی سی ری- متحدہ عرب امارات، عرب ری - متحدہ عرب امارات اور تیونس ری نے سال 2020 کے ری انشورنس کوینشٹل ٹرٹی میں شر آکت کی۔ ری انشورنس پینل کی قبادت ہنوور ری نے کی۔

ونڈو ٹکافل آپریشنز کے لئے سوئس ری-ملاکیشیا، پی آرسی ایل-پاکستان، جی آئی می ری-متحدہ عرب امارات، کینیاری-نیروبی اور تیونس ری-تیونس نے ری تکافل ٹریٹی 2020 میں شر اکت کی۔ری تکافل پینل کی قیادت سوئس ری نے کی۔

# اداره جاتی اور مالیاتی ربور ٹنگ ڈھانچہ

سکیورٹی اینڈ ایمپینے کمیش آف پاکستان (SECP) کی جانب ہے جاری کر دہ کمپنی لاء اور پبلک سیکٹر کمپنیز (اداراتی نظم وضیط) رولز 2013 اور اداراتی نظم وضیط کے ضوابط 2016 برائے ہیں۔ ساز کمپنی کے تحت یورڈ اپنی ذیمہ داریوں سے بخولی آگاہ ہے۔ بورڈ دورج ذیل بیان کرتے ہوئے خوشی محسوس کر تاہیے:

- اورڈنے اداراتی نظم وضبط کے متعلقہ اصولوں کی پیردی کی ہے ادر جہاں کمی قسم کی عدم پیردی ہوئی ہے اس کی نشاندہی وجوہات سمیت بیان کی ہیں۔
- کمپنی انتظامیہ کے تیاد کر دومالیاتی گوشوارے اسکے موجو دہ جاری حالات، آپریشن کے نتائج، نقد بہاد (cash flows) اور ملکیتی اثاثیہ جات (equity) میں تبدیلی کو تغصیلی طور پر بیش میں۔ کرتے ہیں۔
  - ممینی کے حمایات کے کھاتے باضابط طور پر مرتب کے گئے ہیں۔
  - سالانہ حبابات کی تیاری کے لیے مناسب حکست عملیاں تسلسل کے ساتھ اپنائی گئی ہیں اور مالیاتی اندازے مناسب ہیں اور مختاط روی ہے گئے ہیں۔
- = تا نزیئر زایک مشبوط ذاخلی گرانی کے نظام کے تیام اور آب بز قرار دیکھنے کے حوالے سے اپین ڈ مددار یوں سے کھنی طور پر آگاہ ہیں اور ان کا با تا نکد گل سے جائزہ کیا جاتا ہے اور تقرائی کی ع جاتی ہے۔
- مالیاتی گوشوارے کی تیاری پیس بین الا توای مالیاتی رپور ننگ ادر حساب کماب کے معیارات، یا دیگر ضوابط اور توانین بشمول شریعہ کے رہنمااصول جو پاکستان میں مر دی ہیں کو طوظ خاطر
   رکھا گیاہے اور کسی قسم کا احتراز مناسب انداز میں وجوہات سمیت بیان کیا گیاہے۔



- ا اداراتی حسن کار کردگی کی درج شده ضوابط برائے بہترین طریقہ کار پر عملدر آمدے کوئی ادی انحراف نہیں کیا گیاہے
  - کمپنی کے قائم رہنے کی صلاحیت کسی شک وشبہ سے بالاتر ہے۔
  - اس رپورٹ کے ساتھ اہم آپرٹینگ اور مالیاتی اعداد و شار منسلک ہے۔
- بورڈ کے چیر مین اور دیگر ارکان کا انتخاب، مدت انتخاب اور کے ساتھ ان کے مشاہرہ کی پالیسی بلک سیکٹر سیکٹی کے بہترین مفادیش ہیں اور بہترین مشقوں (practices) کے عین مطابق

-*U*!

- اس د پورٹ میں 31 دسمبر 2020 کے مطابق شیئر ہولڈنگ کا گوشوارہ شائل ہے۔
- 31د ممبر 2020 کوپر اویڈینٹ فنڈ میں سرمایہ کاری کی مالیت /12,389,554 روپے تھی۔

بورڈ اجلاس

سال کے دوران بورڈ آف ڈائز کیشرز کے چھ (6) اجلاس منعقد ہوئے اور ان میں شرکت کی تفصیلات درج ذیل ہیں؛

اجلاس میں شر کمت کی تعداد	ڈائز یکٹر کے نام	نمبرشار
06	جناب <b>م</b> مد بلال <del>ف</del> یخ	01
06	ڊناب مثناق مل <i>ک</i>	02
06	جناب داجه محمد عباس	03
06	سيداختر الاسلام	04
06	جناب محمد آل عابد	05
06	جناب ذابد حسين	06

• سید حسن نقوی کی موزوں اور مناسب ہونے کی منظوری SECP سے موصول نہیں ہوئی اس لیے سید حسن نقوی کسی اجلاس میں شریک نہیں ہوئے۔

اجلاس سے غیر حاضر بورڈ ارکان کی حاضری سے رخصت کی منظوری حاصل کی گئ۔

كار نمايان

# SINDH INSURANCE

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· Marien

Per Ausgest

آ کی سین "یونیورسل ایکیٹرین انشورنس اینڈشوشل بینیف اسلیم" کے تحت صوب سندھ کے تمام رہائٹی افراد کے لیے -/100,000 روپے کے حادثاتی ہیر کور جہ کا موجوط علا جا کی ہوسکتا ہوئے ہے۔

یہ اسلیم خاندان کے کسی رکن یا کانے دالے کی حادثاتی موت پر ساجی تحفظ فراہم کرتی ہے۔ کمپنی نے صوبہ سندھ کے ہر ضلع میں اپنے نمائندوں کا انتخاب کیاہے، جس کی وجہ سے خدمات کی ادائیگی کا

معیار بہتر ہواہے۔

# سمین کی مالیاتی مضبوطی (IFS) کی در جه بندی

پاکستان کریڈٹ دیٹنگ ایجینی (PACRA) نے سمینی کی "مالیاتی مضبوطی (IFS) کی درجہ بندی " + A " (شبت A ) کوبر قرار رکھا۔ درجہ بندی پس بید استخکام انشور نس کنندگان کے اعتماد ادر مصاہداتی ذمہ

داریوں کو پورا کرنے کی مضبوط استعداد کو ظاہر کرتاہے۔

# كار كروگى كى قدر پيائى

بورڈ اپنے وضع کر وہ طریقہ کارے تحت اپنے ارکان بشول چیر مین اور چیف ایکزیکیوٹیو آفیسر کی قدر پذیری(evaluation) کر چکاہے۔ بورڈ نے انتظامیہ کے اعلیٰ عہدے واروں کی کار کر دگی کا سالانہ

بنیاد پر جائزہ لینے کے بعد تعین کیا۔

# اداراتی ساتی فرمه داری

سندھ انٹورنس کمیٹلز تمام کاروباری سر گرمیوں کی انجام دہی کے دوران اخلاتی اقدار اور ساجی ذمہ داریوں، تحفظ ماحول اور دائرہ عمل میں آنے والے طبقات اور ثقافتوں کی معاونت پر عمل بیراہو کر ایک

ذمه داراداره ہونے کا کر داریقینی بنا تاہے۔

# ضابطه إخلاق كابيان

بورڈا کی ضابطہ اخلاق پر عمل پیرا ہے۔ جس کے بارے میں تمام ڈائر کیٹر زاور ملازمین کو مظلع کر کے دستخط حاصل کیے گئے ہیں اوران سے کاروباری اور قانونی معاملات میں ند کورہ ضابطہ ءاخلاق کی مکمل

پاسداری مطلوب ہے۔

# بادی تبریلیان

ا 3 د ممبر 2020 کے بعد کئی قتم کی مادی تنبدیلیاں و توع پذیر نہیں ہوئی ہیں اور سمپنی ایسے کسی اقطام یا معاہدے میں ملوث نہیں ہو کی جو اس تاریخ پر مالی صور تعال کو متاثر کرے۔

# منقسمه منافع

1 و مبر 2020 کو اختام پذیر درت کے لیے کمی قسم کے منافع مقسمہ کا علان نہیں کیا گیا۔

SINDH INSURANCE

## (Auditors) کاسب

میسرز: BDO ابراہیم اینڈ کمپنی، چارٹرڈ اکا تنٹنیٹس، نے سال 2020 کے گوشواروں کا آڈٹ کیاہے۔ آڈٹ کمیٹی کی طرف سے بطور بیرونی محاسب، ان کے تقرر راور ضابطوں کے مطابق ان کی آڈٹ نیس کا تعیین کرنے کی سفارش کی ممئی۔

# مستقبل كاستظرنامه

سمین حکومت سندھ کا غیر بیر شدہ جائیداد اور مال اثاثہ جات سے متعلق تفویض شدہ انٹورنس (captive) کاردبار حاصل کرنے کی ہجر پور کو شش کر رہی ہے۔ اس کے لیے سمین کو سندھ انٹورنس آف جین حکومت سندھ کے قبار میں کو صحت کے لیے بیر خدمات فراہم کرنے پر کام کر رہے ہیں۔ آف چیلک ایک و محت کے لیے بیر خدمات فراہم کرنے پر کام کر رہے ہیں۔ اور ان غیر استعال شدہ مواقع سے فائدہ اٹھا کر میمین ہجر مالیاتی استخام کاسک میل حاصل کریائے گی۔

# اظمار تشكر

اس موقع پر ڈائر کیٹر ز حکومت سندھ، دزارتِ تجارت، حکومت پاکستان، سیکیور ٹیز اینڈ ایمبینی کمیٹن آف پاکستان (SECP)، انشور نس ایسوس ایشن آف پاکستان (IAP) ادر سندھ بینک کمیٹڈ کے مسلسل تعادن اور سریر می پر سب کے لیے اینے مخلصانہ جذباتِ ممنونیت کا ظہار کرنا جاہتے ہیں۔

حزید بید کمہ بورڈ اپنے ملازمین اور پالیس کنندگان کی دائشگی اور حمایت کا تہد دل سے شکت گذار ہے۔

برائ ومنجاب بورد آف ڈائز يكثرز

ايم ليسل صديق

جيف ايكز يكيوفيو آفيسر

چيز مين

2021،29 كا



Tel: +92 21 3568 3030 Fax: +92 21 3568 4239 www.bdo.com.pk 2nd Floor, Block-C Lakson Square, Building No.1 Sarwar Shaheed Road Karachi-74200 Pakistan

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, 2020 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, 2020.



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Further, we highlight below instances of non-compliance with the requirements of the Codes as reflected in the rule reference where these are stated in the Statement of Compliance.

S.no	Rule Reference	Description
1	3(5)	One of the directors of the Company is director in more than 5 companies.
2	8(1)	Performance evaluation of members of Board including the Chairman and Chief Executive was not undertaken by the Government.

KARACHI

DATED: MARCH 29, 2021

CHARTERED ACCOUNTANTS

Engagement Partner: Zulfikar Ali Causer



# 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 2020

- 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:

S. No.		Provision of the Rules		Rule No.	Y	N
1.	The independent director the Rules.	The independent directors meet the criteria of independence, as defined und the Rules.				
2.	The Board has at least one At present Board includes:	-third of its total members as inc	ependent directors.			
{	Category	Names.	Date of			
			Appointment			
j	Independent Directors	Syed Akhtar Ul Islam	26-04-2018			
		Muhammad Aley Abid	26-04-2018	3(2)	<b>√</b>	1
l		Syed Zahid Hussain	26-04-2018			İ
}		Mushtaq Malik	17-10-2018			
)	Executive Director	Muhammad Faisal Siddiqui	26-04-2018			
İ	Non-Executive Directors	Muhammad Bilal Sheikh	26-04-2018		}	
		Syed Hassan Nagvi	22-10-2019 *			
		Raja Muhammad Abbas	26-04-2018		]	1
3.	The directors have confirm	ed that none of them is serving	as a director on more	<del></del>		T
		npanies and listed companies si		3(5)		<b>✓</b>

<sup>\*</sup> Appointment of Mr. Syed Hassan Naqvi was made *subject to* the fitness and propriety approval of SECP under Insurance Companies (Sound and Prudent Management) Regulations, 2012 which is not received from Insurance Division, Securities and Exchange Commission of Pakistan (SECP).

Page 1 of 9

Sindh Insurance Ltd. Head Office: 1.st Floor, Imperial Court , Dr. Ziauddin Ahmed Road,

Dr. Ziauddin Ahmed Koad, Karachi - Pakistan, Tel : +92-21-3564 0715 - 17 Fax : +92-21-3564 0714

Web : www.sindhinsuranceltd.com

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4.	All resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company. A DFI or an NBFI or, being a member of stock exchange, has been declared a defaulter by a stock exchange.		<b>/</b>	
5.	A casual vacancy occurring on the Board on September 18, 2019 was filled up by the directors within 90 days thereof.			
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.	3(7)	<b>*</b>	
7.	The chairman of the Board is working separately from the chief executive of the Company.	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.	4(4)	<b>1</b>	
9.	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission.	5(2)	<b>/</b>	
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)	<b>/</b>	
	(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)	1	
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)	1	
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)	1	
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)	<b>✓</b>	
	<del></del>	<del></del>	L	



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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)	~
The Board has developed a vision or mission statement and corporate strategy of the Company.	5(6)	<b>✓</b>
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)	<b>✓</b>
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
The Board has ensured compliance with policy directions requirements received from the Government.	5(11)	<b>✓</b>
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) 6(2)	<b>✓</b>
(b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings, (c) The minutes of the meetings were appropriately recorded and circulated.	6(3)	
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>
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	<b>✓</b>
(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)	<b>/</b>
(b)In case if listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors.	10(b)	N/A
(c)The Board has placed the annual financial statements on the Company's website.	10(c)	<b>✓</b>
All the Board members underwent an orientation course arranged by the Company to apprise them of the material developments and information as specified in the Rules.	11	1
	internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.  The Board has developed a vision or mission statement and corporate strategy of the Company.  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.  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.  The Board has ensured compliance with policy directions requirements received from the Government.  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.  (b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings,  (c) The minutes of the meetings were appropriately recorded and circulated.  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.  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.  (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.  (b)In case if listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors.  (c)The Board has placed the annual financial statements on the Company's w	internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.  The Board has developed a vision or mission statement and corporate strategy of the Company.  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.  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.  The Board has ensured compliance with policy directions requirements received from the Government.  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.  (b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings,  (c) The minutes of the meetings were appropriately recorded and circulated.  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.  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.  (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.  (b) In case if listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors.  10(b)  (c) The Board has placed the annual financial statements on the Co



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27.	(b) The Committees were provide duties, authorities and composition (c) The minutes of the meetings Board members. (d) The committees were chaired	d with written term on. of the committee by the following no	n of reference defining their s were circulated to all the n-executive directors:	12		
	Committee	Number of members	Name of Chair	12	1	
	Audit Committee	3	Syed Zahid Hussain		1	
	Risk Management Committee	3	Syed Akhtar Ul Islam			
	Human Resources Committee	3	Muhammad Bilal Sheikh			
Ì	Procurement Committee	3	Secretary Finance			
	Nomination Committee	3	Muhammad Bilal Sheikh			
28.	The Board has approved appoint Secretary and Chief Internal Au remuneration and terms and conditions.	ditor, by whateve Itions of employme	er name called, with their ent.	13	1	
29.	The Chief Financial Officer an qualification prescribed in the Rule	<u>.</u>		14	<b>V</b>	
30.	The Company has adopted Intern by the Commission in terms of sub			16	1	_
31.	The directors' report for this year requirements of the Act and the required to be disclosed.		•	17	<b>/</b>	
32.	The directors, CEO and executive indirectly, concerned or interested by or on behalf of the Company ex	l in any contract or	arrangement entered into	18	1	
33.	(a) A formal and transparent proce individual directors has been set in his own remuneration.	place and no dire	ctor is involved in deciding	19	<b>/</b>	
34.	(b) The annual report of the remuneration of each director	Company contain	s criteria and details of		<b>✓</b>	
35.	The financial statements of the executive and chief financial offic audit committee and the Board.			20	1	

0.00

	Name of Member				
	Zahid Hussain	Independent	Background Banker	21(1)	
	Syed Akhtar Ul Islam	Independent	Businessman	and	1
	Muhammad Aley Abid	Independent	Retired	21(2)	
	The chief executive and chairma committee.	n of the Board ar	e not members of the audit		
37.	(a) The chief financial officer, the the external auditors attended a issues relating to accounts and au	all meetings of th	e audit committee at which		<b>/</b>
38.	(b) The audit committee met the external auditors, at least once a year, without the presence of the chief financial officer, the chief internal auditor and other executives.			21(3)	<b>✓</b>
39.	(c) The audit committee met the c internal audit function, at least financial officer and the external a	once a year, wit			<b>✓</b>
40.	(a) The Board has set up an effect charter, duly approved by the aud		function, which has an audit		1
	(b) The chief internal auditor prescribed in the Rules.	has requisite q	ualification and experience	22	
	(c) The internal audit reports have their review.	/e been provided	to the external auditors for		
11.	The external auditors of the Compartners are in compliance with I guidelines on Code of Ethics as app	nternational Fede	ration of Accountants (IFAC)	23(4)	1
12.	The Auditors have confirmed th issued by IFAC with regard to prov			23(5)	/

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

S. No.	Provision of the Rules	Rule No.	Y	N
43.	The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance for Insurers, 2016.		Page 5	of 9



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44.	,	y have been appointed from the panel of			
	1	in terms of section 48 of the Insurance			
	,	IX of 2000). The statutory auditors have		1	
	,	n a satisfactory rating under the Quality			1
	· =	tute of Chartered Accountants of Pakistan,			į
	, ,	firm, their spouses and minor children do			ļ
		that the firm and all its partners are in			ĺ
		eration of Accountants (IFAC) guidelines on			1
45.		te of Chartered Accountants of Pakistan.  policy of the Company has been drawn up			<del> </del> -
÷3.		the Code of Corporate Governance for		1	
	Insurers, 2016.	the code of corporate dovernance for		•	
46.		ment system of the Company is in place as			<del> </del>
то.	per the requirements of the Code of Col	•		1	
47.		nent function, which carries out its tasks as			$\vdash$
	covered under the Code of Corporate G	· ·		<b>/</b>	!
48.		sk management system, the Company gets		<u> </u>	<del></del>
		agency) which is being used by its risk		<b> </b> ✓	
		ve Committee as risk monitoring tool. The			
	•	ry dated August 28, 2019 is A+ with strong			1
	capacity to meet policyholder and contr				
19.	The Board has formed the following man	<del></del>			Ī
	Underwriting Committee:			<b>✓</b>	
	Name of the member	Category			
	Syed Akhtar Ul Islam	Independent Director	xxxvi	<b>√</b>	
	Muhammad Faisal Siddiqui			1	ţ
		T EXECUTIVE DIFECTOR TH			1
	Nadeem Akhter	Executive Director  Management			
		1			
	Nadeem Akhter  Claim Committee:	1			
	Claim Committee:  Name of the member	1	11	~	
	Claim Committee:	Management	xxxvii	<b>/</b>	
	Claim Committee:  Name of the member	Management	xxx∨ii	~	
	Claim Committee:  Name of the member  Zahid Hussain	Category Independent Director	xxxvii	<b>/</b>	
	Claim Committee:  Name of the member  Zahid Hussain  Muhammad Faisal Siddiqui	Category Independent Director Executive Director Management	xxxvíi	\frac{1}{2}	
	Claim Committee:  Name of the member Zahid Hussain Muhammad Faisal Siddiqui Muhammad Sarfraz Awan  Reinsurance & Co-insurance Committee  Name of the member	Category Independent Director Executive Director Management  Category		✓	
	Claim Committee:  Name of the member Zahid Hussain Muhammad Faisal Siddiqui Muhammad Sarfraz Awan  Reinsurance & Co-insurance Committee  Name of the member Syed Akhtar Ul Islam	Category Independent Director Executive Director Management  Category Independent Director	xxxviii	✓	
	Claim Committee:  Name of the member Zahid Hussain Muhammad Faisal Siddiqui Muhammad Sarfraz Awan  Reinsurance & Co-insurance Committee  Name of the member	Category Independent Director Executive Director Management  Category			



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Name of the member	Category		
Muhammad Bilal Sheikh	Non-Executive Director	xxxix	~
Muhammad Falsal Siddiqui	Executive Director		
Nadeem Akhter	Management		
The Board has formed the followin	g Board Committees:		
Name of the member	Category	xli	1
Muhammad Bilal Sheikh	Non Executive Director		'
Syed Akhtar Ul Islam	Independent Director		
Zahid Hussain	Independent Director		<u> </u>
Procurement & Information Techr Name of the member	Category		1
Secretary Finance	Non Executive Director		
Syed Akhtar UI Islam	Independent Director		
Muhammad Aley Abid	Independent Director		
Nomination Committee:  Name of the member  Muhammad Bilal Sheikh	Category Non Executive Director	xli	1
Name of the member Muhammad Bilal Sheikh Syed Akhtar Ul Islam	Non Executive Director Independent Director	xli	1
Name of the member Muhammad Bilal Sheikh	Non Executive Director	xli	<b>✓</b>
Name of the member Muhammad Bilal Sheikh Syed Akhtar Ul Islam	Non Executive Director Independent Director	xli	✓
Name of the member Muhammad Bilal Sheikh Syed Akhtar UI Islam Zahid Hussain Risk management Committee: Name of the member	Non Executive Director Independent Director Independent Director  Category	xli	✓
Name of the member Muhammad Bilal Sheikh Syed Akhtar UI Islam Zahid Hussain Risk management Committee: Name of the member Syed Akhtar UI Islam	Non Executive Director Independent Director Independent Director	xli	✓ ✓
Name of the member Muhammad Bilal Sheikh Syed Akhtar UI Islam Zahid Hussain Risk management Committee: Name of the member	Non Executive Director Independent Director Independent Director  Category Independent Director Independent Director	xli	✓
Name of the member Muhammad Bilal Sheikh Syed Akhtar UI Islam Zahid Hussain Risk management Committee: Name of the member Syed Akhtar UI Islam	Non Executive Director Independent Director Independent Director  Category Independent Director	xli	✓
Name of the member Muhammad Bilal Sheikh Syed Akhtar UI Islam Zahid Hussain Risk management Committee: Name of the member Syed Akhtar UI Islam Muhammad Aley Abid	Non Executive Director Independent Director Independent Director  Category Independent Director Independent Director	xli	\( \sqrt{1} \)
Name of the member Muhammad Bilal Sheikh Syed Akhtar UI Islam Zahid Hussain Risk management Committee: Name of the member Syed Akhtar UI Islam Muhammad Aley Abid Zahid Hussain	Non Executive Director Independent Director Independent Director  Category Independent Director Independent Director		\( \lambda \)
Name of the member Muhammad Bilal Sheikh Syed Akhtar UI Islam Zahid Hussain Risk management Committee:  Name of the member Syed Akhtar UI Islam Muhammad Aley Abid Zahid Hussain  nvestment Committee:	Non Executive Director Independent Director Independent Director  Category Independent Director Independent Director Independent Director Independent Director	xli	\( \lambda \)
Name of the member  Muhammad Bilal Sheikh Syed Akhtar UI Islam Zahid Hussain  Risk management Committee:  Name of the member Syed Akhtar UI Islam Muhammad Aley Abid Zahid Hussain  nvestment Committee:  Name of the member	Non Executive Director Independent Director Independent Director  Category Independent Director Independent Director Independent Director Independent Director Independent Director		\( \rightarrow \)
Name of the member  Muhammad Bilal Sheikh Syed Akhtar UI Islam Zahid Hussain  Risk management Committee:  Name of the member Syed Akhtar UI Islam Muhammad Aley Abid Zahid Hussain  nvestment Committee:  Name of the member Syed Akhtar UI Islam	Non Executive Director Independent Director Independent Director  Category Independent Director Independent Director Independent Director Independent Director Independent Director		\( \sqrt{1} \)

# SINDH INSURANCE POWER TO THE PEOPLE

51.	The Chief Executive Officer, Chief Head of Internal Audit possess su under the code of Corporate Gover of the Company (if any) also meet: Moreover, the person heading management, and grievance functions are consected to the Insurance Ordinan	xxi, xxiii, xxxii, !xxiii	<b>✓</b>		
	Name of the Person	Designation			
	Muhammad Faisal Siddiqui	Chief Executive Officer		İ İ	
	Nadeem Akhter	Chief Finance Officer/ Company Secretary			
	Imtiaz Ali	Compliance Officer			
İ	Ali Raza Zardari	Chief Internal Auditor			
	Ali Kumail	Head of Underwriter			
	Muhammad Saleem	Head of Claim			
	Irfan Ali	Head of Reinsurance			
i	Muhammad Faisal Siddiqui	Head of Risk Management			
	Muhammad Sarfraz Awan	Head of Grievance Department			
52.	The Board has set up a grievance de the requirement of the code of corp	epartment/ function, which fully complies with	İxxiv	1	

Muhammad Bija Shaikh Chairman

Muhammad Fajsal 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.

S. No.	Rule/sub- rule no.	Reasons for non-compliance	Future course of action
1.	3(5)	Only one of the directors, Mr. Syed Hassan Naqvi is director in more than 5 companies, who is a Government Nominee and currently is Finance Secretary, Government of Sindh.	SECP has granted relaxation from the said rule to Secretary Finance, Government of Sindh.
2.	8(1)	The performance evaluation of members of the Board including the chairman and chief executive was not undertaken by the Government.	Performance evaluation will be conducted by the Government when Procedure for the same defined by the SECP.

Muhammad-Bilal Shaikh

Chairman

Muhammad Faisal Siddiqui Chief Executive Officer



# SINDH INSURANCE LIMITED

# NOTICE OF THE SEVENTH ANNUAL GENERAL MEETING

Notice is hereby given that the Seventh Annual General Meeting of the shareholders of Sindh Insurance Limited will be held on Monday, April 19, 2021 at 10:00 am at the registered office of the Company at 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi, to transact the following business:

### ORDINARY BUSINESS

- 1. To confirm minutes of the Sixth Annual General Meeting held on May 29, 2020.
- 2. To receive, consider and adopt the Audited Annual Accounts for the year ended December 31, 2020 along with Directors' and Auditors' Report thereon.
- 3. To appoint Auditors for the year 2021 and fix their remuneration.
- 4. To elect Directors' of the Company in accordance with Companies Act 2017. The number of Directors to be elected has been fixed at eight by the Board of Directors.

The following existing directors, who retire:

1) Mr. Muhammad Bilal Sheikh

5) Mr. Muhammad Aley Abid

2) Secretary Finance, Sindh

6) Mr. Zahid Hussain

3) Mr. Mushtaq Malik

7) Mr. Raja Muhammad Abbas

4) Mr. Syed Akhter Ul Islam

5. To transact any other business that may be placed before the meeting with the permission of the Chair.

Karachi March 29, 2021 By Order of the Board Nadeem Akhter Company Secretary

#### NOTES:

8. X 100

- 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 1st 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 March 29, 2021 to April 04, 2021 (both days inclusive).
- 4) Any change of address of Member should be immediately notified to the company's registered office 1st 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.



Quote	Folio	No.	

# FORM OF PROXY

# Seventh Annual General Meeting

I/We	of	
being a member of Sindh In	surance Limited and holder o	f ordinary shares,
hereby appoint	of	
or failing him	of	
who are also members of Sin	ndh Insurance Limited as my/o	our proxy in my/our absence to attend and vote
for me/us and on my/our bel	nalf at the Seventh Annual Ger	neral Meeting to be held on Monday, April 19
2021 at 10:00 am at 1st Floor	, Imperial Court, Dr. Ziauddin	Ahmed Road, Karachi and at any adjournmen
thereof.		
Signed this	day of	2021
Name Address NIC No.		Please Affix Rupees Five Revenue Stamp
Name Address		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.

# سندھ انشورنس لمبیٹڈ

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	Proxy) <b>ט</b> ור			
	نه اجلا <i>سِ</i> عام			
ź	_ ساکن			رېم
يع	عام حفص، اس دستاویز کے ذرب		می <i>شد</i> اور حامل_	سندھ انشورنس کم
	ر حاضری کی صورت میں			(
لو میری/ہماری غیر موجوگی کی صورت میں ا			•	
لى منزل امپيريل كورث، ڈاكٹر ضياءالدين!' مەسىرىيە ئىر	•	· ·		
کے لیے مقرر کرتے ہیں۔	ے سے حق رائے دہی استعال کرنے ۔ -	ر شر کت کرنے اور میرے / ہماری طرف	بؤيز كرده مقام	
	2021	مور خه		
				1. گواه
	_		:	وستخط
				نام
	_		:	<b>~</b> ;
				1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
			كارۇ#:	تون شا ی
				نون شا پاسورٹ#
برائے مہر بانی پانچ روپے کا				پاسورٹ#
برائے مہر مانی پانچے روپے کا رسیدی مکٹ چسپاں کریں				پاسورٹ# 2. گواه
دسیدی ککٹ چسپاں کریں				پاسورٹ# 2. گواه 3. وستخط:
			:	پاسورٹ# 2. گواہ 3. دستخط:
رسیدی کلٹ چیال کریں			: : : : : :	پاسورٹ# 2. گواه 3. وستخط: 4. نام: 5. پيتة:

اہم ترین:

تقرر نما ئندہ (Proxy) کی بید د ستادیز مکمل شدہ صورت میں سمپنی سکریٹری کو سمپنی کے صدر د فتر /ر جسٹرڈ د فتر پہلی منزل امپریل کورٹ ڈاکٹر ضیاءالدین احمد روڈ کراچی پر اجلاس کے آغاز سے کم از کم اڑتالیس گھنٹے قبل موصول ہوناضر وری ہے۔بصورت دیگر اجلاس میں شرکت ممکن ندہوگ



### POWER TO THE PEOPLE PATTERN OF SHAREHOLDINGS

HELD BY THE SHAREHOLDERS OF SINDH INSURANCE LIMITED

AS AT DECEMBER 31, 2020

NI		Shareh	olding				
Number of Shareholders	· · · · · · · · · · · · · · · · · · ·		То		Shares Held	Percentage	
1	From	1	То	49,999,993	49,999,993	49.999993	
7	From	49,999,994	To	50,000,000	7	0.000007	
1	From	50,000,001	To	100,000,000	50,000,000	50.000000	
8					100,000,000	100.0000	

Categories of Shareholders	Shareholders	Shares Held	Percentage
Associated Company	•	_	-
		}	
Banks, Development Finance Institutions, Non-		j	
Banking Finance Companies, Insurance			
Companies, Takaful Companies and Modarabas	•	-	-
Mutual Funds	-		-
Other Companies	_		_
Other Companies	-		
Shareholding Above 5%			
Governamet of Sindh	1	99,999,993	99.999993
Directors, CEO, Executives and their Spouses and Minor Childrens			
Muhammad Bilal Sheikh	1	1	0.000001
Syed Hassan Naqvi	1	1	0.000001
Mushtaq Malik	1	í	0.000001
Syed Akhtar UI Islam	1	1	0.000001
Muhammad Aley Abid	1	1	0.000001
Zahid Hussain	1	1	0.000001
Raja Muhammad Abbas	1	Ī	100000.0
Individuals			
Total	8	100,000,000	100.000000



FINANCIAL STATEMENTS OF SINDH INSURANCE LIMITED FOR THE YEAR ENDED **DECEMBER 31, 2020** 



Tel: +92 21 3568 3030 Fax: +92 21 3568 4239 www.bdo.com.pk 2nd Floor, Block-C Lakson Square, Building No. 1 Sarwar Shaheed Road Karachi-74200 Pakistan

#### 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, 2020, and profit or 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 or 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, 2020 and of its profit or loss, total comprehensive income, the changes in equity and its cash flows for the year then ended.

#### Basis for Opinion

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

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

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);
- b) the statement of financial position, profit or 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: 2 9 MAR 2021

BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

# SINDH INSURANCE LIMITED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020

	Note	2020 Ru	2019
	11000	200	
ASSETS			
Property and equipment	6	29,334,824	27,412,082
Intangible assets	7	1,556,316	2,694,276
Investments			
Debt securities	8	3,366,363,486	2,900,226,190
Term deposit receipts	9	200,000,000	396,000,000
	•	3,566,363,486	3,296,226,190
Loans and other receivables	10	83,544,606	79,782,914
Insurance / reinsurance receivables	11	596,296,725	784,409,118
Re-insurance recoveries against outstanding claims	23	18,671,953	33,671,939
Deferred commission expense	24	31,991	. 40,969
Prepayments	12	263,081,911	281,744,747
Cash and bank	13	110,727,509	66,870, <b>27</b> 8
		4,669,609,321	4,572,852,513
Total assets of takaful operations	•	68,012,124	67,459,785
TOTAL ASSETS	_	4,737,621,445	4,640,312,298
EQUITY AND LIABILITIES			<del></del>
Capital and reserves attributable to Company's equity holders			
Ordinary share capital	14	1,000,000,000	1,000,000,000
Revaluation reserve on available for sale investments		76,732,497	13,562,528
Unappropriated profit		1,125,577,693	805,182,303
TOTAL EQUITY	<del></del>	2,202,310,190	1,818,744,831
LIABILITIES			, ,
Underwriting provisions			
Outstanding claims including IBNR	23	1,968,966,259	2,018,435,227
Uneamed premium reserves	22	329,005,265	508,573,604
Premium deficiency reserves		18,318,949	25,120,906
Unearned reinsurance commission	24	7,724,103	6,544,444
	<u>-</u>	2,324,014,576	2,558,674,181
Premium received in advance	15	2,096,180	3,145,329
Insurance / reinsurance payables	16	137,988,778	219,575,469
Other creditors and accruals	17	19,539,055	15,147,380
Lease liabilities	18	8,258,540	3,281,886
Deferred taxation	19	30,280,345	5,407,282
Taxation - net	20	6,848,136	6,103,613
TOTAL LIABILITIES		2,529,025,610	2,811,335,140
Total liabilities of takaful operations		6,285,645	10,232,327
TOTAL EQUITY AND LIABILITIES		4,737,621,445	4,640,312,298
CONTINGENCIES AND COMMITMENTS	21		.,0.0,0.22,000

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

CHIEF EXECUTIVE OFFICER

BRECTOR

DIRECTOR

# SINDH INSURANCE LIMITED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2020

		2020	2019
	Note	Rupees	
Net insurance premium	22	254,168,143	377,973,119
Net insurance claims	23	(66,797,650)	(205,447,851)
Reversal of premium		6,801,957	4,055,440
Net commission	24	(61,409,722)	(55,396,987)
Insurance claims and acquisition expenses		(121,405,415)	(256,789,398)
Management expenses	25	(78,456,364)	(65,193,665)
Underwriting results		54,306,364	55,990,057
Investment income	26	385,107,690	360,059,551
Other income	27	14,065,353	43,088,977
Other expenses	28	(8,698,453)	(4,140,125)
Results of operating activities	<del></del>	444,780,954	454,998,460
Finance cost	29	(1,383,125)	(356,134)
Profit before taxation from window takaful			
operations - Operator's Fund		7,766,733	3,852,323
Profit before taxation	<del></del>	451,164,562	458,494,649
Income tax expense	30	(130,769,172)	(132,668,068)
Profit after taxation		320,395,390	325,826,581
Earnings per share - basic and diluted	31	3.20	3.26

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

W##

CHIEF EXECUTIVE OFFICER

DIRECTOR-

DERECTOR

# SINDH INSURANCE LIMITED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2020

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		2020	2019
	Note	Rupe	ees
Profit after taxation		320,395,390	325,826,581
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss account		·	
Unrealised gain on available for sale investments  Deferred tax on available for sale investments		90,401,873 (26,216,543)	19,102,152 (5,539,624)
Net unrealised (loss) / gain from window takaful operations - Operator's Fund (net of deferred tax)		64,185,329 (1,015,361)	13,562,528
Total comprehensive income for the year	<del></del>	383,565,359	340,493,959
The annexed notes from 1 to 43 form an integral part of these financial states  CHARMAN CHIEF EXECUTIVE OFFICER	1	CTOR C	DIRECTOR

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

Total	1,479,355,722	339,381 13,562,528 339,389,109 1,818,744,831	320,395,390 63,169,969 383,565,359 2,202,310,190
rve Unappropriated profitRupees-	479,355,722	325,826,581	320,393,390 320,395,390 1,125,577,693
Share capital  Issued, subscribed and paid-up capital investments	1,000,000,000	13,562,528 1,000;000;000 13,562,528	63,169,969 63,169,969 1,000;000;000 76,732,497
Share Issued, s and paid	1,00	00/1	
	11, 2019 Come for the year moome	r31, 2019 Come for the year ncome	Balance as at December 31, 2020. The annexed notes from 1 to 43 form an integral part of these frances.
Balances	Total comprehensive income for the year Profit after taxation Other comprehensive income	Balance as at December 31, 2019 Total comprehensive income for the year Profit after taxation Other comprehensive income	Balance as at December 31, 2020. The annexed notes from 1 to 43 form an

HIEP EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

# SINDH INSURANCE LIMITED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020

		2020	2019
	Note	Ru	pees
OPERATING CASH FLOWS	•		
a) Underwriting activities			
Premium received		685,761,807	505,504,133
Reinsurance premium ceded		(487,902,904)	(370,258,530)
Claims paid		(120,903,371)	(151,173,775)
Reinsurance and other recoveries received		19,636,739	51,335,898
Commission paid		(77,446,714)	(831,630)
Commission received		17,219,285	14,254,622
Underwriting payments	_	(8,698,453)	(4,140,125)
Net cash generated from underwriting activities		27,666,390	44,690,593
b) Other operating activities			na in
Income tax paid	Γ	(131,368,129)	(129,190,640)
Management and administrative expenses paid		(65,966,458)	(73,965,503)
Compensated absences paid		(178,147)	(63,928)
Other operating payments		204,056	(3,492,896)
Net cash used in other operating activities	<b>L</b>	(197,308,678)	(206,712,968)
Net cash used in all operating activities		(169,642,288)	(162,022,375)
			(102,022,00)
INVESTING ACTIVITIES	4		
Profit / return received on investment		339,925,065	336,165,121
Other income received		14,065,353	11,495,442
Payments for investments		(1,252,940,125)	(3,848,763,473)
Proceeds from disposal of investment		921,689,290	1,258,475,170
Fixed capital expenditures		(1,373,512)	(14,106,583)
Proceeds from disposal of fixed assets		19,960	1,459,000
Net cash generated from / (used in) investing activities	<u> </u>	21,386,031	(2,255,275,323)
	٠		,,-,-,-,-,-,-,-,-,-,-,-,-,-,-,-,-,-,-,
FINANCING ACTIVITIES			
Principal repayment of lease liabilities		(3,886,512)	(849,866)
Net cash used in financing activities		(3,886,512)	(849,866)
Net cash decrease in cash and cash equivalents		(152,142,769)	(2,418,147,564)
Cash and cash equivalents at beginning of the year		462,870,278	2,881,017,842
Cash and cash equivalents at end of the year		310,727,509	462,870,278
Reconciliation to profit and loss account			
Operating cash flows		(1.00 (40 000)	(1.60,000:175)
Depreciation expense		(169,642,288)	(162,022,375) (5,695,382)
Amortisation of intangibles		(7,813,809)	• /
Income tax paid		(1,137,960)	(649,736)
Increase in assets other than cash		131,368,129 (225,934,931)	129,190,640
Decrease in operating liabilities		• • •	527,319,784
Investment income		317,385,645	(436,649,133)
Profit before taxation from window takaful		385,107,690	360,059,551
Other income		7,766,733	3,852,323
Profit before taxation		14,065,353	43,088,977
LIOTIC DEFOLE CAYATION	====	451,164,562	458,494,649

### SINDH INSURANCE LIMITED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	Rupees 2020	Rupees 2019
CASH AND CASH EQUIVALENTS			
Cash for the purpose of statement of cash flows consist of:			
Cash and other equivalents		1,109,106	750,965
Saving accounts		109,618,403	66,119,313
Deposits maturing within 12 months		200,000,000	396,000,000
	· <del>-</del>	310,727,509	462,870,278
	<del></del>		

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

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# SINDH INSURANCE LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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### 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.
- 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 Takaful Window Operations (WTO) in respect of general takaful products by Securities and Exchange Commission of Pakistan (SECP) and, subsequently, the Company commenced Window Takaful Operations.
- SECP carried out an onsite inspection of the Company under Section 59A of the Insurance 1.3 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 compliance, 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 are already complied with, and the Company is committed to ensure the compliance with 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 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.

# 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 the investments available-for-sale that have been measured at their fair values.

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

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

# 3.1 Standards / amendments that are effective in current year and relevant to the Company

The Company has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

Effective date (annual periods beginning on or after)

Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.

January 01, 2020

IFRS 7 Financial Instruments: Disclosures - Amendments regarding pre-replacement issues in the context of the IBOR reform

January 01, 2020

IFRS 16 Leases - Amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification

January 01, 2020

IAS 1 Presentation of Financial Statements - amendments regarding the definition of materiality

January 01, 2020

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - amendments regarding the definition of materiality

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January 01, 2020

IAS 39 Financial Instruments: Recognition and Measurement - Amendments regarding pre-replacement issues in the context of the IBOR reform

January 01, 2020

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

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	December 31	, 2020	
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 *	
Term deposit receipts *	
Loans and other receivable *	
Re-insurance recoveries against outstanding claims	
Insurance / reinsurance receivables *	
Cash at bank *	
Window takaful operations- Operator's fund	

2,388,759,747	109,504,025	2,054,661,988	-
13,201,876	•	54,615,580	-
•	•	110,727,509	-
•	•	596,296,725	-
-	•	18,671,953	•
-	•	83,544,606	-
•	•	200,000,000	· <b>-</b>
2,375,557,871	109,504,025	990,805,615	•

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

		December	r <b>31</b> , 2020	
	AAA	A+	A	Not rated
		Ruj	pees	
Cash at bank	-	109,207,834	350,568	
Investments			•	•
Debt securities	<b></b>	18,750,000	-	972,055,615
Term deposit receipts	-	200,000,000	-	•
Loans and other receivable	-	-	-	83,544,606
Window takaful operations-				
Operator's fund	25,000,000	7,818,903	44,717	21,751,960
<del>-</del>	25,000,000	335,776,737	395,285	1,077,352,181
	<del></del>			

# 3.2 Standards / amendments that are effective in current year and not relevant to the Company

Effective date (annual periods beginning on or after)

IFRS 9 Financial Instruments - Amendments regarding prereplacement issues in the context of the IBOR reform

January 01, 2020

IFRS 3 Business Combinations - amendments to clarify the definition of a business

January 01, 2020

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

Effective date (annual periods beginning on or after)

# Annual improvements to IFRSs (2018 - 2020) Cycle:

IFRS 41 Agriculture

January 01, 2020

# 3.3 Standards / amendments not yet effective

The following amendments to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

IFRS 4	Insurance Contracts - Amendments regarding replacemen issues in the context of the IBOR reform	t January 01, 2021
IFRS 7	Financial Instruments: Disclosures - Amendments regarding replacement issues in the context of the IBOR reform	January 01, 2021
IFRS 9	Financial Instruments - Amendments regarding replacement issues in the context of the IBOR reform	January 01, 2021
IAS 39	Financial Instruments - Amendments regarding replacement issues in the context of the IBOR reform	January 01, 2021
IFRS 16	Leases - Amendments regarding replacement issues in the context of the IBOR reform	January 01, 2021
IFRS 3	Business Combinations - amendments updating a reference to the Conceptual Framework	January 01, 2022
IÀS 16	Property, Plant and Equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced	
	while the company is preparing the asset for its intended use	January 01, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous	January 01, 2022
IFRS 4	Insurance Contracts - Amendments regarding the expiry date of the deferral approach	January 01, 2023

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Effective date
(annual periods
beginning on or
after)

IFRS 9 Financial Instruments - Amendments regarding the interaction of IFRS 4 and IFRS 9

January 01, 2023

IFRS 17 Insurance Contracts - Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published

January 01, 2023

IAS 1 Presentation of Financial Statements - Amendments regarding the classification of liabilities as current or non-current

January 01, 2023

The annual improvements to IFRSs that are effective from the dates mentioned below against respective standards:

### Annual improvements to IFRSs (2018 - 2020) Cycle:

IFRS 1 First-time Adoption of International Financial Reporting Standards

January 01, 2022

IFRS 9 Financial Instruments

January 01, 2022

# 3.4 Standards or interpretations not yet effective

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 Companys 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 Companys'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	550
•	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 process 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

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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

To complete

#### 5.5.1 Premium income

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
- c) 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 proporationate 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, 2020. 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:

2020	2019
55%	62%
49%	61%
90%	91%
67%	147%
115%	61%
115%	61%
	55% 49% 90% 67% 115%

#### 5.5.5 Reinsurance contracts held

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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

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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

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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

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The Company 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 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

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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

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E:381-199.A

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.

### 5.14 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.

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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

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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

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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, 2020.

PROPERTY AND EQUIPMENT						2020				
		C	ost			Depreciation			Written down value as	
Particulars	As at January 01, 2020	Additions	Disposals	As at December 31, 2020	As at January 01, 2020	Depreciation for	Disposals	As at December 31, 2020		
					Rupees					
O							-			
Leasehold improvements	12.161.075			12 161 075	3 320 222	617.158		3,937,380	8.223.695	5 5%
Furniture and fixture	3,064,753	43,500	•	3,108,253		324,868	•	1,774,266		
Office equipment	9,182,255	419,650	•	9,601,905		1,096,460	•	6,400,992	3,200,913	
Computers	4,712,678	910,362	(199,600)	5,423,440	71	944,842	(199,600)	3,489,170		e.
Vehicles	8,868,258	•	•	8,868,258	8 751,705	1,680,987	•	2,432,692	6,435,566	20%
Right of wes seests			,							
Ent of the masters Office premises	4.131.752	8,363,039	•	12.494.791	1,138,904	3,149,494		4,288,398	8,206,393	3 15%-20%
	42,120,771	9,736,551	(199,600)	51,657,722		7,813,809	(199,600)	22,322,898	29,334,824	1 <del></del> !l
				* ·		5 K				
	-	ţ				2019				2
Particulars	As at January	Additions	Disposals A	As at December 31,	гу 01,	Depreciation for Di	Disposals	As at December 31,	Written down value as	7 E
	01, 2019			2019	2019	the year		2019		арилш)
					wahee					· ·
Owned					•					
Leasehold improvements	12,161,075	, 000		12,161,075	5 2,678,350	617,156	24,716	3,320,222	3,840,854	5 10%
Furniture and fixture	3,049,733	486 900	•	3,064,733	1 - 1 - 1	1 576.765		5,304,532	·	10
Computers	2,505,986	2,206,692		4,712,678		697,730		2,743,928		:
Vehicles	5,549,513	8,824,760	(5,506,015)	8,868,258	• • •	1,343,383	(4,744,058)	751,705		4 20%
Right of new secute										
Office premises.	4,131,752			4,131,752		1,138,904		1,138,904		8 15%-20%
	36,093,434	11,533,352	(5,506,015)	42,120,77	1 13,732,650	5,695,382	(4,719.343)	14,708,689	27,412,082	<b>6</b> 1
INTANGIBLE ASSETS				0202						
- The second sec				4 2000		Written down	1			
Particulars As at January 01,2020	Additions. As a	As at December 31, 2020	As at January 01, 2020	<u> </u>	As at December 31,	<del>                                      </del>	Amortization rate (% per annum)	ation per n)		
		<b>+</b>	Rupees-		0707.			] .		· . · -
Computer softwares 7,805,322		7,805,322	5,111,046				33.33%	<u>"</u>		
7,805,322		7,805,322	5,111,046	6 1,137,960	6,249,006	5 1,556,316	316		-	
				0100	,					
				5107						
	Cost			Amortisation		Written down	_	ation	*. *.	
٠,	Additions	As at December	As at January		December 31,	—	1, rate (% per annum)	per n)		
01,2019		31, 2019	01, 2019	for the year		2019				
			200							٠.
Computer softwares 5,532,091	2,273,231	7,805,322	4,461,310	0 649,736	5,111,046	6 2,694,276	276 33.33%	<b>.</b>		
1,525,00	4,273,231	775,500,1	1,101,1				1	•	 	

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# 8 INVESTMENTS IN DEBT SECURITIES

		20	20			2019			
	Cost	Impairment / provision	Surplus on revaluation	Carrying value	J!~	Impairment / Provision	Surplus on revaluation	Carrying volue	
					pees				
Related porty									
Held to maturity (note 8.1)					1				
Government securities					, .				
Treasury Bills	860,408,225			860,408,225	529,157,390	_	_	529,157,390	
Offices	•			,,	525,155,1556	=	-	525,157,550	
Held to maturity (note 8.1)									
Government securities			•				•		
Pakistan Investment Bonds (note 8.2)	111.647,390			111.647.390	109.689.379	' <u>.</u>		109,689,379	
	972,055,615			972,055,615	638,846,769			638,846,769	
Others									
Corporate Sukuk (note 8.3)									
TPL Trakker Limited	18,750,000		<u> </u>	18,750,000	18,750,000			18,750,000	
	990.805,615		-	990,805,615	657,596,769	-		657,596,769	
Available for sale (note \$.1)									
Government securities									
Pakistan Investment Bonds	1,691,053,847	-	109,504,025	1,800,557,871	1,648,527,269	-	19,102,152	1,667,629,421	
Others		1							
Term Finance Certificale - 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	- i]		132,000,000	132,000,000	-	- 11	132,000,000	
Soneri Bank Limited	150,000,000	- Ií	•	150,000,000	150,000,000	- ]]	- If	150,000,000	
United Bank Limited	150.000,000	i		150.000.000	150,000,000			150,000,000	
	575,000,000			575,000,000	575,000,000	<u> </u>		575,000,000	
-	2,266,053,847	<del></del> _	109,504,025	2.375.557.871	2.223,527,269		19,102,152	2,242,629,421	
-	3.256.859.462	··········	109.504.025	3.366,363,486	2,881,124,038		19,102.152	2.900.226,190	

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

Name of investment	Maturity year	Effective yield %	Profit Payment	Face. Value	December 31, 2020
Related party				- <del></del>	
Held to maturity					
Government securities			•		
Treasury Bills					
6 Months Treasury Bill	2021	7.08%	On maturity	285,000,000	275,151,825
3 Months Treasury Bill	. 2021	7,04%	On maturity	100,000,000	98,384,800
3 Months Treasury Bill	2021	7.01%	On maturity	200,000,000	196,780,000
6 Months Treasury Bill	2021	6,76%	On maturity	300,000,000	290,091,600
			J	200,000,000	860,408,225
Others					600,408,222
Held to maturity	1		•	'	
Government securities	'i			. •	
Pakistan Investment Bonds			•		
10 Years Pakistan Investment Bond	2028	13,10%	Half yearly	37,500,000	29,829,891
10 Years Pakistan Investment Bond	2028	12:55%	Half yearly	100,000,000	81,817,499
		*		· · -	111,647,390
Corporate Sukuk	•		•		i' '
TPL Trakker Limited	2022	(KIBOR+3%)	Quarterly	18,750,000	18,750,000
			1		990,805,615
vailable for sale		,			
Government securities		•	· ·		
Pakistan Investment Bonds			F		• .
5 Years Pakistan Investment Bond	2024	11.38%	Half yearly	375,000,000	382,440,321
5 Years Pakistan Investment Bond	.2024	11.38%	. Half yearly	400,000,000	407,936,343
5 Years Pakistan Investment Bond	2024	11.38%	Half yearly	200,000,000	203,968,171
3 Years Pakistan Investment Bond	2021	13,49%	Half yearly	450,000,000	450,127,483
3 Years Pakistan Investment Bond	2022	11.62%	Half yearly	200,000,000	203,477,459
3 Years Pakistan Investment Bond •	2022	12,20%	Half yearly	150,000,000	152,608,094
	•			.1	1,800,557,871
Others				: I }	
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
		:			2,375,557,871
					3 366 363 486

Name of investment	Maturity year	Effective yield %	Profit Payment	Face Value	December 3 2019
Related party		· · ·		•	
Held to maturity					
Government securities					
Treasury Bills					
12 Months Treasury Bill	2020	12.84%	On maturity	150,000,000	132,759,4
12 Months Treasury Bill	2020	12.42%	On maturity	50,000,000	44,392,9
9 Months Treasury Bill	2020	12.77%	On maturity	100,000,000	254,533,4
3 Months Treasury Bill	2020	12.79%	On maturity	280.000.000	97,471,6
	2020	12.1770	On maracky	200,000,000 [	529,157,3
Others			•		,,
Held to maturity					
Government securities				•	
Pakistan Investment Bonds				!	
10 Years Pakistan Investment Bond	2028	13,10%	Half yearly	37,500,000	29,259,3
10 Years Pakistan Investment Bond	2028	12.55%	Half yearly	100,000,000	80,430,00
				,,	109,689,3
Corporate Sukuk					,,
TPL Trakker Limited	2022	(KIBOR+3%)	Quarterly	18,750,000	18,750,00
		,	,		657,596,76
vailable for sale				_	
Government securities					
Pakistan Investment Bonds					•
5 Years Pakistan Investment Bond	2024	11.38%	Half yearly	375,000,000	354,695,61
5 Years Pakistan Investment Bond	2024	11.38%	Half yearly	400,000,000	378,341,99
5 Years Pakistan Investment Bond	2024	11.38%	Half yearly	200,000,000	189,170,99
3 Years Pakistan Investment Bond	2021	13.49%	Half yearly	450,000,000	417,520,81
3 Years Pakistan Investment Bond	2022	11.62%	Half yearly	200,000,000	187,371,43
3 Years Pakistan Investment Bond	2022	12.20%	Half yearly	150,000,000	140,528,57
•					1,667,629,42
Others					
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	150,000,00
United Bank Limited	Perpetuity	(KIBOR+1.55%)	Quarterly	150,000,000	150,000,00
		·	;	-	575,000,000
•		•			2,242,629,42
•				_	2,900,226,19

8.2 These include PIB's amounting to Rs. 111.647 million (2019: PIB's amounting to Rs. 109.689 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

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	No. of certificates		Face value	Value of certificate		
	2020	2019	Face value	2020	2019	
Meezan Bank Limited	143	143	1,000,000	143,000,000	143,000,000	
Bank Al Habib Limited	26,400	26,400	5,000	132,000,000	132,000,000	
Soneri Bank Limited	30,000	30,000	5,000	150,000,000	150,000,000	
United Bank Limited	30,000	30,000	5,000	150,000,000	150,000,000	
TPL Trakker Limited	18.75	18.75	1,000,000	18,750,000	18,750,000	
-	86,562	86,562	- · · ·	593,750,000	593,750,000	

		Note	2020	2019
			Ru]	)ees
9	INVESTMENT IN TERM DEPOSIT RE	ECEIPTS		
	Deposits maturing within 12 months -			
	local currency		200,000,000	200,000,000
	Deposits maturing within 36 months -			
	local currency		-	196,000,000
		9.1	200,000,000	396,000,000
10	LOANS AND OTHER RECEIVABLES	•		
10	LOANS AND OTHER RECEIVABLES			
	Unsecured - considered good			
	Accrued investment income		77,291,832	68,827,063
	Loans to employees	10.1	69,612	717,891
	Other receivables	10.2	6,183,162	10,237,960
	·		83,544,606	79,782,914
10.1	This represents loans provided to employees interest / markup.	s for domestic	purposes which d	o not carry any
10.2	This includes Rs. 0.221 million (2019: Rs. Management Limited against payment of expenses.)	0.218 million enses on its be	) receivable from	Sindh Modarba
			;	
		•	·	

			2020	2019
		Note ·	Rı	ipees
1	INSURANCE / REINSURANCE RECEIV	ABLES	·	
	(Unsecured - considered good)			<b>.</b>
	Due from insurance contract holders	11.1	523,903,316	722,168,46
	Due from other insurers / reinsurers	_	72,393,409	62,240,65
		=	596,296,725	784,409,11
1 1	.1 Due from insurance contract holders includ (2019: 612.472 million).	es Rs. 521.1	65 million due fr	om related parti
12	PREPAYMENTS			
i	Prepaid reinsurance premium ceded	22	259,020,819	276,803,36
	Prepaid rent		<del>-</del>	882,99
	Prepaid insurance expense		3,723,202	2,181,47
	Others		337,890	1,876,910
			263,081,911	281,744,74
13	CASH AND BANK			
	Cash and cash equivalents			
	Cash in hand		5,180	17,733
	Policy stamps		1,103,926	733,232
	Cash at bank			
	Savings accounts	13.1	109,618,403	66,119,313
			110,727,509	66,870,278
13.	This represents interest bearing accounts carry (2019: 8% to 11.30%) per annum.	ing interest ra	ates ranging from	5.65% to 11.30%
14	ORDINARY SHARE CAPITAL		·	v.
14.1	Authorized share capital			
	2020 2019			
	Number of shares			
	Ordinary shares 150,000,000			1 500 000 000
	(50.000.000   150.000.000 Runees 10 each		1,500,000,000	1,500,000,000

			2020	2019
		Note	Ru	pees
14.2	Issued, subscribed and paid up share capit	al		
	2020 2019			
	Number of shares			
	Ordinary sha	res of		
•	Rupees 10 ea	ch fully		
	100,000,000 100,000,000 paid in cash	=	1,000,000,000	1,000,000,00
14.3	As at December 31, 2020, all the shares are band through nominee directors.	eneficially l	held by Government	of Sindh direct
15	PREMIUM RECEIVED IN ADVANCE			
	Premium received in advance	=	2,096,180	3,145,329
16	INSURANCE / REINSURANCE PAYABI	ES		
	Due to other insurers / reinsurers			
	Local		112,128,198	140,402,992
	Foreign		25,860,580	79,172,477
		_	137,988,778	219,575,469
17	OTHER CREDITORS AND ACCRUALS			
	Agent commission payable		143,755	150,099
	Federal excise duty / sales tax		-	448,067
	Federal insurance fee		346,868	38,280
	Accrued expenses		8,208,822	8,035,407
	Withholding tax payable		499,625	476,905
	Provision for compensated leave absences	17.1	3,113,778	2,202,001
	Auditors' remuneration		1,054,328	306,875
	Provision for gratuity	17.2	6,171,879	3,489,746
		<del></del>	19,539,055	15,147,380
17.1	Provision for compensated leave absences			
	Opening balance		2,202,001	2,000,592
	Provision for the year		1,089,924	265,337
	Payments made during the year		(178,147)	(63,928)
	Closing balance	<del></del>	3,113,778	2,202,001

	·.	<b>N</b> 7 . 4 .	2020	2019
17.2	Provision for gratuity	Note	K	upees
	Opening balance	2.5	3,489,746	- 400 546
	Provision for the year	25 -	2,682,133	3,489,746
	Closing balance	=	6,171,879	3,489,746
18	LEASE LIABILITIES			
	Lease liabilities recongnized as on January 1		3,281,886	4,131,752
	Add: Additions during the year		7,480,041	_
	Interest accrued		1,383,125	356,134
	Less: Repayment of lease liabilities		(3,886,512)	(1,206,000)
			8,258,540	3,281,886
18.1	Break up of lease liabilities			
	Lease liabilities		8,258,540	3,281,886
	Less: Current portion		(3,987,072)	(85,631)
			4,271,468	3,196,255
	Maturity analysis - contractual undiscounted cas	h flows:		,
	Less than one year		4,087,633	1,282,500
	One to five year		5,795,469	2,705,625
	Total undiscounted lease liability	<del></del>	9,883,102	3,988,125
18.2	When measuring lease liabilities, the Company of	liaaayınta	d leace navments :	
	borrowing rates ranging from 10.51% to 16.39% (			using incremental
19				using incremental
19	borrowing rates ranging from 10.51% to 16.39% (	2019: 10.		using incremental
19	borrowing rates ranging from 10.51% to 16.39% (2)  DEFERRED TAXATION	2019: 10.	51%) per annum.	
19	borrowing rates ranging from 10.51% to 16.39% (2)  DEFERRED TAXATION  Deferred tax liability / (asset) arising in respect of	2019: 10.		(638,580)
19	borrowing rates ranging from 10.51% to 16.39% (3)  DEFERRED TAXATION  Deferred tax liability / (asset) arising in respect of Provision for compensated leave absences	2019: 10.	51%) per annum. (902,996)	
19	borrowing rates ranging from 10.51% to 16.39% (Signal Deferred tax liability / (asset) arising in respect of Provision for compensated leave absences Provision for gratuity	2019: 10.	(902,996) (1,789,845)	(638,580) (1,012,026)
19	borrowing rates ranging from 10.51% to 16.39% (Control of the Provision for compensated leave absences Provision for gratuity  Accelerated tax depreciation	2019: 10.	(902,996) (1,789,845) 3,611,995	(638,580) (1,012,026) 2,470,011
19	borrowing rates ranging from 10.51% to 16.39% (3)  DEFERRED TAXATION  Deferred tax liability / (asset) arising in respect of Provision for compensated leave absences Provision for gratuity Accelerated tax depreciation Lease liabilities	2019: 10.	(902,996) (1,789,845) 3,611,995 (2,394,977)	(638,580) (1,012,026) 2,470,011 (951,747)
19	borrowing rates ranging from 10.51% to 16.39% (3)  DEFERRED TAXATION  Deferred tax liability / (asset) arising in respect of Provision for compensated leave absences Provision for gratuity Accelerated tax depreciation Lease liabilities	2019: 10.	(902,996) (1,789,845) 3,611,995 (2,394,977) 31,756,167	(638,580) (1,012,026) 2,470,011 (951,747) 5,539,624
	DEFERRED TAXATION  Deferred tax liability / (asset) arising in respect of Provision for compensated leave absences Provision for gratuity Accelerated tax depreciation Lease liabilities Unrealised gain on available for sale investments  TAXATION - NET  Provision for income tax	2019: 10.	(902,996) (1,789,845) 3,611,995 (2,394,977) 31,756,167	(638,580) (1,012,026) 2,470,011 (951,747) 5,539,624
	DEFERRED TAXATION  Deferred tax liability / (asset) arising in respect of Provision for compensated leave absences Provision for gratuity Accelerated tax depreciation Lease liabilities Unrealised gain on available for sale investments  TAXATION - NET	2019: 10.	(902,996) (1,789,845) 3,611,995 (2,394,977) 31,756,167 30,280,345	(638,580) (1,012,026) 2,470,011 (951,747) 5,539,624 5,407,282

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# 21 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at statement of financial position date except as disclosed in note 1.3 (2019: Nil).

			2020	2019
	No	te	R	upees
22	NET INSURANCE PREMIUM			
	Written gross premium Unearned premium reserve - opening		488,545,805 508,573,604	895,899,066 271,787,924
	Unearned premium reserve - closing Premium earned		(329,005,265)	(508,573,604) 659,113,386
	Less: Reinsurance premium ceded  Prepaid reinsurance premium ceded - opening  Prepaid reinsurance premium ceded - closing  Reinsurance expense		396,163,454 276,803,366 (259,020,819) 413,946,001	480,159,006 77,784,627 (276,803,366) 281,140,267
23	NET INSURANCE CLAIMS EXPENSE	=	254,168,143	377,973,119
	Claim paid Outstanding claims including IBNR - opening Outstanding claims including IBNR - closing Claim expense	1_	120,903,371 (2,018,435,227) 1,968,966,259 71,434,403	151,173,775 (1,935,311,565) 2,018,435,227 234,297,437
	Less: Reinsurance and other recoveries received Reinsurance and other recoveries in respect of outstanding claims - opening Reinsurance and other recoveries in		19,636,739 (33,671,939)	51,335,898 (56,1,58,251)
	respect of outstanding claims - closing Reinsurance and other recoveries revenue		18,671,953 4,636,753	33,671,939 28,849,586
		=	66,797,650	205,447,851

23.1 This includes provision for incurred but not reported (IBNR) amounting to Rs. 1,862.509 million (2019: Rs. 1,930.588 million).

# 23.2 Claim development

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:

Accident year	2016	2017	2018	2019	2020	Total
			Rup	ees		
Estimate of ultimate claims cost:						
At the end of accident year	52,880,255	124,067,148	165,813,645	174,823,399	151,371,769	668,956,216
One year later	45,832,284	117,965,262	138,715,124	166,973,869	•	469,486,539
Two years later	45,217,338	118,940,068	134,513,676	-	-	298,671,082
Three years later	48,637,565	119,123,068	•	-	•	167,760,633
Four years later	48,647,565					48,647,565
Current estimate of cumulative claims	48,647,565	119,123,068	134,513,676	166,973,869	151,371,769	620,629,947
Cumulative payment to date	(48,646,065)	(113,985,468)	(128,279,463)	(153,889,144)	(69,372,587)	(514,172,727)
Liability recognized in statement of_						
financial position	1,500	5,137,600	6,234,213	13,084,725	81,999,182	106,457,220

			2020	2019
		Rup	ees	
24	NET COMMISSION EXPENSE			
	Commission paid or payable		.77,440,370	70,186,162
	Deferred commission expense - opening		40,969	119,779
	Deferred commission expense - closing		(31,991)	(40,969)
	Net commission	<u>~</u>	77,449,348	70,264,972
		<b>,</b>		
	Less: Commission received or recoverab	4	(17,219,285)	(14,254,622)
	Unearned reinsurance commission -	opening	(6,544,444)	(7,157,807)
	Unearned reinsurance commission -	7,724,103	6,544,444	
	Commission from reinsurers		(16,039,626)	(14,867,985)
			61,409,722	55,396,987
25	MANAGEMENT EXPENSES			
	Employee benefits cost	25.1	45,684,387	36,317,846
	Travelling expense		1,517,363	1,749,433
	Advertisement and sales promotion		667,724	595,849
	Printing and stationery		1,335,310	850,254
	Depreciation	6	7,813,809	5,695,382
	Amortisation	7	1,137,960	649,736
	Rent, rates and taxes		16,510	3,996,859
	Legal and professional charges		2,503,763	1,589,929
	Electricity, gas and water		1,203,196	1,254,498
	Page	-30	•	

		2020	2019
	Note	Rup	ees
Entertainment		1,108,838	933,986
Vehicle running expense		47,136	107,798
Office repairs and maintenance		2,255,210	1,600,377
Insurance expense		4,788,425	1,268,226
Office expense		1,064,759	705,090
Bank charges		527,568	512,864
Postage, telegrams and telephones		1,167,904	1,029,306
Annual supervision fee SECP		1,449,146	840,392
Service charges (Health Econnex)	•	3,065,242	4,063,840
Miscellaneous		1,102,114	1,432,000
	<u> </u>	78,456,364	65,193,665
25.1 Employee benefits cost			
Salaries, allowance and other benefits		41,724,467	31,645,505
Charges for post employment benefits		3,959,920	4,672,341
		45,684,387	36,317,846
25.2 Employees' provident fund			
Size of the fund	:	13,239,082	10,119,366
Number of members		16	17
Cost of investment made		12,389,554	8,459,481
Percentage of investment made		94%	84%
Fair value / amortised cost of the investm	nents	12,838,688	8,459,481
Break up of the investments is as follows	· .		
Government securities			
Pakistan Investment bonds		7,689,964	7,509,481
Market Treasury bills		4,699,590	-
Term Deposit Receipts		<u>.</u>	950,000
		12,389,554	8,459,481

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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.

				2020	2019
*			Note	Rupees	
	26	INVESTMENT INCOME			
Š		Income from debt securities		•	
•		Available for sale		266,487,048	46,006,858
1		Held to maturity		87,941,180	32,418,664
H		Income from term deposits		30,679,462	281,634,029
		Total investment income	•	385,107,690	360,059,551
Ä	27	OTHER INCOME		•	÷
		Profit on bank deposit		11,600,641	17,563,183
		Income on generator sharing		436,860	436,860
		Other		2,027,852	25,088,934
M		,	:	14,065,353	43,088,977
ž	28	OTHER EXPENSES		÷	
Ŧ		Auditors' remuneration	28.1	448,453	415,125
1		Directors' remuneration	32	7,050,000	3,725,000
_		Other		1,200,000	· · -
	20.1	4 200	=	8,698,453	4,140,125
-	28.1	Auditors' remuneration			
		Audit fee		205,562	186,875
		Half yearly review fee		107,250	97,500
2		Special certifications and sundry adviso	ry services	120,000	120,000
۵		Out-of-pocket expenses		15,641	10,750
	29	FINANCE COST	=	448,453	415,125
<b>2</b> 3	_,				
		Finance cost on lease liability	18 =	1,383,125	356,134
	30	INCOME TAX EXPENSE			:
		For the year			
er er		Current	30.1	132,103,760	124,568,934
		Prior		(68,561)	-
1.1		Deferred		(1,266,027)	8,099,134
(9)			<del></del>	130,769,172	132,668,068
				ì	

	2020	2019
Note	Ru	pees

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

Accounting profit before tax	451,164,562	458,494,649
Tax @ 29%	130,837,733	132,963,448
Prior year reversal	(68,561)	-
Others	ne ne	(295,380)
Provision for taxation	130,769,172	132,668,068

### 31 EARNINGS PER SHARE -BASIC AND DILUTED

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Profit after tax for the year		320,395,390	325,826,581
Weighted average number of ordinary shares outstanding (Numbers)		100,000,000	100,000,000
Earnings per share (Rupees)	31.1	3.20	3.26

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.

#### 32 REMUNERATION OF DIRECTORS AND EXECUTIVES

	Chief Executiv	e Officer	Director	s	Executi	ves
	2020	2019	2020	2019	2020	2019
			Rupees-			
Meeting fee	•	•	7,050,000	3,725,000		-
Managerial remuneration	5,795,988	4,829,988	-		4,408,485	3,439,416
Rent and house maintenance	2,463,299	2,173,500	•	• '	1,873,875	1,547,724
Utilities	579,600	483,000	-	-	403,406	343,956
Medical	579,600	483,000	•	-	440,868	343,956
Conveyance	-	-	-	-	61,462	•
Bonus	402,499	1,469,122	-	-	298,382	573,236
Others	3,226,627	1,308,520	· •		2,525,981	1,164,999
	13,047,613	10,747,130	7,050,000	3,725,000	10,012,459	7,413,287
Number of persons	1	. 1	7	7	5	4

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 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:

Transaction during the year

Name of related party	Nature of	Nature of transaction	2020	2019
traine of related party	relationship_	Nature of fransaction	Rup	ees
Sindh Bank Limited	Companies having common directorship	Income on savings accounts Income on investment	11,490,180	17,144,765
	<b>-</b>	Term Deposit Receipts	25,624,008	1,967,671
		Premium written	86,804,645	78,612,503
•		Claims paid	29,176,556	53,735,013
		Rental paid	540,000	540,000
Sindh Modarba	Companies having	Premium written	477,873	389,638
Management Limited	common directorship	Claims paid	250,000	291,060
•		Income on sharing of generator	436,860	436,860
Sindh Leasing Company	Companies having	Premium written	791,231	1,052,570
Limited	common directorship	Claims paid	1,056,581	. 287,954
Sindh Microfinance Bank	Companies having	Premium written	3,474,132	3,085,623
Limited	common directorship	Claims paid	1,062,387	2,358,417
Directors	Directors	Premium written	383,030	: 429,195
		Claims paid	66,751	102,979
		Remuneration paid	7,050,000	3,725,000
Provident fund	Employees' fund	Contribution to provident fund	1,277,787	1,182,595
Shareholder	Government of Sindh	Premium written	1	263,157,851
		Claims paid	. 63,637,000	51,343,390
-		Commission expense	77,125,703	69,805,171
Balances outstanding			r	
Sindh Bank Limited	Companies having	Bank accounts	108,763,161	65,211,761
	common directorship	Investment		
		Term Deposit Receipts	200,000,000	200,000,000
		Due from insurance contract holder	32,691,526	49,708,336
		Claims payable	13,965,960	14,864,180
		Lease liability Payable to Sindh Bank Limited	1,232,475	429,062
		Fayable to Sindii Bank Limited	-	135,000
Sindh Modarba	Companies having	Claims payable	35,000	-
Management Limited	common directorship	Due from insurance contract holder	(66,494)	-
		Amount receivable for sharing of	220,930	218,430
Sindh Leasing Company	Companies having	Due from insurance contract holder	6,264	
Limited	common directorship	Claims payable	57,850	165,000
Sindh Microfinance Bank	Companies having.	Due from insurance contract holder	2,817,613	49,826
Limited		Claims payable	112,045	104,412
Directors	Directors	Claims payable	_	45,000
		Due from insurance contract holder	128,486	
		Receivable - Window Takoful	1 270 20€	6 61 6 463
	•	Receivable - Window Takaful	1,378,385	6,516,463

SEGMENT REPORTING

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

		- 4			,	.			-
Comment	ir ir	Fire and property damage	Marine, aviation	Motor	Accident and	Engineering	Miscellaneous	Treaty	Total
פבשוכחו בחוז בנון אביו						2020			
						Rupees			
Premium receivable (inclusive of federal excise duty federal insurance fee	insurance fee								
and administrative surcharge)		53,067,745	10.950.080	54 866 917	54 799 408	767 256 151	40.820.630		, i
Less: Federal exercise duty		(5,901,611)	(1,659,786)	(6.310.823)	ovr.,,,,,,	(34 445 603)	10,625,01	•	545,871,386
Federal insurance fee		(452,962)	(128,122)	(485,261)	(549,162)	(2,649,663)	(353.680)		(52,706,731)
Written gross premium including administrative surcharge		46,713,172	9,162,172	48,070,833	54,250,246	294,262,360	36,087,022	•	488,545,805
Gross direct premium		45,912,205	9.185.211	47.676.621	54 222 246	294 248 272	35 936 911	<u> </u>	277 101 207
Facultative inward premium.		731,857	(105,595)	(379 700)		(10.156)	116,056,55	•	487,181,466
Administrative surcharge		69,110	82,556	773,912	28,000	24,244	160,271	<b>)</b> (	726,246
		46,713,172	9,162,172	48,070,833	54,250,246	294,262,360	36,087,022	i	488,545,805
Premiim earned		42 200							
Reinsurance expense		(43,9540,304	78,489,587	44,565,347	195,253,254	324,368,442	32,097,210		668,114,144
Net insurance premium	,	(673,450,01)	3 019 \$08	23 547 703	106 252 254	(301,914,794)	(21,579,334)	-	(413,946,001)
Commission income		4.885.789		6775,175	+07,502,451	22,433,048	10,517,876	ľ	254,168,143
Net underwriting income		4,261,853	4,449,670	30,322,807	195,253,254	25.224.808	10695377		16,039,626
									601,102,012
Insurance claims		(4,292,011)	634,284	(9,913,194)	(52,383,153)	(1,022,312)	(4,458,017)		(71.434.403)
Insurance claims recovered from reinsurers		3,408,387	(28)	1,353,391	1	805,939	(930,936)		4,636,753
Net claims		(883,624)	634,256	(8,559,803)	(52,383,153)	(216,373)	(5,388,953)		(66,797,650)
Commission expense		(354,914)	18,699	180 8	(77,125,703)	1,807	2,682		(77,449,348)
Management expense		(6,181,258)	(1,212,372)	(6,360,908)	(20,988,736)	(38,937,870)	(4,775,220)		(78,456,364)
Premium deficiency (expense) / income			1,565,862		9,639,349		(4,403,254)	٠	6,801,957
Net insurance claims and expenses		(7,419,796)	1,006,445	(14,912,630)	(140,858,243)	(39,152,436)	(14,564,745)		(215,901,405)
Underwriting result	•	(3,157,943)	5,456,115	15,410,177	54,395,011	(13,927,628)	(3,869,368)		54,306,364
Other income									385,107,690
Other expenses									14,065,353
Finance costs									(1,383-125)
Profit from Window Takaful Operation								,	7,766,733
Point before tax							•		451,164,562
Segment assets Un-allocated assets		90,968,163	17,842,204	93,612,041	105,644,906	573,039,793	70,275,825	<b>1</b>	951,382,932
J OIAI ASSCIS						•			4,737,621,445
Segment liabilities Un-allocated liabilities		239,173,090	46,910,644	246,124,362	277,761,117	1,506,633,672	184,768,885		2,501,371,770
Total liabilities									2,535,311,255
			***						

1	-	damaca	P. Tanso	Motor	Accident and	Facineering	Miscelline	range Teatigue	le le
Law Level Level				Ĭ		2019			-  -
	- 4				Ru	Rupees			
Premium received for charies of foderal every a date. Coderal incomes des	1:00:00								
and administrative surcharge)	ai insulance tee	096 225 05	54 403 184	FCC 080 53	257 278 050	700 000 011		:	
Lece Hederal exercise duty		(4 47 5 707)	+01*r <r*+r< th=""><th>777,004,60</th><th>6/6/076/700</th><th>440,709,227</th><th>14,182,801</th><th>•</th><th>993,571,7</th></r*+r<>	777,004,60	6/6/076/700	440,709,227	14,182,801	•	993,571,7
Edwal I carial carions and the		(4,425,292)	(207,702)	(6,7,725)	(34,6/5,825)	(39,064,574)	(3,406,613)	•	(88,267,7;
With the second insulance ice		(465,819)	(531,693)	(466,135)	(3,161,754)	(4,464,573)	(314,967)		(9,404,9
withen gross premium including administrative surcharge		45,486,149	53,325,789	46 954 367	314,491,400	405,180,080	30,461,281		895,899,00
Gross direct premium		44.318.201	53.138.018	45 445 101	314 478 400	405 329 588	30 317 427		- 700 cod
Facultative inward premium	* ,*	1 093 346	156 338	880 243	00-10-11-1	(CEC 071)	125,110,00	•	:/'070'569
Administrative surcharge		74,602	31.433	629,023	13.000	20.829	133 694		1,969,7
		45,486,149	53,325,789	46,954,367	314,491,400	405,180,080	30,461,281		895,899,06
Descriptor some of	, ,;;		, , , , , , , , , , , , , , , , , , ,			1	_		
Point entitled		23,011,841	28,680,545	48,243,112	312,156,820	218,166,280	28,254,788	•	659,113,38
Keinsurance expense		(20,823,061)	(23,860,057)	(25,517,470)		(195,116,543)	(15,823,136)		(281,140,26
Net insurance premium		2,788,780	4,820,488	22,725,642	312,156,820	23,049 737	12,431,652	 	377,973,11
Commission income	1	2,830,235	674,439	7,050,197		2,620,825	1,692,289	i	14,867,98
Net underwriting income		5,619,015	5,494,927	29,775,839	312,156,820	. 25,670,562	14,123,941	1	392,841,10
									-
Insurance claims		(1,034,743)	16,317,495	(28,614,245)	(197,520,555)	2,786,750	(26,232,137)		(234,297,43
Insurance claims recovered from reinsurers		1,011,699	(14,626,733)	31,759,660		(3,150,237)	13,855,195		28,849,58
Net claims	İ	(23,044)	1,690,762	3,145,415	(197,520,555)	(363,487)	(12,376,942)		(205,447,85
Commission expense		(315,215)	(51,093)	(87,237)	(69,805,171)	(2,539)	(3,717)		(70,264,97
Management expense	i Ng	(2,999,983)	(3,517,036)	(3,096,817)	(26,847,640)	(26,723,153)	(2,009,036)		(65,193,66
Premium deficiency (expense) / income	er e		(1,565,862)		15,072,196		(9,450,894)	•	4,055.44
Net insurance claims and expenses		(3,338,242)	(3,443,229)	(38,639)	(279,101,170)	(27,089,179)	(23,840,589)		(336,851,04
Underwriting result	:.	2,280,773	2,051,698	29,737,200	33,055,650	(1,418,617)	(9,716,648)		50,066,25
Net investment income									360,059,55
Other income									43,088,97
Ciner expenses									(4,140,12
Profit from Window Tologal Operation									(356,13
Profit hefers to:									3,852,32
נוסוון הכנסוב ומע								w	458,494,64
Segment assets		59.121.918	69.311.714	61 030 277	408 769 159	526 644 356	39 597 918		1 164 470 34
Un-allocated assets					, , , , , , , , , , , , , , , , , , ,	000,000	2,7,7,7,7		3 475 907 59
Total assets							+ f,		4,640,377,93
		-						•	
Segment liabilities	₩.,	140,532,245	164,753,293	145,068,394	971,640,452	1,251,828,687	94,111,994		2,767,935,06:
On-anocated habilities Total Babilities				i.				,	53,698,03
	. •							•	2,821,033,10,

#### 35 MOVEMENT IN INVESTMENTS

Held to	Available for	Total
Maturity	sale	10121
	Rupees	
<del></del>		
279,915,200		279,915,200
1,636,156,739	2,223,527,269	3,859,684,008
(1,258,475,170)	<u></u>	(1,258,475,170)
	19,102,152	19,102,152
377,681,569	2,242,629,421	2,620,310,990
657,596,769	2,242,629,421	2,900,226,190
1,254,898,136	42,526,578	1,297,424,714
(921,689,290)	-	(921,689,290)
	90,401,873	90,401,873
333,208,846	132,928,451	466,137,296
990,805,615	2,375,557,872	3,366,363,486
	279,915,200 1,636,156,739 (1,258,475,170) 377,681,569 657,596,769 1,254,898,136 (921,689,290) - 333,208,846	Maturity saleRupees  279,915,200 -  1,636,156,739 2,223,527,269 (1,258,475,170) -  19,102,152 377,681,569 2,242,629,421 657,596,769 2,242,629,421  1,254,898,136 (921,689,290) -  90,401,873 333,208,846 132,928,451

#### 36 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.

#### 36.1 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.

## 36.1.1 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:

1		2	020			20	19	
Class of business	Gross claims liability	Net claims liability	Gross premium liability	Net premium liability	Gross claims liability	Nef claims liability	Gross premium liability	Net premium liability
L	%	%	- %	%	%	%	%	.%
Fire and property damage	0,3 <u>3</u> %	0.08%	10%	13%	0.14%	0.04%	6%	1%
Marine, aviation and transport	0.07%	0,07%	5%	1%	0.09%	0.10%	7%	4%
Motor	1%	0.50%	6%	18%	1%	0.29%	4%	4%
Accident and health	97%	97.77%	10%	45%	96%	98.04%	34%	75%
Engineering	0,12%	0.02%	63%	16%	0.13%	0.01%	46%	14%
Miscellaneous	2%	1.57%	6%	7%	2%	1.51%	3%	2%
Total	100%	100%	100%	100%	100%	100%	100%	100%

#### 36.1.2 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.

## 36.1.3 Reinsurance arrangements

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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):

Class	Gross sum insured	Reinsurance	Net exposure of risk	Net exposure of risk
			2020	2019
			Rupees	
Fire and property damage	2,246,277,000	2,226,277,000	20,000,000	15,000,000
Marine, aviation and transport	4,650,000,000	4,533,750,000	116,250,000	202,500,000
Motor	23,692,200	18,479,916	5,212,284	2,917,750
Accident and health	1,000,000	-	1,000,000	854,100
Engineering	40,845,185,460	40,824,762,867	20,422,593	40,112,007
Miscellaneous	4,500,000,000	4,497,750,000	2,250,000	2,250,000
	52,266,154,660	52,101,019,783	165,134,877	263,633,857

#### 36.1.4 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.

## 36.1.5 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.

## 36.1.6 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.

	Pre-tax	profit	Shareholder	s' equity
[	2020	2019	2020	2019
-	Rup	ees	Rupe	es
10% increase in loss		į		
Fire and property damage	(88,362)	(2,304)	(62,737)	(1,636)
Marine, aviation and transport	63,426	169,076	45,032	120,044
Motor	(855,980)	314,542	(607,746)	223,324
Accident and health	(5,238,315)	(19,752,056)	(3,719,204)	(14,023,959)
Engineering	(21,637)	(36,349)	(15,362)	(25,808)
Miscellaneous	(538,895)	(1,237,694)	(382,616)	(878,763)
	(6,679,765)	(20,544,785)	(4,742,633)	(14,586,798)
<u>=</u>	<del></del>			
$\Gamma$	Pre-tax	orofit	Shareholders	s' equity
	2020	2019	2020	2019
	Rupe	es		es
10% decrease in loss				
Fire and property damage	88,362	2,304	62,737	1,636
Marine, aviation and transport	(63,426)	(169,076)	(45,032)	(120,044)
Motor	855,980	(314,542)	607,746	(223,324)
Accident and health	5,238,315	19,752,056	3,719,204	14,023,959
Engineering	21,637	36,349	15,362	25,808
Miscellaneous	538,895	1,237,694	382,616	878,763
	6,679,765	20,544,785	4,742,633	14,586,798

#### 36.2 Financial risk

#### 36.2.1 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:

		2(	)20	
	Carrying amount	Contractual cash flows	Ùpto one year	More than one year
		Ru	pees	
Financial liabilities				
Outstanding claims including IBNR	1,968,966,259	1,968,966,259	1,944,508,221	24,458,038
Insurance / reinsurance payables	137,988,778	137,988,778	137,988,778	-
Other creditors and accruals	1,198,083	1,198,083	1,198,083	-
Lease liability	8,258,540	8,258,540	4,087,633	5,795,469
,	2,116,411,660	2,116,411,660	2,087,782,715	30,253,507

	20	019	
Carrying amount	Contractual cash flows	Upto one year	More than one year
	Ru	pees	,
2,018,435,227	2,018,435,227	2,018,435,227	-
219,575,469	219,575,469	219,575,469	_
8,492,381	8,492,381	7,826,381	666,000
3,281,886	3,281,886	1,282,500	2,705,625
2 249 784 963	2 249 784 963	2 247 110 577	3 371 625

#### 36.2.2 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

Financial liabilities

Lease liability

Outstanding claims including IBNR Insurance / reinsurance payables
Other creditors and accruals

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:

				2020	<del>-</del>			
	Effective yield /	Intere	est / mark-up bea		-,	n-interest bear	ng ·	1
	interest rate	Maturity upto one year		Sub total	Maturity within		Sub total	Total
					Rupees			
Financial assets						,		
Investments								
Debt securities	8.57% to 15.50%	, -	2,505,955,261	2,505,955,261	860,408,225	-	860,408,225	3,366,363,486
Term deposits	7.20% to 14.25%	200,000,000		200,000,000	_ · ·		•	200,000,000
		200,000,000	2,505,955,261	2,705,955,261	860,408,225	<del>.</del>	B60,408,225	3,566,363,486
Loan and other receivables		-	-		83,544,606	! .	83,544,606	83,544,606
Insurance / reinsurance receivables		-			596,296,725	•	596,296,725	596,296,725
Reinsurance recoveries against outstandir	ng claims	-	•	-	18,671,953	-	18,671,953	18,671,953
Cash and bank	5.65% to 11.30%	109,618,403		109,618,403	1,109,106		1,109,106	110,727,509
		309,618,403	2,505,955,261	2,815,573,664	1,560,030,615		1,560,030,615	4,375,604,279
Financial liabilities		<u> </u>	-					
Outstanding claims including IBNR	•	•	-	-	1,968,966,259	-	1,968,966,259	1,968,966,259
Insurance / reinsurance payables	-	•	-	•	137,988,778		137,988,778	137,988,778
Other creditors and accruals	•	•	•	•	1,198,083	•	1,198,083	1,198,083
Lease liability	10.51% to 16.39%	4,087,633	5,795,469	9,883,102				9,883,102
		4,087,633	5,795,469	9,883,102	2,108,153,120		2,108,153,120	2,118,036,222
On balance sheet gap (a)		305,530,770	2,500,159,793	2,805,690,563	(548,122,505)	-	(548,122,505)	2,257,568,058
Off balance sheet financial instrument	•			-		<del></del>		•
Off balance sheet gap (b)			-					
Total interest rate sensitivity gap (a) + (b)	-	305,530,770	2,500,159,793	2,805,690,563				•
Cumulative interest rate sensitivity gap	-	305,530,770	2,500,159,793					

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				2019				
		Inter	est / mark-up bea		<del></del>	n-interest beari		T
	Effective yield / Interest rate	Maturity upto one		Sub Total	Maturity within		Sub Total	Total
					Rupees			
Financial assets								
<u>Investments</u>								
Debt securities	11.38% to 13.50%	•	2,371,068,800	2,371,068,800	. 529,157,390	•	529,157,390	2,900,226,190
Term deposits	13.30% ю 14.25%	396,000,000		396,000,000				396,000,000
		396,000,000	2,371,068,800	2,767,068,800	529,157,390		529,157,390	3,296,226,190
Loan and other receivables		•	-	-	79,782,914	-	79,782,914	79,782,914
Insurance / reinsurance receivables			-	•	784,409,118	•	784,409,118	784,409,118
Reinsurance recoveries against outstanding	claims	-	•	-	33,671,939		13,671,939	33,671,939
Cash and bank	8.00% to 11.30%	66,119,313		66,119,313	750,965	•	750,965	66,870,278
		462,119,313	2,371,068,800	2,833,188,113	1,427,772,326		1,427,772,326	4,260,960,439
Financial liabilities								
Outstanding claims including IBNR			-	-	2,018,435,227		2,018,435,227	2,018,435,227
Insurance / reinsurance payables		-	•		219,575,469		219,575,469	219,575,469
Other creditors and accruals		•	-		10,694,382	-	10,694,382	10,694,382
Lease liability	10.51%	1,282,500	2,705,625	3,988,125				3,988,125
		1,282,500	2,705,625	3,988,125	2,248,705,077		2,248,705,077	2,252,693,202
On balance sheet gap (a)		460,836,813	2,368,363,175	2,829,199,988	(820,932,752)		(820,932,752)	2,008,267,236
Off balance sheet financial instrument				-	•		-	•
Off balance sheet gap (b)			-	-		-		
Total interest rate sensitivity gap (a) + (b)	•	460,836,813	2,368,363,175	2,829,199,988				
Cumulative interest rate sensitivity gap	, -	460,836,813	2,368,363,175					

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

	Carrying	amount
	2020	2019
	Rup	ees
Fixed rate instruments	•	,
Financial assets	2,112,205,261	2,173,318,800
Variable rate instruments		
Financial assets	703,368,403	659,869,313

#### 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	100 bp	100 bp	100 bp
	increase	decrease	increase	decrease
As at December 31, 2020				•
Sensitivity	7,033,684	(7,033,684)	4,993,916	(4,993,916)
As at December 31, 2019				
Sensitivity	6,598,693	(6,598,693)	4,685,072	(4,685,072)

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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

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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.

#### 36.2.3 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, 2020 is the carrying amount of the financial assets as set out below:

	2020	2019
	Ru	pees
Nature of financial assets		
Bank balances	109,618,403	66,119,313
Investments		•
Debt securities	3,366,363,486	2,900,226,190
Term deposits	200,000,000	396,000,000
	3,566,363,486	3,296,226,190
Due from insurance contract holders	523,903,316	722,168,467
Due from other insurers / reinsurers	72,393,409	62,240,651
Loans and other receivables	83,544,606	79,782,914
Reinsurance recoveries against outstanding claims	18,671,953	33,671,939
	4,374,495,173	4,260,209,474

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	1,274,290	1,475,066
3 to 6 months	1,389,419	32,195,861
6 to 12 months	74,432	76,025,947
	2,738,141	109,696,874

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

Upto 3 months		333,821,129	14,518,405
3 to 6 months		185,612,558	35,143,625
6 to 12 months	÷_	1,731,488	300,096,132
More than 12 months		<u>-</u>	262,713,431
		521,165,175	612,471,593

#### 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:

Name of banks	Rat	ing	Detinant	2070	2010
Trame of Danks	Long term	Short term	Rating agency	2020	2019
				Rupe	es <u></u>
Cash at bank			,	•	
Sindh Bank Limited	A+	A-1	JCR-VIS	108,763,161	65,211,761
NRSP Microfinance Bank Limited	Α	A-I	JCR-VIS	350,568	492,113
Khushali Microfinance Bank Limited	A+	A-1	JCR-VIS	114,413	105,121
Telenor Microfinance Bank Limited	A+	A-1	JCR-VIS	330,260	310,318
·				109,558,402	66,119,313
Term deposit certificates			-	·	- (
Sindh Bank Limited	A+	A-1	JCR-VIS	200,000,000	200,000,000
NRSP Microfinance Bank Limited,					196,000,000
·		`	_	1 200,000,000	396,000,000
Investments			_	<del></del>	
Term finance certificates					
Meezan Bank Limited	AA+	A-1+	JCR-VIS	143,000,000	143,000,000
Bank Al Habib Limited	AA+	A-1+	PACRA	132,000,000	132,000,000
Soneri Bank Limited	AA-	A-1+	PACRA	150,000,000	150,000,000
United Bank Limited	. AAA	A-1	JCR-VIS	150,000,000	150,000,000
Corporate Sukuk				. ,	
TPL Trakker Limited	A+	_	PACRA	18,750,000	18,750,000
			_	593,750,000	593,750,000

#### 37 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.

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:

Name of banks	Rat	ing	-	****	·
Name of banks	Long term	Short term	Rating agency	2020 '	2019
<u>.</u>				Rupe	es
Cash at bank					
Sindh Bank Limited	A+	A-1	JCR-VIS	108,763,161	65,211,761
NRSP Microfinance Bank Limited	A	A-1	JCR-VIS	350,568	492,113
Khushali Microfinance Bank Limited	A+	A-1	JCR-VIS	114,413	105,121
Telenor Microfinance Bank Limited	A+	A-1	JCR-VIS	330,260	310,318
			-	109,558,402	66,119,313
Term deposit certificates			-		
Sindh Bank Limited	A+	A-1	JCR-VIS	200,000,000	200,000,000
NRSP Microfinance Bank Limited,				•	196,000,000
*		`		200,000,000	396,000,000
Investments					······································
Term finance certificates					
Meezan Bank Limited	AA+	A-1+	JCR-VIS	143,000,000	143,000,000
Bank Al Habib Limited	AA+	A-I+	PACRA	132,000,000	132,000,000
Soneri Bank Limited	AA-	A-1+	PACRA	150,000,000	150,000,000
United Bank Limited	. AAA	A-1	JCR-VIS	150,000,000	150,000,000
Corporate Sukuk					
TPL Trakker Limited	A+	_	PACRA	18,750,000	18,750,000
				593,750,000	593,750,000

#### 37 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.

sets approximately as the fair or is mercan or displaced in the frame as 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.

		Total		     		2,375,557,871								4	2,375,557,871					,	2.375,557.871	
	Fair value	Level 3	Rupees)			575,000,000		-							575,000,000						575 000 000	
	Fai	Level 2	()	<u> </u>		1,800,557,871			,	A.			•		1,800,557,871				•		1.800.557.871	
		Level 1							-				٠									
		Total				2,375,557,871			990,805,615	200,000,000	83,544,606	596,296,725		18,671,953	4,375,604,279			(1,968,966,259)	(137,988,778)	(1,198,083)	2.259,192,619	
2020		Other financial liabilities								•	•	•		•				(1,968,966,259)	(137,988,778)	(1,198,083)	(2.116,411,660)	
	Carrying amount	ncial	(Rupees)			•				200,000,000				000 500	310,727,509			•	4		310.727.509	
	Carryi	Loans and receivables	(Ru			•				•	83,544,606	596,296,725		18,671,953	698,513,284			•			698,513,284	
		Available for sale				2,375,557,871				•		•		•	2,375,557,871			1			2,375,557,871	
		Held-to- maturity				4			990,805,615			•			990,805,615			•			990,805,615	
4				Financial assets measured at fair value	Investments	Debt securities	Financial assets not measured at fair	value Investments	Debt securities	Term deposits	Loans and other receivable*	Insurance / reinsurance receivable*	Re-insurance recoveries against	outstanding claims*	כיבאו מות ספות חפות הפיים	Timonof lightliften a temperature	fair value	Outstanding claims including IBNR*	Insurance / reinsurance payables*	Other creditors and accruals*	Lease madinity	

	The second	Avaliable for 1	Loans and receivables	Other Senncial, assets	Other fin liabilities		Level I	Lever	Cevel 3	I otal
			(Ru	(Rupees)				(R	(Rupees)	
Financial assets measured at fair										
. value										
Investments										
Debt securities	•	2,242,629,421	•		.*	2,242,629,421	а :	1,667,629,421	575,000,000	2,242,629,42
		•		÷						
Financial assets not measured at fair										
value	:									
Investments				:						
Debt securities	657,596,769	:	t.			996 365 259			-	
Term deposits		.;	1	396 000 000	1	396.000.000	-			
Insurance / reinsurance receivable*	•	•	784 409 117		•	784 409 117				
Loans and other receivable*		•	79 782.914	•		79.782.914				
Re-insurance recovenes against		· · ·					•			
outstanding claims*		1. 	33,671,939		•	33.671.939				
Cash and bank balance*				66,870,278		66,870,278				
	657,596,769	2,242,629,421	897,863,970	462,870,278		4,260,960,438		1,667,629,421	575,000,000	2,242,629,421
Financial liabilities not measured at										
fair value						٠.				
Outstanding claims including IBNR*						(2,018,435,227)				
Insurance / reinsurance payables*		•			(219,575,469)	(219,575,469)		· ·	_	
Other creditors and accruals*					(10,694,382)	(10,694,382)		*		
Lease liability					(3,281,886)	(3,281,886)			.	i
	657,596,769	2,242,629,421	897,863,970	462,870,278	(2,251,986,963)	2,008,973,475	1	1,667,629,421	575,000,000	2,242,629,421

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

#### 39 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

On January 30, 2020, The International Health Regulations Emergency Committee of the World Health Organization declared the COVID-19 outbreak "Public Health Emergency of International Concern". Many countries including Pakistan have enacted protection measures against COVID-19, with a significant impact on economic activities in these countries. The evolution of COVID-19 as well as its impact on the global and the local economy is difficult to predict at this stage. As of the release date of these financial statements, there has been no specifically material quantifiable impact of COVID-19 on the Company's financial condition or results of operations.

		2020	2019
40 NUMBER OF EMPLOYEES	1		
Number of employees at the end of the year	•	19	18
Average number of employees		15	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 <u>2 9 MAR 2021</u> by the Board of Directors of the Company.

43 GENERAL

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

HAIRWAND CHIEF EXECUTIVE OFFICER

DIRECTOR DIRECTOR



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, 2020, with the Takaful Rules, 2012, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of compliance of the 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 Control

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



The firm applies International Standard on Quality Control 1 "Quality Control for Firms That Perform 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

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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:

- 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

## BDO

• Reviewed the statement of management's assessment of compliance of the Takaful transactions during the year ended December 31, 2020 with the Takaful Rules, 2012.

#### Conclusion

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

In our conclusion, the annexed statement, for the year ended December 31, 2020, presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

KARACHI

DATED: MARCH 29, 2021

CHARTERED ACCOUNTANTS

Engagement Partner: Zulfikar Ali Causer

IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO



## 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, 2020 are in compliance with the Takaful Rules, 2012.

We affirm the following statements:

- 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;
- 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;
- 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.

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Above state/nents have been duly endorsed by the Shariah Advisor of the Company.

Munammad Faisal Siddiqui

Chief Executive Officer

March 29, 2021

Karachi

IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO



## Shariah Advisor's Report to the Board of Directors

For the year ended December 31, 2020

By the Grace of Almighty Allah, Sindh Insurance Limited has continued Window Takaful Operations in year 2020.

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.
- 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.

Multi Muhammad Adnan

Shariah Advisor

Sindh Insurance Limited - Window Takaful Operation

March 29, 2021

Karachi



FINANCIAL STATEMENTS
OF
SINDH INSURANCE LIMITED
(WINDOW TAKAFUL OPERATIONS)
FOR THE YEAR ENDED
DECEMBER 31, 2020



Tel: +92 21 3568 3030 Fax: +92 21 3568 4239 www.bdo.com.pk 2nd Floor, Block-C Lakson Square, Building No.1 Sarwar Shaheed Road Karachi-74200 Pakistan

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SINDH INSURANCE LIMITED (WINDOW TAKAFUL OPERATIONS)

Report on the Audit of the Financial Statements

#### Opinion

We have audited the annexed financial statements of SINDH INSURANCE LIMITED (WINDOW TAKAFUL OPERATIONS), (the Operator), which comprise the statement of financial position as at December 31, 2020, and profit and loss account, the statement of comprehensive income, the statement of cash flows, the statement of changes in funds 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 funds together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Operator's affairs as at December 31, 2020 and of the profit, total comprehensive income, the changes in funds and its cash flows for the year then ended.

#### Basis for Opinion

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Operator's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Operator's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Operator to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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 insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);
- b) 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 funds 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 Operator's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

## BDO

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

KARACHI

DATED: 2 9 MAR 2021

BDO EBRAHIM & CO. CHARTERED ACCOUNTANTS

## SINDH INSURANCE LIMITED - WINDOW TAKAFUL OPERATIONS STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020

		Operato	r's Fund	Participant's	Takaful Fund
	- T	2020	2019	2020	2019
	Note -	Ru	pees	Ru	pees
ASSETS					
Property and equipment	6	. 32,328	40,849		•
Intangible assets	7	152,501	766,612		. ja 12 14 14 14 14 14 14 14 14 14 14 14 14 14
Investments				મહિલ સાહેર 🔑 નીકો	wyst i briskij
Equity securities	. 8 [	13,201,876	41,556,128	1,829,286	1,696,5
Debt securities	9		9,628,373	<b>新发展的</b>	总域 3% 60%
Term deposit receipts	10 [	25,000,000	The state of the s	35,000,000	朝 政 通信
		38,201,876	51,184,501	36,829,286	1,696,5
Qard-e-Hasna to Participants' Takaful Fund	11	18,000,000			<b>没有事题</b>
Loan and other receivables	12	937,850	653,891	1,218,635	35,0
Takaful / retakaful receivables	13			1,720,785	955,6
Receivable from PTF	14	2,814,110	732,219	era sara kalanda 🎳 ka	
Deferred wakala fee expense	27			2,601,745	2,845,1
Deferred commission expense	28	1,312	34,442		
Prepayments	15	8,527		286,180	758,3
Taxation - payments less provision	16			501,862	374,3
Cash and bank	17: _	7,863,620	14,047,271	1,924,087	16,975.3
OTAL ASSETS		68,012,124	67,459,785	45,082,580	23,640 <u>,5</u>
UND AND LIABILITIES					mark Pint, 77
Operator's fund		King Canada Manada Marah	t grade (Chally) on all Library		49440 (201 <u>3)</u>
Statutory fund	18	50,000,000	50,000,000		tag og skip bliker av prop Hall skip i Station i States
Revaluation reserve on available for sale investment:		89,489	I,104,850		
Accumulated profit		11,636,990	6,122,607	2014 B 1 - 1	ing districtly
Total Operators Fund		61,726,479	57,227,457		
Participants takaful fund Ceded money			1 Very 1 19 Trial	500,000	500.0
Revaluation reserve on available for sale investment				500,000	500,00
Accumulated surplus				79,643	85,1
Accumulated surplus  Balance of Participants' Takaful Fund		<u>Caffel Schauserr≢ 4 St∏E</u>	A. A. A. A. A. A. A. A. A. A. A. A. A.	5,335,169	123,1
Datasce of Farticipants Taxator Fund			그 물 병원 환경장	5,914,812	708,20
Qard-e-Hasna from Operator's Fund	11			18,000,000	
				* 17.10,000,000	
IABILITIE <b>S</b>					
PTF underwriting provisions		3.4	7 - 7 1 15 - 7 2 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1		
Outstanding claims including IBNR	26 🗔		1 and the	5,729,876	2,843,96
Unearned contribution reserve	24			7,818,904	8,713,21
Unearned retakaful rebate	25			60,719	174.42
		<del></del>	Committee and the State	13,609,499	11,731,59
Incarned wakala fee	27	2,601,745	2,845,180		
Contribution received in advance		-,002,175		108,232	4,825,65
akaful / re-takaful payables	19			2,645.355	3,512,71
ayable to OPF	14			2,814,110	732,21
Other creditors and accruals	20	750,571	5,929,408	1,990,572	2,117,76
eferred taxation	. 21	974	338,245	د کی ماه صوفاح جوم د کی ماه صوفاح جوم	12,28
axation - provision less payments	22	2,932,355	I,119,495		12,20
TAL LIABILITIES		≤ 6,285,645	10.232.328	21,167,768	22 932 24
/ IAL LIABLEITES		70 010 TO	67,459,785	45,082,580	23,640,512
OTAL FUND AND LIABILITIES		68,012,124	0/439/01		

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

CHIEFEKECUTIVE OF

DIREC

DIRECTOR

# SINDH INSURANCE LIMITED - WINDOW TAKAFUL OPERATIONS PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2020

		2020	2019
	Note -	Rupees	
Participants! Takaful Fund			1 2 2 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3
Contributions earned	24	11,368,051	9,541,527
Less: Contributions ceded to retakaful	24	(4,321,629)	(3,526,583)
Net contributions revenue	. A 19	7,046,422	6,014,944
Retakaful rebate earned	25	279,027	249,815
Net underwriting income		7,325,449	6,264,759
Net clauns - reported / settled - IBNR	26	(4,313,303)	(4,156,169)
Other direct expenses	_	(1,411)	(192,372)
Surplus before investment income		3,010,735	1,916,218
Investment income	30	937,872	1,611,335
Other income	31 (	1,638,039	551,251
Less: Modarib's share of investment income	32	(374,620)	(412,181)
Surplus transferred to accumulated surplus		5,212,026	3,666,623
		programming distribution of	prings uping the
Operator's Fund			
Wakala fee	27	5,576,760	4,535,205
Commission expense	28	(26,392)	(103,256)
General administrative and management expenses	29	(3,130,223)	(4,266,201)
	<del>-</del>	2,420,145	165,748
Modarib's share of PTF investment income	32	374.620	412.181
Investment income	30	4,052,341	2,883,630
Direct expenses	33	(208,950)	(193,375)
Other income	31	1,128,577	357,077
Profit before taxation		7,766,733	3,625,261
Income tax expense	34	(2,252,350)	(877,789)
Profit after taxation	<del>-</del> -	5,514,383	2,747,472
		ular the performance	

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

CHAIRINA

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

# SINDH INSURANCE LIMITED - WINDOW TAKAFUL OPERATIONS STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2020

•	
2020	2019
Kuh	· ecs
5,212,026	3,666,62
(5,481)	55,05
5,206,545	3,721,67
5,514,383	2,747,47
(1,015,361)	1,104,850
4,499,022	3,852,322
	6
	5,212,026  (5,481)  5,206,545  (1,015,361)

CHAIRMAN CHUE

CHIÉF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

# SINDH INSURANCE LIMITED - WINDOW TAKAFUL OPERATIONS STATEMENT OF CHANGES IN FUNDS FOR THE YEAR ENDED DECEMBER 31, 2020

		Unrealised gain / (loss) on revaluation of		
	Statutory fund	available for	Accumulated profit	Total
		sale   investments -   net	pront.	
		Rup	ees <del></del>	ter di de grante de sale de destale. La companya de la companya de la companya de la companya de la companya de la companya de la companya de la co
Balance as at January 01, 2019 Total comprehensive income for the year	50,000,000		3,375,135	53,375,135
Profit for the year Other comprehensive income for the year		1,104,850	2,747,472	2,747,472 1,104,850
Balance as at December 31, 2019	50,000,000	1,104,850 1,104,850	2,747,472 6,122,607	3,85 <u>2,322</u> 57,227,457
Total comprehensive income for the year				
Profit for the year Other comprehensive loss for the year		(1,015,361)	5,514,383	5,514,383 (1,015,361)
Balance as at December 31, 2020	50.000 000v	(1,015,361)	5,514,383	4,499,022
Datalice as at December 31, 2020	50,000,000	89,489	11.636,990	61,726,479
		Participants'	Cakaful Fund	a de grafistado .
	Ceded Money	Unrealised gain / (loss) on revaluation of available for sale investments - net	Accumulated (deficit)/ surplus	Total
		Rupee	Service and the service of the servi	the first of the first of the
Balance as at January 01, 2019 Total comprehensive income for the year	500,000	30,074	(3,543,480)	(3,013,406)
Surplus for the year Other comprehensive income for the year		55,050	3,666,623	3,666,623 55,050
		55,050	3,666,623	3,721,673
Balance as at December 31, 2019	500,000	85,124	123,143	708,267
Total comprehensive income for the year				
Surplus for the year Other comprehensive loss for the year	-	(5,481)	5,212,026	5,212,026 (5,481)
Balance as at December 31, 2020	500,000	(5,481) 79,643	5,212,026 5,335,169	5,206,545 5,914,812
The apprexed notes from 1 to 45 form an integral part of		11.00.00	n	Coming .
CHAIRMAN CHIEF EXECUTIVE OFFI	CER	DIRECTOR	· · · · · · · · · · · · · · · · · · ·	DIRECTOR .

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

	Operator's Fund	Participant's Takaful Fund	
	2020 2019	2020 2019	
OPERATING CASH FLOWS	Rupees	Rupees	
a) Takaful activities		그리 말하고 하장 생활을 잃었다.	
Contribution received		11,687,927 19,538,100	
Retakaful contribution paid		(5,364,937) (3,941,285)	
Wakala fee received / (paid)	2,536,206 8,795,219	(2,536,206) (8,795,219)	
Claims paid	2,550,200	(2,288,956) (3,019,266)	
Re-takaful and other recoveries received		12,565 714,397	
Commission paid	(221,349) (118,129)		
Modarib share received / (paid)	332,364 521,251	(332,364) (521,251)	
Rebate received		392,729 319,353	
Net cash generated from takaful activities	2,647,221 9,198,341	1,570,758 4,294,829	
b) Other operating activities	22 /2 /2 /2 /2 /2	1,570,756 4,254,025	
Income tax paid	(699,308) (384,723)	(127,510) (349,729)	
General and other expenses paid	(8,334,397) (2,029,422)	(26,365)	
Other operating payment	757,484 (513,639)	(937,085) (11,475)	
Other operating receipts		(1,110,358) 235,936	
Net cash used in other operating activities	(8,276,221) (2,927,784)	(2,174,954) (151,633)	
Net cash (used in) / generated from all operating activities	(5,629,000) 6,270,557	(604,195) 4,143,196	
		4/145/150	
INVESTMENT ACTIVITIES			
Profit / return received on investment	1,365,367 2,883,630	914,853 1,948,025	
Other income	1,128,577 357,077	1,638,039 551,251	
Purchase of investments	(25,000,000) (49,741,405)	(35,000,000) (105,346)	
Proceeds from disposal of investments	39,951,405	ing to the 🕡 👫 a site 🚉 🕟	
Net cash generated from / (used in) investing activities	17,445,349 (46,500,698)	(32,447,108) 2,393,930	
FINANCING ACTIVITIES			
Inter fund Qard-e-Hasna Transfer	(1 0 000 000)	to dod ood	
Total cash flow from financing activities	(18,000,000) 11,000,000 (18,000,000) 11,000,000	18,000,000 (11,000,000)	
Net cash used in all activities		[8,000,000] (11,000,000)	
Cash and cash equivalents at the beginning of year	(6,183,651) (29,230,141) 14,047,271 43,277,412	(15,051,303) (4,462,874) 16,975,390 21,438,264	
Cash and cash equivalents at end of the year	7,863,620		
	7,865,020	1,924,087	
Reconciliation to profit and loss account			
Operating cash flows	(5,629,000) 5,749,306	(604,195) 4,664,447	
Depreciation	(8,521) (17,379)		
Amortization	(614,111) (622,332)		
Income tax paid	699,308. 384,723	127,511 349,729	
Other income	1,503,197 419,181	1,638,039 101,681	
Increase / (decrease) in assets other than cash	2,341,247 (4,867,259)	1,360,606 (968,749)	
Decrease / (increase) in liabilities	5,422,272 (654,686)	1,752,194 (2,541,390)	
Investment income	4,052,341 3,233,707	937,872 2,060,905	
Profit before taxation	7,766,733 3,625,261	5,212,026 3,666,623	
		2,500 3 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	
he an pexed notes from 1 to 45 form an integral part of these figurdial statements.	<b>N</b> (2)		
( W ) .         . ep -	<del></del>	A. A.	
Will we will her with	// \Ti	Some?	
Hem I	1 - n		
HARMAN CHIEF EXECUTIVE OFFICER	DIRECTOR	DIRECTOR	
,	•		

# SINDH INSURANCE LIMITED - WINDOW TAKAFUL OPERATIONS NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

#### 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.
- 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 Standards / amendments that are effective in current year and relevant to the Operator

The Operator has adopted the standards / amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

Effective date (annual periods beginning on or after)

Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.

January 01, 2020

IFRS 7 Financial Instruments: Disclosures - Amendments regarding prereplacement issues in the context of the IBOR reform

January 01, 2020

IFRS 16 Leases - Amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification

January 01, 2020

IAS 1 Presentation of Financial Statements - amendments regarding the definition of materiality

January 01, 2020

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - amendments regarding the definition of materiality

January 01, 2020

Effective date (annual periods beginning on or after)

inancial Instruments: Recognition and Measurement mendments regarding pre-replacement issues in the context of e IBOR reform

January 01, 2020

Financial Instruments and Amendment to IFRS 4 Insurance Contracts-FRS 9 with IFRS 4

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

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

to IFRS 4 Insurance Contracts - Applying IFRS 9 Financial Instruments with active for annual periods beginning on or after July 01, 2018). The amendments e arising from the different effective dates of IFRS 9 and the forthcoming new to 17 Insurance Contracts. The amendments introduce two alternative options for ing contracts within the scope of IFRS 4, notably a temporary exemption and an groach. The temporary exemption enables eligible entities to defer the ion date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from 8 onwards to remove from profit or loss the effects of some of the accounting that may occur from applying IFRS 9 before IFRS 17 is applied.

r has determined that it is eligible for the temporary exemption option since the s not previously applied any version of IFRS 9, its activities are predominantly ith insurance as the percentage of the total carrying amount of its liabilities ith insurance relative to the total carrying amount of all its liabilities is greater than in the Operator doesn't engage in significant activities unconnected with insurance orical available information. Under the temporary exemption option, the Operator application of IFRS 9 until the application IFRS 17.

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

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

<u> </u>	Decembe	r 31, 2020	
Fail th	e SPPI test	Pass tl	e SPPI test
Fair value	Change in unrealised gain	Fair value	Change in unrealised gain
	Ru	Dees	

#### Financial assets - Operator's Fund

Qard-e-Hasna to Participants'	Takaful Fu		<u>-</u>	18,000,000	
Investments	a e fa		1.1		
Equity securities *	<u>;</u> `	13,201,876	126,043		
Term deposit receipts*			-	25.000.000	-
Loans and other receivable *		•	-	937.850	
Receivable from PTF *				2,814,110	
Cash at bank *	*. <u> </u>	<u>a a de la grada d</u>	·	7,863,620	7 - 3 - 2 -
		13,201,876	126,043	54,615,580	

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

Investments					
Equity securities*	1,829,286	37,284	2 · 1		_
Term deposit receipts*		-	35,000,000		-
Loan and other receivable *	•	-	1,218,635		_ :
Takaful / retakaful receivables *		<b>-</b> .	1,720,785		÷ .
Cash at bank *	<u> </u>		1,917,037		
	1,829,286	37,284	39,856,457	et, in	-

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

,		Dacamba	r 31, 2020	<del> </del>
	Gross carryi	ng amount of fina	ncial assets that r	ass SPPI test
• • • •	AAA	A+	A	Not rated
			Rupees	
Operator's fund  Qard-e-Hasna to Participants' Takaful Fund				
Qard-e-Hasna to Participants' Takaful Fund Loans and other receivable		-	•	18,000,000
Receivable from PTF			•	937,850
Cash at bank		7,818,903	***	2,814,110
Term deposit receipts within maturing 12	-	7,618,903	44,717	
months	25,000,000			
and the second s	25,000,000	7,818,903	44,717	21,751,960
Participant's Takaful Fund	25,000,000	7,818,903	44,/1/	21,731,960
Loan and other receivable				1,218,635
Takaful / retakaful receivables			rai (k. jano koji r	1,720,785
Cash at bank		1,916,710	327	
Term deposit receipts within maturing 12 months				
monds	35,000,000	•		·
,	35,000,000	1,916,710	327	2,939,420
	•			
Standards / amendments that	are effective i	n current vea	r and not re	levant to the
Operator				
Operator				er Comment of the Com
			Ef	fective date
			(an)	uual periods
				inning on or
			DCg	
				after)
IFRS 9 Financial Instruments - A	mendments rega	uding pre-repla	cement	4 4 4
issues in the context of the	e IBOR reform		'*	ary 01, 2020
		•		
TCDC 2 D				
IFRS 3 Business Combinations -	amendments to	clarify the defin	ition of	
a business		. * **	Janu	ary 01, 2020
			Ų.	
Other than the contratt	,	5. 1		
Other than the amendments to	standards mer	itioned above,	there are co	ertain annual
improvements made to IFRS that be	came effective of	during the year:	•	
Annual improvements to IFRSs (2	018 2020) (5	ralas		*
Annual improvements to 12105 (2	vio – 2020) Cy	cie:	•	•
IFRS 41 Agriculture			Janua	ary 01, 2020
			<del>- , - ,,</del>	
Standard Lands	00			
Standards / amendments not yet et	Hective			_
to the type were	.*		-	1.5
The following amendments to the	approved accor	inting standards	e ac annlicable	in Politica
would be effective from the date	approved accor	minig standard	as applicable	in rakistan
would be effective from the dates me	muonea below a	against the respe	ective standard:	
IFRS 4 Insurance Contracts - Ame	ndments regard	ing replacemen	t issues	
in the context of the IBOR			at 1	01 2021
in the context of the IDOK	TOTOTHT		Janua	ry 01, 2021

3.2

3.3

January 01, 2021

IFRS 7 Financial Instruments: Disclosures - Amendments regarding replacement issues in the context of the IBOR reform

	Effective date (annual periods beginning on or after)
IFRS 9 Financial Instruments - Amendments regarding replacer issues in the context of the IBOR reform	nent January 01, 2021
IAS 39 Financial Instruments - Amendments regarding replacer issues in the context of the IBOR reform	nent January 01, 2021
IFRS 16 Leases - Amendments regarding replacement issues in context of the IBOR reform	January 01, 2021
IFRS 3—Business Combinations - amendments updating a reference the Conceptual Framework  IAS 16 Property, Plant and Equipment - Amendments prohibiting company from deducting from the cost of property, plant	January 01, 2022 g a
equipment amounts received from selling items produced w.  the company is preparing the asset for its intended use  IAS 37 Provisions, Contingent Liabilities and Contingent Asset.	hile January 01, 2022
Amendments regarding the costs to include when assess whether a contract is onerous	And the second of the second o
IFRS 4 Insurance Contracts - Amendments regarding the expiry date the deferral approach	of January 01, 2023
IFRS 9 Financial Instruments - Amendments regarding the interaction IFRS 4 and IFRS 9	of January 01, 2023
IFRS 17 Insurance Contracts - Amendments to address concerns a implementation challenges that were identified after IFRS 17 we published	
IAS 1 Presentation of Financial Statements - Amendments regarding t classification of liabilities as current or non-current	he January 01, 2023
The annual improvements to IFRSs that are effective from the dates me respective standards:	ntioned below against

Effective date (annual periods beginning on or after)

# Annual improvements to IFRSs (2018 - 2020) Cycle:

IFRS 1 First-time Adoption of International Financial Reporting Standards

January 01, 2022

IFRS 9 Financial Instruments

January 01, 2022

# 3.4 Standards or interpretations not yet effective

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 Operator 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 Operator's financial statements in the period of initial application.

#### 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:

- Unearned contribution reserve	5.6.2
- Contribution due but unpaid - net	5.6.3
- Provision for outstanding claims (including IBNR)	5.7.1

	1	Note
- Prepaid retakaful contribution ceded		5.8.2
- Retakaful recoveries against outstanding claims		5.8.3
- Deferred commission expense		5.9
- Unearned retakaful rebate		5.9.2
- Taxation (current and deferred)		5.22
and the control of th		

#### 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 General Takaful Accounting Regulations, 2019

The Securities and Exchange Commission of Pakistan vide SRO 1416 (1) 2019 dated November 2019 has issued General Takaful Accounting Regulations, 2019. Accordingly, the Operator has changed the format for the preparation and presentation of these financial statements to comply with the requirement of these regulations. The application of these regulation for the purpose of preparation and presentation of the financial statements are effective from January 01, 2020. Accordingly, corresponding figures have been presented in accordance with the new regulations. However, the change had no impact on the profit and loss of Operators' Fund, surplus / deficit of the Participants' Takaful Fund or their respective fund balances. Significant changes in the statement of financial position and profit and loss account are given in note 5.2 of these financial statements.

# 5.2 Changes in presentation and disclosure of financial statements

As per General Takaful Accounting Regulations, 2019 ("the Regulations"), the presentation and disclosure requirements of the financial statements was changed for general and window takaful operators for accounting periods commencing on or after January 1, 2020. Accordingly, with effect from January 01, 2020 the format prescribed in the Regulation has been adopted, and changes to the presentation and disclosures in the financial statements have been applied.

Key changes in the prescribed Annexure include a change in the presentation of assets / liabilities in the statement of financial position. Disaggregation of underwriting results and other elements of the statement of profit and loss account. Other than these, there have also been certain changes in the nomenclature of various elements of the financial statements. These do not have any financial impact on the profitability and opening retained earnings. Some of the key changes resulting from the change in accounting policy, as aforementioned, on the prior year the financial statements has been summarized below:

# 5.2.1 Statement of financial position

•		,		
	Serial	New Classification	Previous classification	2019
1		•		ž.
1	no.	and presentation	and presentation	Rupees
ļ				
	1	Taxation - payment less provision	Taxation - net	374,351
1				
	2	Classified under "Receivable from	Separately disclosed in the	
J	_	PTF", as "Wakala fee receivable".	statement of financial	
		TIT, as waxara recreedyable :	the state of the s	
j ·			position, as "Wakala and modarib	. · · · · · · · · · · · · · · · · · · ·
}			fee receivable".	
J .				
	3	Classified under "Payable to OPF",	Separately disclosed in the	
1	-			•
	-	as "Wakala fee payable".	statement of financial	-
į			position, as "Wakala and modarib	•
			fee payable".	
ļ .		•		•
	4	Classified under "Receivable from	Classified under "Wakala and	•
	•			
		PTF", as "Modarib's share receivable		/
	-		share of investment".	42,501
	•		(2時、世界・教) (4月 ) としない	
	5	Classified under "Payable to OPF",	Classified under "Wakala and	
	,	as "Modarib's share payable".	modarib payable", as "Modarib	
•	,	as intoducto spirate bayante is		(40, 501)
			share of investment",	(42,501)
	6	Classified under "Receivable from	Classified under "Loans and	
· ·	1	PTF", as "other receivable / payable"		4
		, z	from Participant Takaful fund".	755,353
ř			nom rancipant takann mid.	دود, ده
<del>-</del> .	_			
	7.	Classified under "Receivable from	Classified under "Other creditors	
		PTF", as "other receivable / payable".	and accruals", as "Payable to	
			Operators fund".	(755,353)
	•			· · · · · · · · · · · · · · · · · · ·
	8	Classified under IID and tech la fram	71(F-1 4 (f7 1	:
	0	Classified under "Receivable from	Classified under "Loans and	
		PTF", as "other receivable / payable".	· · · · · · · · · · · · · · · · · · ·	
			from Operators fund".	65,635
		•		•
. •	9	Classified under "Receivable from	Classified under "Other creditors	
		PTF", as "other receivable / payable".	and the second of the second o	
Tanks			Participant Takaful fund".	(65,635)
	÷	¥ -		
	D., . #4		•	
5.2.2	Prom a	nd loss account		
		*	•	• *
	Serial	New Classification	Previous classification	
			and the second s	
	по.	and presentation	and presentation	
•				æ .
	1	Classified and deducted	Disclosed separately in the	
		from "Contribution	profit and loss account	
		earned" in the		A 525.205
The second secon		· · · · · · · · · · · · · · · · · · ·	for PTF as Wakala expense.	4,535,205
		profit and loss account	•	
•		for PTF, as Wakala fee,	•	•
	<b>~</b>	·		

Serial no.	New Classification and presentation	Previous classification and presentation	2019 Rupees
2 .	Separately disclosed in the profit and loss	Deducted from contribution earned under "Net Contribution	
•	account for PTF, as "Contribution ceded to retakaful".	Revenue! in the profit and loss account for PTF, as "Retakaful	
		expense".	3,526,583
3	Separately disclosed in the profit and loss	Classified under "Investment income" in the	
	account for OPF, as "Modarib's share of investment income".	profit and loss account for PTF / OPF.	412.181

# 5.3 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 statement of profit or loss.

# 5.4 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.

#### 5.5 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.

#### 5.6 Contribution

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#### 5.6.1 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;
- c) 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.

#### 5.6.2 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.

# 5.6.3 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.

# 5.6.4 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 31 December 2020. No contribution reserve is required as at December 31, 2020 as determined by actuary.

#### 5.7 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.

# 5.7.1 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.

#### 5.8 Retakaful contracts

# 5.8.1 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.

# 5.8.2 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.

# 5.8.3 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.

#### 5.9 Deferred commission

#### 5.9.1 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.

#### 5.9.2 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.

#### 5.10 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.

# 5.11 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.

#### 5.12 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.

# 5.13 Qard-e-Hasna

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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.

#### 5.14 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:

#### 5.14.1 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 gains / (losses) 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.

# 5.15 Employee benefits

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#### 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.

#### 5.16 Investment income

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

#### 5.17 Dividend

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

# 5.18 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 36.

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.

#### 5.19 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.

# 5.20 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.

# 5.21 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.

#### 5.22 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.

#### 5.23 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.

#### 5.24 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.

#### 5.25 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.

#### 5.26 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.

#### 5.27 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.

# 5.28 Cash and cash equivalents

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

# PROPERTY AND EQUIPMENT-OPERATOR'S FUND

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As at December 31,2020	23.734 39,500 63,234	As at December 31,2019	18112 36,601 54,713	As at December 31, 2020	1,714,499	As at December 31, 2019	1,100,388
Depreciation Depreciation Services	5,622 (2,899 (1,44) 8,521	Depreciation Depreciation for the	5,622 11,757 11,7379	ortisation satisfication year	614,111 (614,111	Amortisation Amortisation for the	622,332
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					2020 Rup	2019 nees
13	TAKAFUL / RE-TAKAFUL RECEIVABLES					
	Due from takaful participant holders  Less: provision for impairment of receivables				825,259	1,180,107
	from takaful participant holders	* - *			(230,865)	(702,724)
	Due from other takaful / re-takaful operators			•	594,394 1,126,391	477,383 478,279
	ere in each of the term of the				1,720,785	955,662
13.1	Due from takaful contract holders includes Rs 0.32	0 million d	ue from related p	arties (2019: Rs	0.207 million).	
-1.			. Operator	s Fund	Participants ?	fakaful Fund
•		Note —	2020 Rupe	2019 	2020 Rupe	2019 ees
14	RECEIVABLE FROM PTF / PAYABLE TO OF	PF				
·	Wakala fee receivable / payable Modarib share receivable / payable		2,797,119 84,757	42,501	(2,797,119) (84,757)	(42,501)
·	Other receivable / payable		(67,766)	689,718	67,766	(689,718)
		_	2,814,110	732,219	(2,814,110)	(732,219)
15	PREPAYMENTS					
100	Prepaid retakaful contribution ceded	24		-	286,180	758,346
1.						
l6 ,7	Prepaid expenses  FAXATION - PAYMENT LESS PROVISION	_	8,527 8.527	A - A - A - A - A - A - A - A - A - A -	286,180	758.346
- A	Prepaid expenses  FAXATION - PAYMENT LESS PROVISION  Advance tax					<u>. 1 4 </u>
- A	Prepaid expenses  FAXATION - PAYMENT LESS PROVISION				286,180	758.346
- A	Prepaid expenses  FAXATION - PAYMENT LESS PROVISION  Advance tax				286.180	758.346
- A	Prepaid expenses  FAXATION - PAYMENT LESS PROVISION  Advance tax  CASH AND BANK  Cash and cash equivalent  Policy and revenue stamps				286,180	758.346
- <i>E</i>	Prepaid expenses  FAXATION - PAYMENT LESS PROVISION  Advance tax  CASH AND BANK  Cash and cash equivalent	7.1	7,863,620	14,047,271	7,050 1,917,037	758.346 374,351
17 <b>C</b>	Prepaid expenses  FAXATION - PAYMENT LESS PROVISION  Advance tax  CASH AND BANK  Cash and eash equivalent  Policy and revenue stamps  Cash at bank  Saving accounts	7.1	7,863,620 7,863,620	14,047,271	7,050 1,917,037 1,924,087	758.346 374,351
7.1 T	Prepaid expenses  FAXATION - PAYMENT LESS PROVISION  Advance tax  CASH AND BANK  Cash and cash equivalent  Policy and revenue stamps  Cash at bank  Saving accounts	7.1	7,863,620 7,863,620	14,047,271	7,050 1,917,037 1,924,087	758.346 374,351
.7.1 T	Prepaid expenses  FAXATION - PAYMENT LESS PROVISION  Advance tax  CASH AND BANK  Cash and eash equivalent  Policy and revenue stamps  Cash at bank  Saving accounts	7.1	7,863,620 7,863,620	14,047,271	7,050 1,917,037 1,924,087	758.346 374,351
17.1 T. 8 S. A. se Ta	Prepaid expenses  FAXATION - PAYMENT LESS PROVISION  Advance tax  CASH AND BANK  Cash and cash equivalent Policy and revenue stamps  Cash at bank Saving accounts  17  TATUTORY FUND  mount of Rs. 50 million is deposited as statutory function 11(1)(c) of Takaful Rules, 2012 issued by SE akaful business shall transfer an amount of not less	7.1 do to 6.75% and to comp	7,863,620 7,863,620 per annum (2019)	14,047,271 : 3.53% to 5.51% s of paragraph 4	7,050  7,050  1,917,037 1,924,087  6) per annum, of circular no. 8 of interested to com	758.346  374,351  16,975,390 16,975,390 2014 read with mence Window
17.1 T. 18. S. A. Se Ta	Prepaid expenses  FAXATION - PAYMENT LESS PROVISION  Advance tax  CASH AND BANK  Cash and cash equivalent Policy and revenue stamps  Cash at bank Saving accounts  17  TATUTORY FUND  mount of Rs. 50 million is deposited as statutory function 11(1)(c) of Takaful Rules, 2012 issued by SE	7.1 do to 6.75% and to comp	7,863,620 7,863,620 per annum (2019)	14,047,271 : 3.53% to 5.51% s of paragraph 4	7,050  7,050  1,917,037 1,924,087  6) per annum, of circular no. 8 of interested to com	758.346  374,351  16,975,390 16,975,390 2014 read with mence Window
17.1 T. 8 S. A. se Ta Ta	Prepaid expenses  FAXATION - PAYMENT LESS PROVISION  Advance tax  CASH AND BANK  Cash and cash equivalent Policy and revenue stamps  Cash at bank Saving accounts  17  TATUTORY FUND  mount of Rs. 50 million is deposited as statutory function 11(1)(c) of Takaful Rules, 2012 issued by SE akaful business shall transfer an amount of not less	7.1 do to 6.75% and to comp	7,863,620 7,863,620 per annum (2019)	14,047,271 : 3.53% to 5.51% s of paragraph 4	7,050  1,917,037 1,924,087  6) per annum, of circular no. 8 of interested to comparate bank accounts.	758.346  374,351  16,975,390 16,975,390  2014 read with mence Window and for Window
7.1 T. 8 S. A. se Ta Ta	Prepaid expenses  FAXATION - PAYMENT LESS PROVISION  Advance tax  CASH AND BANK  Cash and cash equivalent Policy and revenue stamps  Cash at bank Saving accounts  17  TATUTORY FUND  mount of Rs. 50 million is deposited as statutory function 11(1)(c) of Takaful Rules, 2012 issued by SE ikaful business shall transfer an amount of not less ikaful business duly maintained in a scheduled bank  AKAFUL / RETAKAFUL PAYABLE  Due to takaful participants / re-takaful payable	7.1 do to 6.75% and to comp	7,863,620 7,863,620 per annum (2019)	14,047,271 : 3.53% to 5.51% s of paragraph 4	7,050  1,917,037 1,924,087  6) per annum, of circular no. 8 of interested to comparate bank accounts.	758.346  374,351  16,975,390 16,975,390  2014 read with mence Window and for Window
17.1 T. 18. S. A. Se Ta Ta	Prepaid expenses  FAXATION - PAYMENT LESS PROVISION  Advance tax  CASH AND BANK  Cash and cash equivalent Policy and revenue stamps  Cash at bank Saving accounts  17  TATUTORY FUND  mount of Rs. 50 million is deposited as statutory function 11(1)(c) of Takaful Rules, 2012 issued by SE akaful business shall transfer an amount of not less akaful business duly maintained in a scheduled bank  AKAFUL / RETAKAFUL PAYABLE	7.1 do to 6.75% and to comp	7,863,620 7,863,620 per annum (2019)	14,047,271 : 3.53% to 5.51% s of paragraph 4	7,050  1,917,037 1,924,087  6) per annum, of circular no. 8 of interested to comparate bank accounts.	758.346 374,351 16,975,390 16,975,390

		ż	Operator's I		Fund	Participants Ta	kaful Fund	
		*		2020	2019	2020	2019	
	•	Note		Rupees	J	Rupee	s	
						*		
20	OTHER CREDITORS AND ACCRUALS							
	Provincial sales tax on services					218,932	225,825	
	Federal insurance fee					30,607	17,260	
	Tax deducted / collected at source	:		13,262	214	59,517	501	
	Commission payable			53,508	248,465			
	Payable to Sindh Insurance Limited	20.1		145,213	5,074,803	1,245,516	1,425,682	
	Sundry creditors	5 ""	100	8,427	8,427	436,000	448,500	
	Accrued expenses	- 4 A		409,513	208,690			
	Provision for compensated leave absences	20.2	Zint Harri	16,857	139,736	ing to see a		
٠.	Provision for gratuity			103,791	249,073			
				750,571	5,929,408	1,990,572	2,117,768	
	· · · · · · · · · · · · · · · · · · ·							

20.1 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.

					Operati	or's Fund
20.	2 Provision for compensated leave absences				2020 Ruj	2019 pees———
	Opening balance Provision for the year Payments made during the year Closing balance				139,736 164,341 (287,220) 16,857	192,350 28,839 (81,453) 139,736
		\$ 1 x	Operator <sup>1</sup>	s Fund	Particinants	Takaful Fund
			2020	2019	2020	2019
21	DEFERRED TAXATION	Note	Rupee	·S	Rup	ees
	Deferred debits arising in respect of Provision for gratuity Accelerated tax depreciation Provision for compensated leaves absence	:s	(30,099) (590)	(72,231) (279)		
•			(4,889) (35,578)	(40,523) (113,033)	<u> </u>	<u> </u>
•	Deferred credits arising in respect of Unrealised gain on available for sale					
•	investments	• .	36,552 36,552	451,278		12,284
			974	451,278 338,245		12,284
			•		4	
					Operator	
					2020	2019
22	TAXATION - PROVISION LESS PAYMEN	ITS:	·	<del>.</del>	Rupe	:S
٠	Provision for income tax Less: Advance tax				3,792,147 (859,792)	1,617,250 (497,755)
23	CONTINGENCIES AND COMMITMENTS	<b>:</b>		=	2,932,355	1,119,495

There are no contingencies and commitments as at December 31, 2020 (December 31, 2019: Nil).

				Participants T	akaful Fund
	• ·			2020	2019
	and the second of the second o	•	Note	Rupe	es
24	NET TAKAFUL CONTRIBUTION		1000		
	Written gross contribution	1 d		16,050,505	14,170,302
	Less: wakala fee		27	(5,576,760)	(4,535,205)
	Contribution net of wakala fee		* **	10,473,745	9,635,097
	Add: unearned contribution reserve - opening	•		8,713,210	8,619,640
	Less: unearned contribution reserve - closing			(7,818,904)	(8,713,210)
	Contribution earned		:	11,368,051	9,541,527
		. Ta			
	Less: Re-takaful contribution ceded			3,849,463	3,762,721
	Prepaid re-takaful contribution ceded - op			758,346	522,208
	Prepaid re-takaful contribution ceded - cl	osing		(286,180)	(758,346)
	Re-takaful contribution expense	- 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1	· · · · · · · · · · · · · · · · · · ·	4,321,629	- 3,526,583
	and the state of the segment of the second o			7,046,422	6,014,944
25	RETAKAFUL REBATE				
				e vystie	
	Retakaful rebate-received or recoverable			392,729	180,277
	Unearned retakaful rebate - opening	1.3		(174,421)	(104,883)
Ċ.,	Unearned retakaful rebate - closing			60,719	174,421
:	Rebate from takaful operator			279,027	249,815
				4.2	74.7
26	NET TAKAFUL CLAIMS EXPENSE				
	Claim paid			2,288,956	3,019,266
	Outstanding claims including IBNR - opening			(2,843,968)	(907,918)
	Outstanding claims including IBNR - closing		26.1	5,729,876	2,843,968
	Claim expense	1	-	5,174,864	4,955,316
	Less: Re-takaful and other recoveries received		ſ	12,565	714,397
	Re-takaful and other recoveries in respect of	of			laga e a 🖟 e 📗
	outstanding claims - opening			(88,500)	(3,750)
	Re-takaful and other recoveries in respect of	$\mathbf{of}$			
	outstanding claims - closing			937,496	88,500
	Re-takaful and other recoveries revenue	4		861,561	799,147
	Net claim expense		• 2. <del>▼</del>	4,313,303	4,156,169

26.1 This includes provision for incurred but not reported (IBNR) amounting to Rs. 2.396 million (2019: Rs. 1.055 million).

#### 26.2 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	2017	2018	2019	2020	Total
	Estimate of ultimate claims cost:	-		Rupees		<del></del>
	At the end of accident year	150,845	1,845,753	3,18 <i>5</i> ,894	4,481,443	9,663,935
	One year later	186,566	2,784,293	2,701,635	5. 7. T	5,672,494 197,106
	Two years later Current estimate of cumulative claims	197,106 197,106	2,784,293	2,701,635	4,481,443	10,164,477
	Cumulative payment to date	(197,106)	(2,784,293)	(2,342,785)	(1,507,002)	(6,831,186)
	Liability recognised in statement of financial position	i santas e per	t gjille stat Militaria		2,974,441	3.333,291
					1	
				20	20-	2019
			N	ote	Rupee	S
				Barrier et a		
27	WAKALA FEE EXPENSE					
24	WAXADA FUE DAI BRUD		A STATE	4 T 2 T 4 T		
	Gross wakala fee		•	5.2	33,325	4,549,494
			* *	•	- ,	
	Deferred wakala fee expense - opening				45,180	2,830,891
	Deferred wakala fee expense - closing				01,745)	(2,845,180)
:	Net wakala expense			5,5	76,760	4,535,205
27.1	The Operator manages the general takaful op	erations of the	e participants	and charges .	35% for the	motor, 25%
	for the fire and property damage, 25% for the					
	25% for accident and health of the gross con					
	inward as wakala fee against the services.					
20	COMMISSION EXPENSE					
28	COMMISSION EXPENSE					
			÷			
	Commission paid or payable	\$40 A	\$1, 250 B		6,738)	118,129
	Deferred commission expense - opening		•		4,442	19,569
	Deferred commission expense - closing			: <u>'</u> ()	1,312)	(34,442)
		•		2	6,392	103,256
29	GENERAL ADMINISTRATIVE AND		ar dagbira.			
	MANAGEMENT EXPENSES					
		3				
	Employee benefit cost		20.1	1.70	<b>.</b> 227	2 1 40 506
		7	29.1	1,679		3,140,526
	Printing and stationery expenses	-		i contract of the contract of	0,000	94,750
	Depreciation	· ·	6		3,521	17,379
	Amortisation		7	614	,111	622,332
	Legal and professional charges	• • •		464	,177	8,499
	Employee health insurance	•		• •	775	76,810
	Miscellaneous			244	,412	305,905
	•	•	-			4,266,201
	•	-		2,100		+,200,201
20.1	Employee honest and					
29.1	Employee benefit cost					
						en en en en en en en en en en en en en e
	Salaries, allowance and other benefits			1,612	,766	3,053,138
	Charges for post employment benefit			66	461	87,388
				1,679		3.140.526

			Operator's	Fund.	Participants Takaful Fund		
			2020	2019	2020	2019	
		Note	Rupees-		Rupees	3	
		<u></u>				1	
30	INVESTMENT INCOM	Æ.					
15.		1		to Carlo Samuel I			
٠.	Income from equity se available for sale	curiues -					
	Mutual funds						
	Dividend income		1,299,598		177,094	89.54	
	Capital gain on sale	of investment	1,929,222		-		
				. He day			
•	Income from debt secu	arities -			As a second of		
	held to maturity						
	Return on debt secu	rities	49,298	331,233		_	
•		٠.		* *			
4.	Income from term dep						
	Return on term deposi	its	774,223	2,552,397	760,778	1,521,79	
. :		<u> </u>	4,052,341	2,883,630	937,872	1,611,33	
•	2000000			可以使用更多		分为选择的	
31	OTHER INCOME						
	Profit on bank deposits		833,061	350,077	935,226	449,57	
	Others	다 가 가 가 가 가 되었다. 사용	295,516	7,000	702,813	101,68	
			1,128,577	357,077	1,638,039	551,25	
	· · · · · · · · · · · · · · · · · · ·	-					
•		The second second			だいた 無機がたので たい	Alfa Sugari	
32	MODARIB'S FEE						
32							
32	The operator manages the	participants! inve	stments as a Mod	arib and charg	ge 20% Modarib's	share of th	
32	MODARIB'S FEE  The operator manages the investment income and pro	e participants! inve	stments as a Moda s earned by PTF.	arib and charg	ge 20% Modarib's	share of th	
32	The operator manages the	e participants' inve ofit on bank deposit	stments as a Modes s earned by PTF.	arib and charg			
32	The operator manages the	e participants! inve	stments as a Modes earned by PTF.	arib and charg	Operator's I	fund	
32	The operator manages the	e participants! inve	stments as a Modas earned by PTF.	arib and charg	Operator's I 2020	fund 2019	
	The operator manages the investment income and pro	e participants! inve ofit on bank deposit	stments as a Modes earned by PTF.	arib and charg	Operator's I	fund 2019	
32	The operator manages the	e participants! inve	suments as a Modes carned by PTF.	arib and charg	Operator's I 2020	fund 2019	
	The operator manages the investment income and pro	e participants! inve	stments as a Modas earned by PTF.		Operator's I 2020 Rupees-	Fund 2019	
	The operator manages the investment income and pro	e participants! inve ofit on bank deposit	stments as a Modes earned by PTF.	arib and charg	Operator's I 2020	Fund 2019	
	The operator manages the investment income and pro	e participants' inve	stments as a Modes earned by PTF.		Operator's I 2020 Rupees-	Fund 2019	
33	The operator manages the investment income and pro-	e participants! inve	stments as a Modas earned by PTF.		Operator's I 2020 Rupees-	Fund 2019	
33	The operator manages the investment income and produce	e participants' inve	stments as a Modes searned by PTF.		Operator's I 2020 Rupees- 208,950	Fund 2019 193,375	
33	The operator manages the investment income and produce	e participants' inve	stments as a Modes carned by PTF.		Operator's I 2020 Rupees- 208,950 110,688 57,750	2019 2019 193,375 100,625 52,500	
33	The operator manages the investment income and produce and produced by the investment income and produced by the investment income and produced by the investment income and produced by the content income and produced by the investment income and investment income and investment income and investment income and investment income and investment income and investment income and investment income and investment income and investment income and investment income and investment income and investment income and investment in the investment income and investment income and investment in the investment income and investment income and investment income and investment income and investment income and investment income and investment income and investment income and investment in the investment income and investment in the investment in the investment in the investme	e participants! inve	stments as a Modas earned by PTF.		Operator's I 2020 Rupees- 208,950  110,688 57,750 35,000	193,375 100,625 52,500 35,000	
33	The operator manages the investment income and produce	e participants' inve	stments as a Modas earned by PTF.		Operator's I 2020 Rupees- 208,950 110,688 57,750	193,375 100,625 52,500	

				. 2020 Rup	2019
34	INCOME TAX EX	PENSE			
÷	For the year Current Deferred			2,174,897 77,453 2,252,350	996,599 (118,810) 877,789
34.1	Relationship between The relationship be Accounting profit	tween tax expe	ense and accounting		3,625,261
	Tax @ 29%			2,252,350	1,051,326
	Effect of income no	t allowed			(48,518)

#### 35 TRANSACTIONS WITH RELATED PARTIES

Effect of turnover tax u/s 113

Provision for taxation

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 the year			Operato	Operators' Fund		akaful Fund
Name of related party	Nature of relationship	Nature of transaction	2020 Ruj	2019 Dees	202 <b>0</b> Rupe	2019
Sindh Bank Limited	Common directorship	Profit on bank balances Net contribution Gross contribution Claims paid	780,542	350,077	818,928 2,186,829 2,077,615 720,568	270,103 2,209,366 2,191,418 396,433
Sindh Modarba Management Limited Balances outstanding as at	Common directorship	Net contribution Gross contribution Claims paid	• . 	• •	381,681 310,683 237,797	324,986 311,557 35,550
Sindh Bank Limited	Common directorship	Cash and bank Due from takaful contract holder Claims payable	7,818,903 - -	14,047,271	1,916,710 312,476 123,850	14,898,548 182,980 127,875
Sindh Modarba Management Limited	Common directorship	Due from takaful contract holder Claims payable	- : -	± 	8,328 278,663	6,411 100,000

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36.1	
36.1	
36.1	
36.1 Operator's	֡

Total	2,576,760 (3,130,223 26,392 (3,103,831 2,472,929 2,472,929 3,74,620 4,052,341 1,1128,577 (208,950)	21,946,628 46,065,496 68,012,124 5,535,074 750,571	おなず 大選者にはおるままにといい
Miscellaneous Treaty	143,629 (116,971) 30,166 (86,805) 56,824	820,108	新教院 多多丁 医多种人 不利 化多层的
2020 Accident and Misc. health Rupees	(303,764) (303,764) (203,764) (203,589	2,129,753	はない。一般ないのでは、これには、一般ないでは、
Motor	4,825,598 (2,666,692) (16,112) (2,682,804) 2,142,794	18,696,719 47115,427	はない かけっぱい いかだい
Marine, aviation and transport	16,468 6,201 10,984 17,185 31,653	(43,475)	の意思を記述を記述を表する
Fire and property damage	191,712 (48,996) 1,1354 (47,642) 144,070	343,523	では、他はなどのではない。
	Wakala fee  Management expenses Commission expenses Net commission and expenses  Nodarib's share of PTE investment income; Net investment income Other income Other expenses Profit before tax	Opporate segment assets. Corporate un-allocated assets Total assets Coporate segment liabilities Corporate un-allocated liabilities Total liabilities	他できない。 また、 まま 一 ガース・コース・コース・コース・コース・コース・コース・コース・コース・コース・コ

	Treaty Total	15.794.114 15.794.114 (1.1507.602	14,10,302 12,644,838 1,405,209 120,255 14,170,302	(4,535,205 9,541,527 (3,526,583 6,014,944 1,249,815	(4.955.316) 7.99.147 (4.156.169) (192.372)	1,016,218 1,011,333 3,512,231 (412,181) 3,666,623 16,565,120	23,640,512 
	Miscellaneous	728,538 (56,605) (4,595) 667.338	447,867 209,852 9,619 667,338 (427,892)	(89.753) (89.753) (24.11) (24.11)	(71,027)	(95,138): " " " " " " " " " " " " " " " " " " "	945,418
2019	Accident and health	1:574.906	1,569,906 1,5000 1,574,906 (146,114)	1,572,585	(83,666)	088.119	2231,172
	Motor	(1,992,257 (1,352,182) (104,012) (10536,063)	10.262;010 183,469 90;584 110;536,063	7,038.156 (2,447.394) (2,44.610,762 7,666 (3,905.587)	(3.194.940)	4.955.726	14926456
Marine,	aviation & fransport	149,028	149,028	47,831 (9,5,73) (9,5,73) (13,193) (13,193) (13,193)	687		211:128
Fire and	property	1349;385 (98,815) (7,603)	365,055 862,860 13,052 1,242,967 (215,828)	(69107) (69107) (69107) (69107) (69207) (69207)	(7,223)	284,640	1760913
		Segment results Contribution receivable Less: Federal exercise duty Federal insurance fee Gross written contribution	Direct contribution Facultative inward contribution Administrative surcharge Wakala expense Takani contribution carred	Re-tataful cxpense Net takrful contribution Rebate-from re-takrful öperators Net underwriting income Takaful claums Re-takrful et al.	Net claims  Direct expenses  Commission-expense  Management expense  Contribution deficiency expense  Surplus before in vestment income	Net investment income Investment income Other Income East: Modarib's stare of investment income Surplus for the period Coporate segment assets Coporate in-allocated assets Total assets	Corporate segment liabilities Corporate un-allocated liabilities Total liabilities

\*

#### 37 MOVEMENT IN INVESTMENTS

	maturity	sale	Total
	process of the second s	Rùpees	
Operator's Fund			
As at January 01, 2019	0.0000000	40,000,000	40 (20 27)
Additions	9,628,373	40,000,000	49,628,373
Fair Value net gain		1,556,128	1,556,128
	9,628,373	41,556,128	51,184,501
As at December 31, 2019	9,628,373	41,556,128	51,184,501
Additions		1,299,598	1,299,598
Deletion	(9,628,373)	(28,714,249)	(38,342,622)
Fair value loss (excluding net realised	i gains)	(939,601)	(939,601)
	(9,628,373)	(28,354,252)	(37,982,625)
As at June 30, 2020		13,201,876	13,201,876
Participants' Takaful fund			
As at January 01, 2019		1,551,927	1,551,927
Additions		89,545	89,545
Fair Value loss		55,050	55,050
		144,595	144,595
As at December 31, 2019	E. L. C. AND SMITH STATES	1,696,522	1,696,522
Additions		150,529	150,529
Fair value loss		(17,765)	(17,765)
마 전쟁(현장) 이 안 노랫됐		132,764	132,764
As at December 31, 2020		1,829,286	1,829,286

#### 38 MANAGEMENT OF TAKAFUL AND FINANCIAL RISK

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

#### 38.1 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.

#### 38.1.1 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:

Ţ		7	202	0		<u> </u>	2019		1
1	Clars of business	Gross claim lisbility		Gross contribution (lability	Net contribution liability	Gross claims	Net claims liability	Gross Net contribution nijability	ļ.
Ŀ	n no na said		%	ध्या कर का है	F 775	Sala di Sala di Nata y	- %	and a light from the street of the second	ŀ
	Fire and property damage	0.16%	-0.19%	1.97%	0.76%	1%	11/4	8% 2%	4
,	Marine, eviation and transport	0.04%	0.05%	0%	0%	0.02%	0.02%	1% 0,12%	4
	Motor	92.54%	92,64%	83,24%	86.00%	72%	74%	77% 84%	ď
	Accident and Health	4.96%	4.36%	12.03%	12.49%	22%	22%	11% 12%	e j
	Miscellaneous .	2.30%	2,75%	2.76%	0.75%	5%	3%	3% 1%	٤.

# 38.1.2 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:

	Gross sum	Reinsurance	Net exposure of	Net exposure of
		2020		2019
		R1	upees-	and the contract of the second
		5 7 7 7 7 7	7.00克克克莱节。	
Fire and property	60,000,000	54,000,000	6,000,000	400,000,000
Marine, aviation and transport	60,103,995	54,093,596	6,010,399	61,414,947
Motor .	16,899,000	12,674,250	4,224,750	5,006,500
Accident and health	26,033		26,033	1,524,629
Miscellaneous	19,718,623	14,788,967	4,929,656	30,025,000
	156,747,651	135,556,813	21,190,838	497,971,076

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.

# 38.1.3 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.

#### 38.1.4 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.

#### 38.1.5 Sensitivity analysis

The Operator believes that the claim liabilities under takaful contracts outstanding at the period 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% increas	e in loss
Fire and pr	operty damage
Marine, avi	ation and transport
Motor	
Accident ar	id health
Miscellaneo	ous

Pre-tax p	orofit .	Shareholders' equity			
2020	2019	2020	2019		
Rupe	es	Rupe	es		
1 1 1 1 1 1	e garage				
556	(722)	395	(513)		
(171)	69	(121)	49		
(395,086)	(319,494)	(280,511)	(226,841)		
(36,824)		(26,145)	(62,740)		
194	(7,103)	138	(5,043)		
(431,330)	(415,617)	(306,245)	(295,088)		
	556 (171) (395,086) (36,824) 194	2020 2019  Rupees  556 (722) (171) 69 (395,086) (319,494) (36,824) (88,367) 194 (7,103)	2020     2019     2020       Rupees     Rupe       556     (722)     395       (171)     69     (121)       (395,086)     (319,494)     (280,511)       (36,824)     (88,367)     (26,145)       194     (7,103)     138		

	Pre-tax p	rofit	Shareholder	rs' equity
	2020	2019	2020	2019
	Rupe	es	Rup	ees
10% decrease in loss				
Fire and property damage	(556)	722	(395)	513
Marine, aviation and transport	171	(69)	121	(49)
Motor	395,086	319,494	280,511	226,841
Accident and health	36,824	88,367	26,145	62,740
Miscellaneous	(194)	7,103	(138) —	-5,043
	431,330	415,617	306,245	295,088

#### 38.2 Financial risk

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

# 38.2.1 Liquidity risk

Other creditors and accruals

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
			也是其中的實施的	2020.	<b>经应销售的</b>
	1		Ru	pees	
Operator's Fund Financial liabilities Other creditors		220,410	220,410	220,410	
Participants' Takaful Fund Financial Liabilities	:				
Outstanding claims		3,333,290	3,333,290	3,333,290	·
Takaful / re-takaful payables	, .	2,645,355	2,645,355	2,645,355	A Commence of the Commence of
Payable to OPF		2,814,110	2,814,110		
Other creditors and accruals	:	1,681,516	1,681,516	1,681,516	
	•	10,474,271	10,474,271	10,474,271	
	•		4, 11	——————————————————————————————————————	•
- :		Carrying amount	Contractual cash flows	Upto one year	Greater than
	ſ		20	19	
•	- [		Rup	ees	
Operator's Fund Financial liabilities					

5,786,353

5,786,353

Carrying amount	Contractual cash flows	Upto one year	Greater than one year			
	2019					
	Ruj	oees				

# Participants' Takaful Fund

Financial Liabilities	*			
Outstanding claims	2,843,968	2,843,968	. •	2,843,968
Takaful / re-takaful payables:	3,512,717	3,512,717	3,512,717	ing and the second seco
Payable to OPF	732,219	732,219	732,219	
Other creditors and accruals	1,874,182	1,874,182	1,874,182	เมื่อให้เหลือน - คือเก๋
	8,963,086	8,963,086	6,119,118	2,843,968

#### 38.2.2 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:

Operator's Fund			Profit bearing	Sub total		Majority utter	Sub total	Total
Financial assets Investments Equity scourtings Term deposits	5.52%-6.52%	25,000,000		25,000,000	13,201,876		13,201,876	13,201,876 25,000,000
Qard-e-Hasna to Ponticipent's Tabalul Fun Loans and other rees vable Receivable from PTF Cash and bank	d 3.4%-5.75%	23,000,000 7,863,620	•	25,000,000 7,563,620	13,201,876 861,929 2,814,110	18,000,000	13,201,876 18,000,000 261,929 2,814,110	38,201,876 18,000,000 861,929 2,814,110 7,863,620
Financial liabilities Other creditors and accusals		57.863.620		57.863,620	16,877,913 220,410	11,000,000	34,877,915 220,410	67,741,535 220,410
On balance shoet gap (s) Off balance shoet financial instrument Off balance sheet gap (b)	-	37.863.620	•	57 163,620	220,410 16,657,505	18,000,000	220,410 34,657,505	220,410 67,521,125
Total interest rate sensitivity gap (a) + (b) Cumulative interest rate sensitivity gap		\$7,863,620 \$7,863,620		57,863,620				

Operator's Fund	Effective yield		Profit bearing			Non-profit bearing		4
Operator I vans	Profit rate	Maturity upto	Maturity after	Sub total	Maturity upto		Sub total	Total
	<u></u>	one year	one year		Ruptes	One Year		<del>.l</del>
Financial assets					-Kubtel			
Investments		-				• .		
Equity securities					41,356,12		41,556,128	41,55
Deat securities	15.9%				9,628,37	3	9,628,373	9,62
			-		51,184,50		51,184,501	
Loans and other receivable		•	1 ( a )		1,409,24	4 :	1,409,244	1,40
Receivable from PTF					732,21		732,219	
Cash and bank	3,53%-5,51%	14,047,271		14,047,27				14.04
		14,047,371		14,047,27		4 .	53,325,964	
Financial liabilities							1	
Other creditors and accruals					5,786,15		5,786,353	1.78
			<del>-</del>		5,786,35		5,786,353	
On balance sheet gap (a)		14,047,271		14.047,27	47,539,61		47,519,611	61,58
Off balance sheet financial instrument		tajny and jedina	50, 17 -201-	and the law of the second		Jakon Karang Kal	the second	3 397
Off balance sheet gap (b)		25.29 (50.2)		. 3				
on salator moor gap (a)			-1. 4.4 #1.5				-	
Total interest rate sensitivity gap (s) + (b)		[4,047,271		14,047,271				in the state of the
total interest rate sensitivity gap (s) + (b)		14,047,271		14,047,21				1.1
							5 L S S S S S S S S S S S S S S S S S S	ļ.,
Cumulative interest rate sensitivity gap	* *	14,047,271	<del></del> :			医乳质检验法		
			of States			S		- h
				<u> </u>	Competition and the			
		- 11 <sup>44</sup>		20	170			
Participants! Fund	Effective yield	16% A 1 12	Profit beering	- 1 TA	12.0	Non-profit bearing		
ramequality rails	Profit rate	Maturity unte	Meturity after	Sub total	Maturity upto	Maturity after	6 5 2 4 4 1	Total
	210101 1200	one year	one year	add total	DR4 YEAR	one year	Sub total	
	` <b>Ļ</b>			<del></del>	Rupeus			
inancial assets		المتراج المتراجح	and a before	راد و الأناف	Selection of Section	i diga di		
Investments		医动脉 机盐类		14 ( 1 ) 1 ( 1	rija - Til III se sagar	A Commence of the	e sa di Mila	· 1
Equity securities			1	and the State	1,829,286	Y	1,829,286	1,829
Term deposits	5.52%-6.52%	25,000,000	•	35,000,000	法 化二氢磺基	C. Berlin and		35,000
Takaful / retakaful receivables		al an area and fi	·		1,720,785		1,720,785	1,720
Loan and other receivable				11.2	985,174		985,174	985
Carn and bank	3.4%-6,75%	1,924,087		1,924,087	1 1 1 1 1 1 1 1 1			1,924
	_	36,924,087		36,924,087	4,535,245		4,535,245	41,459
nancial liabilities		6.25			and Street Market	Carlo All II	e land of a	1
Payable to OPF		9			2,814,110		2.814.110	2:814
Takaful / Retakaful payables			er en skriver 🚅 en skriver	- i	2,645,355	•	2,545,355	2,64
Other creditors and accruals				· • •	1,990,573	<u></u>	1 990 572	1,990
	<u>~</u>			•	7,450,037		7.450.037	7,450
n balance sheet gap (a)		36,924,087		36,924,087	(2,914,792)		(2,914,792)	34,009,
T balance sheet financial instrument	_	16-10 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	45 ·		10 F F F F F F F F F F F F F F F F F F F	Art San		+ S
Thalance sheet gap (b)	_		( ) ( ) ( ) ( ) ( ) ( )		7 1 4 <b>.</b>	Tej <u>o</u> seestele		
professional and the control of	=	2007	41 March 2017		San Salk Commencer	14.2		3.7
cal interest rate sensitivity gap (a) + (b)		16,924;087	go i to o • distr	36,924,087			*	
1 1		the state of the		14				
mulative interest rate sensitivity gap		36,924,087						2 2
		An in 1 to the man	<u>,</u>			42.5	1. A 4.1.	1.00
1 22	- 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	ang tradition of the	turnya nan dimining	201	9. 60.	54 6 was	3 33 55	
		17,501 . 175 . 1	Profit bearing			gninesd silono-no		
								Total
	Effective yield /			20 July 20 Jul				
Participants' Fund	Effective yield /	Maturity upto	Maturity after 10	Sub total:	Maturity upto	Maturity after	Sub total	
							Sub total	;·* · · · ·
anciel assets		Maturity upto	Maturity after 10		Maturity upto	Maturity after	Sub total	-
anciel assets nycatmenta		Maturity upto	Maturity after one year		Maturity upto	Maturity after	Sub total	
anciel assets nycatments		Maturity upto	Maturity after one year		Maturity upto	Maturity after		1.696
ancial assets nvestments Equity securities		Maturity upto	Maturity after one year		Maturity upto one year upces	Maturity after	Sub total	1,696,
ancial assets nvestments Equity accurrites actiful / retakeful receivables		Maturity upto	Maturity after one year		Maturity upto one year upces	Maturity after		
ancial assets nvestments Equity accurrites akuful / retakaful receivables oun and other receivable	Profit rate	Maturity upta- one year	Maturity after one year		Maturity upto one year upces 1,696,521 955,662	Maturity after	1,696,521 955,662	955
ancial assets avestments Equity securities shuful/retalcaful receivables oun and other receivable		Maturity upto	Maturity after one year		Maturity upto one year upces 1,696,521	Maturity after	1,696,521	955 100
ancial assets nvestments Equity accumites skulful/retakaful receivables oan and other receivable ash and bank	Profit rate	Maturity upta- one year	Maturity after one year		Maturity upto one year upces 1,696,521 955,662	Maturity after	1,696,521 955,662 100,697	955, 100, 16,975,
ancial assets nvestments Equity securities slouful/retaleaful receivables oun and other receivable sati and bank indial liabilities	Profit rate	Maturity upta	Maturity after one year	16,975,390	Maturity upto one year upcer 1,696,521 955,662 100,697	Maturity after	1,696,521 955,662 100,697	955, 100, 16,975,
ancial assets nvestments Equity recurrities slouful/retakaful receivables oan and other receivable sab and babilities syable to OPF	Profit rate	Maturity upta	Maturity after one year	16,975,390	Maturity upto one year upces 1,696,321 955,662 100,697 2,752,880	Maturity after	1,696,521 955,662 100,697 2,752,880	955, 100, 16,975, 19,728,2
ancial assets nvestments Equity accurrites sleaful / retakeful receivables oun and other receivable sest and bank incial fiabilities syable to OPP staful / retakeful payables	Profit rate	Maturity upta	Maturity after one year	16,975,390	Maturity up to one year upces . 1,696,321 . 953,662 . 100,697 . 2,752,880 . 732,219	Maturity after	1,696,521 955,662 100,697 2,752,880 732,219	955, 100, 16,975, 19,728,2
ancial assets nvestments Equity accurrites sleaful / retakeful receivables oun and other receivable sest and bank incial fiabilities syable to OPP staful / retakeful payables	Profit rate	Maturity upta	Maturity after one year	16,975,390	Materity upto no year Upper 1,696,321 955,662 100,697 2,752,880 772,219 3,312,717	Maturity after	1,696,521 953,662 100,697 2,752,880 732,219 3,512,717	955, 100, 16,975, 19,728,2 732,1
ancial assets nvestments Equity recurrities shaful/retaleaful receivables oan and other receivable sash and bank ancial flabilities syable to OPP shaful/Retakaful payables ther preditors and secruels	Profit rate	Maturity upta. and year 16,975,390 16,975,390	Maturity after one year	16,975,390	Materity upto one year Upsets 1,696,321 955,662 100,697 2,752,880 732,219 3,512,717 2,873,121	Materia after one very	1,696,521 955,662 100,697 2,752,880 732,219 3,512,717 2,873,121	955, 100, 16,975, 19,728,2 732,: 3,512,: 2,873,
ancial assets nvestments Equity accurrites sleaful / retaleaful receivables oun and other receivable sash and bank incial fabilities syable to OPP staful / Retaleaful payables ther creditors and secrusts balance sheet gap (a)	Profit rate	Maturity upta. and year 16,975,390 16,975,390	Manustry after to discyer	16,975,390 16,975,390	Materity upto one year	Materia after one very	1,696,521 955,662 100,697 2,752,880 732,219 3,512,717 2,873,121 7,118,057	1,696, 955, 100, 16,975, 19,728,2 732,2 3,512,7 7,186,2
ancial assets nvestments Equity accurrites sleaful / retaleaful receivables oun and other receivable sash and bank incial fabilities syable to OPP staful / Retaleaful payables ther creditors and secrusts balance sheet gap (a)	Profit rate	Maturity upta. one year 16,975,390 16,975,390	Manustry after to discyer	16,975,390	Materity upto one year Upset 1,696,321 2,955,662 100,697 2,752,880 732,219 3,512,717 2,873,121	Materiar after and very service and very	1,696,521 955,662 100,697 2,752,880 732,219 3,512,717 2,873,121	955, 100, 16,975, 19,728,2 732,2 3,512,7 2,873,1
ancial assets nvestments Equity recurrities shaful/retaleaful receivables oan and other receivable sash and bank ancial flabilities syable to OPP shaful/Retakaful payables ther preditors and secruels	Profit rate	Maturity upto. and year  16,975,390 16,975,390 16,975,390	Manustry after to discyer	16,975,390 16,975,390	Materity upte ons year 1,696,521 955,662 1,100,697 2,752,880 732,219 3,512,717 2,873,121 7,118,057 (4,365),177)	Maturity after	1,696,521 955,662 100,697 2,752,880 732,219 3,512,717 2,873,121 7,118,057	955, 100, 16,975, 19,728,2 732,; 3,512,; 2,873, 7,118,0
ancial assets recisionents Equity accumites should / retaleaful receivables out and other receivable sath and bank inoial flabilities ryshie to OPP skeful / Retaleaful payables ther creditors and secrusts balance sheet gap (a) balance sheet gap (b)	Profit rate	Maturity upte. one year  16,975,390  16,975,390	Manustry after to discyer	16,975,390 16,975,390	Materity up to one year upset	Materity after	1,696,521 955,662 100,697 2,752,880 732,219 3,512,717 2,873,121 7,118,057	955, 100, 16,975, 19,728,2 732,; 3,512,; 2,873, 7,118,0
ancial assets rvestments Equity securities skuful / retaleaful receivables oan and other receivable ash and bank incial liabilities syable to OPE takful / Retakaful payables ther erecitors and secrusis oalance sheet gap (a).	Profit rate	Maturity upte. one year  16,975,390  16,975,390	Manustry after to discyer	16,975,390 16,975,390	Materity up to one year upset	Materity after	1,696,521 955,662 100,697 2,752,880 732,219 3,512,717 2,873,121 7,118,057	955, 100, 16,975, 19,728,2 732,; 3,512,; 2,873, 7,118,0

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

	2020		2019
Operator's Fund	Participants' Fund	Aggregate	Aggregate
*************	R1	pees	
			9,628,373

Fixed rate instruments
Financial assets

Variable rate instruments
Financial assets

,		in de la companya di di di di di di di di di di di di di	tita iku a ji jigashi Jiba hali Kali Barishi	9,628,373
Ξ	19 19 20 a 1 m	ું વેશનું વા <b>લ્યાના કે</b> ન્દ્ર <del>(</del> માર્કેન્ટ્રન	l'egizh ka kinya. <del>-</del> i-jarr	9,628,373
	32,863,620	36,924,087	69,787,707	31,022,661
$\equiv$	32,863,620	36,924,087	69,787,707	31,022,661

# 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 5.52% to 6.52% 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 for the year		Total equity		
Operator's Fund	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease	
	Registration as	Ruj	ees		
As at December 31, 2020 Sensitivity	328,636	(328,636)	233,332	(233,332)	
As at December 31, 2019 Sensitivity	140,473	(140,473)	99,736	(99,736)	
	Surplus for	the year		Total equity	
Participant's Takaful Fund					
Farticipant's Takaini Fund	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease	
Farncipant's Takarul Fund	P 1			100 bp decrease	
As at December 31, 2020 Sensitivity As at December 31, 2019	P 1	decrease		(262,161)	

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. 13.201 million and Rs. 1.829 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, 2020 and 2019. 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:

		n	ાં કે જાતા કે કે	Effect of Fair value					
	3 30 3	Estimated	Fair value						
Operators' Fund	Fair value	10% increase	10% decrease	10% increase	10% decrease				
As at December 31, 2020			Rupe	es					
Sensitivity	13,201,876	14,522,064	11,881,688	1,320,188	(1,320,188)				
			机间流线器						
	*	Estimated	Fair value	Effect of I	Fair value				
Participants' Takaful Fund	Fair value	. 10%	10%	10%	10%				
		increase	decrease	increase	decrease				
				-Rupees					
As at December 31, 2020 Sensitivity	1,829,286	2,012,215	1,646,357	182,929	(182,929)				

#### 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.

# 38.2.3 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, 2020 is the carrying amount of the financial assets as set out below:

	September of Street II I have	2020 330 35	LE ALLEST CONTROL OF PROPERTY OF	70. A TO 2015 (C. )
	Operator's Fund	Participants' Fund	Aggregate	Aggregate
	Street Annual Property of the Street	Rug	ices	6 cm 147,455
Nature of financial assets	E. Sharing	ST STANDING		
Bank balances	7,863,620	1,924,087	9,787,707	31,022,661
Investments				产。这种数数字
Equity securities	13,201,876	1,829,286	15,031,162	43,252,649
Debt securities				9,628,373
Term deposits	25,000,000	35,000,000	60,000,000	
	38,201,876	36,829,286	75,031,162	52,881,022
Qard-e-Hasna to Participants' Takaful Fund	18,000,000		18,000,000	
Loans and other receivable	861,929	985,174	1,847,103	1,509,941
Receivable from PTF	2,814,110		2,814,110	732,219
Takaful / retakaful receivables		1,720,785	1,720,785	1,180,107
	67,741,535	41,459,332	109,200,867	87,325,950
The state of the s	金融等的過去		<b>化复制的</b>	

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:

63,742	363,958
	-
209,852	-
230,862	626,759
504,456	990,717
	209,852 230,862

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

Upto 3 months	317,921	111,716
4 to 6 months	•	
7 to 12 months	2,882	1,710
More than 12 months	<b>T</b> :	75,965
	320,803	189,391

#### 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:

		e de la composition de la composition de la composition de la composition de la composition de la composition La composition de la composition de la composition de la composition de la composition de la composition de la	Sales.	J 4994	2020 ÷		2019
Name of the company	Ratin Long term	Short	ating gency	Operator's Fund	Participants' Fund	Aggregate	Aggregate
	1 1	- 2.2			R	upecs	
Cash at hank Sindh Bank Limited	A+		VIS,	7,818,903		9,735,613	28,945,819
NRSP Microfinance Bank Limited	A	A-1 PAC	RA-VIS	44,717		45,044	2,076,842
				7,863,620	1,917,037	9,780,657	31,022,661
Term deposit certificates National Bank Limited	AAA	A-I+ PAC	ZIV-AS	25,000,000	35,000,000	60,000,000	
			· . · · · · · ·		Supplement Supplement	* 4.5	
Investments Mutual funds				E			
ABL Islamic Income Fund	A+(f)	VIS		13,201,876	•	13,201,876	41,556,128
Meezan Sovereign Fund	AA-(f)	- VIS			1,829,286	1,829,286	1,696,521
Commercial paper TPL Trakker Limited	<b>A</b> + :	PACI	ιA				9,628,373
	1			13,201,876	1,829,286	15,031,162	52,881,022
the state of the s	,		_				

#### Impaired assets

A

The provision for impairment is written-off when the Operator expects that it cannot recover the balance due. During the year, receivables of Rs. Nil were provided for or impaired.

## 39 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.

#### 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 concernwithout 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.

40.1 Fair value of financial instruments  The following tables show the carrying amounts and fair values of financial is serie and financial liabilities, including their levels mathe fair value hierarchy.	Operator's Fund	Financial assets measured at fair value Livestments Equity securities Financial assets not measured at fair value Investments — Term deposits — Lann deposits — Lann deposits — Lann Jaran deposits — Lann Jaran deposits — Lann Jaran deposits — Lann Jaran deposits — Lann Jaran deposits — Lann Jaran deposits — Lann Jaran deposits — Takan Jenn deposits	Prepayments Receivable from PIT: Cash and bank balance. Financial liabilities not measured at fair yalle. Other creditors and accruals.	Operator's Fund	A fundated assets measured a fair raile in the same as Equiv securities Fundatial assets for measured as a fair value in resuments in fair value in resuments in fair value in resuments in fair value in resuments in fair value
fair values of financial assets and financial	Held-to-Available for T. L. Manually St. L. L. L. L. L. L. L. L. L. L. L. L. L.	13.201.876	7.25,000,000 13,201,876 	Hed-to- Sale for Lo	f. (2.28.37)
liabilities, notuding their levels in the fairw	Carrying amount * 2020	84,1929 84,192	620 620 620 620	Carrying smoont? Control Contr	140924 732219 14047271
alue, Dienarchy	Total.	13.201,876 13.201,876 25.000,000 861,929	2,814,110 2,814,110 67,741,535 13,201,876 2,204,10 2,204,10 3,204,10 67,961,945	N POPULATION AND ADDRESS OF THE POPU	9.628.373 14.05.4136 14.05.4136 14.05.413 14.05.44 14.05.219 14.047.271 14.047.271
	Evel Level 3	(Kupees) — (0). \$76	13201.876 7	Fair value  Level 1 Level 2 Level 3  (Rupees)	41.556.128 9.628.373

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Participants Takziul Fund	Held-to- Available for Loans and Other financial Other financial maturity sale receivables assets	Total	Level 1	Level 1 Level 3	Total
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Financial assets measured  at lair value  Investments  Equity securities  Financial assets not measured	1,829,286	1,829,286	1,829,286		1,829,286
at fair value Investments Tem deposits  Loans and other receivable  Takaful 're-fairful receivable'	35,000,000 983,174 1,720,785	95,000,000 985,174 1,720,785			
Deferred/wakata fee expense* Prepayments* Castr and bank balance*	2.601.745 	2,601,745 286,180 1,924,087 44,347,257	1.829286		1,829,286
Financial liabilities not measured at fair value at fair value Outstanding claims including IBMR Uneamed contribution reserve:	(5.729,876)	(5,729,876) (7,818,904)			
Oarde-Hann, for Participants  Tataful Fund (PTF)  Payable to OyF, E.  Tataful (realant) payable to Chine for the C	(18 000 000) (28 14 110) (264, 135)	(18,000,000) (2,814,110) (2,645,355) (1,990,572)			
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Participants Takatul Rund	112 1150 2	Total	Level 1	Fair value  Level 2   Level 3	Total
Transfer Section 6				(Rupees)	
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amount for which an asset could be exchanged, or a revalue estimates 12 (2) \*The company has not disclosed the fair value of these tiems because their carrying amounts are a treasonable approximativitiability settled, between below-degrable willing partier in an arm's length transaction. Consequently differences may arise to the settled to the settle

# 41 IMPACT OF COVID-19 ON THE BUSINESS

On January 30, 2020, The International Health Regulations Emergency Committee of the World Health Organization declared the COVID-19 outbreak "Public Health Emergency of International Concern". Many countries including Pakistan have enacted protection measures against COVID-19; with a significant impact on economic activities in these countries. The evolution of COVID-19 as well as its impact on the global and the local economy is difficult to predict at this stage. As of the release date of these financial statements, there has been no specifically material quantifiable impact of COVID-19 on the Operator's financial condition or results of operations.

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# 43 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 re-arrangement have been made during the period, except for those disclosed in note 5.2.

#### 44 DATE OF AUTHORIZATION FOR ISSUE

These financial statements was authorized for issue on 2 9 MAR 2021 by the Board of Directors of the Operator.

#### 45 GENERAL

Figures have been rounded to the nearest Rupees.

CHATOMEN

CHIEF EXECUTIVE OFFICER

RECTOR

DIRECTOR