

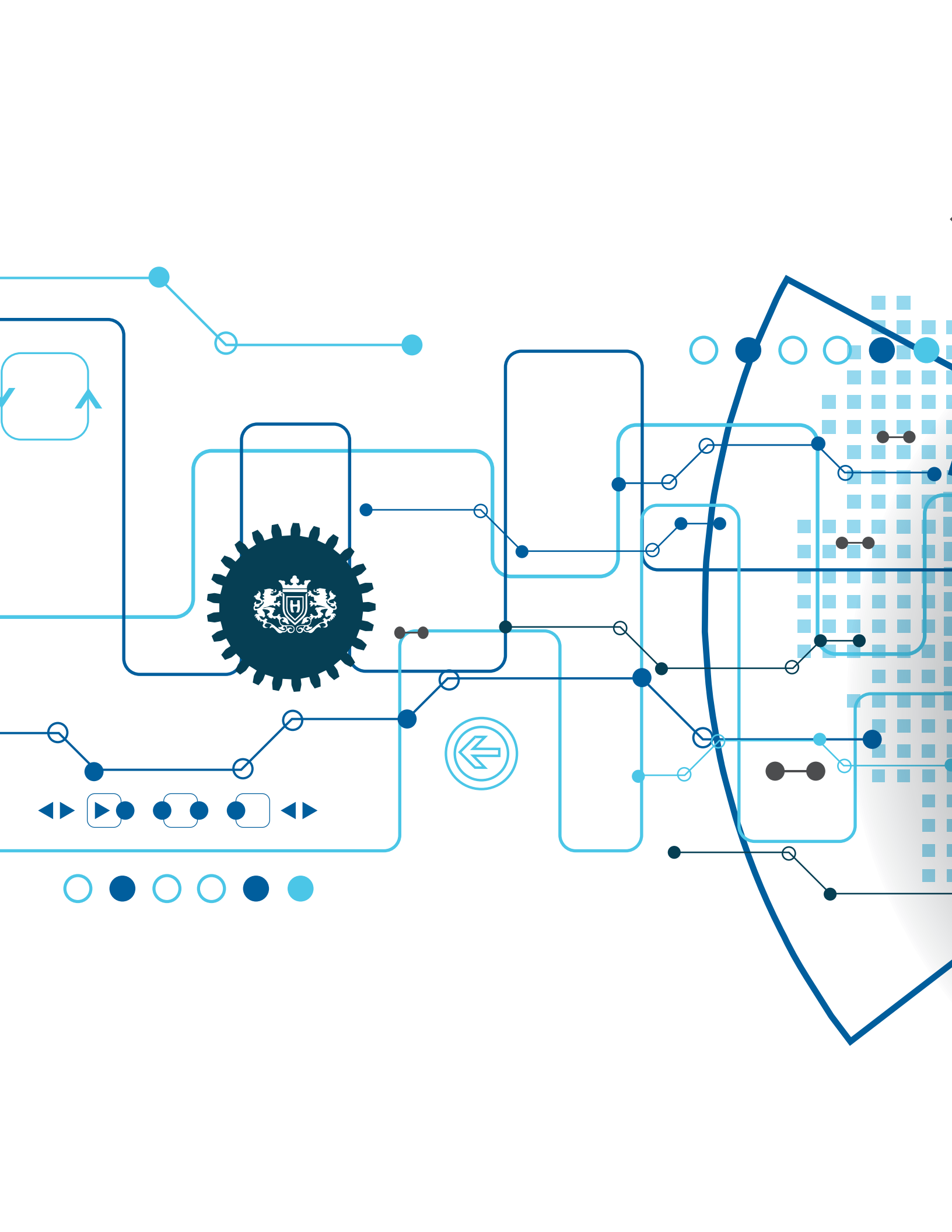


Century Insurance

A Lakson Group Company



Annual Report 2020





Century Insurance at a Glance

- Century Insurance is a Lakson Group Company.
- Operating since 1989, dealing in all areas of general insurance business.
- One of the premier general insurance companies of Pakistan.
- Rated "AA-" with a stable outlook by VIS Credit Rating Co. Limited, signifying a 'very high capacity to meet policyholders' and contractual obligations'.
- Total equity in excess of Rs. 2.0 billion.
- Twice awarded 'Top 25 Companies Award' by the Karachi Stock Exchange.
- Very strong reinsurance treaty arrangements with highly rated international reinsurers.
- Broad client base consisting of individuals as well as some of the most prestigious local and multinational companies.



Contents

[illegible]



Our Vision

To be an organization known for integrity and ethical behavior and fully dedicated to its Clients, Business Partners, Shareholders and Employees, providing exceptional quality service and committed to achieving excellence in all areas of its operations.

Our Mission

- To become a company of choice for its valued Clients, Stockholders and Employees.
- To ensure continued growth of the financial strength and resilience of the company so that it may be able to withstand any unexpected shocks or cyclical economic downturns.
- The Company culture to be known for Integrity and Ethical behavior.
- The Company to be known as one of the best insurance companies of the country.



Corporate Information

Board of Directors

Mr. Iqbal Ali Lakhani - Chairman
Mr. Amin Mohammed Lakhani
Ms. Anushka Lakhani
Mr. Aftab Ahmad
Mr. Sadrudin Ismail Mohamed
Mr. Akber Dawood Vazir
Mr. Mohammad Hussain Hirji - Chief Executive

Advisor

Mr. Sultan Ali Lakhani

Chief Financial Officer

Mr. Sabza Ali Pirani

Company Secretary

Mr. Mansoor Ahmed

Audit Committee

Mr. Sadrudin Ismail Mohamed - Chairman
Mr. Amin Mohammed Lakhani
Mr. Aftab Ahmad

Investment Committee

Mr. Iqbal Ali Lakhani - Chairman
Mr. Aftab Ahmad
Mr. Mohammad Hussain Hirji
Mr. Sabza Ali Pirani

Ethics, Human Resource & Remuneration Committee

Mr. Sadrudin Ismail Mohamed - Chairman
Mr. Amin Mohammed Lakhani
Mr. Akber Dawood Vazir
Mr. Mohammad Hussain Hirji

External Auditors

M/s. KPMG Taseer Hadi & Co.
Chartered Accountants

Shares Registrar

M/s. FAMCO Associates (Pvt.) Ltd.
8-F, Near to Hotel Faran, Nursery,
Block-6, P.E.C.H.S., Shahra-e-Faisal,
Karachi.
Tel: (021) 34380101-2
Fax: (021) 34380106
Email: info.shares@famco.com.pk
Website: www.famco.com.pk

Bankers

Al Baraka Bank (Pakistan) Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Islami Pakistan Limited
Dubai Islamic Bank Pakistan Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
MCB Islamic Bank Limited
Meezan Bank Limited
NRSP Microfinance Bank Limited
Silkbank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Telenor Microfinance Bank Limited
U Microfinance Bank Limited
United Bank Limited

Registered & Corporate Office

Lakson Square, Building No. 2,
Sarwar Shaheed Road, Karachi-74200.

Head Office

11th Floor, Lakson Square, Building No. 3,
Sarwar Shaheed Road, Karachi-74200.

Website: www.cicl.com.pk
UAN: 111-111-717
NTN: 0710008-6

Fire Insurance

Your corporate offices, factories and facilities are the primary sources of your income and revenue. Century Insurance understands the importance and value of your business property and operations. So we will work with you to help you prevent losses, protect what matters and help you stay in business. Property insurance solutions include:

- Fire and Allied Perils
- Consequential Loss
- Property All Risk
- Comprehensive Machinery Insurance
- Terrorism Insurance (Property insurance policies in Pakistan now exclude Terrorism including any Riot & Strikes resulting from a terrorist act. These are now covered under a separate Terrorism policy).

Marine Insurance

We offer our clients tailored solutions for their international and domestic marine exposures. The two standard product lines are:

- Marine Cargo including Inland Transit
- Marine Hull

Marine cargo insurance covers the risks of physical loss or damage to goods and merchandise while in transit by any method of conveyance anywhere in the world. Inland Transit policies cover transit by road and/or rail within the country.

Marine hull provides coverage for all types of vessels and their machinery while navigating anywhere in the world. In addition we can cover ship beaching risks for the ship breaking industry as well as Fire and Allied Perils for the beached vessel.

Losses occurring anywhere in the world are promptly investigated and equitably settled through our international claims settling agents.



Motor Insurance

Private Car Insurance

People love their cars, but insuring them can be a chore. At Century Insurance, with fast, fair and convenient services and cover you can depend on, we'll be there for you when it matters. We settle bills with a very wide network of repairers directly – so no waiting for that check in the mail. And because we don't force you to use any particular repairer you are free to take your car to the workshop of your choice. You may opt for comprehensive coverage including own damage, theft and third party legal liability or just third party legal liability coverage to meet the requirements of law.

If you would like to have the added assurance of a good vehicle tracking service, substantial discounts are available on the premium you pay. Or if you would like us to arrange the tracking service for you we can do that too as a complimentary service at economical rates.

Commercial Vehicle Insurance

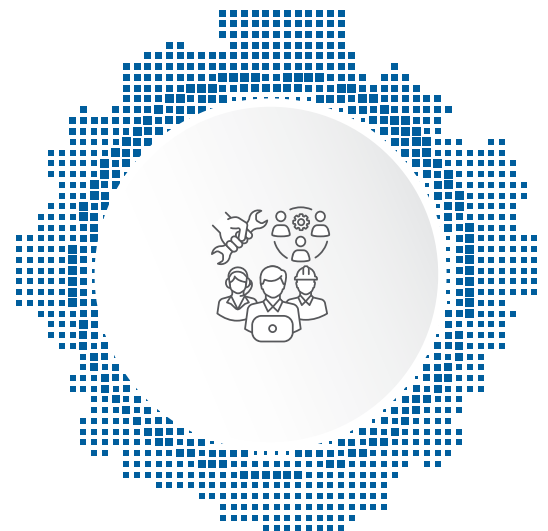
Whatever your business, if you have your own commercial vehicles we know how important these vehicles are to your business. No matter how many commercial vehicles you have, we've got a plan to suit you. From fleets of trucks to just one or two pickups, we can tailor the right insurance package for you. If you are insuring many vehicles, our fleet policy can cover them all in a single policy.

Engineering Insurance

Our qualified engineers can cater to all of your engineering insurance needs. At Century Insurance, we can help by sharing insights, insurance solutions and risk engineering services. From construction related insurances to erection of machinery to electronic equipment, we have the right solution for you. With us, you'll work with specialized underwriting, risk engineering and claims professionals who understand the challenges you face and can deliver quality service when you need it.

Engineering insurance solutions include:

- Contractor's All Risk (CAR) insurance offers comprehensive protection for contract works, construction plant and equipment as well as for Third Party claims.
- Contractor's Plant & Equipment (CP&E).
- Erection All Risk (EAR) for plant and machinery in the course of erection.
- Machinery Breakdown covers sudden and unforeseen loss or damage to machinery.
- Advance Loss of Profits (ALOP) also known as Delayed Startup to cover loss of gross profits arising from a CAR or EAR loss.
- Electronic Equipment Insurance for computers and other electronic equipments.
- Deterioration of stock.
- Boiler and Pressure Vessels.



Travel Insurance

Whether you are travelling for business or pleasure, unfortunate surprises can occur either before or during your trip. Medical emergencies or accidents can result in costly trip cancellations or medical bills leaving the traveler stranded in an unfamiliar country. Children may be left unattended with perhaps no one to accompany them on their return back home. Loss of baggage or mere flight delay may also result in unexpected and unbudgeted expenses. Our 24 hour, 7 days of the week hotline will be available to assist you no matter where you are or what language you are comfortable communicating in.

Century Insurance provides the best available travel insurance plans for you and your family, to suit every budget and need. We also have special plans available for senior citizens no matter

where in the world they may be planning to travel to. Claims can be paid directly to hospitals in most instances, anywhere in the world. So the next time you travel, give up your worries and get the best travel insurance solution from Century Insurance.

Accident & health Insurance

In today's competitive marketplace, employers know that their true competitive advantage frequently lies in their human capital. A good employer will therefore always try to take care of its employees. One of the key variables in an employee's benefit structure is the health insurance provided by the employer.

Century Insurance provides the best possible corporate health insurance packages available in the market. We care for your employees and make every effort to ensure that they receive the best possible care based on the benefits chosen for them by their employer. Whether they need expert advice and guidance related to medical admissions and treatment or whether they just want a better understanding of the benefits available under their policy, we provide service with a smile and a caring attitude. We liaise closely with the hospitals to ensure that your employees receive the care and treatment that they need in the most timely and efficient manner possible.

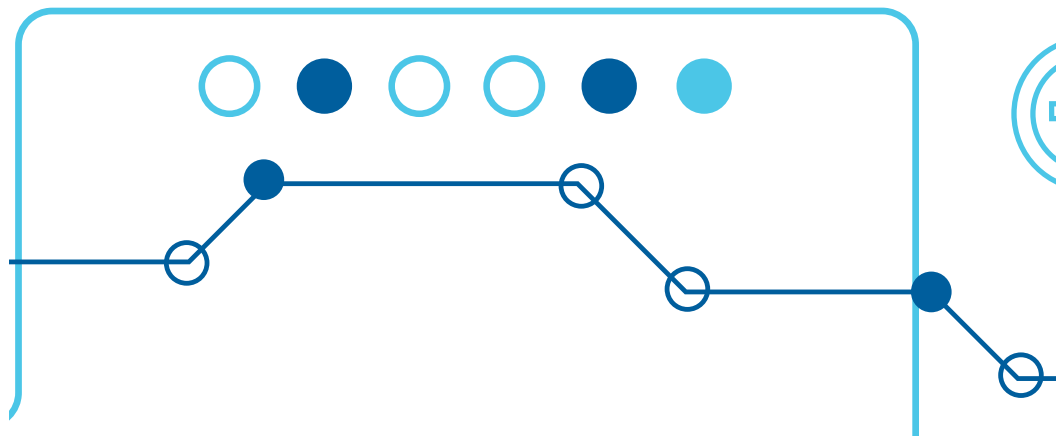
We also work closely with the Human Resource department of our clients to make sure that they are fully informed of developments involving major hospitalizations of their employees or of the dependents of their employees. We also pay extra attention to ensure that all paperwork, health cards, payments, etc are made correctly and on time. With all of the topmost hospitals on our panel we ensure a smooth and cashless service for your employees so that they are not made to fret and worry about these matters during the difficult time they may be facing on account of either their own hospitalization or that of a loved one.

Personal Accident provides 24/7 worldwide cover for accidental bodily injury to the insured person resulting in death or permanent disablement.

Miscellaneous Insurance

This is a broad category and includes any insurance product or service that does not fall into any of the above categories. The most important of these include the following:

- General or Public Liability to protect you and or your business against liability to third parties for accidental bodily injury or property damage, such as when they come upon your business premises.
- Professional Indemnity to protect you and/or your business against liability that may be incurred in the course of discharging your professional duties, whether you are a doctor, lawyer or architect or in any other profession.
- Product Liability to protect you and/or your business against any liability for injury or damage that may arise from the use of a defective product that your company may have provided.
- Employer's Liability provides protection to you and / or your business against liability to your employees for bodily injury or property damage occurring in the course of their employment.
- Workmen's Compensation provides protection for accidents to workmen in your employ resulting in death or disablement that may occur in the course of their employment.
- Cash on Premises indemnifies you and/or your business for cash belonging to the business that may be stolen from the business premises consequent upon forcible entry or under the threat of force.
- Cash in Transit indemnifies you and/or your business for loss of cash stolen forcibly during transit between specific points during normal business hours.
- Fidelity Guarantee indemnifies you and/or your business for loss sustained on account of fraud or theft conducted by your employees.



Claim Service

For us, every customer claim is an opportunity to deliver when it matters and to differentiate the Century Insurance customer experience. As soon as you report a claim, our team will come into action, delivering swift and transparent claims assistance wherever you need it. Our team consists of experienced claims professionals dedicated to fairness and transparency in the handling of all claims.

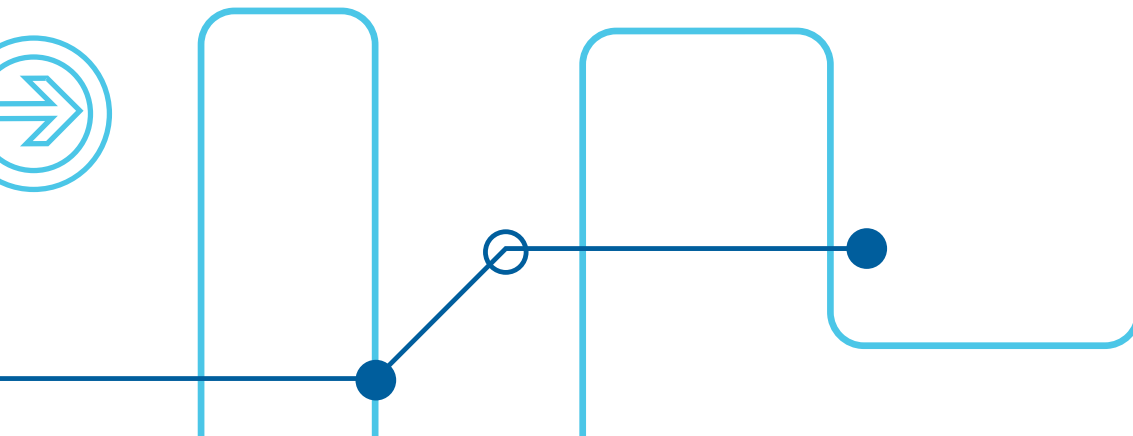
Combining international experience and local knowledge, we will partner with you to give you the assistance you need while helping you to reduce your overall claim costs over time.



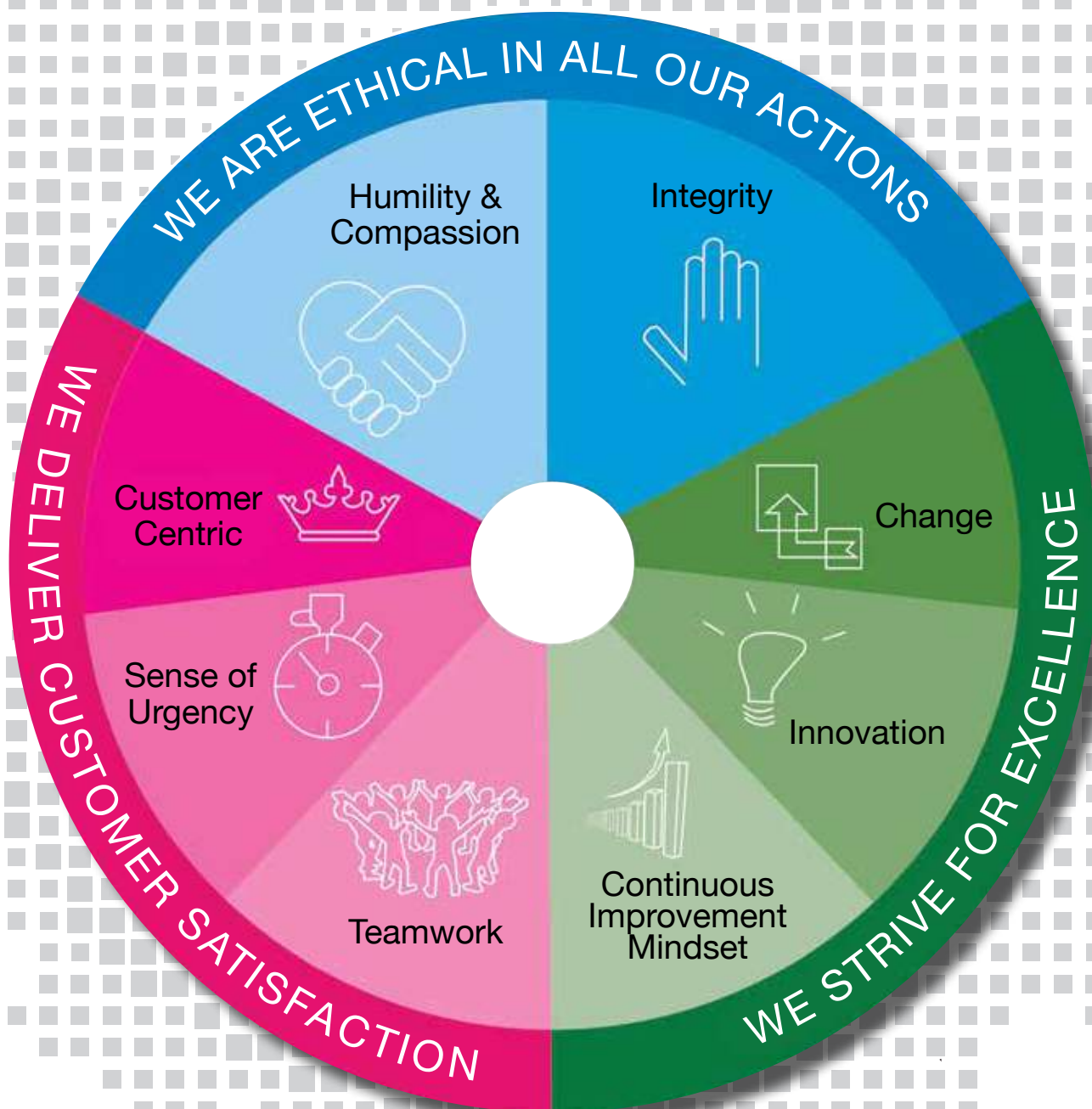
Risk Management

Working closely with you, our underwriters and risk engineers can identify and control risk in a broad range of environments, both in the manufacturing and service sectors. With Century Insurance's specialized underwriting knowledge, experienced risk assessments and excellent claims handling, we'll be there to support you should a claim occur.

Our Risk Engineers identify, assess and guide you to improve risks helping you reduce losses and the overall risk to your business.



Core Values



Code of Conduct

1. RELATIONSHIP WITH EMPLOYEES

- Century Insurance Company Limited (CICL) takes pride in the strong personal commitment of its people towards the progress and success of the Company. CICL's policy is to treat individuals in all aspects of employment solely on the basis of merit irrespective of race, religion, color, age, gender, and marital status. CICL believes in individual's respect and their rights.

The Company is committed to the growth of its employees. This is achieved through building a culture of mutual trust, learning and motivation.

- CICL's vision is based on inspiring and developing individuals as their success depends on their ability to make meaningful contributions to the progress of the Company.

2. RELATIONSHIP WITH COMPANY

- The employees of the Company strive to adhere to its guidelines and objectives and to give their best efforts to improve its performance. They recognize the trust placed by the Company in them and act with integrity and honesty in all situations - to preserve that trust and confidence. They avoid conflicts of interest and other situations that are potentially harmful to the progress of the Company.
- The employees of the Company use its assets, facilities and services only for lawful, proper and authorized purposes. They intend to make best use of the Company's equipment, systems and technology in order to have fast and reliable communication and a strong MIS system to further the aims and objectives of the Company.

3. RELATIONSHIP WITH BUSINESS COMMUNITY

- Each employee is responsible for how he or she is perceived by clients and other business partners; it is essential that they maintain the Company's reputation for honesty and fair dealing with these people and organizations.
- It is CICL's policy to respect the trade secrets and proprietary information of others. This is particularly pertinent if one has knowledge of trade secrets and proprietary information of a former employer.

4. RELATIONSHIP WITH CLIENTS

- CICL's reputation has been built upon the trust and quality service it is providing. Our commitment to excellence in quality of service and building strong client relationships is essential to the continued growth and success of the Company. Also, vital for success is to meet the challenges of the highly competitive market with our expertise, innovative and creative marketing.

CICL's motto: "Customer satisfaction is management's top priority"

5. RELATIONSHIP WITH GOVERNMENT AND THE LAW

- CICL supports free enterprise and a competitive market system. The Company's policy is to comply fully with all applicable laws irrespective to the extent to which they are enforced. The Company cooperates fully with all government and regulatory bodies and is committed to high standards of corporate governance. Penalties for non-compliance can be severe and can involve criminal proceedings.

- CICL's financial policies for conducting business are based on trust, transparency, integrity, and following the principles of accounting and finance as approved by regulations and applicable accounting codes. Any unsupportive or false entry, infringement of accounts for individual or Company gain is contrary to our business codes and ethics.

6. RELATIONSHIP WITH SOCIETY

- CICL strives to operate as a responsible corporate citizen within both the local and global communities.
- CICL is an equal opportunity employer for all levels of employees irrespective of color, race, gender, age, ethnicity or religious beliefs.
- CICL provides a safe and healthy workplace, protecting human health and the environment.
- CICL pays its employees a remuneration that enables them to meet at least their basic needs, and provides employees the opportunity to improve their skills and capabilities.
- CICL respects employees' freedom of association.
- CICL works with governments and the communities in which we do business to improve the educational, cultural, economic and social wellbeing of those communities.

7. RELATIONSHIP WITH THE ENVIRONMENT

- Protecting the world in which we live is a vital concern and a continuing commitment. CICL is dedicated to contributing to the overall quality of life. We recognize and constantly reaffirm the value of a healthy and clean environment.

8. RELATIONSHIP WITH THE SHAREHOLDERS

- CICL strives to serve the best interests of its shareholders to provide consistent growth and a fair rate of return on their investment and to maintain its position and reputation as one of the leading insurance companies, dedicated to protecting shareholders' investments and providing full and timely information. By conducting our business in accordance with the principles of fairness, decency and integrity set forth here we help to build shareholders' value.

9. RESPONSIBILITY FOR COMPLIANCE

- In accepting employment with the Company, each of us becomes accountable for compliance with these standards of conduct and with all laws and regulations. Managers are responsible for communicating these standards to employees to ensure that they understand and abide by them, and for creating a climate where employees can discuss ethical and legal issues freely.



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 35th Annual General Meeting of Century Insurance Company Limited will be held on Thursday, April 29, 2021 at 03:00 p.m. at the Registered Office of the Company at Lakson Square Building No.2, Sarwar Shaheed Road, Karachi through Video Conferencing to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited financial statements of the Company for the year ended December 31, 2020 together with the Directors' and Auditors' reports thereon.
2. To declare final dividend in cash @ 20% i.e. Rs.2.00 per share of Rs.10 each as recommended by the Board of Directors.
3. To appoint Auditors and fix their remuneration.

The retiring auditors M/s. KPMG Taseer Hadi & Company, Chartered Accountants have been auditors of the Company for a period of four years. The Board, on the recommendation of the Audit Committee of the Company has proposed the appointment of M/s. EY Ford Rhodes, Chartered Accountants, as auditors for the year ending December 31, 2021.

SPECIAL BUSINESS

Special Resolutions

4. To consider, and if thought fit, to pass with or without modification the following resolutions as Special Resolution:
 - a) **"RESOLVED** that the transactions carried out in normal course of business with associated companies/related parties as disclosed in Note No.35 of the audited financial statements for the year ended December 31, 2020 be and are hereby ratified and approved."
 - b) **"FURTHER RESOLVED** that the Chief Executive Officer, of the Company be and is hereby authorized to approve all the transactions carried out and to be carried out in normal course of business with associated companies/related parties during the ensuing year ending December 31, 2021 and in this connection the Chief Executive Officer be and is hereby also authorized to take any and all necessary actions and sign/execute any and all such documents/indentures as may be required in this regard on behalf of the Company."

Statement under Section 134 of the Companies Act, 2017 in the above matter mentioned in item No.4 is annexed.

By Order of the Board



(MANSOOR AHMED)
Company Secretary

Karachi: March 29, 2021

Notes:

1. The share transfer books of the Company will remain closed from April 23, 2021 to April 29, 2021 (both days inclusive). Transfers received in order by the Shares Registrar of the Company, M/s. FAMCO Associates (Private) Limited, 8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi up to the close of business on April 22, 2021 will be treated in time for entitlement of the dividend.
2. In view of the prevailing and worsening situation due to pandemic COVID-19 and in line with the directions issued to listed companies by the Securities & Exchange Commission of Pakistan, vide its Circular No.4 of 2021 dated February 15, 2021 and subsequent Circular No.6 of 2021 dated March 03, 2021, the Company has decided to hold Annual General Meeting (AGM) through electronic means.

The special arrangement for attending the AGM through electronic means will be as under:

1. AGM will be held through Zoom application – a video link facility.
2. Shareholders interested in attending the AGM through Zoom application are hereby requested to get themselves registered with the Company Secretary office by providing the following details at the earliest but not later than 48 hours before the time of AGM (i.e. before 3.00 p.m. on April 27, 2021) through following means:
 - a) Mobile/WhatsApp: 0315 5008228
 - b) E-mail: mansoor@lakson.com.pk

Shareholders are advised to mention Name, CNIC Number, Folio/CDC Account Number, cell number and email ID for identification.

Upon receipt of the above information from the interested shareholders, the Company will send the login credentials at their e-mail address. On the date of AGM, shareholders will be able to login and participate in the AGM proceedings through their smartphone / computer devices.

In view of the above, the Shareholders can also provide their comments/suggestions for the proposed agenda items of the AGM by using the aforesaid means.

3. A member entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend, speak and vote instead of him/her, and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the meeting as are available to a member. A proxy must be a member of the Company. A corporate entity, being a member, may appoint any person, regardless whether they are a member or not, as its proxy. In case of corporate entities, a resolution of the Board of Directors/ Power of Attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, shall be submitted to the Company along with a completed proxy form. The proxy holders are requested to produce their national CNICs or original passports at the time of the meeting.
4. Forms of proxy, in order to be valid must be properly filled-in/executed and received at the registered office of the Company situated at Lakson Square, Building No.2, Sarwar Shaheed Road, Karachi not later than 48 hours before the time of the meeting excluding holidays.
5. Members holding shares in physical form are requested to promptly notify Shares Registrar of the Company of any change in their addresses. Shareholders maintaining their shares in electronic form should have their address updated with their participant or CDC Investor Accounts Service.
6. Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders.

In order to receive dividends directly into their bank account, shareholders are requested to fill in Electronic Credit Mandate Form available on Company's website and send it duly signed along with a copy of CNIC to the registrar of the Company M/s. FAMCO Associates (Private) Limited, in case of physical shares.

In case shares are held in CDC then Electronic Credit Mandate Form must be submitted directly to shareholder's broker/participant/CDC account services. No further action is required if IBAN has already been incorporated/updated in the CDC account or physical folio of the shareholder.

7. Pursuant to Notification vide SRO.787(1)/2014 of September 08, 2014, SECP has directed to facilitate the members of the company receiving Annual Financial Statements and Notices through electronic mail system (e-mail). We are pleased to offer this facility to our members who desire to receive Annual Financial Statements and Notices of the Company through e-mail in future. In this respect members are hereby requested to convey their consent via e-mail on a standard request form which is available at the Company website i.e. www.cicl.com.pk. Please ensure that your e-mail has sufficient rights and space available to receive such e-mail which may be larger than 1 MB file in size. Further, it is the responsibility of the member to timely update the Shares Registrar of any change in the registered e-mail address.
8. (i) Pursuant to the provisions of the Finance Act, 2019 effective July 1, 2019, the rates of deduction of income tax from dividend payments under Section 150 of the Income Tax Ordinance, 2001 have been revised as follows:

1. Persons appearing in Active Tax Payers List (ATL) 15%
2. Persons not appearing in Active Tax Payers List (ATL) 30%

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 30%, shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered in ATL before the first day of book closure, otherwise tax on their cash dividend will be deducted @ 30% instead of 15%.

- (ii) Withholding Tax exemption from the dividend income, shall only be allowed if copy of valid tax exemption certificate or stay order from a competent court of law is made available to FAMCO Associates (Private) Limited, by the first day of Book Closure.
- (iii) Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as joint-holder(s) based on their shareholding proportions, in case of joint accounts.

In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of Principal shareholder and Joint-holder(s) in respect of shares held by them (only if not already provided) to our Shares Registrar, in writing as follows:

Company Name	Folio/CDS Account #	Total Shares	Principal Shareholder		Joint Shareholder	
			Name and CNIC #	Shareholding Proportion (No. of Shares)	Name and CNIC #	Shareholding Proportion (No. of Shares)

The required information must reach our Shares Registrar within 10 days of this notice; otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint Holder(s).

- (iv) For any query/problem/information, the investors may contact the Company Secretary at phone: 38400000 and email address: mansoor@lakson.com.pk and/or FAMCO Associates (Private) Limited at phone: 34380101-5 and email address: info.shares@famco.com.pk.
- (v) Corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the company or FAMCO Associates (Private) Limited. Shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers. Without the NTN company would not be in a position to check filer status on the ATL and hence higher tax of 30% may be applied in such cases.



9. Members can exercise their right to demand a poll subject to meeting requirements of Section 143 to Section 145 of the Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulation, 2018.
10. An updated list for unclaimed dividend/shares of the Company is available on the Company's website www.cicl.com.pk. These are unclaimed dividend/shares which have remained unclaimed or unpaid for a period of three years from the date these have become due and payable.
11. Claims can be lodged by shareholders on Claim Forms as are available on the Company's website. Claims Forms must be submitted to the Company's Shares Registrar for receipt of dividend/shares.
12. Form of Proxy is enclosed.

STATEMENT OF MATERIAL FACTS CONCERNING SPECIAL BUSINESS PURSUANT TO SECTION 134 OF THE COMPANIES ACT, 2017

This statement sets out the material facts concerning Special Business, given in agenda item No.4 of the Notice which will be considered to be passed by the members. The purpose of the Statement is to set forth the material facts concerning such Business.

1 - Agenda Item No.4(a) of the Notice – Transactions carried out with associated companies during the year ended December 31, 2020 to be passed as a Special Resolution.

The transactions carried out in normal course of business with associated companies (Related parties) were being approved by the Board as recommended by the Audit Committee on quarterly basis pursuant to Clause 15 of Listed Companies (Code of Corporate Governance) Regulations, 2019.

During the Board Meeting it was pointed out by the Directors that as the majority of Company Directors were interested in these transactions due to their common directorship and holding of shares in the associated companies, the quorum of directors seemingly could not be formed for approval some of these transactions specifically, therefore, these transactions have to be approved by the shareholders in the General Meeting.

In view of the above, the transactions conducted during the financial year ended December 31, 2020 with associated companies/related parties shown in Note No.35 of the financial statements are being placed before the shareholders for their consideration and approval/ratification.

2 - Agenda Item No. 4(b) of the Notice – Authorization to the Chief Executive for the transactions carried out and to be carried out with associated companies/related parties during the ensuing year ending December 31, 2021 to be passed as a Special Resolution.

The Company would be conducting transactions with associated companies in the normal course of business. The majority of Directors are interested in these transactions due to their common directorship and shareholding in the associated companies/related parties. Therefore, such transactions with associated companies have to be approved by the shareholders.

The shareholders may authorize the Chief Executive to approve transactions carried out and to be carried out in normal course of business with associated companies/related parties during the ensuing year December 31, 2021.

The Directors are interested in the above items to the extent of their common directorships and shareholding in the associated companies and the privileges attached thereto only.

Corporate Calendar

February 27, 2020
Audit Committee meeting to consider accounts of the Company for the year ended December 31, 2019

27

28

February 28, 2020
Board of Directors' meeting to consider accounts of the Company for the year ended December 31, 2019

April 28, 2020
Audit Committee meeting to consider accounts of the Company for the quarter ended March 31, 2020

28

28

April 28, 2020
Board of Directors' meeting to consider accounts of the Company for the quarter ended March 31, 2020

May 29, 2020
Annual General Meeting of shareholders to consider accounts of the Company for the year ended December 31, 2019

29

10

June 10, 2020
Board of Directors' meeting after reconstitution of the Board to elect Chairman of the Board, Chief Executive & form Board Sub Committees

August 25, 2020
Audit Committee meeting to consider accounts of the Company for the half year ended June 30, 2020

25

August 26, 2020
Board of Directors' meeting to consider accounts of the Company for the half year ended June 30, 2020

26

27

October 27, 2020
Audit Committee meeting to consider accounts of the Company for the quarter ended September 30, 2020

October 28, 2020
Board of Directors' meeting to consider accounts of the Company for the quarter ended September 30, 2020

28

Access to Reports and Enquiries

Annual Report

Annual report 2020 may be downloaded from the Company's website: www.cicl.com.pk or printed copies obtained by writing to:

The Company Secretary
Century Insurance Company Limited
Registered & Corporate Office
Lakson Square Building No. 2, Sarwar Shaheed
Road, Karachi 74200, Pakistan.

Quarterly Reports

The Company publishes interim reports at the end of first, second and third quarters of the financial year. The interim reports for the year 2020 can be accessed from Century Insurance website: www.cicl.com.pk or printed copies can be obtained by writing to the Company Secretary.

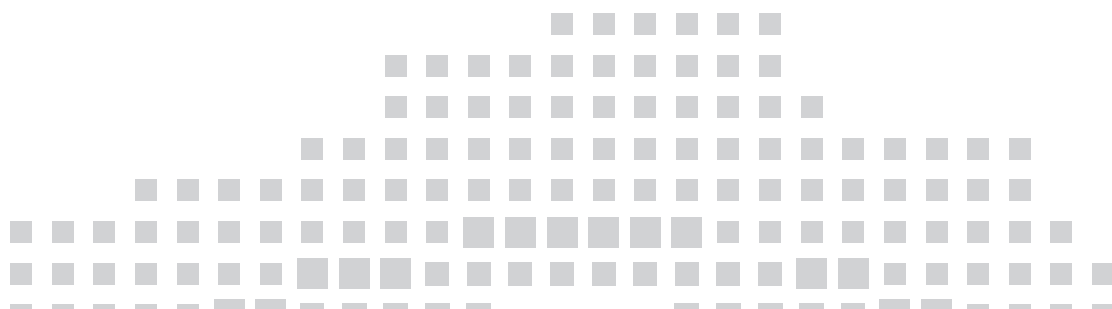
Shareholders' Enquiries

Shareholders' enquiries about their holding, dividends or share certificates should be directed either to Company's registered office or shares registrar at the following address:

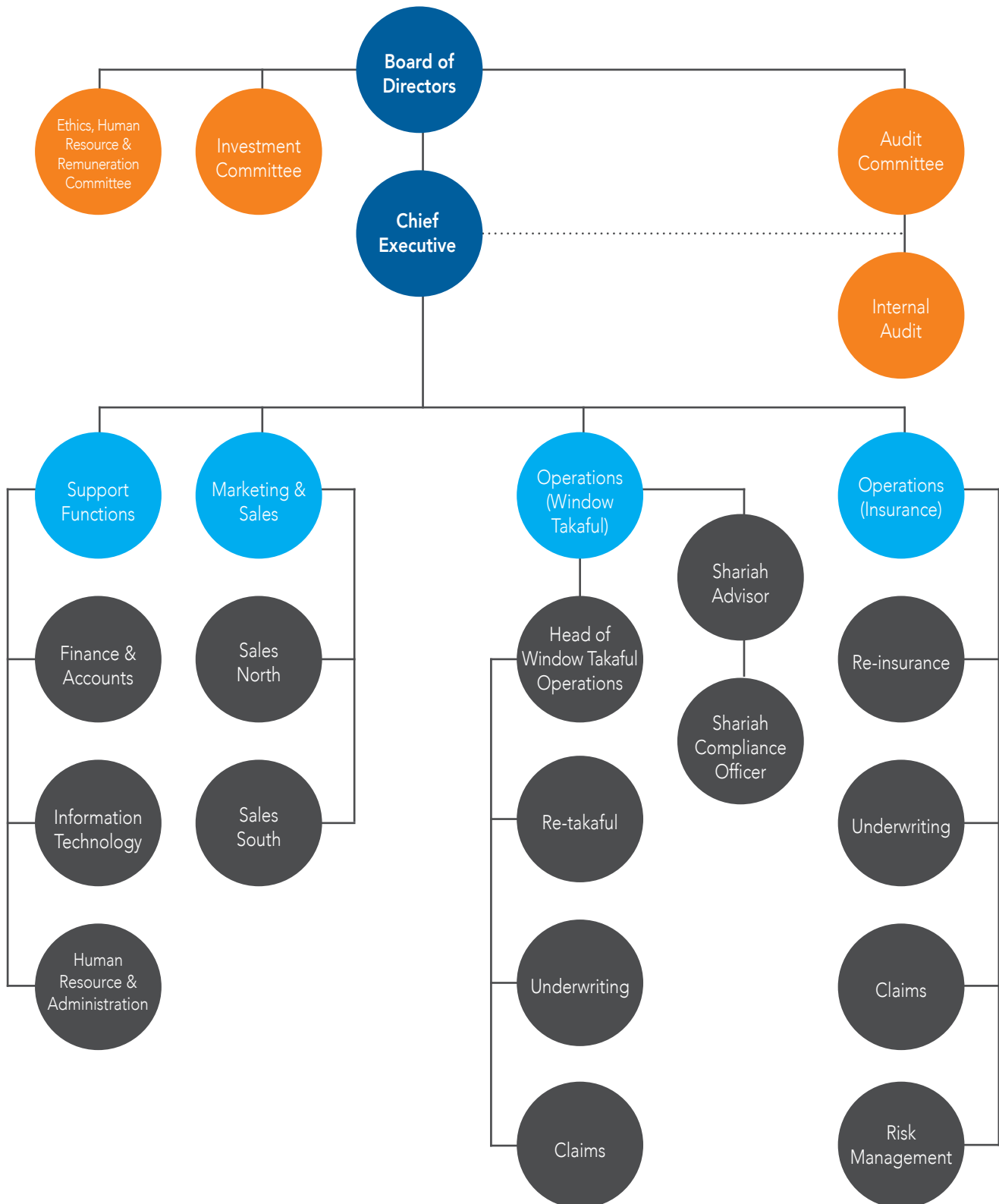
M/s. FAMCO Associates (Private) Limited
8-F, Near Hotel Faran, Nursery, Block-6,
P.E.C.H.S., Shahra-e-Faisal, Karachi.

Stock Exchange Listing

Shares of Century Insurance Company Limited are listed on Pakistan Stock Exchange Limited. The symbol code for dealing in shares of the Company is **CENI**.

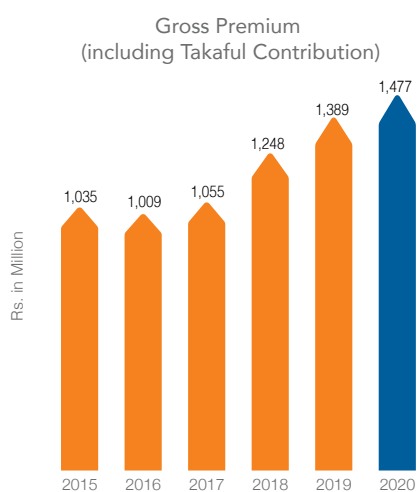
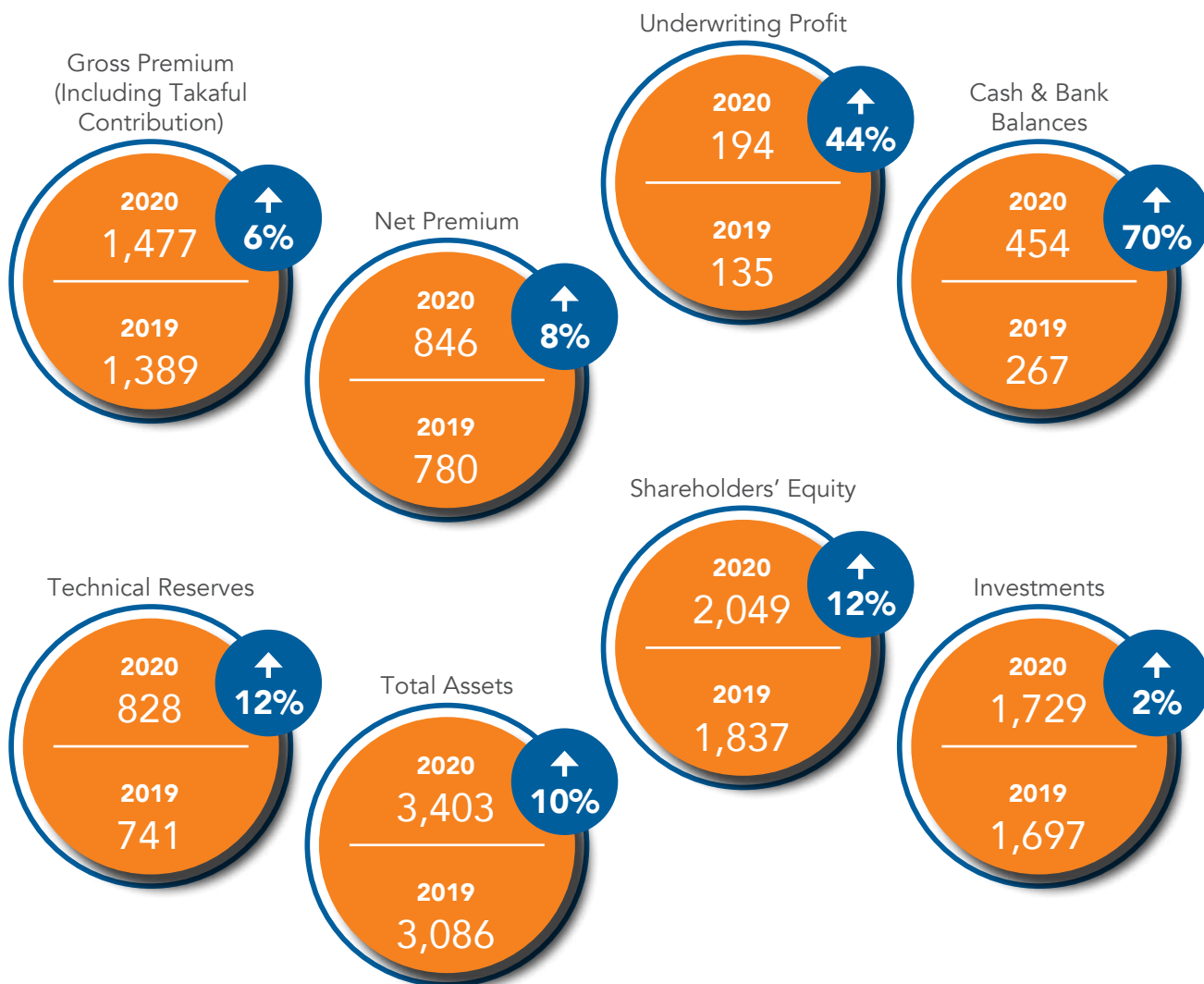


Organisation Chart

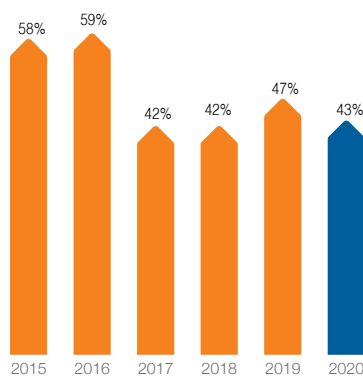


Performance Highlights

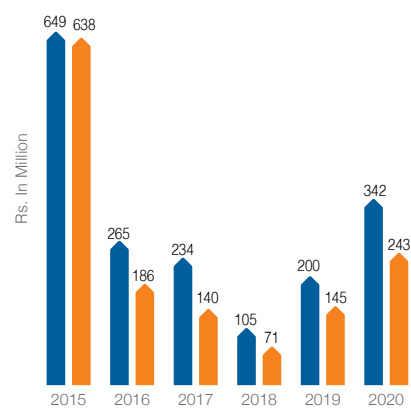
(Rupees in million)



Net Claim Ratio (% of net premium)



Profits
■ PBT ■ PAT



DuPont Analysis

Rs. in '000

2020

2019



Horizontal Analysis

	2020		2019		2018		2017		2016		2015	
	(Rupees)	%	(Rupees)	%	(Rupees)	%	(Rupees)	%	(Rupees)	%	(Rupees)	%
STATEMENT OF FINANCIAL POSITION												
Assets												
Property & equipment	121,150,269	-6.8%	129,993,035	79.7%	72,325,607	10.1%	65,669,519	-7.5%	71,011,756	30.2%	54,540,036	12.7%
Intangible assets	-	-100.0%	9,741	-63.1%	26,407	-94.4%	472,587	-54.7%	1,043,697	-37.0%	1,657,863	100.0%
Investment in associates	49,959,574	26.8%	39,404,247	-12.7%	45,144,162	7.1%	42,137,247	10.1%	38,284,477	-5.6%	40,568,071	-14.0%
Investments	1,678,815,338	1.3%	1,657,439,548	22.0%	1,359,046,751	-8.0%	1,476,998,539	-25.1%	1,972,178,482	16.5%	1,692,415,613	61.0%
Loan and other receivable	42,262,996	13.0%	37,416,224	81.8%	20,585,208	-91.4%	238,537,198	1198.9%	18,364,616	58.1%	11,615,106	46.9%
Insurance / reinsurance receivable	554,679,355	10.9%	500,355,096	10.5%	452,631,626	6.1%	426,728,740	8.5%	393,330,551	-4.7%	412,791,828	68.8%
Reinsurance recoveries against outstanding claims	125,342,540	28.4%	97,581,839	-2.4%	100,016,385	33.5%	74,912,821	22.4%	61,181,748	1.5%	60,249,843	-1.0%
Salvage recoveries accrued	2,775,000	-30.7%	4,005,000	0.8%	3,975,000	63.8%	2,426,000	-44.6%	4,378,000	80.9%	2,420,000	-48.5%
Deferred commission expense	25,643,610	-27.3%	35,271,269	6.7%	33,060,770	2.6%	32,232,773	4.6%	30,829,820	2.7%	30,015,561	26.2%
Deferred taxation	34,941,495	-17.7%	42,441,773	-20.3%	53,228,969	50.9%	35,264,815	-	-	-100.0%	9,520,206	130.9%
Prepayments	209,416,425	12.9%	185,447,129	3.2%	179,614,482	5.2%	170,714,966	-1.9%	173,959,315	11.0%	156,734,791	15.9%
Taxation - provision less payments	-	-	-	-	-	-	-	-	-	-100.0%	14,378,136	287.4%
Cash and bank deposits	454,365,700	70.2%	267,024,544	-39.4%	440,366,476	277.1%	116,781,242	7.5%	108,620,817	-37.4%	173,451,416	-29.3%
Total assets of Window Takaful Operation's - Operator's Fund	103,495,918	15.2%	89,831,932	28.8%	69,721,881	32.2%	52,755,690	-	-	-	-	-
Total assets	3,402,848,220	10.3%	3,086,221,377	9.1%	2,829,743,724	3.4%	2,735,632,137	-4.8%	2,873,183,279	8.0%	2,660,358,470	41.8%
Equity and Liabilities												
Ordinary share capital	502,968,030	0.0%	502,968,030	0.0%	502,968,030	0.0%	502,968,030	10.0%	457,243,660	0.0%	457,243,660	0.0%
Share premium	254,024,260	0.0%	254,024,260	0.0%	254,024,260	0.0%	254,024,260	0.0%	254,024,260	0.0%	254,024,260	0.0%
Reserves	181,840,187	46.0%	124,545,934	39.1%	89,518,648	9.4%	81,818,834	-69.4%	266,955,431	124.3%	119,000,000	0.0%
Unappropriated profit	1,110,233,075	16.2%	955,159,703	9.3%	873,893,357	-2.0%	891,722,749	1.4%	879,048,427	-4.8%	923,622,571	160.1%
Outstanding claims including IBNR	260,105,733	26.1%	206,337,532	7.0%	192,759,004	16.4%	165,560,979	0.5%	164,787,530	4.8%	157,298,790	27.2%
Unearned premium reserve	521,370,886	5.5%	494,320,532	12.5%	439,281,123	14.7%	383,008,819	13.6%	337,036,982	-13.1%	388,001,402	57.6%
Unearned reinsurance commission	46,716,196	16.4%	40,139,097	2.4%	39,191,757	1.7%	38,529,301	-10.7%	43,125,928	6.1%	40,664,654	15.1%
Deferred taxation	-	-	-	-	-	-	-	-100.0%	64,544,653	-	-	-
Retirement benefit obligations	4,519,519	-12.1%	5,141,096	-0.4%	5,162,059	-0.2%	5,171,457	3.8%	4,984,383	32.6%	3,758,322	51.3%
Premiums received in advance	1,891,673	84.8%	1,023,802	78.6%	573,295	-28.8%	804,781	297.8%	202,327	-90.9%	2,229,476	77.4%
Insurance / reinsurance payables	234,715,482	-3.5%	243,253,439	4.8%	232,154,530	3.1%	225,151,644	-13.6%	260,739,918	30.9%	199,147,518	3.8%
Other creditors and accruals	152,676,442	-19.0%	188,481,027	21.0%	155,776,279	15.1%	135,345,022	22.2%	110,765,575	-4.0%	115,367,817	27.4%
Taxation - provision less payments	96,880,283	130.4%	42,056,608	43.7%	29,269,328	-39.0%	47,993,747	61.5%	29,724,205	-	-	-
Total liabilities of Window Takaful Operation's - Operator's Fund	34,906,454	21.3%	28,770,317	89.6%	15,172,054	329.5%	3,532,514	-	-	-	-	-
Total Equity and Liabilities	3,402,848,220	10.3%	3,086,221,377	9.1%	2,829,743,724	3.4%	2,735,632,137	-4.8%	2,873,183,279	8.0%	2,660,358,470	41.8%
PROFIT AND LOSS ACCOUNT												
Net insurance premium	846,099,290	8.5%	779,722,143	13.0%	690,289,955	16.4%	593,051,035	-10.0%	659,250,573	28.0%	515,004,996	32.6%
Net insurance claims	(360,165,103)	-0.7%	(362,676,565)	25.8%	(288,198,657)	16.7%	(246,956,137)	-36.8%	(390,450,380)	30.2%	(299,836,085)	48.5%
Net commission and other acquisition costs	40,466,589	213.1%	12,925,559	12.4%	11,496,471	-50.5%	23,239,805	5.6%	21,999,234	-12.4%	25,101,232	37.4%
Management expenses	(332,547,935)	12.8%	(294,771,909)	3.8%	(283,862,979)	0.0%	(283,801,639)	12.7%	(251,748,734)	14.7%	(219,498,151)	16.7%
Investment income / (loss)	79,513,925	184.0%	27,995,256	-151.5%	(54,336,292)	-136.9%	147,055,769	-34.2%	223,483,200	-64.8%	634,704,287	367.1%
Other income	63,515,340	35.0%	47,039,373	65.3%	28,462,180	431.8%	5,352,382	-35.1%	8,251,759	3.1%	8,005,744	36.0%
Other expenses	(11,102,156)	13.5%	(9,779,320)	-6.6%	(10,466,253)	21.7%	(8,598,215)	1.7%	(8,457,481)	1.2%	(8,359,377)	59.1%
Finance costs - Lease liabilities	(6,240,748)	2.4%	(6,095,558)	0.0%	-	-	-	-	-	-	-	-
Share of profit / (loss) of associates	12,408,460	79.4%	6,918,238	64.2%	4,212,621	-23.2%	5,482,214	134.8%	2,334,451	-594.7%	(471,876)	-129.8%
(Impairment) in value of investment in associates	-	-100.0%	(11,079,350)	0.0%	-	0.0%	-	0.0%	-	-100.0%	(5,334,047)	-250.2%
Profit / (loss) from Window Takaful Operations	10,469,119	10.7%	9,456,795	27.4%	7,422,950	-702.6%	(1,231,819)	100%	-	-	-	-
Income tax expense	(99,814,471)	83.3%	(54,458,305)	61.6%	(33,693,272)	-64.0%	(93,587,119)	18.8%	(78,795,459)	619.8%	(10,947,006)	-31.9%
Profit after tax	242,602,310	67.1%	145,196,357	103.6%	71,326,724	-49.1%	140,006,276	-24.7%	185,867,163	-70.9%	638,312,753	348.3%

Vertical Analysis

	2020		2019		2018		2017		2016		2015	
	(Rupees)	%	(Rupees)	%	(Rupees)	%	(Rupees)	%	(Rupees)	%	(Rupees)	%
STATEMENT OF FINANCIAL POSITION												
Assets												
Property & equipment	121,150,269	3.6%	129,993,035	4.2%	72,325,607	2.6%	65,669,519	2.4%	71,011,756	2.5%	54,540,036	2.1%
Intangible assets	-	0.0%	9,741	0.0%	26,407	0.0%	472,587	0.0%	1,043,697	0.0%	1,657,863	0.1%
Investment in associates	49,959,574	1.5%	39,404,247	1.3%	45,144,162	1.6%	42,137,247	1.5%	38,284,477	1.3%	40,568,071	1.5%
Investments	1,678,815,338	49.3%	1,657,439,548	53.7%	1,359,046,751	48.0%	1,476,998,539	54.0%	1,972,178,482	68.6%	1,692,415,613	63.6%
Loan and other receivable	42,262,996	1.2%	37,416,224	1.2%	20,585,208	0.7%	238,537,198	8.7%	18,364,616	0.6%	11,615,106	0.4%
Insurance / reinsurance receivable	554,679,355	16.3%	500,355,096	16.2%	452,631,626	16.0%	426,728,740	15.6%	393,330,551	13.7%	412,791,828	15.5%
Reinsurance recoveries against outstanding claims	125,342,540	3.7%	97,581,839	3.2%	100,016,385	3.5%	74,912,821	2.7%	61,181,748	2.1%	60,249,843	2.3%
Salvage recoveries accrued	2,775,000	0.1%	4,005,000	0.1%	3,975,000	0.1%	2,426,000	0.1%	4,378,000	0.2%	2,420,000	0.1%
Deferred commission expense	25,643,610	0.8%	35,271,269	1.1%	33,060,770	1.2%	32,232,773	1.2%	30,829,820	1.1%	30,015,561	1.1%
Deferred taxation	34,941,495	1.0%	42,441,773	1.4%	53,228,969	1.9%	35,264,815	1.3%	-	0.0%	9,520,206	0.4%
Prepayments	209,416,425	6.2%	185,447,129	6.0%	179,614,482	6.3%	170,714,966	6.2%	173,959,315	6.1%	156,734,791	5.9%
Taxation - provision less payments	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	14,378,136	0.5%
Cash and bank deposits	454,365,700	13.4%	267,024,544	8.7%	440,366,476	15.6%	116,781,242	4.3%	108,620,817	3.8%	173,451,416	6.5%
Total assets of Window Takaful Operation's - Operator's Fund	103,495,918	3.0%	89,831,932	2.9%	69,721,881	2.5%	52,755,690	1.9%	-	0.0%	-	0.0%
Total assets	3,402,848,220	100.0%	3,086,221,377	100.0%	2,829,743,724	100.0%	2,735,632,137	100.0%	2,873,183,279	100.0%	2,660,358,470	100.0%
Equity and Liabilities												
Ordinary share capital	502,968,030	14.8%	502,968,030	16.3%	502,968,030	17.8%	502,968,030	18.4%	457,243,660	15.9%	457,243,660	17.2%
Share premium	254,024,260	7.5%	254,024,260	8.2%	254,024,260	9.0%	254,024,260	9.3%	254,024,260	8.8%	254,024,260	9.5%
Reserves	181,840,187	5.3%	124,545,934	4.0%	89,518,648	3.2%	81,818,834	3.0%	266,955,431	9.3%	119,000,000	4.5%
Unappropriated profit	1,110,233,075	32.6%	955,159,703	30.9%	873,893,357	30.9%	891,722,749	32.6%	879,048,427	30.6%	923,622,571	34.7%
Outstanding claims including IBNR	260,105,733	7.6%	206,337,532	6.7%	192,759,004	6.8%	165,560,979	6.1%	164,787,530	5.7%	157,298,790	5.9%
Unearned premium reserve	521,370,886	15.3%	494,320,532	16.0%	439,281,123	15.5%	383,008,819	14.0%	337,036,982	11.7%	388,001,402	14.6%
Unearned reinsurance commission	46,716,196	1.4%	40,139,097	1.3%	39,191,757	1.4%	38,529,301	1.4%	43,125,928	1.5%	40,664,654	1.5%
Deferred taxation	-	0.0%	-	0.0%	-	0.0%	-	0.0%	64,544,653	2.2%	-	0.0%
Retirement benefit obligations	4,519,519	0.1%	5,141,096	0.2%	5,162,059	0.2%	5,171,457	0.2%	4,984,383	0.2%	3,758,322	0.1%
Premiums received in advance	1,891,673	0.1%	1,023,802	0.0%	573,295	0.0%	804,781	0.0%	202,327	0.0%	2,229,476	0.1%
Insurance / reinsurance payables	234,715,482	6.9%	243,253,439	7.9%	232,154,530	8.2%	225,151,644	8.2%	260,739,918	9.1%	199,147,518	7.5%
Other creditors and accruals	152,676,442	4.5%	188,481,027	6.1%	155,776,279	5.5%	135,345,022	4.9%	110,765,575	3.9%	115,367,817	4.3%
Taxation - provision less payments	96,880,283	2.8%	42,056,608	1.4%	29,269,328	1.0%	47,993,747	1.8%	29,724,205	1.0%	-	0.0%
Total liabilities of Window Takaful Operation's - Operator's Fund	34,906,454	1.0%	28,770,317	0.9%	15,172,054	0.5%	3,532,514	0.1%	-	0.0%	-	0.0%
Total Equity and Liabilities	3,402,848,220	100.0%	3,086,221,377	100.0%	2,829,743,724	100.0%	2,735,632,137	100.0%	2,873,183,279	100.0%	2,660,358,470	100.0%
PROFIT AND LOSS ACCOUNT												
Net insurance premium	846,099,290	100.0%	779,722,143	100.0%	690,289,955	100.0%	593,051,035	100.0%	659,250,573	100.0%	515,004,996	100.0%
Net insurance claims	(360,165,103)	-42.6%	(362,676,565)	-46.5%	(288,198,657)	-41.8%	(246,956,137)	-41.6%	(390,450,380)	-59.2%	(299,836,085)	-58.2%
Net commission and other acquisition costs	40,466,589	4.8%	12,925,559	1.7%	11,496,471	1.7%	23,239,805	3.9%	21,999,234	3.3%	25,101,232	4.9%
Management expenses	(332,547,935)	-39.3%	(294,771,909)	-37.8%	(283,862,979)	-41.1%	(283,801,639)	-47.9%	(251,748,734)	-38.2%	(219,498,151)	-42.6%
Investment income / (loss)	79,513,925	9.4%	27,995,256	3.6%	(54,336,292)	-7.9%	147,055,769	24.8%	223,483,200	33.9%	634,704,287	123.2%
Other income	63,515,340	7.5%	47,039,373	6.0%	28,462,180	4.1%	5,352,382	0.9%	8,251,759	1.3%	8,005,744	1.6%
Other expenses	(11,102,156)	-1.3%	(9,779,320)	-1.3%	(10,466,253)	-1.5%	(8,598,215)	-1.4%	(8,457,481)	-1.3%	(8,359,377)	-1.6%
Finance costs - Lease liabilities	(6,240,748)	-0.7%	(6,095,558)	-0.8%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Share of profit / (loss) of associates	12,408,460	1.5%	6,918,238	0.9%	4,212,621	0.6%	5,482,214	0.9%	2,334,451	0.4%	(471,876)	-0.1%
(Impairment) in value of investment in associates	-	0.0%	(11,079,350)	-1.4%	-	0.0%	-	0.0%	-	0.0%	(5,334,047)	-1.0%
Profit / (loss) from Window Takaful Operations	10,469,119	1.2%	9,456,795	1.2%	7,422,950	1.1%	(1,231,819)	-0.2%	-	0.0%	-	0.0%
Income tax expense	(99,814,471)	-11.8%	(54,458,305)	-7.0%	(33,693,272)	-4.9%	(93,587,119)	-15.8%	(78,795,459)	-12.0%	(10,947,006)	-2.1%
Profit after tax	242,602,310	28.7%	145,196,357	18.6%	71,326,724	10.3%	140,006,276	23.6%	185,867,163	28.2%	638,369,717	124.0%

Share Price & Volume Analysis

The Company's Share Prices & Volume on the PSX in the year 2020.

Month	Highest --- (Rupees per Share) ---	Lowest	Average of Volume -- No of Shares --
January	20.00	18.00	2,611
February	18.99	16.42	1,714
March	18.10	15.30	21,536
April	18.20	16.00	2,107
May	18.70	16.01	7,136
June	17.55	14.77	23,727
July	21.50	15.70	17,833
August	23.50	20.30	5,636
September	23.64	20.62	3,400
October	22.44	20.00	3,875
November	23.50	21.60	4,500
December	23.33	21.50	5,900

Share Price Sensitivity Analysis

The Company's share price is sensitive to the following factors:

- Country's economic conditions.
- Political scenario
- Stock market sentiments.
- Company's performance.
- Dividend announcements.
- Change in government policies and regulations relating to insurance business.
- Company's Financial Strength Rating.

Market Capitalization

Particulars	Years					
	2020	2019	2018	2017	2016	2015
Number of Shares outstanding (in million)	50	50	50	46	46	46
Market closing price of share as on December 31, (PSX) (Rs.)	23	20	23	27	30	25
Market Share Capitalisation (Rs. in million)	1,138	1,000	1,155	1,256	1,371	1,159

Statement of Value Addition

(Rupees in '000)

WEALTH GENERATED

Net premium (including FED & FIF)
Commission income
Investment income
Other income

2020

2019

1,008,449	939,646
40,467	12,926
79,514	27,995
75,924	42,878
1,204,354	1,023,445

Less: Claims and expenses (excluding employee remuneration, depreciation and donation)

(472,119)

(458,304)

Profit from Window Takaful Operations (Operator's fund)

10,469

9,457

742,704

574,598

WEALTH DISTRIBUTED

To Employees

208,556

188,723

To Government:

Company taxation
Levies (including FED & FIF)

99,814

54,458

162,350

159,924

262,164

214,382

To Society:

Donation

1,500

500

1,500

500

To Shareholders:

Dividend *

100,594

88,019

100,594

88,019

Retained in Business:

Depreciation and amortisation
Net earnings

27,880

25,797

142,009

57,177

169,889

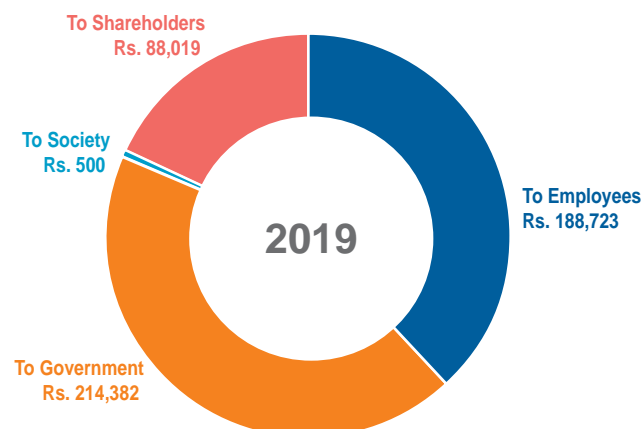
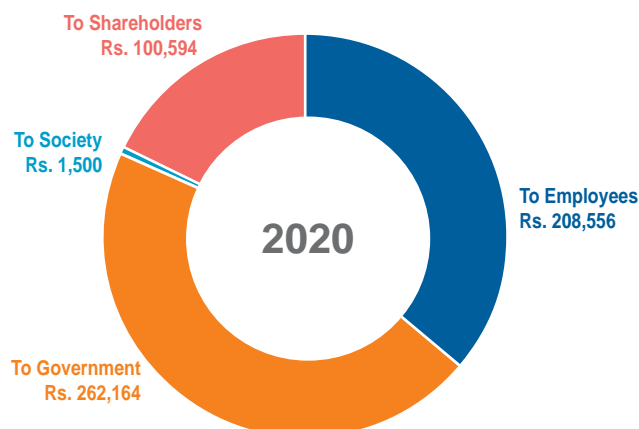
82,975

742,704

574,598

* Includes cash dividend amounting to Rs. 100.594 million (2019: Rs. 88.019 million) proposed by the Board of Directors subsequent to the year end.

Distribution of Value Added



Chairman's Review

On behalf of the Board of Directors, it is my pleasure to present to you, the Annual Report and performance review of the Company for the year ended December 31, 2020.

Review of the Economy

The IMF Extended Fund Facility program helped the economy stabilize during the first three quarters of FY20 and eased the transition to a market-based exchange rate system. However, the economy was hit hard in Q4-FY20 by the global emergence of the Covid-19 pandemic and the efforts to contain its spread. As a result, Pakistan's GDP growth contracted by 0.4 percent in FY20 – the first year of negative economic growth since FY52. However, aggressive policy support to the manufacturing and service sectors as well as expansion of emergency cash payments to 12 million households coupled with an accommodating monetary policy of the State Bank of Pakistan helped the economy mitigate much of the negative impact of the pandemic. By the end of the first quarter of FY21, the country's economy had started to regain its pre-Covid-19 trajectory.

According to the State Bank of Pakistan, the economy is on track to achieve the revised GDP growth target of 2.1 percent for FY21 set by the Ministry of Planning, Development and Special Initiatives. The industrial sector posted robust growth during Q1-FY21 as well as in the months of October and November 2020, especially in the petroleum, automobile, cement and steel industries. The services sector also performed well during this period, as evidenced by improvements in wholesale and retail trade as well as in transportation services, indicating a return to pre-Covid-19 levels. The agricultural sector, too, has performed well, despite a shortfall in cotton production due to decline in the area dedicated to cotton cultivation. The other Kharif crops such as rice, sugarcane and maize exceeded their production targets during Q1-FY21, thanks in part to the subsidies on fertilizer purchases as part of the government's relief package for the agricultural sector.

The stabilization efforts of the government, including the introduction of a market-based exchange rate, were beginning to produce good result in terms of controlling the budget and current account deficits during the first eight months of FY20. Non-food and non-energy inflation were also under control and it appeared that the economy was well on the road to recovery. It was at this juncture that the impact of the Covid-19 pandemic and efforts to control its spread began to disrupt economic activity. The State Bank

of Pakistan responded quickly to this challenge by easing financial constraints on businesses through the introduction of concessional financing schemes to businesses that were committed to retaining their workers, introducing risk sharing mechanisms for SMEs and providing concessional credit to hospitals seeking to build facilities for the treatment of Covid-19 patients. By the end of FY20, over 1.3 million businesses had their principal payments deferred or restructured and roughly 2,784 businesses had received financing help to pay workers' salaries. The Monetary Policy Committee (MPC) of the State Bank of Pakistan, leveraging the policy space created by a fall in inflation and a decline in international oil prices during the first eight months of FY20, cut interest rates by a cumulative 625 basis points over a three-month period. Inflation pressures further eased during Q2-FY21 as headline inflation decreased to 8.3 percent in November 2020 and still further to 8.0 percent in December 2020. In its September 2020 meeting and again in January 2021, the MPC decided to maintain the policy rate at 7 percent, thus continuing its accommodative stance to support the nascent recovery.

On the fiscal side, the country reported a primary (i.e. not including interest payments) balance surplus during the first nine months of FY20. The fiscal space created during this period enabled the government to aggressively extend support to businesses and households in Q4-FY20 to help them cope with the Covid-19 related lockdowns that resulted in mobility restrictions, supply-chain disruptions and an overall slowdown in economic activity. The government expanded the volume and outreach of its ongoing social uplift programs, enabling 12 million households to receive emergency cash transfers of up to Rs. 12,000 per family. By the end of Q1-FY21, fiscal indicators had resumed their pre-Covid-19 trajectory as tax collections improved with the resumption of economic activity and the primary balance turned into a surplus once again. The fiscal policy objective for FY21 is to strike a balance between containing the deficit and public debt while adequately providing for social protection and growth stimulus for the economy. The government has set an overall fiscal deficit target of 7 percent of GDP for FY21 as compared to the actual deficit of 8.1 percent last year.

On the external front, two concerns emerged during the initial Covid-19 period causing downward pressure on foreign exchange reserves; a fall in exports as international orders dried up and an outflow of capital from emerging market economies, including Pakistan. These concerns were mitigated

by the following three factors: First, the market-based exchange rate acted as an effective shock absorber with the Pak Rupee depreciating 8.2 percent in an orderly fashion from March to June 2020. Second was a fall in international oil prices as well as a broad-based decline in imports. Third, there was a growth in workers' remittances as inflows reached a record high in September 2020, exceeding US\$ 2 billion for the fourth consecutive month. All of these factors resulted in the first quarterly current account surplus during Q1-FY21 in over five years, with the country's FX reserves rising to US\$ 19.4 billion by the end of September 2020.

The overall outlook for the economy remains mixed and much depends on the course taken by the Covid-19 pandemic and the availability and distribution of adequate and effective vaccines in Pakistan. After a surge in November and December 2020, new daily cases have begun to decline in January and February 2021. According to the projections of the State Bank of Pakistan, GDP growth during FY21 is projected to be between 1.5 and 2.5 percent with inflation estimated to come in at between 7.0 and 9.0 percent. The fiscal deficit for FY21 is projected to be between 6.5 and 7.5 percent of GDP while the current account deficit is projected to register between 0.5 and 1.5 percent of GDP.

Company Performance Highlights

2020 has been a good year for Century Insurance Company Limited. All insurance classes of business showed growth and there was a marked increase in underwriting income. Investment & Other Income also increased as compared to last year on account of a prudent balance between equity and fixed income investments.

The comparative financial highlights for the years 2020 and 2019 are presented as follows:

Description	2020	2019	Increase / (Decrease)	
			Amount	%
Gross Written Premium (including Takaful Contribution)	1,477	1,389	88	6
Net Premium	846	780	66	8
Underwriting results	194	135	59	44
Investment & other income	155	71	84	118
Profit from Window Takaful Operations	10	9	1	11
Profit before tax	342	200	142	71
Profit after tax	243	145	98	68
Earnings per share (Rs. per share)	4.82	2.89	1.93	67
Total assets	3,403	3,086	317	10
Paid-up capital	503	503	-	-
Total equity	2,049	1,837	212	12

During the year under review, gross premium (including Takaful Contribution) increased by 6% from Rs. 1,389.3 million in 2019 to Rs. 1,477.4 million in 2020. Net premium increased by 8% from Rs. 779.7 million last year to Rs. 846.1 million in 2020 whereas net claims decreased by 1% from Rs. 362.7 million last year to Rs. 360.2 million in 2020. The Underwriting result increased by 44% from Rs. 135.2 million in 2019 to Rs. 194 million in 2020.

Window Takaful Operations

The overall Takaful performance was satisfactory.

Participant Takaful Fund (PTF)

The Gross Written Contribution for FY2020 was Rs. 106.2 million as compared to Rs. 74.7 million last year. Net contribution revenue (including wakala expense) was Rs. 25.5 million as compared to Rs. 24.0 million last year and surplus for FY2020 was Rs. 4.4 million as compared to Rs. 9.2 million in the previous year.

Operator's Fund (OPF)

Gross Wakala Fee for FY2020 was Rs. 40.9 million whereas Net Wakala Fee was Rs. 34.6 million. Profit before tax was Rs. 10.5 million.

Segments at a Glance

All classes of business produced satisfactory results as given below:

Fire & Property Damage

Fire & Property Damage class of business accounted for 30% of the total premium portfolio. Gross premium underwritten (including Takaful contribution) during the year was Rs. 437.4 million as compared to Rs. 421.9 million in 2019, an increase of 4%. Net premium stood at Rs. 55.4 million as against Rs. 51.7 million in 2019, an increase of 7%. Net claim to net premium ratio for the year under review was 20%.

Marine, Aviation and Transport

Marine, Aviation & Transport class of business accounted for 19% of the total premium portfolio. Gross premium underwritten (including Takaful contribution) during the year was Rs. 283.8 million as compared to Rs. 245.8 million in 2019, an increase of 15%. Net premium stood at Rs. 172.9 million as against Rs. 159.2 million in 2019, an increase of 9%. The net claim to net premium ratio for the year under review was 11%.

Motor

Motor class of business accounted for 28% of the total premium portfolio. Gross premium underwritten (including Takaful contribution) during the year was Rs. 409.0 million as compared to Rs. 367.2 million in 2019, an increase of 11%. Net premium stood at Rs. 305.5 million as against Rs. 311.2 million in 2019, a decrease of 2%. The net claim to net premium ratio for the year under review was 32%.

Accident and Health

Accident and Health class of business accounted for 19% of the total premium portfolio. Gross premium underwritten (including Takaful contribution) during the year was Rs. 279.5 million as compared to Rs. 285.1 million in 2019, a decrease of 2%. Net premium stood at Rs. 293.7 million as against Rs. 243.3 million in 2019, an increase of 21%. The net claim to net premium ratio for the year under review was 74%.

Miscellaneous

Miscellaneous class of business accounted for 5% of the total premium portfolio. Gross premium underwritten (including Takaful contribution) during the year was Rs. 67.8 million as compared to Rs. 69.2 million in 2019, a decrease of 2%. Net premium stood at Rs. 18.7 million as against Rs. 14.3 million in 2019, an increase of 31%. The net claim to net premium ratio for the year under review was 78%.

Investment & Other Income

The overall Investment and Other Income for the year under review was Rs. 155.4 million as against Rs. 70.9 million in 2019, an increase of 118%.

The realized gain from sale of shares, mutual funds and debt securities was Rs. 0.9 million, dividend income from shares was Rs. 13.5 million and returns earned on government & fixed income securities was Rs. 92.0 million. Other income, including interest on bank deposits was Rs. 63.5 million.

Management's policy is to make diversified and secure investments while ensuring safety and a sound balance between risk and return.

Claim Settlement

Prompt settlement of claims and customer satisfaction is the company's highest priority as it helps build the trust of its valued clients and earns their goodwill.

Board Performance Evaluation

For the Financial year ended December 31, 2020, the Board's overall performance and effectiveness has been assessed as satisfactory. Improvements are an ongoing process leading to action plans. The overall assessment is based on an evaluation of integral components, including vision, mission and value; engagement in Strategic planning; formulation of policies; monitoring the organization's business activities; monitoring financial resource management; effective fiscal oversight; equitable treatment of all employees and efficiency in carrying out the Board's responsibility.

Reinsurance

The company has strong reinsurance arrangements with some of the best and most highly rated reinsurers in the international market who have full faith and confidence in its underwriting practices. We are thankful to all our reinsurers for their unwavering support and continued cooperation.

Insurer Financial Strength Rating (IFSR)

VIS Credit Rating Company Limited (formerly JCR-VIS Credit Rating Company) has maintained the company's rating to 'AA-' with a 'Stable' outlook, signifying very high capacity to meet contractual obligations.

Human Resource Initiatives

The management is of the firm belief that complete alignment of the human resource strategy with overall corporate goals is vital for the success and growth of any organization. In today's competitive environment,

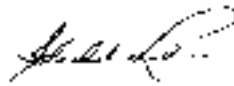
we realize that it is important to place emphasis on recruiting new talent while retaining and developing existing staff and implementing effective performance reviews. During the year under review, your company has been successful in hiring quality professionals particularly in the area of business development. Our continued focus on creating a meritocratic work environment with equal opportunity for all and a clear career path go a long way in maintaining a pool of knowledgeable, experienced and motivated employees who remain our most valuable asset.

COVID – 19

The pandemic outbreak Covid-19 globally poses lots of new challenges and learning especially in the corporate world. The company has formed a steering committee which was responsible to prepare a comprehensive plan, taking all relevant measures and SOPs for the safety and health of employees and to ensure uninterrupted services to clients. Majority of employees were operating from home during the lockdown period. Employees were required to keep the committee updated on a regular basis on their health and safety. The also committee ensures that all SOPs are followed through in true spirit by all employees.

Acknowledgments

On behalf of the directors of the company, I wish to place on record our appreciation of the efforts of all the employees of the company in enabling its growth and success. We are also grateful to our clients for their patronage, to the Securities & Exchange Commission of Pakistan (SECP) for its guidance as regulator of the Insurance Industry and to our Shareholders for their trust and confidence in the company.



Iqbal Ali Lakhani
Chairman

Karachi: February 26, 2021

Note: To read urdu translation of the above Chairman's review please refer page 30 to 33

کلمی ادائیگی

کلمی کی فوری ادائیگی اور صارف کا اطمینان ادارے کی اولین ترجیح ہے کیونکہ یہ صارفین کا اعتماد اور ان کی خوشنودی حاصل کرنے میں مدد دیتا ہے۔

کووڈ-19 (COVID-19)

عالمی سطح پر کووڈ-19 کی وباء کے مرض نے خاص طور پر کارپوریٹ دنیا میں بے شمار نئے چیلنجز اور سیکھنے کے مواقع کا باعث بنا ہے۔ کمپنی نے ایک اسٹریٹجک کمیٹی تشکیل دی ہے، جو ایک جامع منصوبہ تیار کرنے، ملازمین کی حفاظت اور صحت کے لئے تمام متعلقہ اقدامات اور ایس او پیز اختیار کرنے اور کلائنٹ کو بلا تعطل خدمات کو یقینی بنانے کے لئے ذمہ دار ہے۔ لاک ڈاؤن کے دورانیے میں زیادہ تر ملازمین گھر سے کام کر رہے تھے۔ ملازمین کو اپنی صحت اور حفاظت کے بارے میں مستقل بنیادوں پر کمیٹی کو اپ ڈیٹ رکھنے کی ہدایت تھی۔ کمیٹی یہ بھی یقینی بناتی ہے کہ تمام ملازمین مکمل ایس او پیز پراس کی حقیقی روح کے ساتھ عمل کریں۔

اعتراف

میں ادارے کی ترقی اور کامیابی کو ممکن بنانے کے لیے تمام ملازمین کی کوششوں پر انہیں کمپنی ڈائریکٹرز کی جانب سے سراہنا چاہتا ہوں۔ ہم اپنے شانہ بشانہ رہنے پر تمام کلائنٹس، انشورنس انڈسٹری میں ریگولیٹر کی حیثیت سے رہنمائی کرنے پر سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) اور کمپنی پر بھروسہ و اعتماد کرنے پر اپنے شیئر ہولڈرز کے بھی شکر گزار ہیں۔

اقبال علی لاکھانی
چیئرمین

کراچی: 26 فروری 2021ء

بورڈ کارکردگی کا جائزہ

مالی سال برائے 31 دسمبر 2020ء کے لیے بورڈ کی مجموعی کارکردگی اور افادیت اطمینان بخش قرار پائی ہے۔ بہتری ایک مستقل جاری رہنے والا عمل ہے جس کی مدد سے عملی منصوبہ بندیوں کو ممکن بنایا جاتا ہے۔ مجموعی جائزہ ضروری اجزاء کے انفرادی جائزے پر منحصر ہے جن میں دور اندیشی، نصب العین اور اقدار، حکمت عملی کے بنانے میں کردار، پالیسیز کی تشکیل، کمپنی میں جاری کاروباری سرگرمیوں کی نگرانی، مالیاتی وسائل کے انتظام کی، موثر ملی نگرانی، بورڈ کے کاروبار کو پورا کرنے میں ملازمین کے ساتھ منصفانہ سلوک اور بورڈ کی ذمہ داریوں کو کرنا شامل ہے۔

ری انشورنس

کمپنی چند بہترین اور بین الاقوامی مارکیٹ میں عمدہ ساکھ رکھنے والے ری انشوررز کے ساتھ مضبوط ری انشورنس انتظامات رکھتی ہے۔ جنکا بیمہ کاری کے عمل پر مکمل یقین اور اعتماد ہے۔ ہم مستقل مدد اور مسلسل تعاون پر تمام ری انشوررز کے شکر گزار ہیں۔

انشورر فائنانشل اسٹریٹجی ریٹنگ (IFSR)

VIS کریڈٹ ریٹنگ ایجنسی لمیٹڈ (سابقہ JCR-VIS کریڈٹ ریٹنگ کمپنی) نے ادارے کی درجہ بندی کو "AA" پر برقرار رکھا ہے، جس میں استحکام ہے، جو معاہدے کے تحت اپنی ذمہ داریوں کو پورا کرنے کی بہترین گنجائش کو ظاہر کرتا ہے۔

افراد کی وسائل کے منصوبے

ادارے کی انتظامیہ یقیناً کامل رکھتی ہے کہ کسی بھی ادارے کے مجموعی اہداف کے کامیابی سے حصول کے لیے افرادی وسائل کی حکمت عملی سے مکمل ہم آہنگی ضروری ہے۔ آج کے مسابقتی ماحول میں ہم سمجھتے ہیں کہ موجودہ عمل کو برقرار رکھنا اور ترقی و کارکردگی کے موثر جائزے پیش کرنا اہم ہے۔ مذکورہ سال میں آپ کے ادارے نے بالخصوص بزنس ڈیولپمنٹ کے شعبے میں معیاری ماہرین کو کامیابی سے حاصل کیا۔ ہماری مسلسل توجہ اہلیت پر مبنی کام کا ماحول تخلیق کرنے پر مرکوز ہے کہ جہاں سب کے لیے یکساں مواقع ہوں اور زیرک، تجربہ کار اور ماہر ملازمین کے مجموعے کو برقرار رکھنے کے لیے کیئریر کا واضح راستہ ہو کیونکہ وہ ہمارا سب سے قابل قدر اثاثہ ہیں۔

میں 172.9 ملین روپے رہا جو 9 فیصد اضافہ ہے۔ جائزے کے سال کے لیے خالص پریمیئم پر خالص کلیم کا تناسب 11 فیصد تھا۔

موٹر

موٹر کاروبار کا شعبہ کل پریمیئم پورٹ فولیو کا 28 فیصد ہے۔ کل بیمہ پریمیئم (بشمول تکافل حصہ) 2019ء کے 367.2 ملین روپے کے مقابلے میں سال بھر میں 409.0 ملین روپے رہا، جو 11 فیصد اضافہ ہے۔ خالص پریمیئم 2 فیصد کمی کے ساتھ 2019ء کے 311.2 ملین روپے کے مقابلے میں 305.5 ملین روپے رہا۔ جائزے کے سال میں خالص پریمیئم پر خالص کلیم کا تناسب 32 فیصد تھا۔

حادثات اور صحت

کاروبار کا حادثات و صحت شعبہ کل پریمیئم پورٹ فولیو کے 19 فیصد پر مشتمل ہے۔ کل بیمہ پریمیئم (بشمول تکافل حصہ) سال بھر میں 279.5 ملین روپے رہا جو 2019ء میں 285.1 ملین روپے تھا یعنی 2 فیصد کمی دیکھنے کو ملی۔ خالص پریمیئم 2019ء کے 243.3 ملین روپے کے مقابلے میں 293.7 ملین روپے رہا یعنی 21 فیصد اضافہ ہے۔ جائزے کے سال میں خالص پریمیئم پر خالص کلیم تناسب 74 فیصد تھا۔

متفرق

کاروبار کا متفرق حصہ کل پریمیئم پورٹ فولیو کے 5 فیصد پر مشتمل ہے۔ سال بھر میں کل بیمہ پریمیئم (بشمول تکافل حصہ) 2019ء میں 69.2 ملین روپے کے مقابلے میں 2 فیصد کمی کے ساتھ 67.8 ملین روپے تھا۔ خالص پریمیئم 31 فیصد اضافے کے ساتھ 2019ء کے 14.3 ملین روپے کے مقابلے میں 18.7 ملین روپے رہا۔ جائزے کے سال کے لیے خالص پریمیئم پر خالص کلیم تناسب 78 فیصد تھا۔

سرمایہ کاری و دیگر آمدنی

زیر غور سال کے لئے مجموعی طور پر سرمایہ کاری اور دیگر آمدنی میں 155.4 ملین روپے کا منافع ہوا تھا۔ جبکہ 2019ء میں 70.9 ملین روپے رہا تھا۔ جو کہ 118 فیصد کا اضافہ ہے۔

حصص اور میمورنل فنڈز کی فروخت سے نفع 0.9 ملین روپے تھا، حصص سے ڈیویڈنڈ آمدنی 13.5 ملین روپے تھی اور سرکاری و طے شدہ انکم سکیورٹیز پر حاصل کردہ آمدنی 92.0 ملین روپے تھی۔ دیگر آمدنیاں، بشمول بینک ڈپازٹس پر سود، 63.5 ملین روپے رہیں۔

انتظامیہ کی پالیسی ہے کہ خطرات اور منافع جات میں محفوظ اور مستحکم توازن یعنی بناتے ہوئے متنوع اور محفوظ انویسٹمنٹس کی جائیں۔

جائزے کے سال میں مجموعی پریمیئم (بشمول تکافل حصہ) 2019ء میں 1,389.3 ملین روپے سے بڑھ کر 1,477.4 ملین روپے ہوا، جو 6 فیصد اضافہ ہے۔ خالص پریمیئم 2019ء میں 779.7 ملین روپے کے مقابلے میں 8 فیصد اضافے کے ساتھ 846.1 ملین روپے ہو گیا۔ خالص کلیمز 2020ء میں 362.7 ملین روپے کے مقابلے میں 360.2 ملین روپے تک کم ہوئے، جو کہ 2.5 ملین روپے کی کمی ہے یعنی 1 فیصد۔ انڈر رائٹنگ نتیجہ 44 فیصد بہتری کے ساتھ 2019ء کے 135.2 ملین روپے کے مقابلے میں 194 ملین روپے تک پہنچا۔

ونڈو تکافل آپریشن

مجموعی تکافل کارکردگی کافی اطمینان بخش تھی۔

پارٹیسپنٹ تکافل فنڈ (PTF)

مالی سال 2020ء کے لیے مجموعی تحریر شدہ حصہ داری گزشتہ سال میں 74.7 ملین روپے کے مقابلے میں 106.2 ملین روپے تھی۔ خالص حصہ داری آمدنی (بعد از وکالہ فیس) گزشتہ سال 24.0 ملین روپے کے مقابلے میں 25.5 ملین روپے تھی اور مالی سال 2020ء کے لیے گزشتہ سال میں سرپلس 9.2 ملین کے مقابلے میں 4.4 ملین روپے تھا۔

آپریٹرز فنڈ (OPF)

مالی سال 2020ء کے لیے کل وکالہ فیس 40.9 ملین روپے اور خالص وکالہ فیس 34.6 ملین روپے تھی۔ منافع قبل از ٹیکس 10.5 ملین روپے تھا۔

شعبہ جات پر ایک نظر

کاروبار کے تمام شعبوں نے بہترین کارکردگی پیش کی جو کہ مندرجہ ذیل ہے۔

آتش زنی اور املاک کو نقصان / فائر اور پراپرٹی

آتش زنی اور املاک کے نقصان کا شعبہ کل پریمیئم پورٹ فولیو کا 30 فیصد رہا۔ سال بھر میں کل بیمہ پریمیئم (بشمول تکافل حصہ) 2019ء کے 421.9 ملین روپے کے مقابلے میں 437.4 ملین روپے رہا، جو 4 فیصد اضافہ ہے۔ خالص پریمیئم 2019ء کے 51.7 ملین روپے کے مقابلے میں 7 فیصد اضافے کے ساتھ 55.4 ملین روپے رہا۔ جائزے کے سال کے لیے خالص پریمیئم پر خالص کلیم کا تناسب 20 فیصد تھا۔

بحری، ہوا بازی اور نقل و حمل

بحری، ہوا بازی اور نقل و حمل کاروباری شعبے کے کل پریمیئم پورٹ فولیو 19 فیصد حصہ رہا۔ کل بیمہ پریمیئم (بشمول تکافل حصہ) 2019ء کے 245.8 ملین روپے کے مقابلے میں سال بھر میں 283.8 ملین روپے تھا، یعنی 15 فیصد اضافہ۔ خالص پریمیئم 2019ء کے 159.2 ملین روپے کے مقابلے

ستمبر 2020ء میں مسلسل چوتھے مہینے 2 ارب امریکی ڈالرز کی ترسیلات زر آئیں۔ ان تمام عوامل کا مجموعی نتیجہ مالی سال 2021ء کی پہلی سہ ماہی میں پانچ سالوں میں پہلی بار سہ ماہی کرنٹ اکاؤنٹ کے سرپلس میں جانے کی صورت میں نکلا، جس سے ستمبر 2020ء کے اختتام تک ملک کے زر مبادلہ کے ذخائر 19.4 ارب ڈالرز تک جا پہنچے۔

مجموعی معاشی منظر نامہ اب بھی ملا جلا ہے اور اس کا انحصار کووڈ-19 کی وبا اور پاکستان میں مناسب اور مؤثر ویکسین کی دستیابی اور تقسیم کے نتیجے میں پیدا ہونے والی صورت حال پر ہے۔ نومبر اور دسمبر 2020ء میں اضافے کے بعد جنوری اور فروری 2021ء میں روزانہ کی بنیاد پر نئے کیسیز کی تعداد میں کمی آئی ہے۔ بینک دولت پاکستان کے اندازوں کے مطابق مالی سال 2021ء کے دوران جی ڈی پی نمو 1.5 سے 2.5 فیصد جبکہ افراط زر 7.0 سے 9.0 فیصد ہوگی۔ مالی سال 2021ء کے لیے مالی خسارہ جی ڈی پی کے 6.5 سے 7.5 فیصد رہے گا جبکہ کرنٹ اکاؤنٹ خسارہ جی ڈی پی کے 0.5 سے 1.5 فیصد کے درمیان ہونا متوقع ہے۔

ادارے کی کارکردگی کی جھلکیاں

2020ء سبھری انشورنس کمپنی لمیٹڈ کے لیے ایک اچھا سال رہا۔ کاروبار کے تمام انشورنس شعبوں نے نمو اور مجموعی طور پر منافع ظاہر کیا۔ گذشتہ سال کے مقابلہ میں سرمایہ کاری اور دیگر آمدنی میں اضافہ ہوا ہے، جس کی وجہ پورٹ فولیو میں لیکویٹی اور فکسلڈ انکم میں محتاط سرمایہ کاری ہے۔

2020ء اور 2019ء کے سالوں کے لیے مسابقتی مالیاتی جھلکیاں مندرجہ ذیل ہیں۔

(روپے ملین میں علاوہ دیگر بیانیہ)

بیان	2020ء	2019ء	رقم اضافہ/(کمی) فیصد
تحریر شدہ مجموعی پریمیم (بشمول تکافل حصہ)	1,477	1,389	88
خالص پریمیم	846	780	66
انڈر رائٹنگ نتائج	194	135	59
سرمایہ کاری و دیگر آمدنی	155	71	84
ونڈو تکافل آپریشن سے منافع	10	9	1
منافع قبل از ٹیکس	342	200	142
منافع بعد از ٹیکس	243	145	98
آمدنی فی حصص (روپے)	4.82	2.89	1.93
کل اثاثہ جات	3,403	3,086	317
ادا شدہ سرمایہ	503	503	-
کل لیکویٹی	2,049	1,837	212

چیسر مین کا جائزہ

31 دسمبر 2020ء کو ختم ہونے والے سال کے لیے بورڈ آف ڈائریکٹرز کی جانب سے سالانہ رپورٹ اور ادارے کی کارکردگی کا جائزہ پیش کرنا میرے لیے خوشی کا باعث ہے۔

معیشت کا جائزہ

آئی ایم ایف ایکسینڈڈ فنڈ فیملی پروگرام نے مالی سال 2020ء کی پہلی تین سہ ماہیوں کے دوران معیشت کو مستحکم کرنے میں مدد دی اور مارکیٹ کی بنیاد پر شرح تبادلہ اختیار کرنے میں آسانی فراہم کی۔ تاہم مالی سال 2020ء کی چوتھی سہ ماہی میں کووڈ-19 کی عالمی وبا کے ابھرنے اور اسے محدود کرنے کے لیے کی جانے والی کوششوں سے معیشت بڑی طرح متاثر ہوئی۔ نتیجتاً مالی سال 2020ء میں پاکستان کی کل مقامی پیداوار (جی ڈی پی) منفی 0.4 فیصد ہوئی۔ یہ مالی سال 1952ء کے بعد پہلا سال تھا کہ جس میں معاشی نمو منفی میں گئی۔ البتہ جارحانہ پالیسی نے مینوفیکچرنگ اور سروسز کے شعبے کو مدد فراہم کرنے کے ساتھ ساتھ 12 ملین گھرانوں کی ہنگامی نقد مالی امداد اور بینک دولت پاکستان کی مالیاتی پالیسی نے معیشت کو وبا کے منفی اثرات گھٹانے میں مدد دی۔ یوں مالی سال 2021ء کی پہلی سہ ماہی کے خاتمے تک ملک کی معیشت ایک مرتبہ پھر کووڈ-19 سے قبل کے حالات کی جانب گامزن ہو گئی۔

بینک دولت پاکستان کے مطابق معیشت مالی سال 2021ء کے لیے جی ڈی پی میں 2.1 فیصد کی نمو کا نظریاتی شدہ ہدف حاصل کرنے کی راہ پر گامزن ہے، جو وزارت منصوبہ بندی، ترقیات اور خصوصی منصوبہ جات نے مقرر کیا تھا۔ مالی سال 2021ء کی پہلی سہ ماہی کے علاوہ اکتوبر اور نومبر 2020ء کے مہینوں میں صنعتی شعبے نے زبردست نمو ظاہر کی ہے، خاص طور پر پٹرولیم، آٹوموبائل، سیمنٹ اور فولاد کی صنعت نے۔ سروسز کے شعبے نے بھی اس عرصے میں بہترین کارکردگی پیش کی ہے، جو تھوک اور خوردہ تجارت کے علاوہ ٹرانسپوریشن سروسز میں بہتری کی صورت میں نظر آئی ہے، جن سے کووڈ-19 سے پہلے کے حالات کی جانب واپسی کا اشارہ مل رہا ہے۔ زرعی شعبے نے بھی مخصوص پیداواری علاقے کم ہونے کی وجہ سے کپاس کی پیداوار میں آنے والی تمام تر کمی کے باوجود اچھی کارکردگی دکھائی ہے۔ مالی سال 2021ء کی پہلی سہ ماہی میں خریف کی دیگر فصلوں مثلاً چاول، گنا اور مکئی نے بھی حکومت کے ریلیف پیکیج کے تحت کھاد کی خریداری پر ملنے والی سبسڈی کی بدولت اپنے اہداف پورے کیے۔

دکھایا، اس کے علاوہ چھوٹے اور درمیانے درجے کے اداروں کے لیے رسک شیئرنگ میکانزم متعارف کروائے اور کووڈ-19 کے مریضوں کے علاج کے لیے تنصیبات بنانے کے خواہشمند ہسپتالوں کے لیے رعایتی کریڈٹ فراہم کیا۔ مالی سال 2020ء کے اختتام تک 13 لاکھ کاروباری اداروں کی ادائیگیاں مؤثر یا نئے سرے سے طے کی جا چکی تھیں اور تقریباً 2,784 کاروباری اداروں کو ملازمین کی تنخواہیں ادا کرنے کے لیے مالی مدد ملی۔ بینک دولت پاکستان کی مانیٹری پالیسی کمیٹی (ایم پی سی) نے افراط زر میں کمی اور مالی سال 2020ء کے ابتدائی آٹھ مہینوں میں تیل کی بین الاقوامی قیمتوں میں گراوٹ سے پیدا ہونے والے خلا کا فائدہ اٹھایا اور تین مہینوں میں شرح سود میں مجموعی طور پر 625 بیسیس پوائنٹس کی کمی کی۔ افراط زر کا دباؤ مالی سال 2021ء کی دوسری سہ ماہی میں مزید ہلکا ہوا اور نومبر 2020ء میں ہیڈلائن افراط زر 8.3 فیصد کم ہوا اور دسمبر 2020ء میں مزید 8.0 فیصد۔ اپنے ستمبر 2020ء کے اجلاس میں، اور جنوری 2021ء میں ایک مرتبہ پھر، ایم پی سی نے پالیسی ریٹ کو 7 فیصد پر برقرار رکھنے کا فیصلہ کیا، یوں بڑھتی ہوئی بحالی کو سہارا دینے کے لیے اپنا مددگار رویے کو جاری رکھا۔

مالی لحاظ سے مالی سال 2020ء کے ابتدائی نو مہینوں کے دوران ملک نے پرائمری (یعنی سود کی ادائیگی شامل نہیں) بیلنس میں سرپلس رپورٹ کیا۔ اس عرصے میں پیدا ہونے والی مالی گنجائش نے ملک کے لیے ممکن بنایا کہ وہ مالی سال 2020ء کی چوتھی سہ ماہی میں کاروباری اداروں اور گھرانوں کی بڑھ چڑھ کر مدد کرے تاکہ کووڈ-19 لاک ڈاؤن کے اثرات اور نتیجتاً پیدا ہونے والی نقل و حرکت پر پابندی، سپلائی چین میں رکاوٹ اور معاشی سرگرمیوں میں مجموعی سست روی سے نمٹنے میں مدد ملے۔ حکومت نے اپنے سماجی بہبود کے جاری پروگراموں کا حجم اور ان تک رسائی بھی بڑھائی، 12 ملین گھرانوں نے فی خاندان 12,000 روپے کی ہنگامی نقد امداد پائی۔ مالی سال 2021ء کی پہلی سہ ماہی کے اختتام تک تمام مالیاتی اشارے کووڈ-19 سے پہلے کے حالات کی بحالی کا رخ کرتے نظر آئے کیونکہ میکس گلکیشن میں معاشی سرگرمی بحال ہونے سے بہتری آئی اور پرائمری بیلنس ایک مرتبہ پھر سرپلس میں آ گیا۔ مالی سال 2021ء کے لیے مالیاتی پالیسی کا ہدف خسارے اور سرکاری قرضوں کے درمیان ایک توازن قائم کرنا ہے جبکہ سماجی تحفظ اور معیشت کو آگے بڑھنے کے لیے متحرک کرنا ہے۔ حکومت نے مالی سال 2021ء کے لیے جی ڈی پی کے 7 فیصد مالی خسارے کا ہدف طے کر رکھا ہے جبکہ پچھلے سال حقیقی خسارہ 8.1 فیصد تھا۔

کووڈ-19 کے ابتدائی دنوں میں بیرونی محاذ پر دو خدشات ابھرے جن کی وجہ سے ہمارے غیر ملکی زر مبادلہ کے ذخائر میں زوال کا رجحان پیدا ہوا؛ ایک بین الاقوامی آرڈرز ختم ہونے سے برآمدات میں کمی آئی اور دوسرا پاکستان سمیت دیگر ابھرتی ہوئی مارکیٹوں سے سرمائے کا بیرون ملک منتقل ہونا۔ ان کی شدت مندرجہ ذیل عوامل کی وجہ سے کم ہوئی: اول، مارکیٹ کی بنیاد پر شرح تبادلہ کی فراہمی ایک مؤثر شاک لیبرز پر ثابت ہوئی، جس میں مارچ سے جون 2020ء کے دوران پاکستانی روپے کی شرح میں 8.2 فیصد کمی آئی۔ دوم، تیل کی بین الاقوامی قیمتوں اور ساتھ ساتھ درآمدات میں بڑے پیمانے پر کمی ہونا۔ سوم، بیرون ملک مقیم کارکنوں کی جانب سے ریکارڈ ترسیلات زر بھیجنا۔

حکومت کی جانب سے مالی سال 2020ء کے ابتدائی 8 مہینوں میں معاشی استحکام کی کوششیں بجٹ اور کرنٹ اکاؤنٹ خساروں کو قابو کرنے کے لیے بہتر نتائج حاصل کرنے کا آغاز تھا، جن میں مارکیٹ کی بنیاد پر شرح تبادلہ بھی شامل ہے۔ اشیائے خورد و نوش اور توانائی کے شعبے سے ہٹ کر دیکھیں تو افراط زر بھی قابو میں رہا اور ایسا لگتا تھا کہ معیشت بحالی کی جانب گامزن ہے۔ عین اس موقع پر کووڈ-19 کی وبا آگئی اور اسے قابو کرنے کی کوششوں نے معاشی سرگرمیوں کو بڑی طرح متاثر کیا۔ بینک دولت پاکستان نے رعایتی مالیاتی اسکیمیں متعارف کروا کر اپنے کارکنوں کو برقرار رکھنے کے خواہاں کاروباری اداروں پر موجود مالی دباؤ کو کم کر کے اس چیلنج پر فوری رد عمل

Directors' Report

The directors of Century Insurance Company Limited (the Company) take pleasure in presenting their report together with the annual audited financial statements and auditors' report thereon for the year ended December 31, 2020.

Appropriation of Profit

Profits for the year ended December 31, 2020 has been appropriated as follows:

	(Rupees)
Balance brought forward from previous years	867,140,095
Total comprehensive income for year	243,092,980
Amount available for appropriations	1,110,233,075
Appropriations:	
Proposed final cash dividend @ 20% i.e. Rs. 2 per share (2019: @ 17.5% i.e. Rs. 1.75 per share)	(100,593,606)
Un-appropriated amount carried forward	1,009,639,469

Earnings per Share

Your Company has earned a profit after tax of Rs. 242.6 million which translates into earnings per share of Rs. 4.82 as compared to Rs. 2.89 for the previous year.

Paid-up Capital

Your Company has a strong financial base with a paid-up capital of Rs. 503.0 million. Factoring in retained earnings and reserves, the total equity as at December 31, 2020 stood at Rs. 2,049.1 million. The larger equity base will enhance the financial strength and underwriting capabilities of the Company.

Auditors

M/s. KPMG Taseer Hadi & Co, Chartered Accountants will retire at the conclusion of the Annual General Meeting. The Audit Committee has recommended the appointment of M/s. EY Ford Rhodes, Chartered Accountants, as auditors of the Company for the year ending December 31, 2021.

The audit firm has confirmed that it has been awarded a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP) and the firm is fully compliant with the guidelines of the International Federation of Accountants (IFAC) on the code of ethics, as adopted by the ICAP.

Corporate Social Responsibility

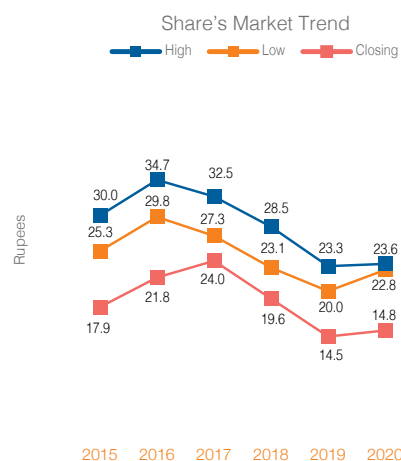
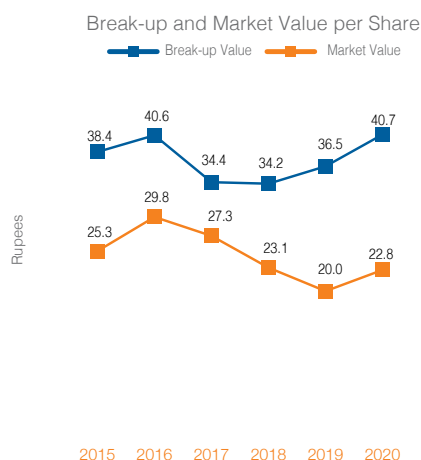
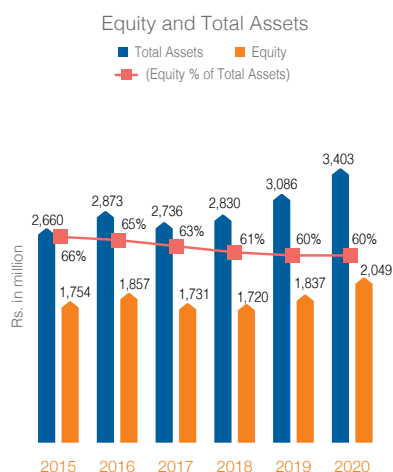
Your Company believes in regulating its own behavior to ensure that it stays at all times within both the letter and spirit of the law and adheres to the highest ethical standards and norms within the insurance industry, at both a national and an international level. Moreover, your company strives to make an actual social contribution whenever possible by supporting institutions working for the betterment of underprivileged sections of society in the areas of health, education and culture.

Further, your company has also committed to cover all COVID-19 treatments cost for employees and their immediate family.

Your Company is also active in promoting insurance awareness and understanding in the country by participating in activities and projects undertaken by the Insurance Association of Pakistan.

Internal Financial Controls

The directors are aware of their responsibility with respect to internal financial controls. Through discussions with the



management and auditors (both internal and external), they confirm that adequate controls have been implemented by the Company.

Contribution to National Exchequer

Your Company contributed an amount of Rs. 286.3 million into the Government Treasury on account of taxes, levies and federal excise duty.

Principle Risks and Uncertainties

The Company is exposed to certain risks and uncertainties. However, we consider the following as key areas of consideration:

- Political and economic uncertainties
- New channels of distribution
- Advancement in information technology
- Underwriting and credit risk
- Equity market and inherent rate risk
- Liquidity and cash flow risk

The Company works with internal and external entities to address the above.

Compliance with the Code of Corporate Governance

The Statement of Compliance with the Code of Corporate Governance is annexed with the report.

Composition of the Board

The board consists of 6 male directors and 1 female director with following composition:

Independent Directors	2
Non-executive Directors	4
Executive Director	1
Total number of Directors	7

Remuneration Policy of Directors

The fee of the Non-Executive and Independent Directors for attending the Board and Committee meetings of the Company is determined by the Board from time to time.

Board of Directors' Meetings

Five board meetings were held during the year. The number of meetings attended by each Director is given hereunder:

Name of Directors	No. of Meetings Attended
Mr. Iqbal Ali Lakhani (Chairman)	5
Mr. Amin Mohammed Lakhani	4
Ms. Anushka Lakhani	3
Mr. Tasleemuddin Ahmed Batlay (up to May 29, 2020)	2
Mr. Muhammad Hussain Hirji (Chief Executive)	5
Mr. Aftab Ahmad	5
Mr. Sadrudin Ismail Mohamed	5
Mr. Akber Dawood Vazir (from May 29, 2020)	3

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

Chief Executive Officer (CEO) Performance Review

The Board of Directors has appointed the Mr. Muhammad Hussain Hirji as Chief Executive Officer for tenure of three years. The Ethics, Human Resource & Remuneration Committee of the Board sets operational, financial and strategic objectives to evaluate his performance and review and monitor it on an annual basis.

Board Committees

During the year, four (04) meetings each of the Board Audit Committee and Investment Committee were held and one (01) meeting was held of Ethics, Human Resource & Remuneration Committee. The names of the members of the board committees and their terms of reference are given in the annexure to this report. The Chairman of the board Audit Committee and Ethics, Human Resource & Remuneration Committee is an independent director.

Management Committees

The Company has three management committees, which cover the core areas of business. The Committees' names, number of meetings, names of members and terms of references are given in the annexure to this report.

Code of Conduct

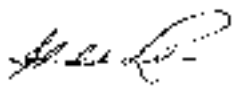
The Board has adopted a code of conduct for all employees, who have in turn been informed of this code. All employees understand that they are required to observe these rules of conduct at all times.

Statement of Directors' Responsibilities

The Directors are pleased to state that the Company is compliant with the financial reporting framework of the Code of Corporate Governance as required by the Securities & Exchange Commission of Pakistan (SECP).

Following are the statements on Corporate and Financial Reporting Framework:

- The financial statements together with the notes thereon have been drawn up by the management in conformity with the Insurance Ordinance, 2000 and Companies Act, 2017. These Statements present fairly the Company's state of affairs, the results of its operations, cash flow and changes in equity.
- Proper books of accounts have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements except those as disclosed in the financial statements. Accounting estimates are based on reasonable and prudent judgment.
- The International Accounting Standards, International Financial Reporting Standards and any other regulation or law as applicable in Pakistan, have been followed in the preparation of these financial statements.
- The system of internal control is sound in design. The system is being continuously monitored by an internal audit function and through other such monitoring procedures. The process of monitoring internal controls will continue as an ongoing process with the objective to further strengthen the controls and bring in improvements in the system.
- There are no doubts upon the Company's ability to continue as a going concern.
- There has been no departure from the best practices of corporate governance.
- The key operating and financial data for the last six years is annexed.
- Information about taxes and levies is given in the notes to and forming part of financial statements.
- In accordance with the criteria specified in clause 19 of the Listed Companies (Code of Corporate Governance) Regulation, 2019, majority of Directors attended Director training program and the remaining Directors are exempted. The Board arranged an orientation course for its Directors during the year to apprise them of their duties and responsibilities and briefed the Directors regarding amendments in the Corporate Laws.



Mr. Iqbal Ali Lakhani

Chairman

Karachi: February 26, 2021

- The value of investments in respect of retirement benefit funds based on their respective accounts as on December 31, 2020 are as follows:

Provident Fund:	Rs. 62.3 million
Gratuity Fund:	Rs. 50.7 million

Pattern of Shareholding

A statement showing pattern of shareholding of the Company and additional information as at December 31, 2020 is annexed with the report.

The Board has determined the threshold under clause xvi (I) of CCG-2012 in respect of trading of Company's shares by executives and employees at an annual basic salary of Rs. 1 million or above.

There have been no transactions carried out by the Directors, Chief Executive, CFO, Company Secretary and/or their spouses and minor children in the shares of the Company during the year.

Subsequent Events

No material changes and commitments effecting the financial position of the Company have occurred between the end of the financial year and the date of this report.

Future Outlook

We are optimistic about the future outlook of Century Insurance Company Limited. We aim to grow in terms of premium income and also in terms of market share. We will look to develop a full range of insurance products to cater to the commercial and retail segments and also develop micro-insurance and digital/internet based products.

Your company will continue to grow and train its field force, especially with respect to serving the corporate sector. Moreover, it will focus on developing new channels of digital distribution so as to effectively penetrate the retail and micro-insurance markets. It will also explore coordinating with banks and other entities to develop new and cost-effective distribution channels.

Your Company will monitor the equity markets so as to take advantage of attractive market returns but will always stress on research to maintain stability, diversification and security of the investment portfolio.



Mr. Muhammad Hussain Hirji

Director & Chief Executive

Note: To read urdu translation of the above Directors' Report review please refer page 37 to 40

مستقبل کا منظر نامہ

توجہ ڈیجیٹل تقسیم کے نئے چینل تیار کرنے پر ہوگی تاکہ ریٹیل اور مائیکرو انشورنس مارکیٹوں میں موثر انداز میں داخل ہو سکیں۔ ہم نئے اور موثر تقسیم کاری چینلوں کی تیاری کے لیے بینکوں اور دیگر اداروں کے ساتھ مل کر بھی امکانات تلاش کریں گے۔

آپ کا ادارہ ایکوئیٹی مارکیٹوں کی نگرانی بھی کرے گا تاکہ پرکشش مارکیٹ منافع کا فائدہ اٹھا سکیں لیکن پورٹ فولیو کی استحکام اور تنوع کو برقرار رکھنے کے لئے تحقیق پر زور دیں گے۔

آپ کا ادارہ سنجری انشورنس کمپنی لمیٹڈ کے مستقبل کے منظر نامے کے بارے میں پُر امید ہے۔ ہمارا ہدف پیمائش آمدنی کے علاوہ مارکیٹ شیئر کے اعتبار سے بھی آگے بڑھنا ہے۔ ہماری نظریں کمرشل اور ریٹیل شعبوں کی ضروریات پوری کرنے کے لیے انشورنس مصنوعات کی مکمل رینج تیار کرنے پر ہوں گی اور معاشرے کے کم آمدنی والے طبقات کے لیے مائیکرو-انشورنس مصنوعات بھی تیار کریں گے۔

آپ کا ادارہ اپنی فیلڈ فورس کی تربیت اور صلاحیتوں میں اضافہ جاری رکھے گا، بالخصوص کارپوریٹ شعبے کی خدمات کے حوالے سے۔ مزید برآں، ہماری

Mohammad Iqbal Ali

جناب محمد حسین ہیرجی
ڈائریکٹر و چیف ایگزیکٹو

محمد حسین ہیرجی

جناب اقبال علی لاکھانی
چیرمین

کراچی: 26 فروری 2021ء

اور نگرانی کے دیگر طریقہ ہائے کار کے ذریعے اس نظام کی مستقل نگرانی کی جاتی ہے۔ انٹرئل کنٹرولز کی نگرانی کا عمل ایک مسلسل عمل کے طور پر جاری رہے گا کہ جس کا مقصد کنٹرولز کو مزید مستحکم کرنا اور نظام میں بہتریاں لانا ہے۔

حکمت عملی پر مبنی مقاصد کا تعین کیا ہے تاکہ سالانہ بنیاد پر اس کا جائزہ لیا جاسکے اور اسے مانیٹر کیا جاسکے۔

بورڈ کمیٹیاں

• ادارے کو رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔

• لسٹنگ کے ضوابط میں تفصیل سے موجود کارپوریٹ گورننس کی بہترین روایات سے کوئی پہلو تپتی نہیں کی گئی۔

• گزشتہ چھ سال کا اہم کاروباری و مالیاتی ڈیٹامنسک ہے۔

• ٹیکس اور محصولات کی معلومات حاشیوں میں دی گئی ہے اور مالیاتی گوشواروں کا بھی حصہ ہے۔

• لسٹڈ کمپنیز (CCG) ریگولیشن، 2019 کی شق (19) میں طے شدہ معیارات کے مطابق ادارے کے ڈائریکٹرز کی اکثریت ڈائریکٹرز ٹریننگ پروگرام مکمل کر چکے ہیں اور ادارے کے باقی ڈائریکٹرز اسے مستثنیٰ ہیں۔ بورڈ نے اپنے ڈائریکٹرز کو اپنی ذمہ داریوں اور فرائض سے آگاہ کرنے کے لیے اس سال ایک آگاہی کورس کا انتظام کیا اور انہیں کارپوریٹ قوانین میں ترامیم سے آگاہ کیا۔

• اپنے کھاتوں کے حساب سے ریٹائرمنٹ بینیفٹ فنڈز میں ان کی سرمایہ کاری کی قدر 31 دسمبر 2020ء کو کچھ یوں ہے:

پروویڈنٹ فنڈ: 62.3 ملین روپے
گریجویٹ فنڈ: 50.7 ملین روپے

شیئر ہولڈنگ کا نمونہ

31 دسمبر 2020ء کے مطابق شیئر ہولڈنگ کے نمونے اور اضافی معلومات کی نشاندہی کرنے والا ایک گوشوارہ رپورٹ کے ساتھ منسلک ہے۔

بورڈ نے ایسے ایگزیکٹو اور ملازمین پر جو سالانہ 10 لاکھ روپے یا اس سے زیادہ بنیادی تنخواہ وصول کر رہے ہیں، ادارے کے شیئرز کی خرید و فروخت کی حد مقرر کر رکھی ہے۔

ڈائریکٹرز، چیف ایگزیکٹو، CFO، کمپنی سیکریٹری اور/یا ان کے شریک حیات اور چھوٹے بچوں کی جانب سے اس سال کے دوران ادارے کے تھخص کی صورت میں کوئی لین دین نہیں کیا گیا۔

بعد ازاں رونما ہوئے واقعات

مالیاتی سال کے اختتام اور اس رپورٹ کی تاریخ کے دوران کوئی ایسی اہم تبدیلیاں اور معاہدات نہیں ہوئے جو ادارے کی مالیاتی حالت پر اثر انداز ہو سکیں۔

سال کے دوران بورڈ آڈٹ کمیٹی اور انوسٹمنٹ کمیٹی کے (04) اور دی ایٹھکس، ہیومن ریسورس اینڈ ریمونریشن کمیٹی کے (01) اجلاس منعقد ہوئے۔ بورڈ کمیٹی کے اراکین کے نام اور ان کے ٹرمز آف ریفرنس رپورٹ کے ضمیمے میں دیے گئے ہیں۔ بورڈ آڈٹ اور ہیومن ریسورس اینڈ ریمونریشن کمیٹیوں کے چیئرمین ایک انڈیپنڈنٹ ڈائریکٹر ہیں۔

میںجمنٹ کمیٹیاں

ادارہ تین انتظامی کمیٹیاں رکھتا ہے جو کاروبار کے مرکزی شعبوں کا احاطہ کرتی ہیں۔ ان کمیٹیوں کے نام، اجلاسوں کی تعداد، اراکین کے نام اور ٹرمز آف ریفرنس اس رپورٹ کے ضمیمے میں دیے گئے ہیں۔

ضابطہ اخلاق

بورڈ نے تمام ملازمین کے لیے ایک ضابطہ اخلاق اختیار کر رکھا ہے کہ جن کو اس ضابطے سے مطلع رکھا جاتا ہے۔ تمام ملازمین کا سمجھنا ہے کہ انہیں ہمہ وقت اس ضابطہ اخلاق کی پیروی کرنے کی ضرورت ہے۔

ڈائریکٹرز کی ذمہ داریوں کا بیان

ڈائریکٹرز بخوشی بیان کرتے ہیں کہ ادارہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کے تقاضوں کے مطابق کارپوریٹ گورننس کے ضابطے کے مالیاتی رپورٹنگ ڈھانچے کی پیروی کرتا ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ ڈھانچے پر بیانات مندرجہ ذیل ہیں:

• مالیاتی گوشوارے اور ان پر موجود انتظامیہ کے حاشیے انشورنس آرڈیننس 2000ء اور کمپنیز ایکٹ 2017ء کے مطابق ہیں۔ یہ گوشوارے ادارے کے امور کی کیفیت، سرگرمیوں کے نتائج، تگیش قلو اور ایکوئٹی میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔

• ادارہ اپنے اکاؤنٹس کھاتے مناسب انداز میں برقرار رکھتا ہے۔

• ادارے نے مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی موزوں پالیسیوں کی پیروی کی سوائے ان کے جن کا مالیاتی گوشواروں میں اظہار ہے اور اس کے اکاؤنٹنگ اندازے معقول اور محتاط اندازوں پر مبنی ہیں۔

• ان مالیاتی گوشواروں کی تیاری میں پاکستان میں لاگو بین الاقوامی اکاؤنٹنگ، بین الاقوامی رپورٹنگ کے معیارات اور دیگر ریگولیشن / قانون کی پیروی کی گئی ہے۔

• انٹرئل کنٹرول کا نظام اپنی ساخت میں مستحکم ہے۔ انٹرئل آڈٹ عمل

بورڈ کی تشکیل

بورڈ درج ذیل تشکیل کے ساتھ 6 حضرات اور 1 خاتون پر مشتمل ہے:

2	خود مختار ڈائریکٹر
4	دیگر نان ایگزیکٹو ڈائریکٹرز
1	ایگزیکٹو ڈائریکٹر
7	ڈائریکٹرز کی مجموعی تعداد

نان ایگزیکٹو ڈائریکٹرز کے لئے معاوضہ کی پالیسی

ادارہ کے بورڈ اور کمیٹی میٹنگز میں شرکت کے لئے نان ایگزیکٹو ڈائریکٹرز خود مختار ڈائریکٹرز کے مشاہرے کا تعین بورڈ کی طرف سے وقتاً فوقتاً کیا جاتا ہے۔

بورڈ آف ڈائریکٹرز کے اجلاس

سال کے دوران بورڈ کے پانچ (05) اجلاس ہوئے۔ ہر ڈائریکٹر کی اجلاسوں میں حاضری کچھ یوں رہی:

ڈائریکٹرز کے نام	شرکت کردہ اجلاسوں کی تعداد
جناب اقبال علی لاکھانی (چیرمین)	5
جناب امین محمد لاکھانی	4
محترمہ انوشکا لاکھانی	3
جناب تسلیم الدین احمد ہاٹلے (29 مئی 2020)	2
جناب محمد حسین ہیرجی (چیف ایگزیکٹو)	5
جناب آفتاب احمد	5
جناب صدر الدین اسماعیل محمد	5
جناب اکبر ڈی وزیر (29 مئی 2020 سے)	3

ڈائریکٹرز جو بورڈ کے چند اجلاسوں میں شرکت نہیں کر سکے ان کی غیر حاضری منظور کی گئی۔

چیف ایگزیکٹو آفیسر کی کارکردگی کا جائزہ

بورڈ آف ڈائریکٹرز نے محمد حسین ہیرجی کو تین سالہ مدت کے لیے چیف ایگزیکٹو آفیسر کی تقرری کی ہے۔ بورڈ کی آنکھیں، ہیومن ریسورس اینڈ ریونیویشن کمیٹی نے چیف ایگزیکٹو آفیسر کی کارکردگی کو جانچنے کے لیے عملی، مالیاتی اور

ثقافت کے شعبوں میں پسماندہ معاشرے کی بہتری کے لئے کام کرنے والے اداروں کی مدد کر کے جب بھی ممکن ہو حقیقی سماجی حصہ داری کی جدوجہد کرتا ہے۔

اسکے ساتھ، آپ کی کمپنی نے ملازمین اور ان کے قریبی اہل خانہ کے لئے کوویڈ 19 کے علاج کے اخراجات کو پورا کرنے کا عہد کیا ہے۔

آپ کا ادارہ انشورنس ایسوسی ایشن آف پاکستان کی سرگرمیوں اور منصوبوں میں حصہ لے کر انشورنس کے حوالے سے شعور اور فہم اجاگر کرتا ہے۔

اندرونی مالیاتی کنٹرول

ڈائریکٹرز اندرونی مالیاتی کنٹرول سلسلے میں اپنی ذمہ داری سے بخوبی واقف ہیں۔ انتظامیہ اور آڈیٹرز (انٹرنل اور ایکسٹرنل دونوں) کے ساتھ بات چیت کے ذریعے، وہ اس بات کی تصدیق کرتے ہیں کہ کمپنی کی طرف سے مناسب کنٹرول نافذ کیے گئے ہیں۔

قومی خزانے میں حصہ داری

آپ کا ادارہ ٹیکس، لیویز اور فیڈرل ایکسائز ڈیوٹی کی مد میں سرکاری خزانے میں 286.3 ملین روپے ادا کر چکا ہے۔

بنیادی خطرات اور غیر یقینی صورتحال

کمپنی کو کچھ ان ہیئرٹ رسک اور غیر یقینی صورتحال کا سامنا ہے۔ تاہم، ہم مندرجہ ذیل کو غیر یقینی صورتحال کے طور پر غور کرتے ہیں:

- سیاسی اور معاشی غیر یقینی صورتحال
- تقسیم کے نئے چینلز
- انفارمیشن ٹیکنالوجی میں ترقی
- انڈورمانٹنگ اور کریڈٹ رسک
- ایکویٹی مارکیٹ اور انہیرٹ ریٹ کا خطرہ
- لیکویڈیٹی اور کیش فلو

مذکورہ بالا کو حل کرنے کے لئے کمپنی اندرونی اور بیرونی اداروں کے ساتھ مل کر کام کرتی ہے۔

کارپوریٹ گورننس کے ضابطے کی تعمیل

کارپوریٹ گورننس کے ضابطے کی تعمیل کا گوشوارہ رپورٹ کے ساتھ منسلک ہے۔

ڈائریکٹرز کی رپورٹ

گزشتہ سال کے 2.89 روپے کے مقابلے میں اس سال 4.82 روپے فی حصص آمدنی بنتی ہے۔

اداشدہ سرمایہ

آپ کا ادارہ 503.0 ملین روپے کے ادا شدہ سرمائے کے ساتھ مضبوط مالی بنیاد رکھتا ہے۔ برقرار رکھی گئی اور محفوظ آمدنی کو ملا کر 31 دسمبر 2020ء کو کل ایکویٹی 2,049.1 ملین روپے تھی۔ ایکویٹی کی وسیع تر بنیاد مالیاتی استحکام اور ادارے کی بیمہ کاری کی صلاحیتوں کو بڑھائے گی۔

آڈیٹرز

میسرز KPMG تاثیر ہادی لینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، سالانہ اجلاس عام کے اختتام ریٹائر ہو رہے ہیں۔ آڈٹ کمیٹی کی سفارش پر M/s. EY Ford Rhodes, Chartered Accountants نے آئندہ مالی سال 2021ء کے لیے کمپنی کے آڈیٹرز کے طور پر تقرری کی تجویز پیش کی ہے

آڈٹ فرم نے تصدیق کی ہے کہ وہ انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (ICAP) کے کوالٹی کنٹرول ریویو پروگرام کے تحت تسلی بخش ریٹنگ دے چکا ہے اور ادارہ ICAP کے قبول کردہ ضابطہ اخلاق پر انٹرنیشنل فیڈریشن آف اکاؤنٹنٹس (IFAC) کی رہنما ہدایات کو پوری طرح قبول کرنے والا ہے۔

کارپوریٹ سماجی ذمہ داری

آپ کا ادارہ اپنے رویے کو خود درست رکھنے پر یقین رکھتا ہے تاکہ قانون کی لفظی و معنوی تعمیل اور اعلیٰ ترین اخلاقی معیارات اور انشورنس صنعت کے قواعد دونوں کو یقینی بنایا جائے۔ مزید برآں، آپ کا ادارہ صحت، تعلیم اور

سچری انشورنس کمپنی لمیٹڈ (ادارے) کے ڈائریکٹرز 31 دسمبر 2020ء کو مکمل ہونے والے سال کے لیے سالانہ آڈٹ شدہ مالیاتی گوشوارے اور آڈیٹرز کی رپورٹ پیش کرتے ہوئے مسرت کا اظہار کرتے ہیں۔

منافع کی تخصیص

31 دسمبر 2020ء کو ختم ہونے والے سال کے لیے منافع کی تخصیص کچھ یوں ہے:

روپے

گزشتہ سالوں سے آگے منتقل ہونے والی رقم 867,140,095

243,092,980

1,110,233,075

100,593,606

1,009,639,469

کل مجموعی آمدنی برائے سال

تخصیص کے لیے دستیاب رقم

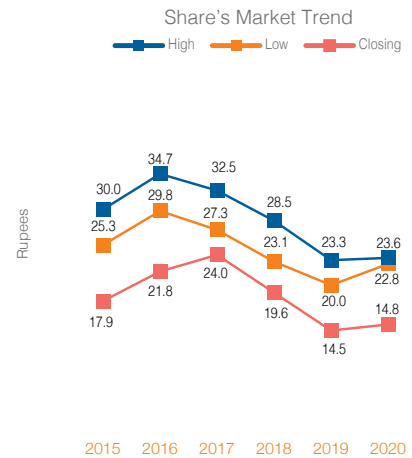
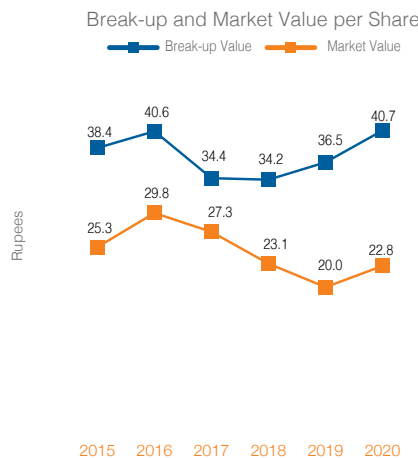
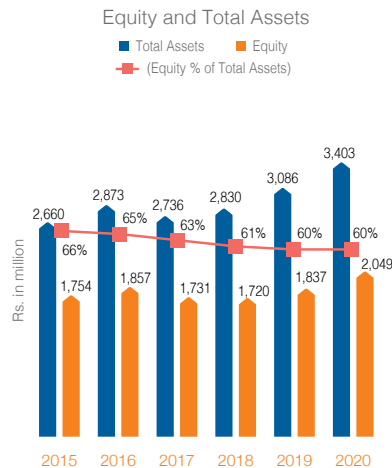
تخصیص

مجوزہ حتمی کیش ڈیویڈنڈ 20 فیصد جو کہ 2 روپے فی حصص (2019: 17.5 فیصد جو کہ 1.75 روپے فی حصص)

آگے منتقل کی گئی غیر تخصیص شدہ رقم

آمدنی فی حصص

آپ کے ادارے نے 242.6 ملین روپے کا بعد از ٹیکس منافع حاصل کیا جو



Board Committees

AUDIT COMMITTEE

Terms of Reference:

1. Determination of appropriate measure to safeguard the company's assets;
2. Review of preliminary announcements of results prior to external communication and publication;
3. Review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing on:
 - a. Major judgmental areas;
 - b. Areas of major concerns;
 - c. Significant adjustments resulting from the audit;
 - d. Going-concern assumption;
 - e. Any changes in accounting policies and practices;
 - f. Compliance with listing regulations, other statutory and regulatory requirements;
 - g. compliance with applicable accounting standards;
 - h. compliance with these Regulations and other statutory and regulatory requirements; and
 - i. All related party transactions.
4. Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audit and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
5. Review of management letter issued by external auditor and management's response thereto;
6. Ensuring coordination between the internal and external auditor of the Company;
7. Review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;
8. Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
9. Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
10. Review of the Company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;
11. Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body;
12. Determination of compliance with relevant statutory requirements.
13. Monitoring compliance with the best practices of corporate governance, listing regulations and identification of significant violations thereof;
14. Review of arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;
15. Recommend to the board of directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements. The board of directors shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof;
16. Consideration of any other issue or matter as may be assigned by the Board.

The Committee comprises of three members, including chairman of committee, two of them are non-executive directors and one is an independent director. Chairman of the committee is an independent director. During the year four meeting of this committee were held and the attendance of meeting is as follows:

Name of Members	Meeting attended
Mr. Sadrudin Ismail Mohamed - Chairman	4
Mr. Amin Mohammed Lakhani	4
Mr. Aftab Ahmad	4

ETHICS, HUMAN RESOURCE & REMUNERATION COMMITTEE

Terms of Reference:

1. Recommend to the board for consideration and approval a policy framework for determining remuneration of directors (both executive and non-executive directors and members of senior management). The definition of senior management will be determined by the board which shall normally include the first layer of management below the Chief Executive Officer level;
2. Undertaking annually a formal process of evaluation of performance of the board as a whole and its committees either directly or by engaging an external independent consultant and if so appointed, a statement to that effect shall be made in the directors' report disclosing the consultant's name, qualifications and major terms of appointment;
3. Recommending Human Resource Management policies to the board.
4. Recommending to the Board the selection evaluation and development, compensation (including retirement benefits) of Chief Operating Officer, Chief Financial Officer, Company Secretary, Compliance Officer and Head of Internal Audit;
5. Consideration and approval on recommendations of the Chief Executive Officer related to key management positions who report directly to Chief Executive Officer or Chief Operating Officer;
6. Proposing a remuneration framework that takes into account performance evaluations, market considerations and compensation structure.
7. This framework will be reviewed and approved on an annual basis prior to the convening of the annual general meeting for the immediate preceding year.
8. Reviewing and making recommendations to the Board of Directors regarding the specific remuneration of the Board members, the Chief Executive Officer, Chief Financial Officer, Company Secretary, Compliance Officer and Head of Internal Audit.
9. Where human resource and remuneration consultants are appointed, their credentials shall be known by the committee and a statement shall be made by them as to whether they have any other connection with the company; and
10. Any additional responsibility may be assigned to the Committee by the Board.

The Committee comprises of four members, including chairman of committee. Two members are non-executive directors and one is an independent director. Chairman of Committee is an independent director. During the year one meeting of this committee was held and the attendance of meeting is as follows:

Name of Members	Meeting attended
Mr. Sadrudin Ismail Mohamed - Chairman	1
Mr. Amin Mohammed Lakhani	1
Mr. Akber Dawood Vazir	1
Mr. Mohammad Hussain Hirji	1

INVESTMENT COMMITTEE

Terms of Reference:

1. Review the investment policies and strategies of the Company to ensure they are consistent with the goals and objectives of the Company.
2. Determine that investment constraints are consistently followed and that procedures are in place to ensure that the investment portfolio is managed in compliance with the investment policy.
3. Review the performance of the investment portfolios of the Company and make periodic reports to the Board.
4. Review and approve the annual investment plan and budget.
5. Annually review and reassess the overall investment policy and recommend any proposed changes to the Board for approval.

The Committee comprises of four members, including chairman of committee. Two members including chairman are non-executive directors. During the year four meetings of this committee was held and the attendance of meeting is as follows:

Name of Members	Meeting attended
Mr. Iqbal Ali Lakhani - Chairman	4
Mr. Aftab Ahmad	4
Mr. Mohammad Hussain Hirji	4
Mr. Sabza Ali Pirani	4

Management Committees

UNDERWRITING, REINSURANCE & COINSURANCE COMMITTEE

Terms of Reference:

1. To review the rates and profitability of the various business sectors for each class of underwriting;
2. To review the reinsurance structure and arrangements for each class of business to ensure that the company's net exposure is within agreed limits for individual risks and also on a cumulative basis in the event of a catastrophic occurrence;
3. To review and approve underwriting proposals for high risk and complex covers;
4. To review policy terms and rating for new insurance products.

The Committee comprises of four members, including the Chairman of this committee who is an executive director.

Name of Members

Mr. Mohammad Hussain Hirji - Chairman
Mr. Aseem Ahmed
Ms. Madiha Khalid
Mr. Ali Asghar

CLAIM SETTLEMENT COMMITTEE

Terms of Reference:

1. To review and approve claim settling policy of the company;
2. To review and approve the adequacy of claim reserves;
3. To assist in resolution of disputed claims of material amount and recommend settlement strategy;
4. To oversee the implementation of the measures for combating fraudulent claims.

The Committee comprises of three members, including the Chairman of this committee who is an executive director.

Name of Members

Mr. Mohammad Hussain Hirji - Chairman
Mr. Mir Mehmood Ali
Mr. Sabza Ali Pirani

RISK MANAGEMENT & COMPLIANCE COMMITTEE

Terms of Reference:

1. The Committee shall review and identify all possible risks faced by the Company under various categories such as; operational, financial, IT systems, physical or catastrophic, etc. and make appropriate recommendations for the mitigation of these risks to the Board;
2. To identify the risks faced by the company in respect of compliance with the laws applicable to it and to setup adequate controls to mitigate the identified risks;
3. To supervise and monitor matters reported using Company's whistle-blowing or other confidential mechanisms for employees and other to report compliance concerns, potential breaches, violations or fraud; and
4. Appropriate extent of disclosure of company's risk framework and internal control system in Directors report.

The Committee comprises of five members, including the Chairman of this committee who is an executive director

Name of Members

Mr. Mohammad Hussain Hirji - Chairman
Mr. Ali Asghar
Mr. Sabza Ali Pirani
Mr. Asif Mehmood
Mr. Abdul Rasheed

Pattern of Shareholding

As at December 31, 2020

Incorporation No.K-192/8927 1985-86
CUIN Registration No.0013587

No. of Shareholders	Shareholding From	To	Total Shares Held
394	1	100	5,873
173	101	500	48,200
154	501	1,000	107,281
256	1,001	5,000	605,318
94	5,001	10,000	659,205
39	10,001	15,000	465,925
15	15,001	20,000	262,336
11	20,001	25,000	246,997
7	25,001	30,000	192,773
10	30,001	35,000	321,577
3	35,001	40,000	118,864
3	40,001	45,000	133,911
5	45,001	50,000	241,474
3	50,001	55,000	161,898
3	55,001	60,000	168,667
1	60,001	65,000	60,500
2	65,001	70,000	134,627
3	70,001	75,000	213,692
1	80,001	85,000	80,512
1	85,001	90,000	86,912
1	95,001	100,000	95,150
1	110,001	115,000	114,400
1	125,001	130,000	127,191
1	130,001	135,000	134,137
1	155,001	160,000	160,000
1	170,001	175,000	174,433
1	220,001	225,000	221,500
1	240,001	245,000	241,650
1	420,001	425,000	423,559
1	625,001	630,000	625,394
1	1,095,001	1,100,000	1,097,119
1	1,260,001	1,265,000	1,262,250
1	2,735,001	2,740,000	2,736,000
1	4,990,001	4,995,000	4,993,103
1	7,155,001	7,160,000	7,157,361
1	11,850,001	11,855,000	11,852,141
1	14,560,001	14,565,000	14,564,873
1,195	Total		50,296,803

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive, their spouse and minor children	8,011	0.02
Associated Companies, undertakings and related parties	38,573,058	76.69
NIT and ICP	-	-
Banks, Development Financial Institutions, Non-Banking		
Financial Institutions	1,262,250	2.51
Insurance Companies	-	-
Modaraba & Mutual Funds	423,559	0.84
Shareholders holding 10% or more	33,574,375	66.75
General Public	6,422,290	12.77
Others	3,607,635	7.17

NOTE: Some of the shareholders are reflected in more than one category.

Details of Pattern of Shareholding

Details of pattern of shareholding as per requirement of code of corporate governance as at December 31, 2020

Categories of Shareholders		No. of Shares held
i) ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES		
1. M/s. SIZA (Pvt.) Limited		7,157,361
2. M/s. SIZA Services (Pvt.) Limited		11,852,141
3. M/s. SIZA Commodities (Pvt.) Limited		4,993,103
4. M/s. Premier Fashions (Pvt.) Limited		14,564,873
5. Mr. Sultan Ali Lakhani		594
6. Mrs. Shaista Sultan Ali Lakhani		396
7. Mrs. Fatima Lakhani		198
8. Mr. Babar Ali Lakhani		1,716
9. Mr. Bilal Ali Lakhani		561
10. Mr. Danish Ali Lakhani		1,453
11. Ms. Anika Amin Lakhani		662
ii) MUTUAL FUND		
1. Golden Arrow Selected Stocks Fund Limited		423,559
iii) DIRECTORS, CHIEF EXECUTIVE, THEIR SPOUSE AND MINOR CHILDREN		
1. Mr. Iqbal Ali Lakhani	Chairman/Director	1,837
2. Mr. Amin Mohammed Lakhani	Director	1,765
3. Ms. Anushka Lakhani	Director	1,612
4. Mr. Aftab Ahmad	Director	500
5. Mr. Mohammad Hussain Hirji	Director/Chief Executive	550
6. Mr. Sadrudin Ismail Mohamed	Director	550
7. Mr. Akber Dawood Vazir	Director	500
8. Mrs. Ronak Iqbal Lakhani		
W/o. Mr. Iqbal Ali Lakhani		396
9. Mrs. Saira Amin Lakhani		
W/o. Mr. Amin Mohammed Lakhani		301
iv) EXECUTIVES		22,550
v) PUBLIC SECTOR COMPANIES AND CORPORATIONS		24,365
vi) BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON-BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, TAKAFUL, MODARABAS AND PENSION FUNDS		1,262,250
vii) SHAREHOLDERS HOLDING 5% OR MORE		
Khadija & Kassamali Investments (Pvt) Limited		2,736,000
(Other than those reported at (i) (1, 2, 3 & 4)		
viii) INDIVIDUAL AND OTHER THAN THOSE MENTIONED ABOVE		7,247,010
		50,296,803

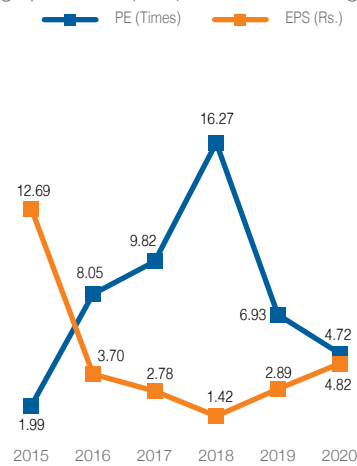
Key Operating and Financial Data

(Rupees in million)

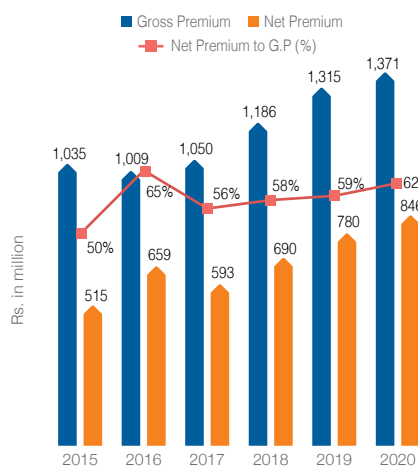
	2020	2019	2018	2017	2016	2015	2014
FINANCIAL DATA							
Ordinary share capital	503.0	503.0	503.0	503.0	457.2	457.2	457.2
Share premium	254.0	254.0	254.0	254.0	254.0	254.0	254.0
Reserves & Unappropriated profit	1,292.1	1,079.7	963.4	973.6	1,146.0	1,042.6	474.1
Equity	2,049.1	1,836.7	1,720.4	1,730.6	1,857.2	1,753.8	1,185.3
Property & equipment	121.2	130.0	72.3	65.6	71.1	54.5	48.4
Intangible assets	-	0.01	0.03	0.47	1.04	1.66	0.00
Underwriting Provisions	828.2	740.8	671.2	587.1	545.0	585.9	405.2
Investments	1,728.8	1,696.8	1,404.2	1,519.1	2,010.5	1,732.9	1,098.2
Cash and bank deposits	454.4	267.0	440.4	116.8	408.6	173.5	245.2
Total Assets	3,402.8	3,086.2	2,829.7	2,735.6	2,660.7	2,660.4	1,876.7
OPERATING DATA							
Gross Premium	1,371.2	1,314.6	1,185.6	1,049.7	1,008.6	1,034.8	755.3
Net insurance premium	846.1	779.7	690.3	593.1	659.3	515.0	388.5
Net insurance claims	360.2	362.7	288.2	247.0	390.5	299.8	201.9
Underwriting Profit	193.9	135.2	129.7	85.5	39.1	20.8	16.8
Investment & Other Income	155.4	70.9	(21.7)	157.9	234.1	636.9	146.9
Profit Before Tax (PBT)	342.4	199.7	105.0	233.6	264.7	649.2	158.5
Income tax expense	99.8	54.5	33.7	93.6	78.8	10.9	16.1
Profit After Tax (PAT)	242.6	145.2	71.3	140.0	185.9	638.3	142.4
CASH FLOW SUMMARY							
Operating Activities	123.7	88.0	108.9	(69.3)	19.6	10.1	46.4
Investing Activities	151.0	(198.3)	302.0	157.1	442.8	(13.8)	161.7
Financing Activities	(87.6)	(63.0)	(87.3)	(79.6)	(227.3)	(68.1)	(68.2)
Cash & Cash Equivalents at the year end	453.4	266.2	439.6	116.0	407.8	172.8	244.5
FINANCIAL RATIOS							
Profitability							
Profit Before Tax / Net Insurance Premium (%)	40.5	25.6	15.2	39.4	40.1	126.1	40.8
Profit After Tax / Net Insurance Premium (%)	28.7	18.6	10.3	23.6	28.2	123.9	36.7
Underwriting Results / Net Insurance Premium (%)	22.9	17.3	18.8	14.4	5.9	4.0	4.3
Total Expenses / Gross Premium (%)	25.5	23.6	24.8	27.9	25.8	22.0	25.6
Total Expenses / Net Insurance Premium (%)	41.4	39.8	42.6	49.3	39.5	44.3	49.8
Net Claims / Net Insurance Premium (%)	42.6	46.5	41.7	41.6	59.2	58.2	52.0
Combined Ratio (%)	79.1	84.7	82.7	87.0	95.4	97.6	97.0
Return to Shareholders							
Return on Equity (%)	11.8	7.9	4.1	8.1	10.0	36.4	12.0
Return on Assets (%)	7.1	4.7	2.5	5.1	7.0	24.0	7.6
Return on Investment (%)	7.5	3.7	(1.2)	8.4	11.6	39.2	13.3
Earnings per Share (Rs.)	4.82	2.89	1.42	2.78	3.70	12.69	2.83
Dividend (%)	20.0	17.5	12.5	17.5	17.5	50.0	15.0
Dividend Yield (%)	8.8	8.8	5.4	6.4	5.9	19.8	6.0
Dividend Payout (%)	41.5	60.6	88.0	62.9	47.3	39.4	53.0
Bonus Share (%)	-	-	-	-	10.0	-	-
Price Earning Ratio (Times)	4.7	6.9	16.3	9.8	8.0	2.0	8.8
Market Price per Share (at Dec 31) (Rs.)	22.75	20.00	23.10	27.30	29.78	25.2	25.0
Liquidity / Leverage							
Break-up Value per Share (Rs.)	40.7	36.5	34.2	34.4	40.6	38.4	25.9
Current Ratio (Times)	3.5	3.6	4.0	4.3	4.2	5.1	4.0
Total Assets Turnover Ratio (Times)	0.40	0.43	0.42	0.38	0.38	0.39	0.40
Total Liabilities / Equity (Times)	0.66	0.68	0.64	0.58	0.43	0.52	0.58
Paid-up Capital / Total Assets (%)	14.8	16.3	17.8	18.4	17.2	17.2	24.4
Equity / Total Assets (%)	60.2	59.5	60.8	63.3	69.8	65.9	63.2

Graphical Presentation

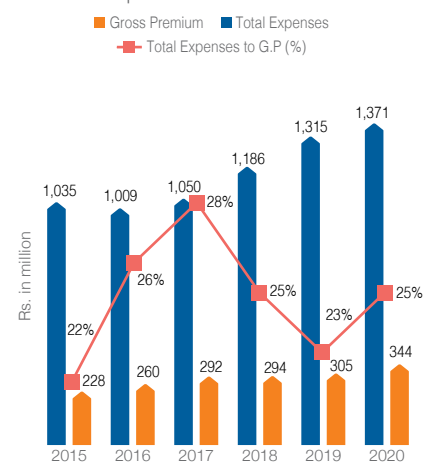
Earnings per Share (EPS) and Price Earning (PE) Ratio



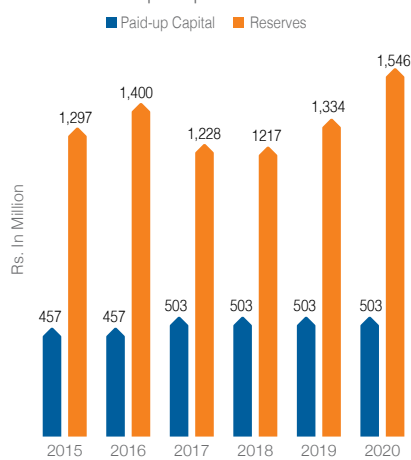
Gross Premium and Net Premium



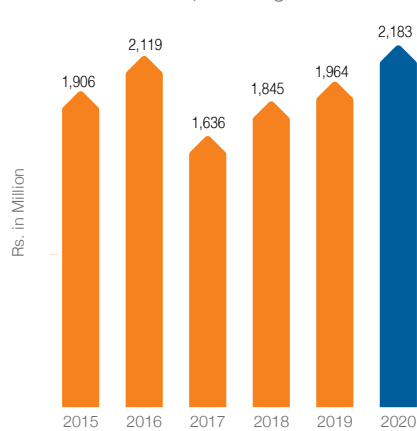
Total Expenses to Gross Premium



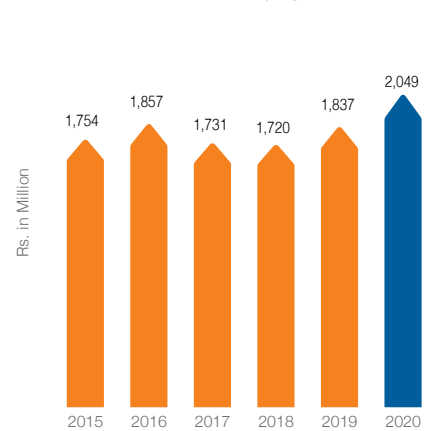
Paid-up Capital & Reserves



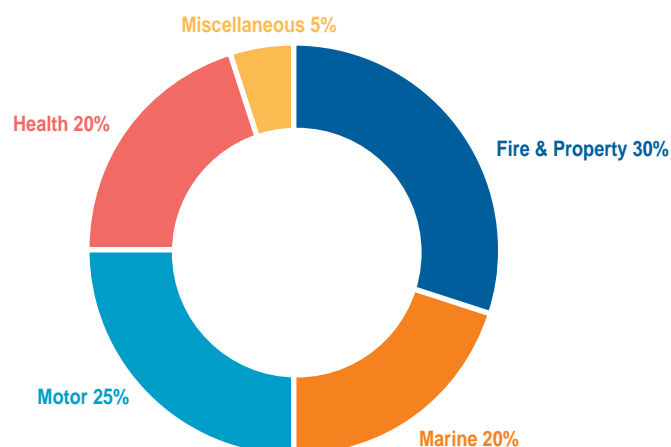
Investments (Including cash and bank)



Total Equity



Gross Premium (Class wise)



Statement of Compliance with the Code of Corporate Governance

for Insurers, 2016 & Listed Companies (Code Of Corporate Governance) Regulations, 2019

Name of Insurer: Century Insurance Company Limited
("the Company")

Year Ended: December 31, 2020

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

The Company has applied the principles contained in the Code and the Regulations in the following manner:

1. The total number of directors are seven (7), as per the following:

- a) Male: 6
- b) Female: 1

2. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors (the Board). At present the Board includes:

Category	Names
Independent Director	Mr. Sadrudin Ismail Mohamed Mr. Akber Dawood Vazir
Executive Director	Mr. Mohammad Hussain Hirji
Non-Executive Directors	Mr. Iqbal Ali Lakhani Mr. Amin Mohammed Lakhani Ms. Anushka Lakhani Mr. Aftab Ahmad

The independent director meets the criteria of independence as laid down under the Code, Regulations and Companies Act, 2017.

3. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
4. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a development financial institution or a non-banking financial institution or, being a

member of a stock exchange, has been declared as a defaulter by a stock exchange.

5. No casual vacancy occurred on the Board during the year.
6. The Company has prepared a "Code of Conduct" which has been disseminated among all directors and employees of Company along with its supporting policies and procedures.
7. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of significant policies along with the dates on which they were approved or amended has been maintained.
8. All powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive directors and the key officers, have been taken by the Board. Decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Act and these Regulations.
9. The meetings of the Board were presided over by the Chairman and, in absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven (7) days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
10. The Board have a formal policy and transparent procedure for remuneration of directors in accordance with the Act and these Regulations.
11. The Board has established a system of sound internal control, which is effectively implemented at all levels within the Company. The Company includes all the necessary aspects of internal control given in the Code.
12. While almost all the directors are professionals and

senior executives who possess wide experience of duties of directors, the Company apprises its directors of new laws and regulations and amendments in the existing ones. The Board has not arranged any Directors' training program during the year ended December 31, 2020 as five directors have already attended the Directors' training course in previous years.

13. There was no new appointment of Chief Financial Officer (CFO) or Company Secretary or Head of Internal Audit during the year. The Board has however, approved the remuneration of CFO and the Head of Internal Audit on the recommendation of Ethics, Human Resource & Remuneration Committee as determined by Chief Executive Officer. Mr. Mansoor Ahmed was assigned the responsibilities of the Company Secretary of Century Insurance Company Limited in addition to his responsibilities in other Group Companies.
14. The Directors' report for this year has been prepared in compliance with the requirements of the Code and the Regulations and fully describes the salient matters required to be disclosed.
15. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
16. The Directors, Chief Executive Officer and other executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
17. The Company has complied with all the corporate and financial reporting requirements of the Code.
18. The Board has formed the following Management Committees:

- a) Underwriting, Reinsurance and Co-insurance Committee

Name of Member	Category
Mr. Mohammad Hussain Hirji	Chairman - Executive Director
Mr. Aseem Ahmed	Member
Ms. Madiha Khalid	Member
Mr. Ali Asghar	Member

- b) Claim Settlement Committee

Name of Member	Category
Mr. Mohammad Hussain Hirji	Chairman - Executive Director
Mr. Mir Mehmood Ali	Member
Mr. Sabza Ali Pirani	Member

- c) Risk Management & Compliance Committee

Name of Member	Category
Mr. Mohammad Hussain Hirji	Chairman - Executive Director
Mr. Ali Asghar	Member
Mr. Sabza Ali Pirani	Member
Mr. Asif Mehmood	Member
Mr. Abdul Rasheed	Member

19. The Board has formed the following Board Committees comprising of members given below;

- a) Ethics, Human Resource & Remuneration Committee

Name of Member	Category
Mr. Sadrudin Ismail Mohamed	Chairman – Independent Director
Mr. Amin Mohammed Lakhani	Member – Non Executive Director
Mr. Akber Dawood Vazir	Member – Independent Director
Mr. Mohammad Hussain Hirji	Member – Executive Director

- b) Investment Committee

Name of Member	Category
Mr. Iqbal Ali Lakhani	Chairman – Non Executive Director
Mr. Mohammad Hussain Hirji	Member – Executive Director
Mr. Aftab Ahmad	Member – Non Executive Director
Mr. Sabza Ali Pirani	Member

20. The Board has formed an Audit Committee. It comprises of three members, of whom one is independent Director and two are non-executive Directors. The Chairman of the Committee is an independent Director. The Composition of the Audit Committee is as follows:

Name of Member	Category
Mr. Sadrudin Ismail Mohamed	Chairman – Independent Director
Mr. Amin Mohammed Lakhani	Member – Non Executive Director
Mr. Aftab Ahmad	Member – Non Executive Director

21. The meetings of the Committees, except Ethics, Human Resource and Remuneration Committee, were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of references of the Committees have been formed, documented and advised to the Committees for compliance.

22. The Board has set up an effective internal audit function comprising of personnel who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

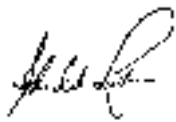
23. The Chief Executive Officer, Chief Financial Officer, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under this Code. Moreover, the persons heading the underwriting, claims, reinsurance, risk management and grievance functions possess qualification and experience of direct relevance to their functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No .XXXIX of 2000):

Name of person	Designation
Mr. Mohammad Hussain Hirji	Chief Executive Officer
Mr. Sabza Ali Pirani	Chief Financial Officer
Mr. Asif Mehmood	Compliance Officer
Mr. Mansoor Ahmed	Company Secretary
Mr. Muhammad Rao Shahid Mobeen	Head of Internal Audit
Mr. Aseem Ahmed	Head of Marketing and Sales
Mr. Abdul Rehman	Head of Window Takaful Operations
Mr. Rehan Fasih	Head of Marine Underwriting
Mr. Ali Asghar	Head of Fire Underwriting (Incl. Risk Management)
Mr. Abid Raza Isphani	Head of Accident and Health Underwriting
Mr. M. Ghayyur Baig Chughtai	Head of Motor Underwriting (Upto November 30, 2020)
Mr. Mir Mehmood Ali	Head of Claims (Incl. Grievance)
Ms. Madiha Khalid	Head of Reinsurance

24. The statutory auditors of the Company have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000).
25. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the

firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or director of the Company.

26. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, the Regulation, or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
27. The Board ensures that the investment policy of the Company has been drawn up in accordance with the provision of the Code.
28. The Board ensure that the risk management system of the Company is in place as per Code.
29. The Company has set up a risk management function, which carries out its tasks as covered under the Code.
30. The Board ensures that as part of the risk management system, the Company gets itself rated from VIS Credit Rating Company Limited which is being used by its risk management function and the respective Committee as a risk monitoring tool. The rating assigned by the said rating agency on December 31, 2020 is AA- with stable outlook.
31. The Board has set up a grievance department/ function, which fully complies with the requirements of the Code.
32. The Company has not obtained any exemption(s) from the Securities and Exchange Commission of Pakistan (SECP) in respect of the requirements of the Code.
33. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulation and all material requirement of Code have been complied with.



Iqbal Ali Lakhani
Chairman

Karachi: February 26, 2021



Mohammad Hussain Hirji
Chief Executive Officer



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

Independent Auditor's Review Report

To the members of Century Insurance Company Limited

Review of the Statement of compliance with the Code of Corporate Governance for Insurers, 2016 & Listed Companies (Code of Corporate Governance) Regulations, 2019 for the year ended December 31, 2020

We have reviewed the enclosed Statement of Compliance with the Code of Corporate Governance for Insurer, 2016 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 (combined called "the Code") prepared by the Board of Directors of Century Insurance Company Limited ("the Company") for the year ended December 31, 2020 in accordance with the requirement of the Code.

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

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

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

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

Date: March 18, 2021

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Shariah Reveiw Report to the Board of Directors

for the year ended December 31 2020

الحمد لله رب العالمين والصلاة والسلام على سيد الانبياء والمرسلين محمد النبي الامي
وعلى آله وصحبه اجمعين، وبعد

I have reviewed the principles, policies, contract and accompanying financial statements of **Century Insurance Company Limited - Window Takaful Operations** (hereafter referred to as "Takaful Operator") for the year ended December 31, 2020 to form an opinion as to whether the company has complied with the Shariah principles and with the Shariah rulings, decisions and guidelines issued by the undersigned.

The management of the **Century Insurance Company Limited - Window Takaful Operations** is responsible to ensure that the institute conducts its business in accordance with Shariah Principles, rules, and guidelines. It is Shariah Advisor's responsibility to form an independent opinion based on his review of the operations of **Century Insurance Company Limited - Window Takaful Operations** and report to the board of directors of the company.

During the year, different issues were presented to the undersigned for guidance, the solutions for which were duly implemented. On that basis, Shariah compliance at the Takaful Operator level is declared as being satisfactory.

I further have assessed the review carried out by the Shariah compliance officer which included examination, on sampling basis, each type of transaction performed by different business functions, the relevant documentation and procedure adopted by each said function.

Moreover, I have reviewed all types of business concerns of the Takaful Operator and in my opinion, and to the best of my understanding based on the provided information and explanations:

- i. Financial transactions and relevant documentations & procedures, undertaken by the Company for the year ended December 31, 2020 were in accordance with the issued Shariah guidelines.
- ii. Shariah Screening Criteria has been fulfilled properly in all kind of investment & financial transactions.
- iii. No amount has been realized as non Shariah Compliant income which has to be credited to the relevant charity account.
- iv. Consequently, I have found that the Window Takaful Operation is not against the Shariah principles with respect to all transactions.

"And Allah Knows Best"



Mufti Muhammad Shakir Siddiqui

Shariah Advisor

Dated: February 22, 2021

Statement of Compliance with the Shariah Principles

The financial arrangements, contracts and transactions, entered into by Century Insurance Company Limited - Window Takaful Operations ('the Company') for the year ended December 31, 2020 are in compliance with the Takaful Rules, 2012.

Further we confirmed that:

- The Company has developed and implemented all the policies and procedures in accordance with the Takaful Rules, 2012 and rulings of the Shariah Advisor along with a comprehensive mechanism to ensure compliance with such rulings and Takaful rules, 2012 in their overall operations. Further, the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee / Shariah Advisor and the Board of Directors have implemented;
- The Company has imparted trainings / orientations and ensured availability of all manuals / agreements approved by Shariah Advisor / Board of Directors to maintain the adequate level of awareness, capacity and sensitization of the staff, management;
- All the products and policies have been approved by Shariah Advisor and the financial arrangements including investments made, policies, contracts and transactions, entered into by Window Takaful Operations are in accordance with the policies approved by Shariah Advisor; and
- The assets and liabilities of Window Takaful Operations (Participants' Takaful Fund and Operator's Fund) are segregated from its other assets and liabilities, at all times in accordance with the provisions of the Takaful Rules, 2012.

This has been duly confirmed by the Shariah Advisor of the Company.



Mohammad Hussain Hirji
(Director & Chief Executive)

Dated: February 26, 2021



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

Independent Reasonable Assurance Report

to the Board of Directors on the Statement of Management's Assessment of Compliance with the Shariah Principles

We were engaged by the Board of Directors of Century Insurance Company Limited ("the Company") to report on the management's assessment of compliance of the Window Takaful Operations ("Takaful Operations") of the Company, as set out in the annexed statement prepared by the management for the year ended December 31, 2020, with the Takaful Rules 2012, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

Applicable Criteria

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

Responsibilities of the Management

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

The Board of Directors / management of the Company are also responsible for preventing and detecting fraud and for identifying and ensuring that the Takaful Operations comply with laws and regulations applicable to its activities. They are also responsible for ensuring that the management, where appropriate, 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.



KPMG Taseer Hadi & Co.

Our responsibilities

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

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

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

The procedures performed included:

- Evaluate the systems, procedures and practices in place with respect to the Takaful operations against the Takaful Rules, 2012 and Shariah advisor's guidelines;
- Evaluating the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee / Shariah Advisor and the board of directors;
- Test for a sample of transactions relating to Takaful operations to ensure that these are carried out in accordance with the laid down procedures and practices including the regulations relating to Takaful operations as laid down in Takaful Rules, 2012; and
- Review the statement of management's assessment of compliance of the Takaful transactions during the year ended December 31, 2020 with the Takaful Rules, 2012.

Conclusion

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

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

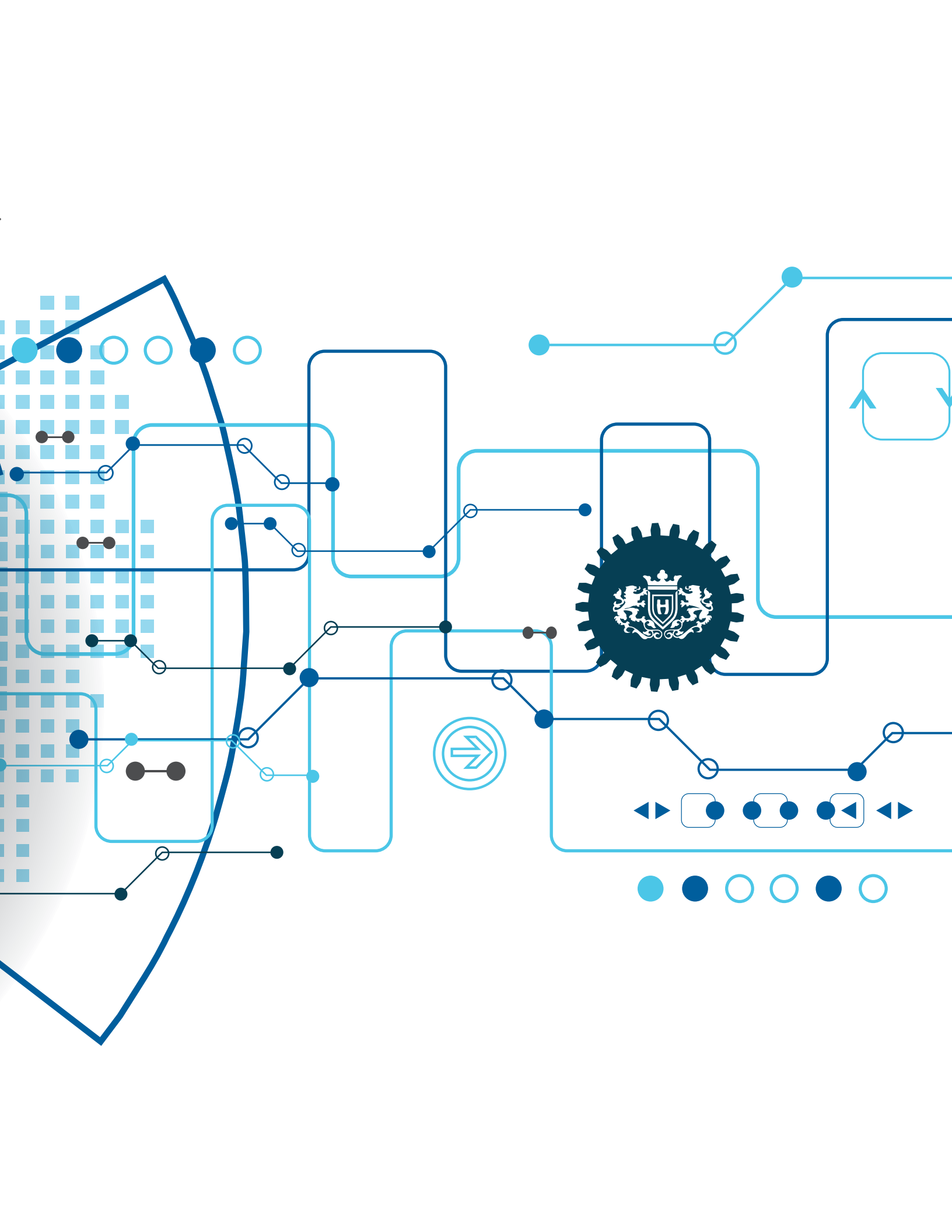
Date: March 18, 2021

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants



Financial Statements





KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

Independent Auditors' Report

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

Opinion

We have audited the annexed financial statements of Century Insurance Company Limited (the "Company"), which comprise the statement of financial position as at December 31, 2020, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S. No.	Key audit matter(s)	How the matters were addressed in our audit
1.	<p>Valuation of Claim Liabilities</p> <p>Refer notes 3.16 and 26 to the financial statements relating to claim liabilities.</p> <p>The Company's claim liabilities represent 20% of its total liabilities.</p> <p>Valuation of these claim liabilities involves significant management judgment regarding uncertainty in the estimation of claim payments and assessment of frequency and severity of claims. Claim liabilities are recognized on intimation of the insured event based on management judgment and estimation. The Company maintains provision for claims incurred but not reported (IBNR) based on the advice of an independent actuary. The actuarial valuation process involves significant judgment and the use of actuarial assumptions.</p> <p>We have identified the valuation of claim liabilities as a key audit matter because estimation of claim liabilities involves a significant degree of judgment.</p>	<p>Our audit procedures in respect of this matter included the following:</p> <ul style="list-style-type: none"> • Obtained an understanding, evaluated the design and tested the controls over the process of capturing, processing and recording of information related to the claims; • Assessed the appropriateness of the Company's accounting policy for recording of claims in line with requirements of applicable accounting and reporting standards; • Inspected significant arrangements with reinsurer to obtain an understanding of contracts terms and assessed that recoveries from reinsurance on account of claims reported has been accounted for based on terms and conditions; • Assessed on a sample basis the reinsurer's share of claims against the term of the reinsurance contracts and the related recorded liabilities; and • Tested claims transactions on sample basis with underlying documentations to evaluate that whether the claims reported during the year are recorded in accordance with the requirements of the Company's policy and insurance regulations; • Tested specific claims transactions on sample basis recorded close to year end and subsequent to year end with underlying documentation to assess whether claims had been recognized in the appropriate accounting period; • Tested on sample basis the completeness, accuracy and reliability of the underlying data utilized by the management, to support the actuarial valuation;

S. No.	Key audit matter(s)	How the matters were addressed in our audit
		<ul style="list-style-type: none"> Involved independent actuarial expert to review the reasonableness of the assumptions used and adequacy of IBNR reserve; and Assessed the adequacy of Company's disclosures within the financial statements as per the relevant accounting and reporting requirements.
2.	<p>Revenue Recognition Risk</p> <p>Refer notes 3.6, 3.12, 25 and 29 to the financial statements relating to revenue recognition.</p> <p>The Company receives its revenue primarily from two main sources namely; premiums and investments income. Premiums from insurance policies comprise of 91% of the total revenue.</p> <p>We identified revenue recognition as a key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not be recognized in the appropriate period.</p>	<p>Our audit procedures in respect of this matter included the following:</p> <ul style="list-style-type: none"> Obtained an understanding, evaluated the design and tested the controls over the process of capturing, processing and recording of premium income; Assessed the appropriateness of the Company's accounting policy for recording of premiums and investment income in line with requirements of applicable accounting and reporting standards; Tested the premium recorded on sample basis to test the accuracy from the underlying policies issued to insurance contract holders; Recalculated the unearned portion of premium income and ensured that appropriate amount has been recorded as unearned premium reserve; For a sample of investment income transactions, tested that investment income is recorded based on the effective interest method or where right to receive the dividend is established; Tested the policies on sample basis where premium was recorded close to year end and subsequent to year end, and evaluated that these were recorded in the appropriate accounting period; and Tested the investment income transaction on sample basis and subsequent to year end and evaluated that these were recorded in the appropriate period.

S. No.	Key audit matter(s)	How the matters were addressed in our audit
3.	<p>Valuation of insurance / reinsurance receivables</p> <p>Refer notes 3.9 and 13 to the financial statements relating to valuation of insurance / reinsurance receivables.</p> <p>The Company's insurance / reinsurance receivables represent 16% of its total assets.</p> <p>Valuation of these receivables involves significant judgment regarding uncertainty in determining impairment / provisions.</p> <p>We identified the valuation of insurance / reinsurance receivables as a key audit matter as the estimation involves a significant degree of judgment.</p>	<p>Our audit procedures in respect of this matter included the following:</p> <ul style="list-style-type: none"> • Tested the accuracy of insurance / reinsurance receivables aging report, on a sample basis, by comparing individual balances in the report with underlying documentation to evaluate that the balances appearing in the ageing report were classified within appropriate ageing bucket; and • Assessed the appropriateness of assumptions and estimates made by the management for the provision for impairment by comparing, on a sample basis, past experience and historical trends of collection, actual write offs and receipts and settlement from / with customers and reinsurer subsequent to the financial year end.
4.	<p>Valuation and Impairment of Investments</p> <p>Refer notes 3.13, 3.19, 8, 9, 10 and 11 to the financial statements relating to Valuation and Impairment of Investments.</p> <p>The Company's investment portfolio comprises of government debt securities, equity securities including investment in associates, other fixed income securities and term deposits.</p> <p>We identified the valuation and impairment of investments as a key audit matter because of the significance of investments and management's judgment involved in valuation and impairment.</p>	<p>Our audit procedures in respect of this matter included the following:</p> <ul style="list-style-type: none"> • Obtained an understanding, evaluated the design and tested the operating effectiveness of controls designed for valuation and impairment of investments classified as available for sale; • Assessed the methodology used and for a sample of investments evaluated the valuation of debt securities using the market yield pricing methodology based on interpolation of relevant rates and valuation of equity securities by comparing the quoted prices of Mutual Fund Association of Pakistan (MUFAP) and Pakistan Stock Exchange respectively for the securities; and • Involved our internal valuation specialist to assist us in evaluating the assumptions and judgments adopted by the valuer in calculation of fair value of unlisted equity investment; and • Assessed the appropriateness of impairment in the value of available for sale securities held by the Company in accordance with accounting and reporting standards as applicable in Pakistan.



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

Management is responsible for the Other Information. The Other Information comprises the information included in the Company's Annual Report but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the 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.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

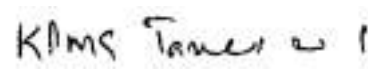
Based on our audit, we further report that in our opinion:

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

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

Date: March 18, 2021

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants

Statement of Financial Position

As at December 31, 2020

	Note	December 31, 2020 ----- (Rupees) -----	December 31, 2019 -----
Assets			
Property and equipment	6	121,150,269	129,993,035
Intangible assets	7	-	9,741
Investment in associates	8	49,959,574	39,404,247
Investments			
Equity securities	9	958,721,992	802,057,535
Debt securities	10	524,693,346	429,382,013
Term deposit	11	195,400,000	426,000,000
Loan and other receivable	12	42,262,996	37,416,224
Insurance / reinsurance receivable	13	554,679,355	500,355,096
Reinsurance recoveries against outstanding claims	26	125,342,540	97,581,839
Salvage recoveries accrued		2,775,000	4,005,000
Deferred commission expense	27	25,643,610	35,271,269
Deferred taxation	18	34,941,495	42,441,773
Prepayments	15	209,416,425	185,447,129
Cash and bank	16	454,365,700	267,024,544
Total assets of Window Takaful Operations - Operator's fund	17	103,495,918	89,831,932
Total Assets		3,402,848,220	3,086,221,377
Equity and Liabilities			
Authorized share capital (70,000,000 Ordinary shares of Rs.10 each)		700,000,000	700,000,000
Capital and reserves attributable to Company's equity holders			
Ordinary share capital	19	502,968,030	502,968,030
Share premium		254,024,260	254,024,260
Reserves	20	181,840,187	124,545,934
Unappropriated profit		1,110,233,075	955,159,703
Total Equity		2,049,065,552	1,836,697,927
Liabilities			
Underwriting Provisions			
Outstanding claims including IBNR	26	260,105,733	206,337,532
Unearned premium reserve	25	521,370,886	494,320,532
Unearned reinsurance commission	27	46,716,196	40,139,097
Retirement benefit obligations	14	4,519,519	5,141,096
Premiums received in advance		1,891,673	1,023,802
Insurance / reinsurance payables	21	234,715,482	243,253,439
Other creditors and accruals	22	152,676,442	188,481,027
Taxation - provision less payments	23	96,880,283	42,056,608
Total Liabilities		1,318,876,214	1,220,753,133
Total liabilities of Window Takaful Operations - Operator's fund	17	34,906,454	28,770,317
Total Equity and Liabilities		3,402,848,220	3,086,221,377
Contingencies and commitments	24		

The annexed notes from 1 to 46 form an integral part of these financial statements.

				
Iqbal Ali Lakhani Chairman	Amin Mohammed Lakhani Director	Aftab Ahmad Director	Mohammad Hussain Hirji Director & Chief Executive	Sabza Ali Pirani Chief Financial Officer

Profit and Loss Account

For the year ended December 31, 2020

		December 31, 2020	December 31, 2019
	Note	----- (Rupees) -----	-----
Net insurance premium	25	846,099,290	779,722,143
Net insurance claims	26	(360,165,103)	(362,676,565)
Net commission and other acquisition costs	27	40,466,589	12,925,559
Insurance claims and acquisition expenses		(319,698,514)	(349,751,006)
Management expenses	28	(332,547,935)	(294,771,909)
Underwriting results		193,852,841	135,199,228
Investment income	29	79,513,925	27,995,256
Other income	30	63,515,340	47,039,373
Other expenses	31	(11,102,156)	(9,779,320)
Results of operating activities		325,779,950	200,454,537
Finance costs - Lease liabilities		(6,240,748)	(6,095,558)
Share of profit of associates	8	12,408,460	6,918,238
Impairment in associates		-	(11,079,350)
Profit from Window Takaful Operations	17	10,469,119	9,456,795
Profit before tax		342,416,781	199,654,662
Income tax expense	32	(99,814,471)	(54,458,305)
Profit after tax		242,602,310	145,196,357
Earnings (after tax) per share of Rs. 10 each -basic	33	4.82	2.89

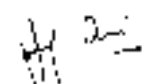
The annexed notes from 1 to 46 form an integral part of these financial statements.


Iqbal Ali Lakhani
Chairman


Amin Mohammed Lakhani
Director


Aftab Ahmad
Director


Mohammad Hussain Hirji
Director & Chief Executive


Sabza Ali Pirani
Chief Financial Officer

Statement of Comprehensive Income

For the year ended December 31, 2020

	December 31, 2020	December 31, 2019
	----- (Rupees) -----	
Profit after tax	242,602,310	145,196,357
Other comprehensive income		
Item that will never be reclassified to profit and loss account in subsequent year		
Remeasurement of post retirement benefits obligation	425,924	(933,355)
Item to be reclassified to profit and loss account in subsequent period:		
Unrealised appreciation 'available for sale' investments - net of tax	58,404,923	7,413,338
Reclassification adjustment for net (gain) / loss on available for sale investments included in profit and loss account - net of tax	(1,205,445)	27,816,484
	57,199,478	35,229,822
Other comprehensive income for the year		
- Share in other comprehensive gain / (loss) of associates - net of tax	64,746	(125,492)
Unrealised appreciation / (diminution) on 'available for sale' investments of Window Takaful Operations - net of tax	34,045	(60,730)
Reclassification adjustment for net loss / (gain) on available for sale investments included in profit and loss account of Window Takaful Operations - net of tax	60,730	(141,806)
	94,775	(202,536)
Total comprehensive income for the year	300,387,233	179,164,796

The annexed notes from 1 to 46 form an integral part of these financial statements.

				
Iqbal Ali Lakhani Chairman	Amin Mohammed Lakhani Director	Aftab Ahmad Director	Mohammad Hussain Hirji Director & Chief Executive	Sabza Ali Pirani Chief Financial Officer

Statement of Changes In Equity

For the year ended December 31, 2020

	Attributable to equity holders of the Company					
	Share capital	Capital reserves	Revenue reserves			Total
	Issued, subscribed and paid-up	Share premium	General reserve	Unrealised (diminution) / appreciation 'available for sale' investments	Retained earnings	
	----- (Rupees) -----					
Balance as at January 01, 2019	502,968,030	254,024,260	119,000,000	(29,481,352)	873,893,357	1,720,404,295
Total comprehensive income						
Profit after tax for the year	-	-	-	-	145,196,357	145,196,357
Other comprehensive income						
Share in other comprehensive income of associates	-	-	-	-	(125,492)	(125,492)
Remeasurement of post retirement benefits obligation	-	-	-	-	(933,355)	(933,355)
Net unrealised gain arising during the year on revaluation of available for sale investments net of tax (including WTO) net of tax	-	-	-	7,352,608	-	7,352,608
Reclassification adjustment for net loss on available for sale investments included in profit and loss account (including WTO) net of tax	-	-	-	27,674,678	-	27,674,678
Total comprehensive income	-	-	-	35,027,286	144,137,510	179,164,796
Transactions with owners recorded directly in equity						
Final cash dividend of Rs.1.25 (12.5%) per share for the year ended December 31, 2018	-	-	-	-	(62,871,164)	(62,871,164)
Balance as at December 31, 2019	502,968,030	254,024,260	119,000,000	5,545,934	955,159,703	1,836,697,927
Total comprehensive income						
Profit after tax for the year	-	-	-	-	242,602,310	242,602,310
Other comprehensive income						
Share in other comprehensive income of associates	-	-	-	-	64,746	64,746
Remeasurement of post retirement benefits obligation	-	-	-	-	425,924	425,924
Net unrealised gain arising during the year on revaluation of available for sale investments (including WTO) net of tax	-	-	-	58,438,968	-	58,438,968
Reclassification adjustment for net gain on available for sale investments included in profit and loss account (Including WTO) net of tax	-	-	-	(1,144,715)	-	(1,144,715)
Total comprehensive income	-	-	-	57,294,253	243,092,980	300,387,233
Transactions with owners recorded directly in equity						
Final cash dividend of Rs.1.75 (17.5%) per share for the year ended December 31, 2019	-	-	-	-	(88,019,608)	(88,019,608)
Balance as at December 31, 2020	502,968,030	254,024,260	119,000,000	62,840,187	1,110,233,075	2,049,065,552

The annexed notes from 1 to 46 form an integral part of these financial statements.

				
Iqbal Ali Lakhani Chairman	Amin Mohammed Lakhani Director	Aftab Ahmad Director	Mohammad Hussain Hirji Director & Chief Executive	Sabza Ali Pirani Chief Financial Officer

Cash Flow Statement

For the year ended December 31, 2020

	December 31, 2020	December 31, 2019
Note	----- (Rupees) -----	-----
Operating cash flows		
(a) Underwriting activities		
Insurance premium received	1,334,984,485	1,282,846,828
Reinsurance premium paid	(530,285,565)	(478,513,196)
Claims paid	(612,771,683)	(505,475,118)
Reinsurance and other recoveries received	212,714,236	137,218,673
Commission paid	(83,789,188)	(135,377,495)
Commission received	164,140,647	138,961,878
Management expenses paid	(314,815,941)	(300,680,235)
Net cash inflow from underwriting activities	170,176,991	138,981,335
(b) Other operating activities		
Income tax paid	(57,817,641)	(44,642,735)
Other operating receipt / (payments)	11,340,073	(6,367,496)
Net cash outflow from other operating activities	(46,477,568)	(51,010,231)
Total cash inflow from operating activities	123,699,423	87,971,104
Investment activities		
Profit / return received	82,112,773	77,423,586
Dividends received	13,876,468	14,382,518
Payments for investments	(1,574,992,616)	(5,268,460,558)
Proceeds from disposal of investments	1,646,092,969	5,001,534,944
Fixed capital expenditure	(18,496,852)	(26,709,971)
Proceeds from sale of property and equipment	2,427,122	3,490,512
Total cash inflow / (outflow) from investing activities	151,019,864	(198,338,969)
Financing activities - dividends paid	(87,578,131)	(62,974,067)
Net cash inflow / (outflow) from all activities	187,141,156	(173,341,932)
Cash at beginning of the year	266,224,544	439,566,476
Cash at end of the year	453,365,700	266,224,544
16.3		
Reconciliation to profit and loss account		
Operating cash flows	123,699,423	87,971,104
Depreciation / amortization expense	(28,503,649)	(26,872,091)
Profit on disposal of fixed assets	628,074	194,103
Profit / (loss) on disposal of investments	901,426	(17,184,465)
Dividend income	13,465,915	12,978,573
Investment and other income	95,716,166	70,129,579
Share of profit of associates	12,408,460	6,918,238
Increase in assets other than cash	118,078,710	80,563,838
Increase in liabilities other than running finance	(101,225,289)	(76,216,846)
Profit from Window Takaful Operations	7,433,074	6,714,324
Profit after tax	242,602,310	145,196,357

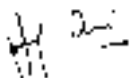
The annexed notes from 1 to 46 form an integral part of these financial statements.


Iqbal Ali Lakhani
Chairman


Amin Mohammed Lakhani
Director


Aftab Ahmad
Director


Mohammad Hussain Hirji
Director & Chief Executive


Sabza Ali Pirani
Chief Financial Officer



Notes to and Forming part of the Financial Statements

For the year ended December 31, 2020

1. LEGAL STATUS AND NATURE OF BUSINESS

Century Insurance Company Limited (the Company) is a public limited company incorporated in Pakistan on October 10, 1985 under the Companies Act 2017. The Company is listed on the Pakistan Stock Exchange Limited and is engaged in general insurance business. The registered office of the Company is situated at Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi.

The Company was granted authorization on August 07, 2017 under Rule 6 of the Takaful Rules, 2012 to undertake Window Takaful Operations by Securities and Exchange Commission of Pakistan (SECP) and under Takaful Rules, 2012 to carry on general takaful operations in Pakistan. The Company has formed a Waqf for Participants' Fund ("PTF") by executing the Waqf deed dated August 17, 2017. The Company commenced its activities of Window Takaful Operations on August 18, 2017.

1.1 Impact of COVID-19 on the unconsolidated financial statements

During the year, the novel coronavirus (COVID-19) emerged and since then, the condition has continued to deteriorate. On January 30, 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a "Public Health Emergency of International Concern". The COVID-19 pandemic has significantly impacted the market around the world to date and may continue to do so in the coming months of 2020. The scale and duration of this outbreak remains uncertain and as it evolves globally in 2020, the Company based on its current assessment considered that there would be no significant impact that will adversely affect its business, result of operations and financial condition of the Company.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) as are notified under Companies Act, 2017; and
- Provision of and directive issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules, 2017, Insurance Accounting Regulations, 2017 and Takaful Rules, 2012 and General Takaful Accounting Regulations 2019.

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

The Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O 89 (1) /2017 dated February 09, 2017 has prescribed format of the presentation of annual financial statements for general insurance companies. These financial statements have been prepared in accordance with the format prescribed by the SECP.

Total assets, total liabilities and profit of the Window Takaful Operations of the Company referred to as the Operator's Fund has been presented in these financial statements in accordance with the requirements of Circular 25 of 2015 dated July 09, 2015.

2.1 Basis of measurement

These financial statements have been prepared under historical cost convention except for certain investments which are stated at their fair values, staff gratuity and lease liability which is stated at present value.

2.2 Functional and presentation currency

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



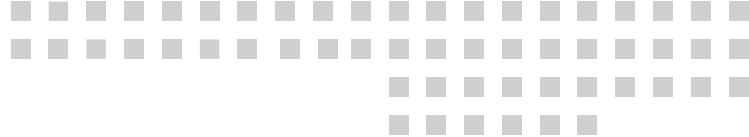
Notes to and Forming part of the Financial Statements

For the year ended December 31, 2020

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

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

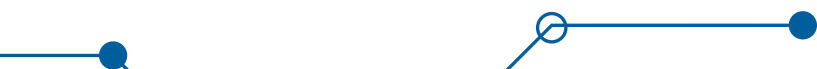
- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after June 01, 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
 - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
 - any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
 - there is no substantive change to the other terms and conditions of the lease.
- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after January 01, 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after January 01, 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.



- Annual Improvements to IFRS standards 2018-2020:

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after January 01, 2022.

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after January 01, 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.
- Standards effective during the year
 - Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after January 01, 2020). The Board has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test.
 - Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after January 01, 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the Board has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
 - On March 29, 2018, the Board has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the Board to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of January 01, 2020, unless the new guidance contains specific scope outs.





Notes to and Forming part of the Financial Statements

For the year ended December 31, 2020

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after January 01, 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all periods presented.

3.1 Property and Equipment

3.1.1 Tangibles

These are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged over the estimated useful life of the asset on a systematic basis to income applying the straight line method at the rates specified in note 6.1 to the financial statements, after taking into account residual value.

Depreciation on additions is charged from the month in which the asset is put to use whereas no depreciation is charged from the month the asset is disposed off.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is possible that the future economic benefits associated with the items will flow to the company and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to profit and loss account currently.

An item of tangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss in the year the asset is derecognised.

Depreciation methods, useful lives and residual values that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each reporting date.

3.1.2 Capital work-in-progress

Capital work-in-progress including advances made for capital expenditure is stated at cost less impairment, if any.

3.2 Intangibles

An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

Costs directly associated with identifiable software that will have probable economic benefits exceeding costs beyond one year, are recognised as an intangible asset.



Indefinite Intangible

These are stated at cost less impairment, if any.

Definite Intangible

- a) These are stated at cost less accumulated amortization and impairment, if any.
- b) Intangible assets are amortized on straight line basis over its estimated useful life(s) (refer note 7).
- c) Amortization on additions is charged from month in which the asset is put to use, whereas no amortization is charged from the month the assets is disposed off.

The carrying amounts are reviewed at each reporting date to assess whether these are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets' are written down to their estimated recoverable amounts.

3.3 Leases

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Company mainly leases properties for its operations. The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight line method from the commencement date to the earlier of end of the useful life of right-of-use asset or end of the lease term. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has elected not to recognize right-of-use assets and lease liabilities for short term and low value assets. The lease payments associated with these leases are recognized as an expenses on a straight line basis over the lease term. The right-of-use assets are presented in the same line items as it presents underlying assets of the same nature that it owns.

3.4 Insurance contracts

Insurance contracts represent contracts with policy holders and reinsurers.

Those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policy holders) by agreeing to compensate the policy holders if a specified uncertain future event (the insured event) adversely affects the policy holders are insurance policy contracts. The Company enters into fire and property damage, marine, motor, health, burglary, loss of cash in transit, travel, personal accident, money, engineering losses and other insurance contracts with group companies, corporate clients and individuals residing or located in Pakistan.



Notes to and Forming part of the Financial Statements

For the year ended December 31, 2020

Those insurance contracts that are issued by one insurer (the reinsurer) to compensate another insurer (the cedant) for losses on one or more contracts issued by the cedant are reinsurance contracts. The Company enters in to reinsurance contracts with both foreign and local reinsurers.

These reinsurance contracts includes both treaty and facultative arrangements and are classified in same categories of insurance contracts for the purpose of these financial statements. 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.

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

3.5 Deferred Commission expense / Acquisition cost

Commission expense incurred in obtaining and recording policies is deferred and recognised as an expense in accordance with pattern of recognition of premium revenue by applying the twenty-fourths method.

3.6 Unearned premium

The portion of premium written relating to the unexpired period of coverage is recognised as unearned premium by the Company. The unearned premium is calculated by applying twenty-fourths method as specified in the Insurance Accounting Regulations, 2017.

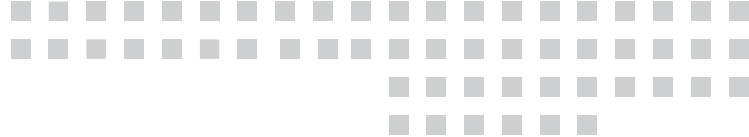
3.7 Premium deficiency

The Company is required as per Insurance Rules, 2017 to maintain a provision in respect of premium deficiency for the class of business where the unearned premium reserve is not adequate to meet the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after the reporting date in respect of policies in that class of business at the reporting date. The movement in the premium deficiency reserve is recorded as an expense and the same shall be recognised as a liability.

For this purpose, loss ratios for each class are estimated based on historical claim development. Judgement is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. If these ratios are adverse, premium deficiency is estimated. The loss ratios estimated on these basis for the unexpired portion are as follows:

Class	2020 ----- % -----	2019 -----
Fire and property damage	20	13
Marine, aviation and transport	11	10
Motor	32	40
Accident and health	74	83
Miscellaneous	78	90

Based on an analysis of combined operating ratio for the expired period of each reportable segment, the management considers that the unearned premium reserve for all classes of business as at the year end is adequate to meet the expected future liability after reinsurance, from claims and other expenses, expected to be incurred after the reporting date in respect of policies in those classes of business in force at the reporting date. The liability of premium deficiency in relation to all classes of business is calculated in accordance with the advice of the actuary. Hence, no provision for the same has been made in these financial statements.



3.8 Reinsurance contracts held

Reinsurance liabilities represent balances due to reinsurance companies. Balances 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 as required by Insurance Ordinance, 2000. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired.

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

3.9 Receivables and payables related to insurance contracts

Receivables including premium due but unpaid, relating to insurance contracts are recognised when due. The claim payable is recorded when intimation is received. These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any. Premium received in advance is recognised as liability till the time of issuance of insurance contract thereagainst.

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 recognizes the loss in profit and loss account.

3.10 Segment reporting

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

The Company presents segments reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Insurance Rule, 2017. The reported operating segments are also consistent with the internal reporting provided to Board of Directors which are responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

The Company has five primary business segments for reporting purposes namely fire, marine, motor, accident & health and miscellaneous.

The perils covered under fire insurance include damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and terrorism.

Marine insurance provides coverage against cargo risk, war risk and damages occurring in inland transit.

Motor insurance provides comprehensive car coverage and indemnity against third party loss.

Accident and health insurance provides cover to compensate personal accident, hospitalisation and outpatient medical coverage to the insured.

Miscellaneous insurance provides cover against burglary, loss of cash in safe and cash in transit, travel, money, engineering losses and other covers.





Notes to and Forming part of the Financial Statements

For the year ended December 31, 2020

Financing, investment and income taxes are managed on an overall basis and are therefore, not allocated to any segment.

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

3.11 Cash and cash equivalents

Cash and cash equivalents for cash flow purposes include cash in hand, policy stamps, bank balances and the term deposit receipts having a maturity of not more than twelve months and are subject to insignificant risk of change in value.

3.12 Revenue Recognition

a) Premiums

Premiums under a policy are recognised as revenue at the time of issuance of insurance policy / cover note. Where the pattern of incidence of risk varies over the period of the policy, premium is recognised as revenue in accordance with the pattern of the incidence of risk. Administrative surcharge is recognised as revenue at the time of issuance of insurance policy.

b) Commission Income

Commission income from reinsurers is recognised at the time of issuance of the underlying insurance policy by the Company. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit / commission, if any, under the terms of reinsurance arrangements, is recognised when the Company's right to receive the same is established.

c) Investment income

- Income from held to maturity investments is recognised on a time proportion basis taking into account the effective yield on the investments. The difference between the redemption value and the purchase price of the held to maturity investments is amortized and taken to the profit and loss account over the term of the investment.
- Dividend income from investments, other than those which are accounted for under the equity method is recognised when the Company's right to receive the payment is established.
- Gain or loss on sale of investment is included in income currently.
- Return on bank deposits is recognised on a time proportionate basis taking into account the effective yield.
- Return on fixed income securities is recognised on a time proportion basis taking into account the effective yield on the investments.

3.13 Investments

3.13.1 Classification and Recognition

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 the profit and loss account. These are recognized and classified as follows:

- Held for trading
- Held to maturity
- Available-for-sale

The classification depends on the purpose for which the financial assets were acquired.

3.13.2 Measurement

3.13.2.1 Held for trading

Investments which are acquired principally for the purposes of generating profit from short-term fluctuation in market price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading.

Investments which are designated as held for trading upon initial recognition.

Subsequent to initial recognition, these investments are remeasured at fair market value. Gains or losses on investments on remeasurement of these investments are recognised in profit and loss account.

3.13.2.2 Held to maturity

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

Subsequently, these are measured at amortized cost less provision for impairment, if any. Any premium paid or discount availed on acquisition of held to maturity investment is deferred and amortised over the term of investment using the effective yield.

3.13.2.3 Available-for-sale

Investments which are not eligible to be classified as “held for trading” or “held to maturity” are classified as ‘available-for-sale’. These investments are intended to be held for an indefinite period of time which may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates are classified as available-for-sale.

Subsequent to initial recognition, these investments are remeasured at fair value. Gains or losses on investments on remeasurement of these investments are recognised in statement of comprehensive income.

3.13.2.4 Fair / market value measurements

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

3.13.2.5 Investment in associates - equity method

Investments in associates, where the Company has significant influence but not control, are accounted for by using the equity method of accounting. These investments are initially recognised at cost, thereafter the Company's share of the changes in the net assets of the associates are accounted for at the end of each reporting period less impairment loss, if any. Share of profit and loss of associate is accounted for in the Company's profit and loss account, whereas changes in the associate's equity which has not been recognised in the associates profit and loss account, are recognised directly in equity of the Company. The goodwill relating to an associate arising on the acquisition of the investment is included in the carrying value of the investments.



Notes to and Forming part of the Financial Statements

For the year ended December 31, 2020

After the application of equity method including recognising the associates losses, the Company determines whether it is necessary to recognise any additional impairment loss with respect to its net investment in associate by comparing the entire carrying amount including goodwill with its recoverable amount i.e. the higher of value in use or fair market price less cost to sell. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount but limited to the extent of carrying amount that would have been determined if no impairment loss had been recognized. A reversal of impairment loss is recognized in the profit and loss account.

3.13.2.6 Date of recognition

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

3.14 Offsetting of financial assets and liabilities

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

3.15 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 the future for the 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, 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.

3.16 Claims expense and Provision for outstanding claims including Incurred But Not Reported (IBNR)

Insurance claims include all claims occurred, whether reported or not. Internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

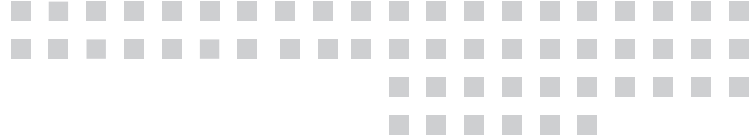
Provision for outstanding claims include amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Outstanding claims

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

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

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



Incurred But Not Reported (IBNR) Claims

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

The Company is required, as per SECP circular no. 9 of 2016 dated March 09, 2016 “Guidelines for Estimation of Incurred but not reported claims reserve, 2016” to estimate and maintain the provision for claims incurred but not reported for each class of business by using prescribed Method “Chain Ladder Method” and other alternate method as allowed under the provisions of the Guidelines. The actuarial valuation as at December 31, 2020 has been carried out by independent firm of actuaries for determination of IBNR for each class of business.

3.17 Taxation

Income tax expense comprises current and deferred tax including Window Takaful Operations. Income tax expense is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised in equity or in other comprehensive income respectively. In making the estimates for income taxes currently payable by the Company, the management considers the current income tax law and the decisions of appellate authorities on certain issues in the past.

Current

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Provisions for current taxation is based on taxability of certain income streams of the Company under presumptive / final tax regime at the applicable tax rates and remaining income streams chargeable at current rate of taxation under the normal tax regime and / or minimum tax liability, as applicable, after taking into account tax credits and tax rebates available, if any.

Deferred

Deferred tax is recognised using balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the reporting date.

The Company recognises a deferred tax asset to the extent of taxable timing differences or it is probable that taxable profits for the foreseeable future will be available against which the assets 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.

3.18 Staff Retirement benefits

3.18.1 Defined benefit plan

The Company operates an approved and funded gratuity scheme for all permanent employees who attain the minimum qualification period for entitlement to gratuity. The liability / asset recognized in the balance sheet is the present value of defined benefit obligation at the reporting date less fair value of plan assets. The defined benefit obligation is calculated annually using Projected Unit Credit Method. Remeasurements which comprise actuarial gains and losses and the return on plan assets (excluding interest) are recognized immediately in other comprehensive income.





Notes to and Forming part of the Financial Statements

For the year ended December 31, 2020

The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments. Net interest expense and current service cost are recognized in profit and loss account and actuarial gains / loss are recognised in other comprehensive income as they occur and are not reclassified to profit or loss in subsequent periods.

The last actuarial valuation of the Company's defined benefit plan was carried on as of December 31, 2020.

3.18.2 Defined contribution plan

The Company contributes to a provident fund scheme which covers all permanent employees. Equal contributions are made both by the Company and the employees to the fund at the rate of 10 percent of basic salary plus cost of living allowance.

3.18.3 Employees' compensated absences

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

3.19 Impairment of assets

The carrying amount of assets other than deferred tax asset are reviewed at each reporting date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognised. Impairment is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investments classified as available-for-sale below its cost is also considered an objective evidence of impairment. Impairment losses are reversed when there is an indication that impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. However, in case of equity securities classified as available for sale the decrease in impairment loss is not reversed.

3.20 Dividend distribution and reserve appropriation

Dividend distribution and reserve appropriations are recognized when approved.

3.21 Management expenses

These are allocated to various classes of business in proportion to the respective gross premium written during the year. Expenses not allocable to the underwriting business are charged as other expenses.

3.22 Foreign currency translation

Foreign currency transactions during the period are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the reporting date. Gains and losses on translation are taken to income currently. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3.23 Financial instruments

Financial instruments carried on the reporting date include cash and bank, premiums due but unpaid, amount due from other insurers / reinsurers, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, amount due to other insurers / reinsurers, accrued expenses, other creditors and accruals, deposits and other payables and unclaimed dividends.

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company loses control of contractual rights that comprises the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. At the time of initial recognition all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Any gain or loss on derecognition of financial assets and financial liabilities is taken to income currently.

3.24 Transaction with related parties

All the transaction involving related parties arising in the normal course of business are conducted at agreed / commercial terms and condition.

3.25 Window Takaful Operations

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Use of estimates and judgements

In preparing these financial statements, management has made judgement, estimates and assumptions that affect the application of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from the estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognised prospectively.

Information about judgements made in applying accounting policies that have the most significant effects on the amount recognised in the financial statements and assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the subsequent years are included in following notes:

- a) residual values and useful lives of fixed assets (note 3.1 and 3.2);
- b) premium deficiency reserve (note 3.7);
- c) provision for premium due but unpaid and amount due from other insurers / reinsurers (note 3.9);
- d) provision for outstanding claims (including IBNR) (note 3.16);
- e) taxation (note 3.17);
- f) staff retirement benefits (note 3.18);and
- g) impairment (note 3.19).

Notes to and Forming part of the Financial Statements

For the year ended December 31, 2020

5. DISCLOSURES RELATED TO TEMPORARY EXEMPTION FROM 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 debt instruments accounted for fair value through other comprehensive income under IAS 39 are potentially eligible to SPPI test whereas it is not applicable for the debt instruments accounted for fair value through profit or loss.

The tables below set out the fair values on gross basis 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
- all other financial assets.

	December 31, 2020				
	Fail the SPPI Test		Pass the SPPI Test		
	Fair value	Change in Unrealized gain or (loss) during the year	Carrying Value	Cost less impairment	Change in Unrealized gain or (loss) during the year
	----- (Rupees) -----				
Financial assets					
Investment in associate	162,055,359	-	-	-	-
Investments					
- Equity securities - Available for Sale	857,141,405	82,140,722	-	-	-
- Equity securities - Held for trading	101,580,587	6,398,704	-	-	-
- Debt securities - Held for trading	-	-	86,989,977	-	393,967
- Debt securities - Available for sale	-	-	310,075,958	-	6,318,632
- Debt securities - Held to maturity	-	-	127,627,411	-	-
- Term Deposit	-	-	195,400,000	-	-
Insurance / reinsurance receivable*	554,679,355	-	-	-	-
Loan and other receivables*	42,262,996	-	-	-	-
Reinsurance recoveries against outstanding claims*	125,342,540	-	-	-	-
Cash and Bank	454,365,700	-	-	-	-
Total assets of Window Takaful Operations	103,495,918				
TOTAL	2,400,923,860	88,539,426	720,093,346	-	6,712,599

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

Gross Carrying amount of debt instruments that pass the SPPI test

	AA	A+	A	Unrated	Total
	(Rupees)				
Investment in debt securities					
Held for trading	-	-	-	86,989,977	86,989,977
Available for sale	34,386,233	24,827,575	20,000,000	230,862,150	310,075,958
Held to Maturity	-	-	-	127,627,411	127,627,411
Term Deposit	-	-	195,400,000	-	195,400,000
	34,386,233	24,827,575	215,400,000	445,479,538	720,093,346

6.	PROPERTY AND EQUIPMENT	Note	December 31, 2020	December 31, 2019
			(Rupees)	
	Operating assets	6.1	70,599,800	77,172,381
	Right to use assets	6.2	38,925,248	48,887,433
	Capital work in progress	6.3	11,625,221	3,933,221
			121,150,269	129,993,035

6.1 Operating assets

	December 31, 2020									
	Cost			Depreciation			Written down value as at			Depreciation rate
	As at January 01, 2020	Additions	Disposals	As at December 31, 2020	As at January 01, 2020	For the year	Disposals	As at December 31, 2020	December 31, 2020	%
	(Rupees)									
Office improvement	19,763,414	-	-	19,763,414	15,138,303	888,109	-	16,026,412	3,737,002	10
Furniture and fixtures	16,723,543	52,000	-	16,775,543	10,245,636	1,157,369	-	11,403,005	5,372,538	10
Office equipment	14,950,159	870,152	701,709	15,118,602	10,812,894	1,732,314	641,200	11,904,008	3,214,594	10 - 33
Computer and related accessories	8,325,826	1,799,800	569,605	9,556,021	7,627,274	731,419	524,771	7,833,922	1,722,099	33
Motor vehicles	95,157,458	8,082,900	4,542,593	98,697,765	33,923,912	11,067,040	2,846,754	42,144,198	56,553,567	20
	154,920,400	10,804,852	5,813,907	159,911,345	77,748,019	15,576,251	4,012,725	89,311,545	70,599,800	

	December 31, 2019									
	Cost			Depreciation			Written down value as at			Depreciation rate
	As at January 01, 2019	Additions	Disposals	As at December 31, 2019	As at January 01, 2019	For the year	Disposals	As at December 31, 2019	December 31, 2019	%
	(Rupees)									
Office improvement	18,347,027	1,416,387	-	19,763,414	14,310,432	827,871	-	15,138,303	4,625,111	10
Furniture and fixtures	14,326,769	2,396,774	-	16,723,543	9,191,433	1,054,203	-	10,245,636	6,477,907	10
Office equipment	13,971,284	1,292,240	313,365	14,950,159	9,079,485	2,023,012	289,603	10,812,894	4,137,265	10 - 33
Computer and related accessories	7,850,726	494,600	19,500	8,325,826	7,192,227	453,017	17,970	7,627,274	698,552	33
Motor vehicles	81,196,809	21,983,249	8,022,600	95,157,458	28,399,931	10,275,464	4,751,483	33,923,912	61,233,546	20
	135,692,615	27,583,250	8,355,465	154,920,400	68,173,508	14,633,567	5,059,056	77,748,019	77,172,381	

Notes to and Forming part of the Financial Statements

For the year ended December 31, 2020

6.1.1 During the year ended December 31, 2020, an aggregate amount of Rs. 0.585 million out of depreciation for the year Rs. 14.633 million has been allocated to Window Takaful Operations.

6.1.2 Disposal of tangible

	Cost	Accumulated depreciation	Book value	Sale proceeds	Net gain / (loss) (note 30)	Mode of disposal	Sold to
	(Rupees)						
Office equipment	54,738	54,737	1	7,500	7,499	Negotiation	Al-Rehman Traders
Office equipment	106,995	94,703	12,292	7,000	(5,292)	Negotiation	Ahmed Engineering
Office equipment	132,581	88,577	44,004	74,029	30,025	Insurance Claim	EFU General Insurance
Office equipment	407,395	403,183	4,212	15,160	10,948	Negotiation	Various
Computer and related accessories	169,700	164,183	5,517	7,000	1,483	Negotiation	Star Com
Computer and related accessories	14,000	13,998	2	500	498	Negotiation	Moosa Copier
Computer and related accessories	124,116	124,113	3	8,000	7,997	Negotiation	AA Enterprises
Computer and related accessories	118,000	80,832	37,168	85,455	48,287	Insurance Claim	EFU General Insurance
Computer and related accessories	143,789	143,779	10	1,000	990	Negotiation	Star Com
Motor vehicles	2,156,000	1,449,522	706,478	706,478	-	As per company policy	Mr. Aseem Ahmed (Executive)
Motor vehicles	545,730	145,730	400,000	500,000	100,000	Negotiation	Mr. Muhammad Junaid
Motor vehicles	601,000	360,600	240,400	470,000	229,600	Negotiation	Mr. Muhammad Junaid
Motor vehicles	500,000	306,372	193,628	350,000	156,372	Negotiation	Mr. Muhammad Junaid
Motor vehicles	45,963	30,963	15,000	10,000	(5,000)	Negotiation	Mr. Muhammad Nadeem
Motor vehicles	43,500	28,500	15,000	13,000	(2,000)	As per company policy	Mr. Danish Nafees
Motor vehicles	52,000	42,000	10,000	10,000	-	Negotiation	Mr. Mashooq Ali
Motor vehicles	114,000	99,000	15,000	30,000	15,000	As per company policy	Mr. Asim Iqtidar
Motor vehicles	114,000	99,000	15,000	30,000	15,000	As per company policy	Mr. Riaz Hussain
Motor vehicles	114,000	99,000	15,000	30,000	15,000	As per company policy	Mr. Muhammad Khalid
Motor vehicles	52,000	42,000	10,000	12,000	2,000	As per company policy	Mr. Syed Muzammil Hussain
Motor vehicles	98,400	83,400	15,000	10,000	(5,000)	As per company policy	Mr. Rehan Hassan
Motor vehicles	106,000	60,667	45,333	50,000	4,667	As per company policy	Mr. Shahid Iqbal (Ex. Employee)
	5,813,907	4,014,859	1,799,048	2,427,122	628,074		

6.2 Right to use assets

	Cost			Depreciation			Written down	
	As at January 01, 2020	Additions	(Disposals / written off)	As at December 31, 2020	As at January 01, 2020	For the year	As at December 31, 2020	value as at December 31, 2020
	(Rupees)							Depreciation rate %
Property lease	61,109,291	2,955,472	-	64,064,763	12,221,858	12,917,657	-	38,925,248

6.3 Capital work in progress

	December 31, 2020	December 31, 2019
	(Rupees)	
Advance against purchase of vehicles	11,625,221	3,933,221
	11,625,221	3,933,221

7. INTANGIBLE ASSETS

	Cost			Amortisation			Written down	
	As at January 01, 2020	Additions	(Disposals / written off)	As at December 31, 2020	As at January 01, 2020	For the year	As at December 31, 2020	value as at December 31, 2020
	(Rupees)							Amortisation rate %
Computer software	7,006,837	-	-	7,006,837	6,997,096	9,741	-	7,006,837
December 31, 2019	7,006,837	-	-	7,006,837	6,980,430	16,666	-	6,997,096

8. INVESTMENT IN ASSOCIATES

2020	2019	Face value per share (Rupees)	Quoted	Note	December 31, 2020	December 31, 2019
---(Number of shares)---					----- (Rupees) -----	-----
23,282	21,166	10	Colgate Palmolive (Pakistan) Limited (CPPL) (Incorporated in Pakistan)	8.1	11,967,904	10,992,804
755,394	629,495	10	Century Paper & Board Mills Limited (CPBML) (Incorporated in Pakistan)	8.1	37,991,670	28,411,443
					<u>49,959,574</u>	<u>39,404,247</u>

8.1 Movement of investment in equity accounted investees is as follows:

	December 31, 2020		
	Colgate Palmolive (Pakistan) Limited	Century Paper & Board Mills Limited	Total
	----- (Rupees) -----		
Opening balance as at January 01, 2020	10,992,804	28,411,443	39,404,247
Share of profit	1,963,571	10,444,889	12,408,460
Share of equity	(14,835)	79,581	64,746
Dividend received	(973,636)	(944,243)	(1,917,879)
Closing balance as at December 31, 2020	<u>11,967,904</u>	<u>37,991,670</u>	<u>49,959,574</u>
	December 31, 2019		
	Colgate Palmolive (Pakistan) Limited	Century Paper & Board Mills Limited	Total
	----- (Rupees) -----		
Opening balance as at January 01, 2019	10,264,695	34,879,467	45,144,162
Share of profit	1,510,639	5,407,599	6,918,238
Share of equity	(9,971)	(166,778)	(176,749)
Dividend received	(772,559)	(629,495)	(1,402,054)
Provision for impairment	-	(11,079,350)	(11,079,350)
Closing balance as at December 31, 2019	<u>10,992,804</u>	<u>28,411,443</u>	<u>39,404,247</u>

Notes to and Forming part of the Financial Statements

For the year ended December 31, 2020

8.2 Market value of investments in associates is as follows:

Quoted

Colgate Palmolive (Pakistan) Limited
Century Paper & Board Mills Limited

December 31, 2020 December 31, 2019
----- (Rupees) -----

67,517,800	49,740,100
94,537,559	31,902,807
162,055,359	81,642,907

8.3 Percentage of holding of equity in associates is as follows:

Colgate Palmolive (Pakistan) Limited
Century Paper & Board Mills Limited

December 31, 2020 December 31, 2019
----(Percentage of holding)----

0.037%	0.037%
0.428%	0.428%

8.4 The following is summarized financial information of CPPL and CPBML as at and for the twelve month period ended December 31, 2020. Based on their respective unaudited condensed interim financial information and quarterly financial information prepared in modified for fair value and other adjustments and differences in the Company's accounting policies:

	Colgate Palmolive (Pakistan) Limited		Century Paper & Board Mills Limited	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	----- (Rupees) -----			
For the year ended				
Revenues	47,502,223,000	40,192,474,000	25,377,515,000	29,657,315,000
Profit after tax	5,338,674,000	4,107,111,000	2,439,400,000	1,273,947,000
Other comprehensive income / (loss)	(40,333,000)	(27,110,000)	18,586,000	(38,951,000)
Dividend attributable to preference shareholders	-	-	-	(11,004,000)
Total comprehensive income	5,298,341,000	4,080,001,000	2,457,986,000	1,223,992,000
At year end				
Non current assets	5,960,436,000	4,829,654,000	9,123,979,000	9,457,962,000
Current assets	19,367,532,000	16,273,474,000	10,171,320,000	9,181,162,000
Non current liabilities	(1,367,787,000)	(609,246,000)	(3,734,671,000)	(3,775,355,000)
Current liabilities	(5,287,257,000)	(4,472,186,000)	(6,687,687,000)	(8,228,286,000)
Net assets	18,672,924,000	16,021,696,000	8,872,941,000	6,635,483,000
Group's interest in net assets of investee at end of the year	6,868,071	5,892,929	37,991,670	28,411,443
Fair value and other adjustments at acquisition	5,099,833	5,099,875	-	-
Carrying amount of interest in equity accounted investees at end of the year	11,967,904	10,992,804	37,991,670	28,411,443

9. INVESTMENTS IN EQUITY SECURITIES

		December 31, 2020				December 31, 2019			
		Cost	Impairment on AFS	Unrealised gain on revaluation	Carrying value	Cost	Impairment on AFS	Unrealised gain/(loss) on revaluation	Carrying value
Note		(Rupees)							
Available for sale		805,836,834	(30,836,151)	82,140,722	857,141,405	738,745,127	(31,659,686)	3,982,027	711,067,468
Held for trading		95,181,884	-	6,398,703	101,580,587	82,551,060	-	8,439,007	90,990,067
		<u>901,018,718</u>	<u>(30,836,151)</u>	<u>88,539,425</u>	<u>958,721,992</u>	<u>821,296,187</u>	<u>(31,659,686)</u>	<u>12,421,034</u>	<u>802,057,535</u>
Available for sale									
Related parties									
Mutual funds	9.1	413,678,396	-	32,820,801	446,499,197	357,279,308	(8,533,043)	(1,246,685)	347,499,580
Others									
Listed shares		40,991,667	(4,860,437)	10,886,773	47,018,003	53,561,320	(9,318,870)	5,617,432	49,859,882
Unlisted shares		75,283	-	-	75,283	75,283	-	-	75,283
Mutual funds		351,091,488	(25,975,714)	38,433,148	363,548,922	327,829,216	(13,807,773)	(388,720)	313,632,723
		392,158,438	(30,836,151)	49,319,921	410,642,208	381,465,819	(23,126,643)	5,228,712	363,567,888
		<u>805,836,834</u>	<u>(30,836,151)</u>	<u>82,140,722</u>	<u>857,141,405</u>	<u>738,745,127</u>	<u>(31,659,686)</u>	<u>3,982,027</u>	<u>711,067,468</u>
Held for trading									
Listed shares		95,181,884	-	6,398,703	101,580,587	82,551,060	-	8,439,007	90,990,067
		<u>901,018,718</u>	<u>(30,836,151)</u>	<u>88,539,425</u>	<u>958,721,992</u>	<u>821,296,187</u>	<u>(31,659,686)</u>	<u>12,421,034</u>	<u>802,057,535</u>

9.1 Related parties

				December 31, 2020				December 31, 2019			
2020	2019	Face value	Name of entity	Cost	Impairment on AFS	Unrealised gain on revaluation	Carrying value	Cost	Impairment on AFS	Unrealised gain/(loss) on revaluation	Carrying value
-----Number of units-----		per unit (Rupees)									
(Rupees)-----											
Open-end mutual funds											
1,416,940	1,416,940	100	Lakson Equity Fund	150,000,000	-	3,489,216	153,489,216	150,000,000		(1,013,537)	148,986,463
614,359	545,374	100	Lakson Tactical Fund	62,467,854	-	384,408	62,852,262	64,279,308	(8,533,043)	(233,148)	55,513,117
12,029	-	100	Lakson Money Market Fund	1,210,542	-	2,001	1,212,543	-	-	-	-
Closed-end fund											
200	143	1,000,000	Lakson Private Equity Fund	200,000,000	-	28,945,176	228,945,176	143,000,000	-	-	143,000,000
				413,678,396	-	32,820,801	446,499,197	357,279,308	(8,533,043)	(1,246,685)	347,499,580

10. INVESTMENTS IN DEBT SECURITIES

INVESTMENTS IN DEBT SECURITIES		December 31, 2020			December 31, 2019		
	Note	Cost	Unrealised gain / (loss) on revaluation	Carrying value	Cost	Unrealised gain / (loss) on revaluation	Carrying value
(Rupees)							
Held for trading							
Government securities		86,596,010	393,967	86,989,977	-	-	-
Held to maturity							
Government securities	10.1 & 10.2	127,627,411	-	127,627,411	204,079,103	-	204,079,103
Commercial paper		-	-	-	24,238,262	-	24,238,262
		127,627,411	-	127,627,411	228,317,365	-	228,317,365
Available for sale							
Sukuk		35,000,000	(53,023)	34,946,977	38,000,000	(554,552)	37,445,448
Term finance certificate		44,980,000	(713,169)	44,266,831	44,990,000	-	44,990,000
Government securities		223,777,326	7,084,824	230,862,150	114,160,050	4,469,150	118,629,200
		303,757,326	6,318,632	310,075,958	197,150,050	3,914,598	201,064,648
		517,980,747	6,712,599	524,693,346	425,467,415	3,914,598	429,382,013

Notes to and Forming part of the Financial Statements

For the year ended December 31, 2020

10.1 These securities are placed with State Bank of Pakistan as statutory deposit in accordance with the requirement of clause (a) of sub section 2 of section 29 of the Insurance Ordinance, 2000.

10.2 The market value of held to maturity debt securities is Rs. 129.772 million (2019: Rs. 204.804 million).

10.3 Impairment loss on available for sale investments

As at March 31, 2020, an impairment loss for the period amounting to Rs. 30.3 million (net of tax) was assessed in accordance with the Company's impairment criterion. The Securities Exchange Commission of Pakistan (SECP) vide its circular S.R.O. 414 (I)/2020 dated May 11, 2020 provided relief from the requirements contained in IAS 39 in relation to Available for Sale (AFS) equity instruments according to which the Company may charge the impairment loss for the period ended March 31, 2020 in the Statement of Changes in Equity. The amount so charged, adjusted with the fair value change during the period from April 01, 2020 to June 30, 2020, shall be considered for impairment in accordance with the requirements of IAS 39.

Accordingly, the Company opted to avail the relaxation under the aforementioned circular and recognized the impairment loss for the period ended March 31, 2020 in statement of changes in equity amounting to Rs. 30.3 million (net of tax). During the current period from April 01, 2020 to June 30, 2020, Rs. 6.7 million has been reversed due to fair value changes and impairment loss Rs. 23.6 million has been recognised in the profit and loss account in December 31, 2020.

11. INVESTMENT IN TERM DEPOSIT

	December 31, 2020	December 31, 2019
Note	----- (Rupees) -----	-----
Deposit maturing within 12 months	<u>195,400,000</u>	426,000,000
	<u>195,400,000</u>	<u>426,000,000</u>

12. LOAN AND OTHER RECEIVABLE

Accrued investment income	26,231,956	14,415,360
Security deposits	6,529,043	6,457,003
Advance to employees	3,856,474	3,216,452
Advance against expenses	1,104,909	1,309,375
Advance against purchase of shares	686	-
Window Takaful Operations	3,392,738	10,302,222
Others	1,147,190	1,715,812
	<u>42,262,996</u>	<u>37,416,224</u>

13. INSURANCE / RE-INSURANCE RECEIVABLE

Due from insurance contract holders	13.1	395,106,061	379,458,808
Amounts due from other insurers / reinsurers	13.4	45,758,485	52,655,032
Reinsurance recoveries due but unpaid		113,814,809	68,241,256
		<u>554,679,355</u>	<u>500,355,096</u>

13.1 Due from insurance contract holders

Unsecured

Considered good	13.2	395,106,061	379,458,808
Considered doubtful		26,920,482	11,511,332
		<u>422,026,543</u>	<u>390,970,140</u>
Provision for doubtful balances	13.3	(26,920,482)	(11,511,332)
		<u>395,106,061</u>	<u>379,458,808</u>

13.2 This includes a sum of Rs. 289.716 million (December 31, 2019: Rs. 225.964 million) due from related parties.

13.3 Provision for doubtful balances

	December 31, 2020	December 31, 2019
	----- (Rupees) -----	
Balance as at January 01	11,511,332	9,896,940
Provision made during the year	15,772,035	1,692,340
Recoveries during the year	(362,885)	(77,948)
	15,409,150	1,614,392
Balance as at December 31	26,920,482	11,511,332

13.4 Amounts due from other insurers / reinsurers

Unsecured

Considered good

Foreign reinsurers	168,437	168,437
Local reinsurers	51,924,539	53,092,905
Co-insurers	39,677,991	43,884,307
	91,770,967	97,145,649
Provision for doubtful balances	(46,012,482)	(44,490,617)
	45,758,485	52,655,032

14. STAFF RETIREMENT BENEFITS

Defined benefit plan - gratuity scheme

The actuarial valuations are carried out annually and contributions are made accordingly. Following were the significant assumptions used for valuation of the scheme:

- Discount rate 10.25% (December 31, 2019: 11.75%) per annum.
- Expected rate of increase in the salaries of the employees 10.25% (December 31, 2019: 11.75%) per annum.
- Expected interest rate on plan assets of the scheme 10.25% (December 31, 2019: 11.75%) per annum.
- Average length of service of the employees 8.68 years (December 31, 2019: 7.93 years).

14.1 Liability in statement of financial position

	December 31, 2020	December 31, 2019
	----- (Rupees) -----	
Present value of defined benefit obligations	55,264,597	44,767,110
Fair value of plan assets	(50,745,078)	(39,626,014)
	4,519,519	5,141,096

14.2 Movement in liability during the year

Balance as at January 01	5,141,096	5,162,059
Charge to profit and loss account	4,945,443	4,207,741
Charged to other comprehensive income	(425,924)	933,355
Contributions to the fund during the year	(5,141,096)	(5,162,059)
Balance as at December 31	4,519,519	5,141,096

Notes to and Forming part of the Financial Statements

For the year ended December 31, 2020

December 31, December 31,
2020 2019
----- (Rupees) -----

14.3 Reconciliation of the present value of defined benefit obligations

Present value of obligations as at January 01	44,767,110	39,361,601
Current service cost	4,643,404	3,910,923
Interest cost	5,257,374	4,388,754
Benefits paid	(46,995)	(2,397,039)
Actuarial loss / (gain)	643,704	(497,129)
Present value of obligations as at December 31	<u>55,264,597</u>	<u>44,767,110</u>

14.4 Reconciliation of the fair value of plan assets

Fair value of plan assets as at January 01	39,626,014	34,199,542
Expected return on plan assets	4,955,335	4,091,936
Contribution to the fund	5,141,096	5,162,059
Benefits paid	(46,995)	(2,397,039)
Actuarial gain / (loss)	1,069,628	(1,430,484)
Fair value of plan assets as at December 31	<u>50,745,078</u>	<u>39,626,014</u>

14.5 Charge to profit and loss account

Current service cost	4,643,404	3,910,923
Interest cost	5,257,374	4,388,754
Expected return on plan assets	(4,955,335)	(4,091,936)
	<u>4,945,443</u>	<u>4,207,741</u>

14.6 Remeasurements recognized in other comprehensive income, (expense) / income during the year

Actuarial (loss) / gain on obligations	(643,704)	497,129
Actuarial gain / (loss) on assets	1,069,628	(1,430,484)
	<u>425,924</u>	<u>(933,355)</u>

14.7 Expected return on plan assets

Expected return on assets	<u>4,955,335</u>	<u>4,091,936</u>
---------------------------	------------------	------------------

14.8 Composition of fair value of plan assets

	2020		2019	
	Fair value --(Rupees)--	Percentage -----%-----	Fair value --(Rupees)--	Percentage -----%-----
Funds - related party	23,753,837	47	18,133,398	46
Government securities	2,002,818	4	4,130,340	11
Islamic Sukuk	-	-	782,669	2
Term deposit certificate	21,725,000	43	15,600,000	39
Cash and bank balances	3,263,423	6	979,607	2
Fair value of plan assets	<u>50,745,078</u>	<u>100</u>	<u>39,626,014</u>	<u>100</u>

14.9 Historical data of the fund

	2020	2019	2018	2017	2016
	----- (Rupees) -----				
Present value of defined benefit obligations	55,264,597	44,767,110	39,361,601	34,104,296	28,548,972
Fair value of plan assets	(50,745,078)	(39,626,014)	(34,199,542)	(28,932,839)	(23,564,589)
Deficit	4,519,519	5,141,096	5,162,059	5,171,457	4,984,383
Experience adjustments					
Actuarial (gain) / loss on obligation	643,704	(497,129)	(396,736)	321,331	2,655,710
Actuarial (loss) / gain on assets	1,069,628	(1,430,484)	(1,450,731)	(1,220,868)	746,796

14.10 The estimated contribution to the fund for the year ended December 31, 2021 is Rs. 5.038 million.

14.11 Sensitivity analysis

	Change in assumption	Impact on Defined Benefit Obligation	
		2020	2019
		----- (Rupees) -----	
Discount rate	+1	48,532,391	39,313,684
Discount rate	-1	63,323,615	51,295,320
Long term salary increase	+1	63,774,232	51,660,343
Long term salary increase	-1	48,070,113	38,939,215

15. PREPAYMENTS

	Note	December 31, 2020	December 31, 2019
		----- (Rupees) -----	
Prepaid reinsurance premium ceded		203,828,710	179,906,261
Others		5,587,715	5,540,868
		209,416,425	185,447,129

16. CASH AND BANK

Cash and cash equivalents

Cash in hand		276,760	270,730
Policy stamps and bond papers in hand		1,614,728	471,091
Deposit with SBP	16.1	5,153,258	5,153,258
		7,044,746	5,895,079

Current and other accounts

Current accounts	16.2	25,555,017	16,583,161
Saving accounts		421,765,937	244,546,304
		447,320,954	261,129,465
		454,365,700	267,024,544

16.1 The securities matured and cash is deposit with State Bank of Pakistan as statutory deposit in accordance with the requirement of clause (a) of sub section 2 of section 29 of the Insurance Ordinance, 2000.

16.2 This includes lien on a local currency account, amounting to Rs. 1 million (December 31, 2019: Rs. 0.8 million) in respect of letters of credit arranged through a bank claims arising outside Pakistan.

Notes to and Forming part of the Financial Statements

For the year ended December 31, 2020

16.3 Cash includes the following for the purposes of the Statement of Cash Flows:

	December 31, 2020	December 31, 2019
	----- (Rupees) -----	
Cash and Balance	454,365,700	267,024,544
Less: local currency account with a lien	1,000,000	800,000
	<u>453,365,700</u>	<u>266,224,544</u>

17. WINDOW TAKAFUL OPERATIONS

Assets

Investments	6,968,219	62,081,477
Cash and bank deposits	82,593,412	1,326,746
Current assets - others	13,934,287	26,423,709
Total assets	<u>103,495,918</u>	<u>89,831,932</u>

Total liabilities - current

34,906,454	28,770,317
------------	------------

Profit before tax for the year

10,469,119	9,456,795
------------	-----------

Details of assets and liabilities and segment disclosures of Window Takaful Operations are stated in annexed financial statements for the year ended December 31, 2020.

18. DEFERRED TAXATION - NET

	December 31, 2020	December 31, 2019
	----- (Rupees) -----	
Deferred tax assest / (liability) arising in respect of:		
Accelerated depreciation on operating fixed assets	900,864	(121,189)
Net liability of IFRS 16	1,406,576	136,005
Unrealised gain on remeasurement of securities at held for trading - net	(1,969,875)	(2,447,312)
Provision for claims incurred but not reported (IBNR)	3,926,025	1,979,767
Provision for compensated absences	2,503,827	2,148,690
Share of profit from associates	(3,585,820)	(524,775)
Provision against receivables	21,150,560	16,240,565
Provision for impairment on available for sale investments	36,157,239	27,214,755
	<u>60,489,396</u>	<u>44,626,506</u>
Unrealised appreciation 'available for sale' investments	(25,653,213)	(2,290,045)
Share in associates' reserves	105,312	105,312
	<u>34,941,495</u>	<u>42,441,773</u>

19. SHARE CAPITAL

19.1 Authorized capital

December 31, 2020 ----- (Number of shares) -----	December 31, 2019		December 31, 2020 ----- (Rupees) -----	December 31, 2019	
<u>70,000,000</u>	70,000,000	Ordinary shares of Rs. 10 each	<u>700,000,000</u>	700,000,000	

19.2 Issued, subscribed and paid-up

<u>13,981,213</u>	13,981,213	Ordinary shares of Rs. 10 each issued as fully paid in cash	<u>139,812,130</u>	139,812,130	
<u>36,315,590</u>	36,315,590	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	<u>363,155,900</u>	363,155,900	
<u>50,296,803</u>	50,296,803		<u>502,968,030</u>	502,968,030	

19.3 Ordinary shares of the Company held by associated companies / persons are as follows:

	December 31, 2020 ----- (Number of Shares) -----	December 31, 2019
Siza (Private) Limited	<u>7,157,361</u>	7,157,361
Siza Services (Private) Limited	<u>11,852,141</u>	11,852,141
Siza Commodities (Private) Limited	<u>4,993,103</u>	4,993,103
Premier Fashions (Private) Limited	<u>14,564,873</u>	14,564,873
Directors and their spouses	<u>8,011</u>	40,167
Related parties - individuals	<u>5,580</u>	5,019
	<u>38,581,069</u>	38,612,664

20. RESERVES

	December 31, 2020 ----- (Rupees) -----	December 31, 2019
Revenue reserves		
General reserve	<u>119,000,000</u>	119,000,000
Unrealised appreciation on 'available for sale' investments - net of tax	<u>62,840,187</u>	5,545,934
	<u>181,840,187</u>	124,545,934

21. INSURANCE AND REINSURANCE PAYABLES

Foreign reinsurers	<u>39,146,607</u>	65,314,547
Local reinsurers	<u>186,039,601</u>	157,935,395
Co-insurers	<u>9,529,274</u>	20,003,497
	<u>234,715,482</u>	243,253,439

Notes to and Forming part of the Financial Statements

For the year ended December 31, 2020

		December 31, 2020	December 31, 2019
Note		(Rupees)	
22. OTHER CREDITORS AND ACCRUALS			
Agent commission payable	22.1	46,717,880	87,993,803
Federal excise duty		13,482,688	12,431,255
Federal insurance fees		1,423,681	1,529,994
Creditors		3,961,772	3,641,353
Retention money		141,073	141,073
Margin deposits	22.2	5,029,833	4,312,474
Withholding tax payable		206,656	640,773
Accrued expenses	22.3	15,833,604	11,259,068
Deposits from employees against car scheme	22.4	13,908,530	11,273,007
Unclaimed dividend		5,027,111	4,585,634
Lease liability	22.5	43,775,508	49,356,416
Others		3,168,106	1,316,177
		152,676,442	188,481,027

22.1 This includes a sum of Rs. 25.124 million (December 31, 2019: Rs. 68.778 million) due to related parties.

22.2 This represents margin deposit on account of performance bond policies issued by the Company.

	December 31, 2020	December 31, 2019
	(Rupees)	
22.3 Accrued expenses		
Auditors' remuneration	649,996	848,296
Professional services fee	200,000	90,000
Provision for compensated absences	8,633,885	7,409,276
Utilities and others	6,349,723	2,622,580
Investment advisory fee - due to related party	-	288,916
	15,833,604	11,259,068

22.4 This represents amount withheld from employees' salary against motor vehicle installments.

	December 31, 2020	December 31, 2019
	(Rupees)	
22.5 Lease Liability		
Current portion	16,876,000	16,232,864
Non Current portion	26,899,508	33,123,552
	43,775,508	49,356,416

23. TAXATION - PROVISION LESS PAYMENTS

Provision for taxation	345,156,197	219,883,498
Advance tax including tax deducted at source	(248,275,914)	(177,826,890)
	96,880,283	42,056,608

24. CONTINGENCIES AND COMMITMENTS

24.1 Contingencies

During the preceding years, the Company received orders under section 122(5A) passed by the Additional Commissioner Inland Revenue for the Tax Years 2016 on issue of treating dividend income as single basket income and to be taxed @ 35% instead of fixed rate of 10% and issue of super tax resulting aggregate demand of Rs. 20.889 million. We have filed appeal against the said orders to CIT (Appeals) where the issue of treating dividend income have been decided in company's favor and issue of super tax against the company. Further, the demand after taking appeal effect has been paid by the company amounting to Rs. 17.265 million. The company has filed appeal with Appellate Tribunal Inland Revenue on the issue of charging super tax.

During the year 2016, the Company received orders under section 122(5A) passed by the Additional Commissioner Inland Revenue for the Tax Years 2015 on issue of treating dividend income as single basket income and to be taxed @ 35% instead of fixed rate of 10% resulting aggregate demand of Rs. 0.936 million which has been paid by the company under protest. We have filed appeal against the said orders to CIT (Appeals) which is pending adjudication. It is further submitted that Appeal on similar issue in respect of Tax Year 2014 have been decided in company's favor by the CIT (Appeals).

During the year 2015, the Company received orders under section 122(5A) passed by the Additional Commissioner Inland Revenue (ACIR) for the Tax Years 2009 to 2013 wherein prior year assessments were revised on similar issue as mentioned above resulting in aggregate demand of Rs. 26.35 million. The Company had paid Rs. 2.9 million in protest against demand for Tax Year 2009 before going in appeal and applied for rectification of remaining order in respect of short credits allowed. The ACIR issued revised orders and now aggregated demand is Rs. 14.609 million. The Company had filed appeals against the said orders with CIT (Appeals) that was rejected by the CIT (Appeals) through a combined order for five years. Thereafter, the Company filed an appeal against the order of CIT (Appeal) with Appellate Tribunal Inland Revenue which is pending adjudication.

The Company, based on the opinion of its tax advisor, is confident that the ultimate outcome of the appeals will be in its favor. Hence, no provision for the said demands has been made in these financial statements.

25. NET INSURANCE PREMIUM

	December 31, 2020	December 31, 2019
	----- (Rupees) -----	
Written Gross premium	1,371,195,947	1,314,586,509
Add : Unearned premium reserve opening	494,320,532	439,281,123
Less: Unearned premium reserve closing	521,370,886	494,320,532
Premium earned	1,344,145,593	1,259,547,100
Less: Reinsurance premium ceded	521,968,752	488,675,108
Add: Prepaid reinsurance premium opening	179,906,261	171,056,110
Less: Prepaid reinsurance premium closing	203,828,710	179,906,261
Reinsurance expense	498,046,303	479,824,957
	846,099,290	779,722,143

Notes to and Forming part of the Financial Statements

For the year ended December 31, 2020

26. NET INSURANCE CLAIMS EXPENSE

	December 31, 2020	December 31, 2019
	----- (Rupees) -----	
Claim paid	612,771,683	505,475,118
Add : Outstanding claims including IBNR closing	260,105,733	206,337,532
Less: Outstanding claims including IBNR opening	206,337,532	192,759,004
Claims expense	666,539,884	519,053,646
Less: Reinsurance and others recoveries received	278,614,080	158,811,627
Add: Reinsurance and others recoveries in respect of outstanding claims closing	125,342,540	97,581,839
Less: Reinsurance and others recoveries in respect of outstanding claims opening	97,581,839	100,016,385
Reinsurance and other recoveries revenue	306,374,781	156,377,081
	360,165,103	362,676,565

26.1 Claim development table

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 period of time. All amounts are presented in gross numbers before reinsurance.

Accident year	2015 and prior	2016	2017	2018	2019	2020 (including IBNR)	Total
	----- (Rupees) -----						
Gross estimate of ultimate claims cost:							
- At end of accident	465,704,082	438,802,110	361,911,977	463,812,210	515,439,091	643,040,416	
- One year later	513,577,102	434,336,754	377,155,134	457,137,965	546,114,902	-	
- Two year later	514,632,063	433,569,849	377,930,518	456,131,630	-	-	
- Three year later	514,737,210	435,094,101	377,970,005	-	-	-	
- Four year later	518,647,393	434,871,306	-	-	-	-	
- Five year later	519,487,476	-	-	-	-	-	
Current estimate of cumulative claims	519,487,476	434,871,306	377,970,005	456,131,630	546,114,902	643,040,416	2,977,615,735
Cumulative payment to date	(486,645,800)	(432,590,979)	(372,472,677)	(448,981,733)	(522,415,460)	(454,403,353)	(2,717,510,002)
Liability recognised in statement of financial position	32,841,676	2,280,327	5,497,328	7,149,897	23,699,442	188,637,063	260,105,733

27. NET COMMISSION EXPENSE / ACQUISITION COST

	December 31, 2020	December 31, 2019
Note ----- (Rupees) -----		
Commission paid or payable	78,278,040	118,472,988
Add : Deferred commission expense opening	35,271,269	33,060,770
Less: Deferred commission expense closing	25,643,610	35,271,269
Net commission	87,905,699	116,262,489
Less: Commission received or recoverable	134,949,387	130,135,388
Add: Unearned Reinsurance commission opening	40,139,097	39,191,757
Less: Unearned Reinsurance commission closing	46,716,196	40,139,097
Commission from reinsurers	128,372,288	129,188,048
	(40,466,589)	(12,925,559)

28. MANAGEMENT EXPENSES

Salaries, wages and benefits	28.1	208,556,412	188,722,524
Rent, rates and taxes		1,453,478	1,995,552
Communications		8,855,566	8,480,072
Printing and stationery		6,968,135	4,442,480
Travelling and entertainment		4,335,940	8,172,038
Repairs and maintenance		5,718,337	5,303,170
Advertisement and sales promotion		3,997,023	4,763,445
Rental for tracking devices		22,528,442	20,017,257
Depreciation		27,870,858	25,780,541
Amortisation		9,352	16,666
Legal and professional charges		1,693,519	1,129,141
Electricity, gas and water		5,634,326	5,886,213
Insurance		7,314,650	7,408,032
Bank charges		842,101	382,775
Annual Supervision fee SECP		2,099,477	2,099,477
Vehicle running expense		3,044,664	3,234,716
Provision against premium due but unpaid - net		15,409,150	1,614,392
Provision for amount due from insurance / reinsurance		1,521,865	-
Service charges		2,744,521	2,920,090
Other expenses		1,950,119	2,403,328
		332,547,935	294,771,909

28.1 Employee benefit cost

Salaries, wages and benefits		196,196,424	177,830,943
Post employment benefits	28.1.1	12,359,988	10,891,581
		208,556,412	188,722,524

28.1.1 These include Rs. 6.85 million (2019: Rs. 6.53 million) being contribution for employees' provident fund and Rs. 4.039 million (2019: Rs. 4.11 million) in respect of defined benefit plan.

Notes to and Forming part of the Financial Statements

For the year ended December 31, 2020

29. INVESTMENT INCOME

	December 31, 2020	December 31, 2019
Note ----- (Rupees) -----		
Income from equity securities		
Available-for-sale		
- Dividend income	10,061,186	8,433,661
Held for trading		
- Dividend income	3,404,729	4,544,912
Income from debt securities		
Held to maturity		
- Return on government securities	14,249,255	28,277,148
- Return on other fixed income securities and deposits	2,802,730	1,002,795
	17,051,985	29,279,943
Available-for-sale		
- Return on government securities	21,159,446	7,329,700
- Return on other fixed income securities and deposits	9,557,846	11,356,820
	30,717,292	18,686,520
Held for trading		
- Return on government securities	22,370,006	1,721,233
Income from term deposits		
- Return on term deposits	21,899,154	8,205,065
	105,504,352	70,871,334
Net realised gains on investments		
Available for sale		
- Gain / (loss) on sale of equity securities	5,306,132	(35,238,572)
Held for trading		
- Loss on sale of equity securities	(5,585,675)	(8,805,243)
- Gain on sale of debt securities	1,180,969	26,859,350
	(4,404,706)	18,054,107
Net unrealised gain on investments at held for trading		
- Equity securities	6,398,704	8,439,007
- Debt securities	393,967	-
	6,792,671	8,439,007
Total investment income	113,198,449	62,125,876
Add : Reversal of impairment in debt securities - Held for trading	-	4,583
Less: Impairment in value of available for sale securities	(30,836,151)	(31,659,686)
Less: Investment related expenses	(2,848,373)	(2,475,517)
Investment income	79,513,925	27,995,256

30. OTHER INCOME

	-	
Return on bank balances	28,115,176	46,536,847
Gain on sale of fixed assets	628,074	194,103
Others	88,819	308,423
Liabilities no longer to payable	34,683,271	-
	63,515,340	47,039,373

31. OTHER EXPENSE

		December 31, 2020	December 31, 2019
Note		(Rupees)	
		542,786	712,179
		3,930,900	3,340,285
		941,154	1,153,991
	31.1	1,281,624	1,803,171
	31.2	1,500,000	500,000
		1,943,535	2,013,274
		862,157	256,420
		100,000	-
		11,102,156	9,779,320

31.1 Auditors' remuneration

Statutory audit fee	340,000	340,000
Half year review	218,300	218,300
Review of code of corporate governance	120,000	120,000
Special reports and other certifications	311,900	892,201
	990,200	1,570,501
Sindh sales tax	109,624	118,605
Out of pocket expenses	181,800	114,065
	1,281,624	1,803,171

31.2 This includes sum of Rs. 0.5 million (December 31, 2019: Rs. 0.5 million) paid to Layton Rahmatulla Benevolent Trust in which the chairman of the Company, Mr. Iqbal Ali Lakhani, is a trustee.

32. TAXATION - NET

	December 31, 2020	December 31, 2019
	(Rupees)	
Current	115,677,361	60,219,308
Prior	-	(2,789,293)
Deferred	(15,862,890)	(2,971,710)
	99,814,471	54,458,305

32.1 The Company has filed returns upto tax year 2020. The returns filed for tax years upto 2017 has been finalized.

32.2 The Board of Directors of the Company has proposed to distribute sufficient cash dividend / bonus shares for the year ended December 31, 2020 (refer note 43) to comply with the requirements of Section 5A of the Income Tax Ordinance, 2001 (Tax on Undistributed Profits). Accordingly, no provision for tax on undistributed profits has been recognised in these financial statements for the year ended December 31, 2020.

Notes to and Forming part of the Financial Statements

For the year ended December 31, 2020

32.3 Relationship between tax expense and accounting profit

	December 31, 2020	December 31, 2019
	----- (Rupees) -----	
Profit for the year before taxation	<u>342,416,781</u>	199,654,662
Tax at the applicable rate of 29% (December 31, 2019: 29%)	<u>99,300,867</u>	57,899,852
Impact on deferred tax due to change in tax rate	-	(1,487,671)
Prior year tax charge	-	(2,789,293)
Others	<u>513,604</u>	835,417
	<u>99,814,471</u>	54,458,305

33. EARNINGS PER SHARE - BASIC AND DILUTED

Profit after tax for the year	<u>242,602,310</u>	145,196,357
	----- (Numbers) -----	
Weighted average number of ordinary shares	<u>50,296,803</u>	50,296,803
	----- (Rupees) -----	
Earnings per share - basic and diluted	<u>4.82</u>	2.89

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

34. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Executives		Total	
	2020	2019	2020	2019	2020	2019
	----- (Rupees) -----					
Managerial remuneration	<u>10,561,740</u>	9,594,000	<u>33,021,309</u>	27,705,283	<u>43,583,049</u>	37,299,283
Bonus	<u>2,560,265</u>	2,479,620	<u>7,725,262</u>	6,649,819	<u>10,285,527</u>	9,129,439
Retirement benefits	<u>1,056,749</u>	959,976	<u>2,432,411</u>	1,983,443	<u>3,489,160</u>	2,943,419
House rent	<u>4,752,792</u>	4,317,300	<u>14,859,622</u>	12,467,362	<u>19,612,414</u>	16,784,662
Vehicle fuel, repair and maintenance	<u>343,984</u>	328,918	<u>4,554,743</u>	4,147,033	<u>4,898,727</u>	4,475,951
Others	<u>1,065,468</u>	973,250	<u>5,499,089</u>	4,338,775	<u>6,564,557</u>	5,312,025
	<u>20,340,998</u>	18,653,064	<u>68,092,436</u>	57,291,715	<u>88,433,434</u>	75,944,779
Number of persons	<u>1</u>	1	<u>16</u>	15	<u>17</u>	16

34.1 Aggregate amount charged in these financial statements in respect of Director's fee for attending Board, Audit Committee and Ethics, Human Resource and Remuneration Committee meetings amounted to Rs. 290,000 (December 31, 2019: Rs. 120,000), Rs. 230,000 (December 3, 2019: Rs. 150,000) and Rs. 50,000 respectively.

35. RELATED PARTY TRANSACTIONS

Related parties comprise of group companies, Window Takaful Operations, directors and their close family members, staff retirement funds, key management personnel and major shareholders of the Company. The associated companies are associated either based on equity or due to the same management and / or common directors. All transactions involving related parties arising in the normal course of business are conducted at agreed terms and conditions. Transactions with the key management personnel are made under their terms of employment / entitlements. Contributions to the employee retirement benefits are made in accordance with the terms of employee retirement benefit schemes.

Balances and transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	December 31, 2020	December 31, 2019
	----- (Rupees) -----	
Associated companies / undertaking		
Premium Written	595,201,176	574,086,935
Commission paid and due	7,967,350	54,912,341
Claims paid	216,765,371	147,637,053
Investment in mutual funds	66,530,445	285,746,265
Sales of units of funds	1,600,000	480,165,742
Dividend Received	1,917,879	1,402,054
Dividend paid	54,529,941	38,567,478
Donation paid	500,000	500,000
Expenses	20,425,491	21,858,760
Directors, Chief executive, their spouses and related		
Premium Written	560,449	569,633
Commission paid and due	-	4,512
Claims paid	384,750	-
Dividend paid	19,997	43,470
Key management personnel		
Premium Written	228,412	230,443
Commission paid and due	10,200	11,016
Claims paid	17,480	-
Dividend paid	1,839	1,100
Others		
Premium Written	78,383,636	71,621,062
Commission paid and due	1,215,171	1,761,502
Claims paid	34,024,289	49,426,292
Expenses	3,818,383	4,193,590
Retirement benefit plans		
Contribution to staff provident fund	7,929,545	7,137,656
Contribution to staff gratuity fund	4,945,443	4,207,741

Notes to and Forming part of the Financial Statements

For the year ended December 31, 2020

36. SEGMENT INFORMATION

	December 31, 2020					
	Fire and property damage	Marine, aviation and transport	Motor	Accident & Health	Miscellaneous	Aggregate
	(Rupees)					
Premium received / receivable (inclusive of Sales tax / Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)	476,989,818	327,920,981	388,426,969	282,683,133	70,732,152	1,546,753,053
Less: - Federal Excise Duty / Sales Tax	57,689,924	35,806,196	46,002,266	339,591	8,665,873	148,503,850
- Federal Insurance Fee	4,166,764	2,752,557	3,401,315	2,911,647	613,807	13,846,090
- Others	68,500	14,329,624	413,240	11,570	72,400	14,895,334
Facultative inward premium	856,125	-	324,131	-	507,912	1,688,168
Gross written premium (inclusive of Administrative Surcharge)	415,920,755	275,032,604	338,934,279	279,420,325	61,887,984	1,371,195,947
- Gross direct premium	413,337,920	268,446,875	321,227,592	279,114,235	60,699,065	1,342,825,687
- Facultative inward premium	856,125	-	324,131	-	507,912	1,688,168
- Administrative surcharge	1,726,710	6,585,729	17,382,556	306,090	681,007	26,682,092
	415,920,755	275,032,604	338,934,279	279,420,325	61,887,984	1,371,195,947
Insurance premium earned	402,644,426	271,200,003	311,773,332	294,287,738	64,240,094	1,344,145,593
Insurance premium ceded to reinsurers	(347,239,231)	(98,263,739)	(6,322,034)	(626,917)	(45,594,382)	(498,046,303)
Net Insurance premium	55,405,195	172,936,264	305,451,298	293,660,821	18,645,712	846,099,290
Commission income	75,630,441	39,589,039	134,762	182,057	12,835,989	128,372,288
Net underwriting income	131,035,636	212,525,303	305,586,060	293,842,878	31,481,701	974,471,578
Insurance claims	(212,727,905)	(34,544,340)	(120,157,730)	(218,076,270)	(81,033,639)	(666,539,884)
Insurance claims recovered from reinsurers	201,465,704	16,313,125	22,149,649	-	66,446,303	306,374,781
Net claims	(11,262,201)	(18,231,215)	(98,008,081)	(218,076,270)	(14,587,336)	(360,165,103)
Commission expense	(40,093,068)	(19,138,999)	(21,467,461)	(4,911,973)	(2,294,198)	(87,905,699)
Management expense	(100,870,768)	(66,702,009)	(82,199,699)	(67,766,137)	(15,009,322)	(332,547,935)
Net insurance claims and expenses	(152,226,037)	(104,072,223)	(201,675,241)	(290,754,380)	(31,890,856)	(780,618,737)
Underwriting results	(21,190,401)	108,453,080	103,910,819	3,088,498	(409,155)	193,852,841
Investment income						79,513,925
Other income						63,515,340
Other expense						(11,102,156)
Finance costs - Lease liabilities						(6,240,748)
Share of profit of associates						12,408,460
Profit from Window Takaful Operations						10,469,119
Profit before tax for the year						342,416,781
Segment assets	435,184,308	133,595,354	152,439,484	116,574,215	83,592,416	921,385,777
Unallocated corporate assets						2,377,966,525
Unallocated assets of Window Takaful Operation - Operator's Fund						103,495,918
Total assets						3,402,848,220
Segment liabilities	385,382,699	93,571,378	265,445,583	228,048,628	92,351,682	1,064,799,970
Unallocated corporate liabilities						254,076,244
Unallocated liabilities of Window Takaful Operation - Operator's Fund						34,906,454
Total liabilities						1,353,782,668

	December 31, 2019					
	Fire and property damage	Marine, aviation and transport	Motor	Accident & Health	Miscellaneous	Aggregate
	(Rupees)					
Premium received / receivable (inclusive of Sales tax / Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)	462,295,274	283,458,332	366,587,267	294,427,885	74,928,954	1,481,697,712
Less: - Federal Excise Duty / Sales Tax	56,211,294	31,089,996	43,705,361	6,552,952	9,074,008	146,633,611
- Federal Insurance Fee	4,031,652	2,397,773	3,236,489	2,973,280	650,809	13,290,003
- Others	70,660	11,070,533	446,556	11,150	137,250	11,736,149
Facultative inward premium	4,396,145	95,250	57,165	-	-	4,548,560
Gross written premium (inclusive of Administrative Surcharge)	406,377,813	238,995,280	319,256,026	284,890,503	65,066,887	1,314,586,509
- Gross direct premium	400,205,804	233,245,577	295,646,345	284,592,577	64,219,044	1,277,909,347
- Facultative inward premium	4,396,145	95,250	57,165	-	-	4,548,560
- Administrative surcharge	1,775,864	5,654,453	23,552,516	297,926	847,843	32,128,602
Insurance premium earned	396,779,908	239,338,451	317,760,511	243,829,020	61,839,210	1,259,547,100
Insurance premium ceded to reinsurers	(345,102,753)	(80,091,979)	(6,526,973)	(545,409)	(47,557,843)	(479,824,957)
Net Insurance premium	51,677,155	159,246,472	311,233,538	243,283,611	14,281,367	779,722,143
Commission income	83,132,968	32,505,247	176,758	172,149	13,200,926	129,188,048
Net underwriting income	134,810,123	191,751,719	311,410,296	243,455,760	27,482,293	908,910,191
Insurance claims	(97,944,821)	(35,356,792)	(148,567,031)	(202,797,057)	(34,387,945)	(519,053,646)
Insurance claims recovered from reinsurers	91,124,880	18,865,383	24,881,455	(12,692)	21,518,055	156,377,081
Net claims	(6,819,941)	(16,491,409)	(123,685,576)	(202,809,749)	(12,869,890)	(362,676,565)
Commission expense	(50,329,664)	(35,249,425)	(21,606,330)	(3,562,710)	(5,514,360)	(116,262,489)
Management expense	(91,122,770)	(53,590,307)	(71,587,307)	(63,881,469)	(14,590,056)	(294,771,909)
Net insurance claims and expenses	(148,272,375)	(105,331,141)	(216,879,213)	(270,253,928)	(32,974,306)	(773,710,963)
Underwriting results	(13,462,252)	86,420,578	94,531,083	(26,798,168)	(5,492,013)	135,199,228
Investment income						27,995,256
Other income						47,039,373
Other expense						(9,779,320)
Finance costs - Lease liabilities						(6,095,558)
Share of profit of associates						6,918,238
Impairment in associates						(11,079,350)
Profit from Window Takaful Operations						9,456,795
Profit before tax for the year						199,654,662
Segment assets	385,053,406	111,418,140	133,638,760	111,400,655	75,608,505	817,119,465
Unallocated corporate assets						2,179,269,980
Unallocated assets of Window Takaful Operation - Operator's Fund						89,831,932
Total assets						3,086,221,377
Segment liabilities	346,751,839	86,578,096	229,259,377	236,830,286	85,654,803	985,074,402
Unallocated corporate liabilities						235,678,731
Unallocated liabilities of Window Takaful Operation - Operator's Fund						28,770,317
Total liabilities						1,249,523,450

Notes to and Forming part of the Financial Statements

For the year ended December 31, 2020

37. MOVEMENT IN INVESTMENTS

	Held to maturity	Available for sale	Held for trading	Total
	(Rupees)			
At beginning of previous year	176,997,072	1,086,047,071	96,002,608	1,359,046,751
Additions	1,538,731,367	884,788,318	2,844,874,415	5,268,394,100
Disposals (sales and redemptions)	(1,067,060,850)	(1,040,844,999)	(2,876,380,070)	(4,984,285,919)
Fair value net (loss) / gains (Excluding net realised gains)	-	(35,238,572)	18,054,107	(17,184,465)
Designated at available for sale upon initial recognition	-	49,039,984	-	49,039,984
Unrealized gain on investments classified as held for trading	-	-	8,439,007	8,439,007
Amortisation of discount	5,649,776	-	-	5,649,776
Impairment losses	-	(31,659,686)	-	(31,659,686)
At beginning of current year	654,317,365	912,132,116	90,990,067	1,657,439,548
Additions	291,342,659	364,375,880	919,274,077	1,574,992,616
Disposals (sales and redemptions)	(633,505,000)	(174,166,096)	(838,421,873)	(1,646,092,969)
Fair value net gains / (loss) (Excluding net realised gains)	-	5,306,132	(4,404,706)	901,426
Designated at available for sale upon initial recognition	-	83,134,256	-	83,134,256
Unrealized gain on investments classified as held for trading	-	-	6,792,671	6,792,671
Amortisation of discount	10,872,387	7,271,226	14,340,328	32,483,941
Impairment losses	-	(30,836,151)	-	(30,836,151)
	323,027,411	1,167,217,363	188,570,564	1,678,815,338

38. MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

38.1 Insurance Risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The principal risk that the Company faces under its insurance contracts is that the actual claims exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims is greater than estimated. Insurance events are random, and the actual number and amount of claims will vary from year to year from the level established.

The Company generally deals in short tail insurance contracts (maximum for one year). Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected 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 accepts insurance through issuance of general insurance contracts. For these general insurance contracts the most significant risks arise from fire, atmospheric disturbance, earthquake, terrorist activities and other catastrophes. For health insurance contracts, significant risks arise from epidemics.

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



(a) Frequency and severity of claims

Political, environmental, economical and climatic changes give rise to more frequent and severe extreme events (for example, fire, theft, steal, riot and strike, explosion, earthquake, atmospheric damage, hurricanes, typhoons, river flooding, electric fluctuation, terrorism, war risk, damages occurring in inland transit, burglary, loss of cash in safe and cash in transit, travel and personal accident, money losses, engineering losses and other events) and their consequences (for example, subsidence claims). For certain contracts, the Company has also limited the number of claims that can be paid in any policy year or introduced a maximum amount payable for claims in any policy year.

Insurance contracts which is divided into direct and facultative arrangements are further subdivided into five segments: fire, marine, motor, accident and health and miscellaneous. The insurance risk arising from these contracts is concentrated in the territories in which the Company operates, and there is a balance between commercial and personal properties / assets in the overall portfolio of insured properties / assets. The Company underwrites insurance contract in Pakistan. The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

- The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. The Company has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation). The claims payments are limited to the extent of sum insured on occurrence of the insured event.
- The Company has entered into reinsurance cover / arrangements, with local and foreign reinsurers having good credit rating by reputable rating agencies, to reduce its exposure to risks and resulting claims. Keeping in view the maximum exposure in respect of key zone aggregates, a number of proportional and non-proportional facultative reinsurance arrangements are in place to protect the net account in case of a major catastrophe. The effect of such reinsurance arrangements is that the Company recovers the share of claims from reinsurers thereby reducing its exposure to risk. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional reinsurance arrangements, any loss over and above the said limit would be recovered under non-proportional treaty which is very much in line with the risk management philosophy of the Company.

In compliance of the regulatory requirement, the reinsurance agreements are duly approved by Securities and Exchange Commission of Pakistan (SECP) on an annual basis.

- The Company has claims department dealing with the mitigation of risks surrounding claims incurred whether reported or not. This department investigates and settles all claims based on surveyor's report / assessment. The unsettled claims are reviewed individually at least semi-annually and adjusted to reflect the latest information on the underlying facts, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

(b) Sources of uncertainty in the estimation of future claims payments

Claims reported and otherwise are analysed separately. The development of large losses / catastrophes is analysed separately. The shorter settlement period for claims allows the Company to achieve a higher degree of certainty about the estimated cost of claims including IBNR. However, the longer time needed to assess the emergence of a subsidence claim makes the estimation process more uncertain for these claims.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value, reinsurance and other recoveries. The Company takes all reasonable steps uncertainty in establishing claims provisions, it is likely that the final outcome may be different from the original liability established. The liability comprises amount in relations to unpaid reported claims, claims incurred but not reported (IBNR), expected claims settlement costs and a provision for unexpired risks at the end of the reporting period.





Notes to and Forming part of the Financial Statements

For the year ended December 31, 2020

Liability in respect of outstanding claims is based on the best estimate of the claims intimated or assessed. In calculating the estimated costs of unpaid claims (both reported and non reported), the Company estimation technique is based upon actual claims experience using predetermined basis where greater weight is given to actual claims experience as time passes.

In estimating the liability for the costs of reported claims not yet paid, the Company considers any information available from surveyor's assessment and information on the cost of settling claims with similar characteristics in previous periods. Claims are assessed on a case-by-case basis separately.

(c) Process used to decide on assumptions

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

During the year actuarial valuation is carried out for the determination of IBNR which is based on a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation as required/ allowed by the circular 9 of 2016. IBNR is determined by using Chain Ladder Method for all class of business. The claims outstanding and claims paid till date are deducted from the ultimate claim payments for that particular year to derive an IBNR estimate for that year. IBNR triangles are made on a yearly basis for each class of business. The methods used, and the estimates made, are reviewed regularly.

The actuary determines adequacy of liability of premium deficiency by carrying out analysis of its loss ratio of expired periods of the contracts. For this purpose average loss ratio of last three years inclusive of claim settlement cost are taken into consideration to determine ultimate loss ratio to be applied on unearned premium.

(d) Changes in assumptions

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

Sensitivity Analysis

The analysis of exposure described in paragraph (c) above is also used to test the sensitivity of the selected assumptions to changes in the key underlying factors. Assumptions of different levels have been used to assess the relative severity of subsidence claims given past experience. The key material factor in the Company's exposure to subsidence claims is the risk of more permanent changes in geographical location in which Company is exposed.

The risks associated with the insurance contracts are complex and subject to a number of variables techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios. The Company considers that the liability for insurance claims recognised in the balance sheet is adequate as the Company generally deals in short tail insurance contracts. However, actual experience will differ from the expected outcome.

As the Company enters into short term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, results of sensitivity testing assuming 10% change in the claim incidence net of recoveries showing effect on underwriting results and shareholders' equity is set out below.

	Underwriting results		Shareholders' equity	
	2020	2019	2020	2019
	(Rupees)			
10% increase in loss / decrease				
Fire and property damage	(1,126,220)	(681,994)	(799,616)	(484,216)
Marine, aviation and transport	(1,823,122)	(1,649,141)	(1,294,416)	(1,170,890)
Motor	(9,800,808)	(12,368,558)	(6,958,574)	(8,781,676)
Accident and health	(21,807,627)	(20,280,975)	(15,483,415)	(14,399,492)
Miscellaneous	(1,458,734)	(1,286,989)	(1,035,701)	(913,762)
	<u>(36,016,511)</u>	<u>(36,267,657)</u>	<u>(25,571,722)</u>	<u>(25,750,036)</u>
10% decrease in loss / increase				
Fire and property damage	1,126,220	681,994	799,616	484,216
Marine, aviation and transport	1,823,122	1,649,141	1,294,416	1,170,890
Motor	9,800,808	12,368,558	6,958,574	8,781,676
Accident and health	21,807,627	20,280,975	15,483,415	14,399,492
Miscellaneous	1,458,734	1,286,989	1,035,701	913,762
	<u>36,016,511</u>	<u>36,267,657</u>	<u>25,571,722</u>	<u>25,750,036</u>

The insurance claim liabilities are sensitive to the incidence of insured events and severity / size of claims. The impact of variation in incidence of insured events on gross claim liabilities, net claim liabilities, profit before tax and equity is as follows:

Average claim costs	Change in assumption	Impact on gross liabilities	Impact on net liabilities	Impact on profit before tax	Impact on equity
		(Rupees)			
2020	± 10%	66,653,988	36,016,510	36,016,510	25,571,722
2019	± 10%	51,341,859	36,267,657	36,267,657	25,750,036

Concentration of insurance risk

A concentration of risk may also arise from a single insurance contract issued to a particular type of policyholder, within a geographical location or to types of commercial business. The Company minimizes its exposure to significant losses by obtaining reinsurance from a number of reinsurers who are dispersed over several geographical regions.

To optimise benefits from the principle of average and the 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.

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

	Maximum Gross Risk Exposure	
Class	2020	2019
	(Rupees in 000)	
Fire and property damage	15,495,642	12,860,256
Marine, aviation and transport	770,522	596,427
Motor	28,000	20,000
Accident and health	3,922,679	1,006,183
Miscellaneous	140,000	3,344,227

Notes to and Forming part of the Financial Statements

For the year ended December 31, 2020

The reinsurance arrangements against major risk exposure include excess of loss, surplus arrangements, stop loss and catastrophic coverage.

The objective of having such arrangements is to mitigate adverse impacts of severe losses on Company's net retentions. As the major reinsurance arrangements are on excess of loss basis, therefore the reinsurance coverage against Company's risk exposures is not quantifiable.

Reinsurance Risk

Reinsurance ceded does not relieve the Company from its obligation towards policy holders and, as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that reinsurer fails to meet the obligation under the reinsurance agreements.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company obtains reinsurance rating from a number of reinsurers, who are dispersed over several geographical regions.

An analysis of all reinsurance assets recognised by the rating of the entity from which it is due is as follows:

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Other reinsurance assets	2020	2019
	(Rupees)				
Rating					
A or above including Pakistan					
Reinsurance Company Limited	168,437	99,283,285	203,828,710	303,280,432	266,101,090
BBB	-	30,000	-	30,000	43,206
	168,437	99,313,285	203,828,710	303,310,432	266,144,296

38.2 Financial risk management objectives and policies

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

- Market risk
- Liquidity risk
- Credit risk

The Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by in-house Internal Audit function. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

38.2.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial Instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, equity prices and units prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. All transactions are carried in Pak Rupees therefore, the Company is not exposed to currency risk. However, the Company is exposed to interest rate risk and equity / units price risk. The Company manages the market risk exposure by following internal risk management policies.

38.2.1.1 Interest rate risk exposure

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

The Information about Company's exposure to interest rate risk based on contractual repricing or maturity dates whichever is earlier is as follows:

		2020					
Effective rate % per annum	Interest / mark-up bearing financial instruments				Sub total	Non-interest / mark-up bearing financial instruments	Total
	Maturity upto one year	Maturity over one year to five years	Maturity more than five years				
----- (Rupees) -----							
Financial assets							
Investments in associates		-	-	-	-	49,959,574	49,959,574
Investments							
Equity securities / Mutual funds		101,580,587	-	-	101,580,587	857,141,405	958,721,992
Debt securities	8.25-12.0	184,433,450	265,214,271	75,045,625	524,693,346	-	524,693,346
Term deposits	11.9-14.25	195,400,000	-	-	195,400,000	-	195,400,000
Loans and other receivables	6.0	-	-	-	-	37,301,613	37,301,613
Insurance / reinsurance receivables		-	-	-	-	554,679,355	554,679,355
Reinsurance recoveries against outstanding claims		-	-	-	-	125,342,540	125,342,540
Cash and bank	5.5-12.0	421,765,937	-	-	421,765,937	32,599,763	454,365,700
Total assets of Window Takaful Operations - Operator's Fund		6,968,219	-	-	6,968,219	92,735,167	99,703,386
		910,148,193	265,214,271	75,045,625	1,250,408,089	1,749,759,417	3,000,167,506
Financial liabilities							
Outstanding claims including IBNR		-	-	-	-	260,105,733	260,105,733
Insurance / reinsurance payables		-	-	-	-	234,715,482	234,715,482
Other creditors and accruals		-	-	-	-	123,654,887	123,654,887
Total liabilities of Window Takaful Operations - Operator's Fund		-	-	-	-	15,374,105	15,374,105
		-	-	-	-	633,850,207	633,850,207
Interest risk sensitivity gap							
		910,148,193	265,214,271	75,045,625	1,250,408,089	1,115,909,210	2,366,317,299
Cumulative interest risk sensitivity gap							
		910,148,193	1,175,362,464	1,250,408,089			

Notes to and Forming part of the Financial Statements

For the year ended December 31, 2020

	Effective rate % per annum	2019				Non-interest / mark-up bearing financial instruments	Total
		Interest / mark-up bearing financial instruments					
		Maturity upto one year	Maturity over one year to five years	Maturity more than five years	Sub total		
----- (Rupees) -----							
Financial assets							
Investments in associates		-	-	-	-	39,404,247	39,404,247
Investments							
Equity securities		-	-	-	-	802,057,535	802,057,535
Debt securities	7.25-15.23	174,129,602	156,106,391	99,146,020	429,382,013	-	429,382,013
Term deposits	14.25-14.45	326,000,000	100,000,000	-	426,000,000	-	426,000,000
Loans and other receivables	6.0	-	-	-	-	32,890,397	32,890,397
Insurance / reinsurance receivables		-	-	-	-	500,355,096	500,355,096
Reinsurance recoveries against outstanding claims		-	-	-	-	97,581,839	97,581,839
Cash and bank	8.5-12.0	244,546,304	-	-	244,546,304	22,478,240	267,024,544
Total assets of Window Takaful							
Operations - Operator's Fund		1,316,746	-	-	1,316,746	85,276,019	86,592,765
		745,992,652	256,106,391	99,146,020	1,101,245,063	1,580,043,373	2,681,288,436
Financial liabilities							
Outstanding claims including IBNR		-	-	-	-	206,337,532	206,337,532
Insurance / reinsurance payables		-	-	-	-	243,253,439	243,253,439
Other creditors and accruals		-	-	-	-	162,605,998	162,605,998
Total liabilities of Window Takaful							
Operations - Operator's Fund		-	-	-	-	15,374,105	15,374,105
		-	-	-	-	627,571,074	627,571,074
Interest risk sensitivity gap		745,992,652	256,106,391	99,146,020	1,101,245,063	952,472,299	2,053,717,362
Cumulative interest risk sensitivity gap		745,992,652	1,002,099,043	1,101,245,063			

Cash flow sensitivity analysis of variable rate instruments

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax and equity based upon average balances and rates:

	Increase / (decrease) in basis points	Effect on profit before tax ----- (Rupees) -----	Effect on equity -----
December 31, 2020	100	11,208,938	7,958,346
	(100)	(11,208,938)	(7,958,346)
December 31, 2019	100	8,827,600	6,267,596
	(100)	(8,827,600)	(6,267,596)

Fair value sensitivity analysis for fixed rate instruments

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

Price risk

Price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest 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 price risk exposure arises from the Company's investments in equity securities and units of mutual funds. This arises from investments held by the Company for which prices in the future are uncertain. The Company policy is to manage price risk through diversification and selection of securities and investment in different categories of mutual funds within specified limits set by internal risk management guidelines. A summary analysis of investments is disclosed in note 9 to these financial statements.

The management monitors the fluctuations of prices on regular basis. The Company also has necessary skills for monitoring and managing the equity portfolio in line with fluctuations of the market and also monitor fluctuation in unit prices through a related party as disclosed in note 35. Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Furthermore, amount realized in the sale of a particular security / units may be affected by the relative quantity of the security / units being sold.

The following table summarizes the Company's other price risk as at December 31, 2020 and as at December 31, 2019. It shows the effects of an estimated increase of 10% in the market prices as on those dates. A decrease of 10% in the fair values of the quoted securities would affect it in a similar and opposite manner:

	Fair value --- (Rupees) ---	Price change ---- % ----	Effect on fair value --- (Rupees) ---
December 31, 2020	979,661,106 (979,661,106)	+10 -10	97,966,111 (97,966,111)
December 31, 2019	883,700,442 (883,700,442)	+10 -10	88,370,044 (88,370,044)

38.2.1.2 Foreign 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. At present, the Company, is not exposed to foreign currency risk.

38.2.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company 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 Company'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 stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected operational requirements. The Company also manages this risk by investing in deposit accounts that can be readily encashed.

The table below summarises the maturity profile of the Company's financial liabilities. The contractual maturities of these liabilities at the year end have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. Financial liabilities not having a contractual maturity are assumed to mature on the expected date on which these liabilities will be settled.

Notes to and Forming part of the Financial Statements

For the year ended December 31, 2020

	2020			
	Within one year	Over one year to five years	Over five years	Total
	(Rupees)			
Financial liabilities				
Outstanding claims including IBNR	260,105,733	-	-	260,105,733
Insurance / reinsurance payables	234,715,482	-	-	234,715,482
Other creditors and accruals	123,654,887	-	-	123,654,887
Total liabilities of Window Takaful				
Operations - Operator's Fund	15,374,105	-	-	15,374,105
	<u>633,850,207</u>	<u>-</u>	<u>-</u>	<u>633,850,207</u>
	2019			
	Within one year	Over one to year five years	Over five years	Total
	(Rupees)			
Financial liabilities				
Outstanding claims including IBNR	206,337,532	-	-	206,337,532
Insurance / reinsurance payables	243,253,439	-	-	243,253,439
Other creditors and accruals	162,605,998	-	-	162,605,998
Total liabilities of Window Takaful				
Operations - Operator's Fund	15,374,105	-	-	15,374,105
	<u>627,571,074</u>	<u>-</u>	<u>-</u>	<u>627,571,074</u>

38.2.3 Credit Risk

Credit risk is the risk, which 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 counter parties in various industries and by continually assessing the credit worthiness of counter parties.

38.2.3.1 Concentration of credit risk and credit exposure of the financial instruments

Credit risk of the Company arises principally from the bank balances, investments (except for investment in associates and government securities), premium due but unpaid, amount due from other insurers / reinsurers, reinsurance recoveries. To reduce the credit risk the Company has developed a formal approval process whereby credit limits are applied to its policyholders and other insurers / reinsurers. The management continuously monitors the credit exposure towards the policyholders and other insurers / reinsurers and makes provision against those balances considered doubtful of recovery.

The carrying amount of financial assets represent the maximum credit exposure, as specified below:

	December 31, 2020	December 31, 2019
	----- (Rupees) -----	----- (Rupees) -----
Cash and bank	452,474,212	266,282,723
Investments	1,678,815,338	1,657,439,548
Insurance / reinsurance receivable	554,679,355	500,355,096
Reinsurance recoveries against outstanding claims	125,342,540	97,581,839
Loans and receivables	37,301,613	32,890,397
Total assets of Window Takaful Operations - Operator's Fund	31,479,507	86,592,765
	<u>2,880,092,565</u>	<u>2,641,142,368</u>

Bank	Long term rating	Rating agency	December 31, 2020	December 31, 2019
			----- (Rupees) -----	----- (Rupees) -----
State Bank of Pakistan	Not available	Not available	5,153,258	5,153,258
Standard Chartered Bank (Pakistan) Limited	AAA	PACRA	11,777,794	6,431,730
Habib Bank Limited	AAA	VIS	19,605,853	12,992,227
United Bank Limited	AAA	VIS	5,720,713	5,360,821
Askari Bank Limited	AA+	PACRA	1,596,975	774,386
Bank Alfalah Limited	AA+	PACRA	1,320,543	420,897
Habib Metropolitan Bank Limited	AA+	PACRA	61,750,847	175,574,960
Soneri Bank Limited	AA-	PACRA	69,177,934	-
Telenor Microfinance Bank	A+	PACRA	106,706	100,263
MCB Islamic Bank Limited	A	PACRA	1,345	1,280
NRSP Microfinance Bank Ltd	A	PACRA	108,092,429	14,588
U Microfinance Bank Limited	A	VIS	155,201,645	49,056,238
Silk Bank Limited	A-	VIS	12,968,169	10,402,075
			<u>452,474,211</u>	<u>266,282,723</u>

39. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business.

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

In accordance with SECP Circular no. 225 of 2015 of Securities and Exchange Commission of Pakistan (SECP), minimum paid-up capital requirement to be complied with by Insurance / Takaful companies as at December 31, 2017 and subsequent year is Rs. 500 million. As at December 31, 2020 the Company's paid-up capital is in excess of the prescribed limit.

Notes to and Forming part of the Financial Statements

For the year ended December 31, 2020

40. STATEMENT OF SOLVENCY

Assets

	December 31, 2020	December 31, 2019
Property and equipment	121,150,269	129,993,035
Intangible assets	-	9,741
Investment in associates	49,959,574	39,404,247

Investments

Equity securities	958,721,992	802,057,535
Debt securities	524,693,346	429,382,013
Term deposits	195,400,000	426,000,000
Loan and other receivable	42,262,996	37,416,224
Insurance / reinsurance receivable	554,679,355	500,355,096
Reinsurance recoveries against outstanding claims	125,342,540	97,581,839
Salvage recoveries accrued	2,775,000	4,005,000
Deferred commission expense	25,643,610	35,271,269
Deferred taxation	34,941,495	42,441,773
Prepayments	209,416,425	185,447,129
Cash and bank	454,365,700	267,024,544
Total assets of Window Takaful Operations - Operator's fund	103,495,918	89,831,932
Total assets (A)	3,402,848,220	3,086,221,377

In-admissible assets as per following clauses section 32(2) of Insurance Ordinance 2000.

Property and equipment	121,150,269	129,993,035
Intangible assets	-	9,741
Investments	496,458,770	386,903,827
Loan and other receivable	3,856,474	-
Insurance / reinsurance receivable	343,978,774	287,859,870
Security deposits against bond insurance	6,029,833	5,112,474
Deferred taxation	34,941,495	42,441,773
Total assets of Window Takaful Operations - Operator's Fund	-	24,805
Total of In-admissible assets	1,006,415,615	852,345,525

Liabilities

Underwriting Provisions		
Outstanding claims including IBNR	260,105,733	206,337,532
Unearned premium reserve	521,370,886	494,320,532
Unearned reinsurance commission	46,716,196	40,139,097
Retirement benefit obligations	4,519,519	5,141,096
Premiums received in advance	1,891,673	1,023,802
Insurance / reinsurance payables	234,715,482	243,253,439
Other creditors and accruals	152,676,442	188,481,027
Taxation - provision less payments	96,880,283	42,056,608
Total liabilities of Window Takaful Operations - Operator's Fund	34,906,454	28,770,317
Total liabilities	1,353,782,668	1,249,523,450

Total Net Admissible Assets

1,042,649,937	984,352,402
---------------	-------------

Minimum solvency requirement (higher of following)

181,232,599	155,944,429
-------------	-------------

- Method A - U/s 36(3)(a) 150,000,000
- Method B - U/s 36(3)(b) 181,232,599
- Method C - U/s 36(3)(c) 101,075,992

Excess in Net Admissible Assets over minimum requirement

861,417,338	828,407,973
-------------	-------------

40.1 The law is silent with regard to the inadmissibility of the “Prepaid reinsurance premium ceded” and “Deferred commission expense” in Section 32(2) of the Insurance Ordinance, 2000 and, hence, these have been treated as admissible assets for the purpose of this statement.

40.2 Comparatives have been revised, wherever necessary, to align them with the current year figures.

41. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	December 31, 2020										
	Held-for-trading	Available-for-sale	Held-to-maturity	Loans and receivables	Investment in Associate	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	(Rupees)										
Financial assets measured at fair value											
Investments											
- Equity securities	101,580,587	628,120,946	-	-	-	-	729,701,533	101,580,587	628,120,946	-	729,701,533
- Debt securities	86,989,977	310,075,958	-	-	-	-	397,065,935	-	397,065,935	-	397,065,935
Assets of Window Takaful											
Operations - Operator's fund	-	6,968,219	-	-	-	-	6,968,219	-	6,968,219	-	6,968,219
Financial assets not measured at fair value											
Cash and bank*	-	-	-	454,365,700	-	-	454,365,700	-	-	-	-
Investments											
- In associates	-	-	-	-	49,959,574	-	49,959,574	162,055,359	-	-	162,055,359
- Debt securities	-	-	127,627,411	-	-	-	127,627,411	-	-	-	-
- Unquoted equity shares*	-	229,020,459	-	-	-	-	229,020,459	-	-	229,020,459	229,020,459
- Term Deposits	-	-	195,400,000	-	-	-	195,400,000	-	-	-	-
Insurance / reinsurance receivable*	-	-	-	554,679,355	-	-	554,679,355	-	-	-	-
Loan and other receivable*	-	-	-	37,301,613	-	-	37,301,613	-	-	-	-
Reinsurance recoveries against outstanding claims*	-	-	-	92,735,167	-	-	92,735,167	-	-	-	-
Assets of Window Takaful											
Operations - Operator's fund*	-	-	-	24,511,288	-	-	24,511,288	-	-	-	-
Financial liabilities not measured at fair value											
Outstanding claims including IBNR*	-	-	-	-	-	(260,105,733)	(260,105,733)	-	-	-	-
Insurance / reinsurance payables*	-	-	-	-	-	(234,715,482)	(234,715,482)	-	-	-	-
Other creditors and accruals*	-	-	-	-	-	(123,654,887)	(123,654,887)	-	-	-	-
Total liabilities of Window Takaful											
Operations - Operator's fund*	-	-	-	-	-	(15,938,074)	(15,938,074)	-	-	-	-
	188,570,564	1,174,185,582	323,027,411	1,163,593,123	49,959,574	(634,414,176)	2,264,922,078	263,635,946	1,032,155,100	229,020,459	1,524,811,505

Notes to and Forming part of the Financial Statements

For the year ended December 31, 2020

	December 31, 2019										
	Held-for- trading	Available- for- sale	Held-to- maturity	Loans and receivables	Investment in Associate	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value	----- (Rupees) -----										
Investments											
- Equity securities	90,990,067	567,992,185	-	-	-	-	658,982,252	140,849,949	518,132,303	-	658,982,252
- Debt securities		201,064,648	-	-	-	-	201,064,648	-	201,064,648	-	201,064,648
Assets of Window Takaful											
Operations - Operator's fund		62,081,477	-	-	-	-	62,081,477	-	62,081,477	-	62,081,477
Financial assets not measured at fair value											
Cash and bank*	-	-	-	267,024,544	-	-	267,024,544	-	-	-	-
Investments											
- In associates	-	-	-	-	39,404,247	-	39,404,247	81,642,907	-	-	81,642,907
- Debt securities	-	-	228,317,365	-	-	-	228,317,365	-	204,803,500	-	204,803,500
- Unquoted equity shares*	-	143,075,283	-	-	-	-	143,075,283	-	-	143,075,283	143,075,283
- Term Deposits	-	-	426,000,000	-	-	-	426,000,000	-	-	-	-
Insurance / reinsurance receivable*	-	-	-	500,355,096	-	-	500,355,096	-	-	-	-
Loan and other receivables	-	-	-	32,890,397	-	-	32,890,397	-	-	-	-
Reinsurance recoveries against outstanding claims*	-	-	-	97,581,839	-	-	97,581,839	-	-	-	-
Total assets of Window Takaful											
Operator's fund	-	-	-	24,511,288	-	-	24,511,288	-	-	-	-
Financial liabilities not measured at fair value											
Outstanding claims including IBNR	-	-	-	-	-	(206,337,532)	(206,337,532)	-	-	-	-
Insurance / reinsurance payables*	-	-	-	-	-	(243,253,439)	(243,253,439)	-	-	-	-
Other creditors and accruals*	-	-	-	-	-	(162,605,998)	(162,605,998)	-	-	-	-
Total liabilities of Window Takaful											
Operations - Operator's fund	-	-	-	-	-	(15,374,105)	(15,374,105)	-	-	-	-
	90,990,067	974,213,593	654,317,365	922,363,164	39,404,247	(627,571,074)	2,053,717,362	222,492,856	986,081,928	143,075,283	1,351,650,067

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

41.1 Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair values estimates.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or Indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable Inputs).

42. CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified, wherever necessary, to facilitate comparisons. There were no significant reclassifications during the current year.

43. SUBSEQUENT EVENT - NON ADJUSTING

The Board of Directors in its meeting held on February 26, 2021 has recommended cash dividend of 20% i.e. Rs. 2 per share in respect of the year ended December 31, 2020 (December 31, 2019: 17.5% (Rs. 1.75 per share)). These financial statements for the year ended December 31, 2020 do not include the effect of this appropriation which will be accounted for when approved.

44. NUMBER OF EMPLOYEES

	December 31, 2020	December 31, 2019
	----- (Number) -----	
As at December 31,	<u>149</u>	<u>154</u>
Average Number of employees during the year	<u>157</u>	<u>152</u>

45. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors on February 26, 2020.

46. GENERAL

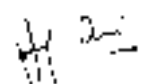
Figures in these financial statements have been rounded off to the nearest rupees, unless otherwise stated.

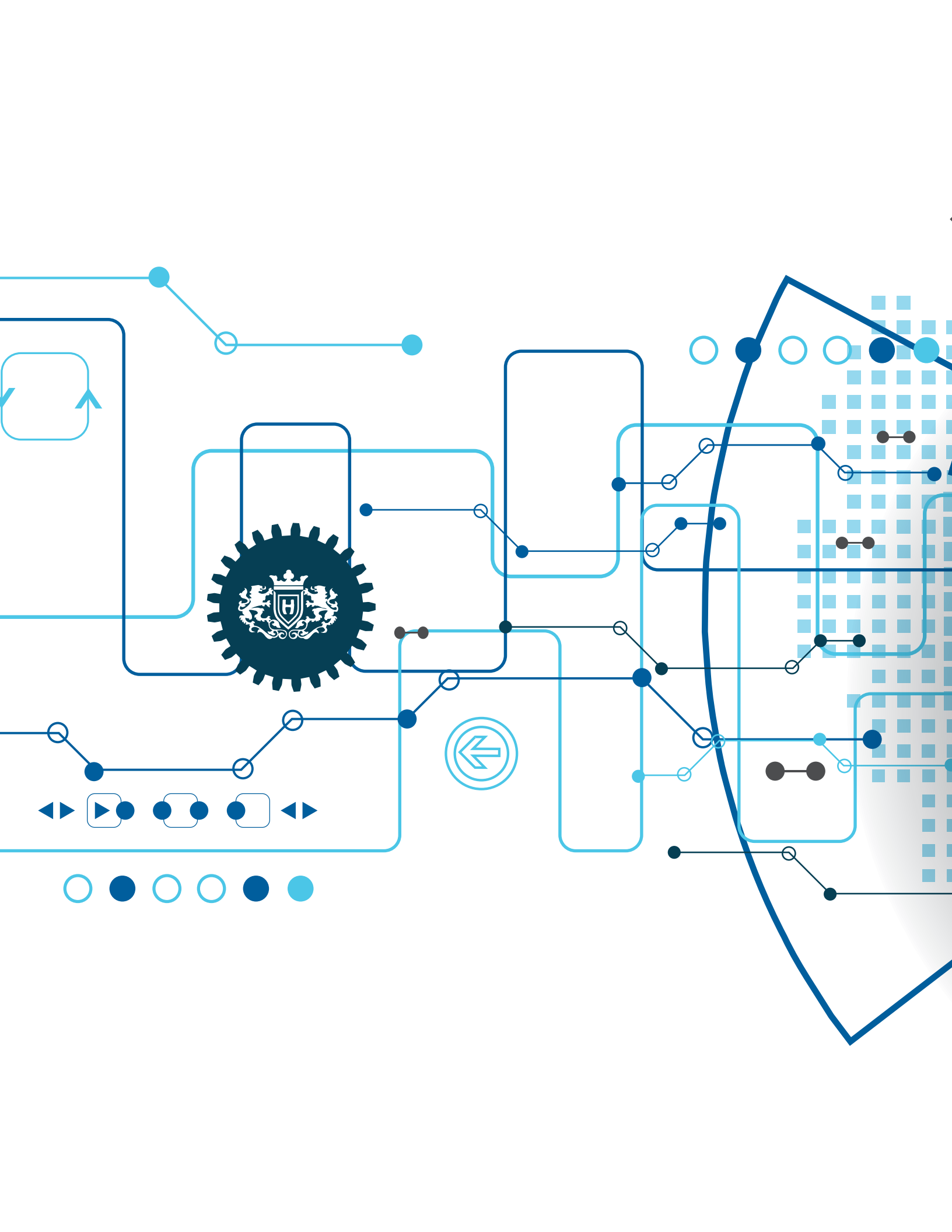

Iqbal Ali Lakhani
Chairman


Amin Mohammed Lakhani
Director


Aftab Ahmad
Director


Mohammad Hussain Hirji
Director & Chief Executive


Sabza Ali Pirani
Chief Financial Officer





Window Takaful Operations

Financial
Statements



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

Independent Auditors' Report

To the members of Century Insurance Company Limited – Window Takaful Operations Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Century Insurance Company Limited - Window Takaful Operations ("the Operator")**, which comprise the statement of financial position as at December 31, 2020, the profit and loss account, the statement of comprehensive income, the statement of changes in fund and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

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

Basis for Opinion

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

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements or our knowledge



obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



KPMG Taseer Hadi & Co.

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

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

Report on other legal and regulatory requirements

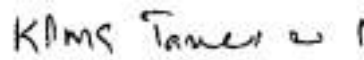
Based on our audit, we further report that in our opinion:

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

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

Date: March 18, 2021

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants

Statement of Financial Position

As at December 31, 2020

		Operator's Fund		Participants' Takaful Fund	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
		(Rupees)			
Assets					
Investments					
Equity securities / mutual funds	6	6,968,219	62,081,477	-	-
Debt securities	7	-	-	500,000	500,000
Loans and other receivables	8	44,550	60,907	533,901	452,811
Takaful / retakaful receivables	9	-	-	45,421,012	31,222,562
Retakaful recoveries against outstanding claims	18	-	-	15,778,359	5,735,733
Deferred commission expense / acquisition cost	21	3,792,532	3,239,167	-	-
Receivable from PTF	13	10,097,205	23,098,830	-	-
Deferred wakala fee	20	-	-	17,669,203	11,310,448
Deferred taxation	14	-	24,805	-	-
Prepaid retakaful contribution ceded	17	-	-	11,947,160	8,104,293
Cash and bank	11	82,593,412	1,326,746	45,227,837	43,817,054
Total Assets		103,495,918	89,831,932	137,077,472	101,142,901
Funds and Liabilities					
Funds attributable to:					
Operator's Fund					
Statutory fund		50,000,000	50,000,000	-	-
Reserves		34,045	(60,730)	-	-
Accumulated gain		18,555,419	11,122,345	-	-
Participants' Takaful Fund					
Ceded Money		-	-	500,000	500,000
Accumulated surplus		-	-	13,723,262	9,304,881
Total Funds		68,589,464	61,061,615	14,223,262	9,804,881
Liabilities					
PTF underwriting provisions					
Outstanding claims including IBNR	18	-	-	36,298,886	19,802,329
Unearned contribution reserves	17	-	-	44,501,222	30,202,824
Unearned re-takaful rebate	19	-	-	1,751,801	1,134,344
		-	-	82,551,909	51,139,497
Unearned Wakala fee	20	17,669,203	11,310,448	-	-
Payable to OPF	13	-	-	10,097,205	23,098,830
Deferred taxation	14	13,906	-	-	-
Contribution received in advance		-	-	1,387,347	384,481
Takaful / Re-takaful payables	12	-	-	27,412,918	15,881,047
Other creditors and accruals	15	15,968,201	15,378,719	1,404,831	834,165
Taxation - provision less payment	10	1,255,144	2,081,150	-	-
		34,906,454	28,770,317	40,302,301	40,198,523
Total Liabilities		34,906,454	28,770,317	122,854,210	91,338,020
Total Funds and Liabilities		103,495,918	89,831,932	137,077,472	101,142,901
Contingency and Commitment					
		16			

The annexed notes from 1 to 37 form an integral part of these financial statements.


Iqbal Ali Lakhani
Chairman


Amin Mohammed Lakhani
Director


Aftab Ahmad
Director


Mohammad Hussain Hirji
Director & Chief Executive


Sabza Ali Pirani
Chief Financial Officer

Profit and Loss Account

For the year ended December 31, 2020

		December 31, 2020	December 31, 2019
	Note	----- (Rupees) -----	-----
Participants' Takaful Fund - (PTF) Revenue account			
Contribution earned	17	57,345,787	45,493,364
Less: Contribution ceded to retakaful		(31,854,548)	(21,447,389)
Net contribution revenue		25,491,239	24,045,975
Retakaful rebate earned	19	4,548,171	2,978,552
Net underwriting income		30,039,410	27,024,527
Net claims - reported / settled	18	(26,813,570)	(19,779,960)
Direct expenses	23	(1,275,915)	(622,111)
Surplus before investment income		1,949,925	6,622,456
Investment income	24	1,132,617	1,826,952
Other Income	25	1,952,953	1,412,844
Less: Mudarib's share of investment income	26	(617,114)	(647,959)
Surplus for the year		4,418,381	9,214,293
Operator's Fund - (OPF) Revenue account			
Wakala fee	20	34,572,468	26,125,135
Commission expense	21	(8,993,498)	(7,015,918)
General, administration and management expenses	22	(20,633,562)	(15,383,010)
		4,945,408	3,726,207
Mudarib's share of PTF investment income	26	617,114	647,959
Investment income	24	5,142,669	5,235,989
Other income	25	286,042	477,786
Other expenses	27	(522,114)	(631,146)
Profit before tax		10,469,119	9,456,795
Income tax expense	28	(3,036,045)	(2,742,471)
Profit after tax		7,433,074	6,714,324

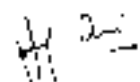
The annexed notes from 1 to 37 form an integral part of these financial statements.


Iqbal Ali Lakhani
Chairman


Amin Mohammed Lakhani
Director


Aftab Ahmad
Director


Mohammad Hussain Hirji
Director & Chief Executive


Sabza Ali Pirani
Chief Financial Officer

Statement of Comprehensive Income

For the year ended December 31, 2020

December 31, 2020 December 31, 2019
----- (Rupees) -----

Participants' Takaful Fund - (PTF) Revenue account

Surplus for the year	4,418,381	9,214,293
----------------------	-----------	-----------

Other Comprehensive Income for the year

- Unrealized gain on available for sale investments	-	-
- Reclassification adjustment for net (gain) on available for sale investments included in profit and loss account	-	(7,771)

Total Comprehensive Income for the year	4,418,381	9,206,522
--	------------------	------------------

Operator's Fund - (OPF) Revenue account

Profit after tax	7,433,074	6,714,324
------------------	-----------	-----------

Other Comprehensive Income for the year

Items that will be reclassified to profit and loss account

- Unrealized gain / (loss) on available for sale investments - net of tax	34,045	(60,730)
- Reclassification adjustment for net loss / (gain) on available for sale investments included in profit and loss account - net of tax	60,730	(141,806)

Other comprehensive income / (loss) for the year	94,775	(202,536)
---	---------------	------------------

Total comprehensive income for the year	7,527,849	6,511,788
--	------------------	------------------

The annexed notes from 1 to 37 form an integral part of these financial statements.

 Iqbal Ali Lakhani Chairman	 Amin Mohammed Lakhani Director	 Aftab Ahmad Director	 Mohammad Hussain Hirji Director & Chief Executive	 Sabza Ali Pirani Chief Financial Officer
--	--	--	--	--

Statement of Changes in Fund

For the year ended December 31, 2020

	Operator's Fund			Total
	Statutory fund	Revenue reserve Available for sale Investment revaluation reserve	Accumulated surplus	
	----- (Rupees) -----			
Balance as at January 01, 2019	50,000,000	141,806	4,408,021	54,549,827
Total comprehensive income				
Profit after tax for the year	-	-	6,714,324	6,714,324
Other comprehensive income				
Unrealised loss on available for sale investments - net of tax	-	(60,730)	-	(60,730)
Realised gain on available for sale investments - net of tax	-	(141,806)	-	(141,806)
	-	(202,536)	6,714,324	6,511,788
Balance as at December 31, 2019	50,000,000	(60,730)	11,122,345	61,061,615
Total comprehensive income				
Profit after tax for the year	-	-	7,433,074	7,433,074
Other comprehensive income / (loss)				
Unrealised gain on available for sale investments - net of tax	-	34,045	-	34,045
Realised loss on available for sale investments - net of tax	-	60,730	-	60,730
	-	94,775	7,433,074	7,527,849
Balance as at December 31, 2020	50,000,000	34,045	18,555,419	68,589,464

	Participants' Takaful Fund			Total
	Ceded money	Accumulated surplus		
	----- (Rupees) -----			
Balance as at January 01, 2019	500,000	98,359		598,359
Surplus for the year ended	-	9,214,293		9,214,293
Other comprehensive income				
Unrealised gain on available for sale investments	-	(7,771)		(7,771)
	-	9,206,522		9,206,522
Balance as at December 31, 2019	500,000	9,304,881		9,804,881
Surplus for the year ended	-	4,418,381		4,418,381
Other comprehensive income				
Realised gain on available for sale investments	-	-		-
	-	4,418,381		4,418,381
Balance as at December 31, 2020	500,000	13,723,262		14,223,262

The annexed notes from 1 to 37 form an integral part of these financial statements.

 Iqbal Ali Lakhani Chairman	 Amin Mohammed Lakhani Director	 Aftab Ahmad Director	 Mohammad Hussain Hirji Director & Chief Executive	 Sabza Ali Pirani Chief Financial Officer
--	--	--	--	--

Cash Flow Statement

For the year ended December 31, 2020

	Operator's Fund		Participants' Takaful Fund	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Operating Cashflows	(Rupees)			
(a) Takaful activities				
Contribution received	-	-	96,198,495	64,173,510
Retakaful contributions paid	-	-	(24,475,474)	(17,897,780)
Claims paid	-	-	(150,254,173)	(19,186,024)
Retakaful and other recoveries received	-	-	128,459,680	1,112,645
Commission paid	(5,323,440)	(5,849,830)	-	-
Retakaful rebate received	-	-	3,732,984	2,385,351
Wakala fee received / paid	54,549,962	20,046,210	(54,549,962)	(20,046,210)
Direct expenses paid	-	-	(1,275,915)	(622,111)
Net cash inflows / (outflows) from takaful activities	49,226,522	14,196,380	(2,164,365)	9,919,381
(b) Other operating activities				
Income tax paid	(3,862,051)	(1,984,412)	(71,634)	(255,577)
General, administration and management expenses paid	(24,815,160)	(6,268,135)	-	-
Other operating receipts / payments - net	25,543	(17,404)	570,668	270,683
Net cash (outflows) / inflows from takaful activities	(28,651,668)	(8,269,951)	499,034	15,106
Total cash inflows / (outflows) from all operating activities	20,574,854	5,926,429	(1,665,331)	9,934,487
Investment activities				
Profit / return received	302,399	514,758	1,976,811	1,362,347
Dividend received	1,897,087	3,842,414	555,497	1,365,611
Payment for investments	(131,487,511)	(135,584,346)	(54,373,396)	(30,730,528)
Proceeds from investments	189,979,837	117,651,445	54,917,202	46,155,202
Total cash inflows / (outflows) from investing activities	60,691,812	(13,575,729)	3,076,114	18,152,632
Net cash inflows / (outflows) from all activities	81,266,666	(7,649,300)	1,410,783	28,087,119
Cash and cash equivalents at beginning of year	1,326,746	8,976,046	43,817,054	15,729,935
Cash and cash equivalents at end of year	82,593,412	1,326,746	45,227,837	43,817,054
Reconciliation to profit and loss account				
Operating cash flows	20,574,854	5,926,429	(1,665,331)	9,934,487
Profit on disposal of investments	3,245,582	1,393,575	543,806	424,671
Profit / returns received	302,399	1,125,745	1,976,811	801,555
Dividend income	1,897,087	3,842,414	555,497	1,365,611
(Decrease) / increase in assets other than cash	(12,464,617)	8,690,556	34,523,788	18,070,635
Increase in liabilities other than borrowings	(6,122,231)	(14,264,395)	(31,516,190)	(21,382,666)
Profit after tax / surplus for the year	7,433,074	6,714,324	4,418,381	9,214,293

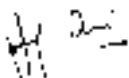
The annexed notes from 1 to 37 form an integral part of these financial statements.


Iqbal Ali Lakhani
Chairman


Amin Mohammed Lakhani
Director


Aftab Ahmad
Director


Mohammad Hussain Hirji
Director & Chief Executive


Sabza Ali Pirani
Chief Financial Officer



Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2020

1. LEGAL STATUS AND NATURE OF BUSINESS

Century Insurance Company Limited (“the Operator”) is a public limited company incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act 2017) on October 10, 1985. The Operator is listed on Pakistan Stock Exchange and is engaged in general insurance business. The registered office of the Operator is situated at Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi.

The Operator was granted authorisation on August 07, 2017 under Rule 6 of the Takaful Rules, 2012 to undertake Window Takaful Operations (“the Operations”) by Securities and Exchange Commission of Pakistan (“SECP”) under Takaful Rules, 2012, General Takaful accounting regulation 2019 to carry on general takaful operations in Pakistan.

The Operator transferred statutory fund of Rs. 50 million in a separate bank account for the Operations as per the requirement of circular 8 of 2014. Thereafter, the Operator has formed a Waqf for Participants’ Fund (“PTF”) by executing the Waqf deed dated August 17, 2017 by investing a ceded money of Rs. 0.5 million. The ceded money is required to be invested in shariah compliant investments and any profit thereon can be utilized only to pay benefits to Participants’ or defray PTF expenses. Waqf Deed governs the relationship of Operator and participants for management of takaful operations, investments of participants’ funds and investments of the Operator’s funds approved by the shariah advisor of the Operator. The Operator commenced activities of the Operations on August 18, 2017.

1.1 Impact of COVID-19 on the unconsolidated financial statements

During the year, the novel coronavirus (COVID-19) emerged and since then, the condition has continued to deteriorate. On January 30, 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a “Public Health Emergency of International Concern”. The COVID-19 pandemic has significantly impacted the market around the world to date and may continue to do so in the coming months of 2020. The scale and duration of this outbreak remains uncertain and as it evolves globally in 2020, the Company based on its current assessment considered that there would be no significant impact that will adversely affect its business, result of operations and financial condition of the Company.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) as are notified under Companies Act, 2017; and
- Provision of and directive issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules, 2017, Insurance Accounting Regulations, 2017 and Takaful Rules, 2012, General Takaful Accounting Regulation 2019.

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

The Securities and Exchange Commission of Pakistan (“SECP”) vide its S.R.O 1416 (I)/2019 dated November 20, 2019 has prescribed format of the presentation of annual financial statements for general takaful operators. These financial statements have been prepared in accordance with the format prescribed by the SECP.

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



2.1 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain investments which are stated at their fair values.

2.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the Operations' functional currency.

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

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

- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after June 01, 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
 - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
 - any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
 - there is no substantive change to the other terms and conditions of the lease.
- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after January 01, 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.





Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2020

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after January 01, 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

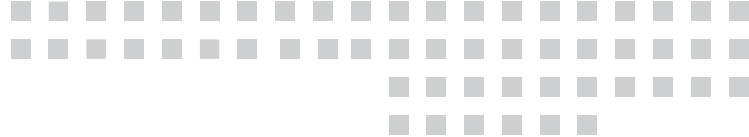
- Annual Improvements to IFRS standards 2018-2020:

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after January 01, 2022.

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after January 01, 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

- **Standards effective during the year**

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after January 01, 2020). The Board has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the Board has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.



- On March 29, 2018, the Board has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the Board to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of January 01, 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after January 01, 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term ‘interest rate benchmark reform’ refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB’s recommendations set out in its July 2014 report ‘Reforming Major Interest Rate Benchmarks’ (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all periods presented. A number of other new standards are effective from January 01, 2020 but they do not have a material effect on the Operations’s financial statements.

3.1 Takaful contracts

The takaful contracts are based on the principles of Wakala. The 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.

Contracts under which the Participant Takaful Fund (PTF) accepts significant takaful risk from another party (the participant) by agreeing to compensate the participant if a specified uncertain future event (the takaful event) adversely affects the participant are classified as takaful contracts. Takaful risk is significant if a takaful event could cause the PTF to pay significant benefits due to the happening of the takaful event compared to its non happening. 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 Operations underwrites non-life takaful contracts that can be categorised into following main categories:

a) Fire and property

Fire and property takaful contracts mainly compensate the Participants’ for damage suffered to their properties or for the value of property lost. Participants’ who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities. These contracts are generally one year contracts except some contracts that are of three months period.





Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2020

b) Marine, aviation and transport

Marine takaful covers the loss or damage of vessels, cargo, terminals, and any transport or property by which cargo is transferred, acquired, or held between the points of origin and final destination. These contracts are generally for three months period.

c) Motor

Motor takaful provides protection against losses incurred as a result of theft, traffic accidents and against third party liability that could be incurred in an accident. These contracts are generally one year contracts.

d) Accident and health

Accident and health takaful contract mainly compensate hospitalisation and outpatient medical coverage to the participant. These contracts are generally one year contracts.

e) Miscellaneous

All other various types of takaful contracts are classified in miscellaneous category which includes mainly engineering, terrorism, personal accident, workmen compensation, travel and products of financial institutions etc. These contracts are normally one year takaful contracts except some engineering takaful contracts that are of more than one year period, whereas, normally travel takaful contracts expire within one month time.

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

3.2 Deferred Commission expense / Acquisition cost

Commission expense incurred in obtaining and recording policies is deferred and recognised in Operator's Fund as an expense in accordance with pattern of recognition of contribution revenue.

3.3 Unearned contribution

The unearned portion of contribution is calculated by applying twenty-fourths method, as prescribed by General Takaful Accounting Regulation 2019.

3.4 Contribution deficiency

The Operations is required as per General Takaful Accounting Regulation 2019 to maintain a provision in respect of contribution deficiency for the class of business where the unearned contribution reserve is not adequate to meet the expected future liability, after re-takaful, from claims and other expenses, including re-takaful expense, commissions and other underwriting expenses, expected to be incurred after the reporting date in respect of policies in that class of business at the reporting date. The movement in the contribution deficiency reserve is recorded as an expense and the same shall be recognised as a liability.

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



	2020	2019
	----- (%) -----	-----
Fire and property damage	83	16
Marine, aviation and transport	10	2
Motor	43	41
Miscellaneous	112	120

Based on an analysis of combined operating ratio for the expired period of each reportable segment, the management considers that the unearned contribution reserve for all classes of business as at the year end is adequate to meet the expected future liability after re-takaful, from claims and other expenses, expected to be incurred after the reporting date in respect of policies in those classes of business in force at the reporting date and therefore no provision for the same has been made in these financial statements.

3.5 Re-takaful contracts held

These are contracts entered into by the Operation with re-takaful operators for compensation of losses suffered on takaful contracts issued. These re-takaful contracts include both facultative and treaty arrangement contracts and are classified in same categories of takaful contracts for the purpose of these financial statements. The PTF recognise the entitled benefits under the contracts as various retakaful assets. Re-takaful contribution is recognised as an expense when retakaful is ceded. Re-takaful assets and liabilities are derecognised when contractual right are extinguished or expired.

The deferred portion of re-takaful contribution is recognized as a prepayment in PTF. The deferred portion of re-takaful contribution ceded is calculated by using twenty-fourths method.

3.6 Receivables and payables related to takaful contracts

Receivables including contribution due but unpaid relating to takaful contracts are recognized when due. The claim payable is recorded when intimation is received. These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any. Contribution received in advance is recognised as liability till the time of issuance of takaful contract there against.

If there is an objective evidence that any contribution due but unpaid is impaired, the Operations reduces the carrying amount of that contribution receivable and recognizes the loss in profit and loss account.

3.7 Segment reporting

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

The Operator presents segments reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and General Takaful Accounting Regulation 2019. The reported operating segments are also consistent with the internal reporting process of the Operator for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment. All the Operator's business segments operate in Pakistan only.

Based on its classification of takaful contracts issued, the Operations has four primary business segments for reporting purposes namely fire, marine, motor and miscellaneous. The nature and business activities of these segments are disclosed in note 3.1.



Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2020

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

3.8 Cash and cash equivalents

Cash and cash equivalents for cash flow purposes include cash in hand, policy stamps, bank balances and the term deposit receipts having maturity of not more than twelve months and are subject to insignificant risk of change in value.

3.9 Revenue recognition

a) Contribution

Contribution under a policy are recognised as revenue at the time of issuance of takaful policy / cover note. Where the pattern of incidence of risk varies over the period of the policy / cover note, contribution is recognised as revenue in accordance with the pattern of the incidence of risk. The portion of contribution written relating to the unexpired period of coverage is recognised as unearned contribution by the Operator. The unearned contribution is calculated by applying twenty-fourths method as specified in the General Takaful Accounting Regulation 2019. Administrative surcharge are recognised as revenue at the time of issuance of takaful policy / cover note.

Re-takaful ceded is recognised as expense after taking into account the proportion of deferred re-takaful contribution expense which is calculated using twenty-fourths method. The deferred portion of re-takaful contribution expense is recognised as a prepayment.

b) Re-takaful rebate

Rebate and other forms of revenue (apart from recoveries) from re-takaful operators are deferred and recognised as liability and recognised in the profit and loss account as revenue of PTF in accordance with the pattern of recognition of the re-takaful contributions.

c) Investment income

- Profit on bank deposits is recognised on a time proportion basis taking into account the effective yield.
- Income from held to maturity investments is recognised on a time proportion basis taking into account the effective yield on the investments. The difference between the redemption value and the purchase price of the held to maturity investments is amortised and taken to the profit and loss account over the term of the investment.
- Dividend income is recognised when the Operations' right to receive the payment is established.
- Return on fixed income securities classified as available for sale is recognised on a time proportion basis taking into account the effective yield on the investments.
- Gain / loss on sale of investments is included in income currently.

3.10 Investments

3.10.1 Classification and recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs, except for investment held for trading in which case transaction costs are charged to the profit and loss account. These are recognized and classified as follows:

- Held for trading
- Held to maturity
- Available-for-sale

The classification depends on the purpose for which the financial assets were acquired.

3.10.2 Measurement

3.10.2.1 Held for trading

- Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading.
- Investments which are designated as held for trading upon initial recognition.

Subsequent to initial recognition, these investments are premeasured at fair value. Gains or losses on remeasurement of these investments are recognised in profit and loss account.

3.10.2.2 Held to maturity

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

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

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

3.10.2.3 Available-for-sale

Investments which are not eligible to be classified as “held for trading” or “held to maturity” are classified as ‘available-for-sale’. These investments are intended to be held for an indefinite period of time which may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates are classified as available-for-sale.

Subsequent to initial recognition, these investments are remeasured at fair value. Gains or losses on remeasurement of these investments are recognised in other comprehensive income.

3.10.2.4 Fair / market value measurements

For investments in quoted mutual funds, fair / market value is determined by reference to rates quoted by Mutual Fund Association of Pakistan (MUFAP).

3.10.2.5 Date of recognition

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

3.11 Offsetting of financial assets and liabilities

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

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2020

3.12 Provisions

Provisions are recognized when the Operations has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the 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.

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

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

Outstanding claims

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

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

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

Incurred But Not Reported (IBNR) Claims

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

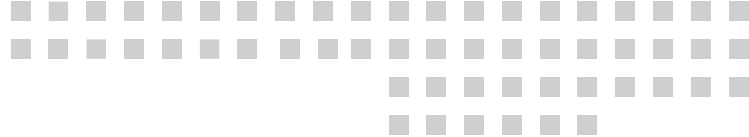
The Operations is required, as per SECP circular no. 9 of 2016 dated March 09, 2016 "Guidelines for Estimation of Incurred but not reported claims reserve, 2016" to estimate and maintain the provision for claims incurred but not reported for each class of business by using prescribed Method "Chain Ladder Method" and other alternate method as allowed under the provisions of the Guidelines. The actuarial valuation as at December 31, 2020 has been carried out by independent firm of actuaries for determination of IBNR for each class of business.

3.14 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Operator's profit and loss account in accordance with Rule 12 of Takaful Rule 2012, except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised in equity or in other comprehensive income respectively. In making the estimates for income taxes currently payable by the Operator, the management considers the current income tax law and the decisions of appellate authorities on certain issues in the past.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year of the Operator's Fund, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable if any in respect of previous years.



Provisions for current taxation is based on taxability of certain income streams of the Operator's Fund under presumptive / final tax regime at the applicable tax rates and remaining income streams chargeable at current rate of taxation under the normal tax regime and / or minimum tax liability, as applicable, after taking into account tax credits and tax rebates available, if any.

Deferred tax

Deferred tax is recognised using balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the reporting date.

The Operator recognises a deferred tax asset to the extent of taxable timing differences or it is probable that taxable profits for the foreseeable future will be available against which the assets 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.

The taxation of the Operator's Fund is calculated by including in the Operation's results as a whole and accordingly taxation has been recorded.

3.15 Impairment of assets

The carrying amount of assets are reviewed at each reporting date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less cost to sell and value in use. Impairment losses are recognised in profit and loss account.

Impairment is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investments classified as available-for-sale below its cost is also considered an objective evidence of impairment. Impairment losses are reversed when there is an indication that impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. However, in case of equity securities classified as available for sale the decrease in impairment loss is not reversed.

3.16 Management expenses

Expenses of management have been allocated to various classes of business as deemed equitable by the Operator. Expenses not allocable to the underwriting business are charged under other expenses.

3.17 Financial instruments

Financial instruments carried on the reporting date include cash and bank, contribution due but unpaid, amount due from other takaful / re-takaful operators, accrued investment income, retakaful recoveries against outstanding claims, amount due to other takaful / re-takaful operators, other creditors and accruals.

All the financial assets and financial liabilities are recognised at the time when the Operations becomes a party to the contractual provisions of the instrument and derecognized when the Operations losses control of contractual rights that comprises the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. At the time of initial recognition all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Any gain or loss on derecognition of financial assets and financial liabilities is taken to profit and loss account of the period in which financial instrument is derecognised.



Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2020

3.18 Takaful surplus

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

3.19 Wakala fee

The Operator manages the general takaful operations for the Participants' and charges wakala fee to PTF on gross contributions recognized for each class of business to meet the general and administrative expenses of the Operator including commissions to agents at following rates:

Class	Percentage ----- (%) -----
Fire and property damage	30
Marine, aviation and transport	30
Motor	40 - 58
Health	20
Miscellaneous	35

Wakala fee is recognised as income in Operator's Fund on the same basis on which the related contribution revenue is recognized. Unearned portion of wakala fee is recognised as a liability of Operator's Fund and an asset of Participants' Fund.

3.20 Mudarib's fee

The Operator also manages the participants' investment as Mudarib and charges 20 percent of the investment income and profits on bank deposits earned by the PTF as Mudarib's fee. It is recognized on the same basis on which related revenue is recognised.

3.21 Qard-e-Hasna

Qard-e-Hasna is provided by Operator's Fund to PTF in case of deficit or to fulfil cash flow requirements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Use of estimates and judgements

In preparing these financial statement, management has made judgement, estimates and assumptions that affect the application of the Operations' accounting policies and reported amounts of assets, liabilities, Income and expenses. Actual results may differ from the estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognised prospectively.

Information about judgements made in applying accounting policies that have the most significant effects on the amount recognised in the financial statements and assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the subsequent years are included in following notes:

- provision for unearned contribution (note 3.3);
- contribution deficiency reserve (note 3.4);
- provision for contribution due but unpaid and amount due from other takaful / re-takaful operators; (note 3.6)
- segment reporting (note 3.7);
- classification of investments (note 3.10);
- provision for outstanding claims including IBNR and re-takaful recoveries there against (note 3.13);
- taxation (note 3.14);
- impairment (note 3.15)

-

5.

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 debt instruments accounted for fair value through other comprehensive income under IAS 39 are potentially eligible to SPPI test whereas it is not applicable for the debt instruments accounted for fair value through profit or loss.

The tables below set out the fair values on gross basis 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.

Operator's Fund

	December 31, 2020				
	Fail the SPPI Test		Pass the SPPI Test		
	Fair value	Change in Unrealized gain during the year	Carrying Value	Cost less impairment	Change in Unrealized gain or (loss) during the year
----- (Rupees) -----					
Financial assets					
Investments					
- Equity securities - Available for Sale	6,968,219	47,951	-	-	-

Participants' Takaful Fund

Investments					
- Debt securities - held to maturity	-	-	500,000	-	-

Gross Carrying amount of debt instruments that pass the SPPI test

Investment in debt securities

AA+
--(Rupees)--

Held to Maturity

500,000

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

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2020

6. INVESTMENTS IN EQUITY SECURITIES - Available for sale

		<u>December 31, 2020</u>		<u>December 31, 2019</u>	
		Cost	Carrying value	Cost	Carrying value
	Note	----- (Rupees) -----			
Operator's Fund					
Mutual funds	6.1	6,920,268	6,968,219	62,167,012	62,081,477

6.1 Mutual Funds - OPF

Number of units		December 31, 2020		December 31, 2019		
2020	2019	Cost	Carrying value	Cost	Carrying value	
----- (Rupees) -----						
Other than related parties						
Open - end mutual funds						
First Habib Islamic Income Fund	69,107	154,960	6,920,268	6,968,219	15,667,012	15,522,676
HBL Islamic Income Fund	-	144,635	-	-	15,500,000	15,505,280
NBP Islamic Mahana Amdani Fund	-	1,471,105	-	-	15,500,000	15,528,392
Meezan Islamic Income Fund	-	284,583	-	-	15,500,000	15,525,129
	69,107	2,055,283	6,920,268	6,968,219	62,167,012	62,081,477

7. INVESTMENTS IN DEBT SECURITIES - Held to Maturity

		<u>December 31, 2020</u>		<u>December 31, 2019</u>	
		Cost	Carrying value	Cost	Carrying value
	Note	----- (Rupees) -----			
Other than related parties					
Participants' Fund					
Certificate of Islamic Investment	7.1	500,000	500,000	500,000	500,000

7.1 This represents Certificate of Islamic Investment carrying expected profit rate ranging from 5.42% to 10.25% in 2020 (2019: 4.90% to 10.25%).

8. LOANS AND OTHER RECEIVABLES - Considered good

	Operator's Fund		Participants' Takaful Fund	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
----- (Rupees) -----				
Accrued investment income	44,550	60,907	206,690	197,234
Advance tax	-	-	327,211	255,577
	44,550	60,907	533,901	452,811

9. TAKAFUL / RE-TAKAFUL RECEIVABLES - PTF - Unsecured and considered good

	Note	December 31, 2020	December 31, 2019
		----- (Rupees) -----	-----
Due from Takaful contract holders		11,525,617	7,060,403
Due from other Takaful / Re-takaful operators	9.1 & 9.2	28,997,046	23,086,087
Re-takaful recoveries due but unpaid		4,898,349	1,076,072
		45,421,012	31,222,562

9.1 This includes Rs. 0.1 million (2019: Rs. Nil) receivable from operator. The amount is not over due/impaired as at December 31, 2020.

9.2 The maximum aggregate amount due from operator at end of any month during the year was Rs. 0.1 million (2019: Rs. Nil).

10. TAXATION - PROVISION LESS PAYMENTS

	December 31, 2020	December 31, 2019
	----- (Rupees) -----	-----
Provision for taxation	1,236,045	2,742,471
Less: Taxes paid / deducted at source	19,099	(661,321)
	1,255,144	2,081,150

11. CASH AND BANK

		Operator's Fund		Participants' Takaful Fund	
	Note	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
		-----	-----	-----	-----
		(Rupees)			
Cash and cash equivalent					
Cash in hand		10,000	10,000	-	-
Cash at bank					
Savings accounts	11.1	82,583,412	1,316,746	45,227,837	43,817,054
		82,593,412	1,326,746	45,227,837	43,817,054

11.1 Savings accounts carry expected profit rates ranging from 2.75% to 6.00% (2019: 5.30% to 7.21%) per annum.

		December 31, 2020	December 31, 2019
		----- (Rupees) -----	-----
12. TAKAFUL / RE-TAKAFUL PAYABLES - PTF	Note		
Due to other takaful / re-takaful operators	12.1	27,412,918	15,881,047

12.1 This includes Rs. Nil (2019: Rs. 4.1 million) payable to operator. The amount is not over due / impaired as at December 31, 2020.

13. RECEIVABLE / PAYABLE (Between OPF and PTF)

		Operator's Fund		Participants' Takaful Fund	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
		-----	-----	-----	-----
		(Rupees)			
Wakala fee		9,912,365	22,913,872	9,912,365	22,913,872
Modaraba fee		184,840	184,958	184,840	184,958
		10,097,205	23,098,830	10,097,205	23,098,830

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2020

14. DEFERRED TAXATION

	Operator's Fund	
	December 31, 2020	December 31, 2019
	----- (Rupees) -----	
Deferred credit arising in respect of Unrealized gain on available for sale investments	<u>13,906</u>	<u>-</u>
Deferred debit arising in respect of Unrealized loss on available for sale investments	<u>-</u>	<u>24,805</u>

15. OTHER CREDITORS AND ACCRUALS

	Operator's Fund		Participants' Takaful Fund	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	----- (Rupees) -----			
Agents' Commission payable	8,870,306	4,646,883	-	-
Federal excise duty / sales tax	-	-	1,254,515	752,139
Federal takaful fee	-	-	109,145	67,243
Accrued expenses	6,792,738	10,452,222	-	-
Audit fee payable	275,000	275,000	-	-
Tax deducted at source	30,157	4,614	41,171	14,783
	<u>15,968,201</u>	<u>15,378,719</u>	<u>1,404,831</u>	<u>834,165</u>

16. CONTINGENCY AND COMMITMENT

There is no contingency and commitment as at December 31, 2020 (December 31, 2019: Nil).

17. NET TAKAFUL CONTRIBUTION - PTF

	December 31, 2020	December 31, 2019
	----- (Rupees) -----	
Written Gross contribution	106,216,653	74,725,110
Less: Wakala Fee	<u>(34,572,468)</u>	<u>(26,125,135)</u>
Contribution Net of Wakala Fee	<u>71,644,185</u>	<u>48,599,975</u>
Add: Unearned contribution reserve opening	30,202,824	27,096,213
Less: Unearned contribution reserve closing	<u>(44,501,222)</u>	<u>(30,202,824)</u>
Contribution earned	<u>57,345,787</u>	<u>45,493,364</u>
Less:		
Re-takaful Contribution ceded	35,697,415	24,592,685
Add: Prepaid re-takaful contribution ceded opening	8,104,293	4,958,997
Less: Prepaid re-takaful contribution ceded closing	<u>(11,947,160)</u>	<u>(8,104,293)</u>
Re-takaful expense	<u>31,854,548</u>	<u>21,447,389</u>
	<u>25,491,239</u>	<u>24,045,975</u>

18. NET TAKAFUL CLAIMS EXPENSE - PTF

	December 31, 2020	December 31, 2019
	----- (Rupees) -----	
Claim paid	150,254,173	19,186,024
Add: Outstanding claims including IBNR closing	36,298,886	19,802,329
Less: Outstanding claims including IBNR opening	(19,802,329)	(20,916,014)
Claims expense	166,750,730	18,072,339
Less: Re-takaful and others recoveries received	129,894,534	2,244,246
Add: Re-takaful and others recoveries in respect of outstanding claims closing	15,778,359	5,735,733
Less: Re-takaful and others recoveries in respect of outstanding claims opening	(5,735,733)	(9,687,600)
Re-takaful and other recoveries revenue	139,937,160	(1,707,621)
	<u>26,813,570</u>	<u>19,779,960</u>

18.1 Claims 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 period of time. All amounts are presented in gross numbers before reinsurance.

Accident year	2018	2019	2020	Total
	-----	-----	-----	-----
	(Rupees)			
Gross estimate of ultimate claims cost:				
- At end of accident	22,806,636	21,456,392	163,237,381	
- One year later	18,116,684	27,162,235	-	
- Two year later	17,764,775	-	-	
- Three year later	-	-	-	
- Four year later	-	-	-	
- Five year later	-	-	-	
Current estimate of cumulative claims	17,764,775	27,162,235	163,237,381	208,164,391
Cumulative payment to date	(16,739,973)	(23,546,451)	(131,579,081)	(171,865,505)
Liability recognised in statement of financial position	1,024,802	3,615,784	31,658,300	36,298,886

18.2 The takaful operations has commenced its activities from August 17, 2017. Therefore, claim development table has shown results of three years instead of five years.

19. REBATE ON RE-TAKAFUL - PTF

	December 31, 2020	December 31, 2019
	----- (Rupees) -----	
Re-takaful rebate received or recoverable	5,165,628	3,382,393
Add: Unearned re-takaful rebate - opening	1,134,344	730,503
Less: Unearned re-takaful rebate - closing	(1,751,801)	(1,134,344)
	<u>4,548,171</u>	<u>2,978,552</u>

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2020

		December 31, 2020	December 31, 2019
		----- (Rupees) -----	
20. WAKALA FEE			
Gross Wakala fee		40,931,223	27,395,856
Add: Unearned Wakala fee income - opening		11,310,448	10,039,727
Less: Unearned Wakala fee income - closing		(17,669,203)	(11,310,448)
		<u>34,572,468</u>	<u>26,125,135</u>
21. COMMISSION EXPENSE / ACQUISITION COST - OPF			
Commission paid or payable		9,546,863	7,745,841
Add: Deferred commission expense - opening		3,239,167	2,509,244
Less: Deferred commission expense - closing		(3,792,532)	(3,239,167)
		<u>8,993,498</u>	<u>7,015,918</u>
22. GENERAL, ADMINISTRATION AND MANAGEMENT EXPENSES - OPF			
		December 31, 2020	December 31, 2019
	Note	----- (Rupees) -----	
Employee benefit cost	22.1	12,855,401	11,162,608
Business Development Expense		3,772,600	-
Shahriah Advisor Fees		1,080,000	1,080,000
Rent		700,162	49,208
Tracker Charges		-	457,156
Depreciation		623,440	1,074,883
Motor Vehicle Fuel		575,068	589,095
Printing and stationery		310,360	266,420
Electricity, gas & water		234,763	245,259
Annual Supervision Fees SECP		124,821	100,000
Postage, telegram & telephone		99,534	117,074
Motor Vehicle Repair & Maintenance		126,243	109,655
Legal & professional charges		88,899	74,744
Miscellaneous		42,271	56,908
		<u>20,633,562</u>	<u>15,383,010</u>
22.1 Employee benefit cost			
Salaries, allowance and other benefits		12,150,753	10,550,113
Charges for post employment benefits	22.1.1	704,648	612,495
		<u>12,855,401</u>	<u>11,162,608</u>
22.1.1	This represents contribution to employee's provident fund managed by the Operator.		

23. DIRECT EXPENSES - PTF

December 31, December 31,
2020 2019
Note ----- (Rupees) -----

Co-takaful service charges	877,010	579,922
Bank charges	57,031	42,189
Tracker Charges	341,874	-
	<u>1,275,915</u>	<u>622,111</u>

24. INVESTMENT INCOME

Participants' Takaful Fund

Income from equity securities - Available for sale

Realised gain on sale of equity securities	543,806	424,671
Dividend income	555,497	1,365,611

Income from debt securities - Held to maturity

Return on Certificate of Islamic Investment	33,314	36,670
	<u>1,132,617</u>	<u>1,826,952</u>

Operator's Fund

Income from equity securities - Available for sale

Dividend income	1,897,087	3,842,414
Realised gain on sale of equity securities	3,245,582	1,393,575
	<u>5,142,669</u>	<u>5,235,989</u>

25. OTHER INCOME

Participants' Takaful Fund

Profit on bank balances	<u>1,952,953</u>	<u>1,412,844</u>
-------------------------	------------------	------------------

Operator's Fund

Profit on bank balances	<u>286,042</u>	<u>477,786</u>
-------------------------	----------------	----------------

26. MUDARIB'S FEE

Mudarib's share of PTF investment income	<u>617,114</u>	<u>647,959</u>
--	----------------	----------------

27. OTHER EXPENSES - OPF

Auditors' remuneration	27.1 511,639	449,972
Others	10,475	181,174
	<u>522,114</u>	<u>631,146</u>

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2020

	December 31, 2020	December 31, 2019
	----- (Rupees) -----	
27.1 Auditors' remuneration		
Audit fee	250,000	220,000
Interim review fee	82,500	80,000
Shariah Compliance audit	100,000	100,000
Out of pocket expenses including government levy	79,139	49,972
	<u>511,639</u>	<u>449,972</u>

28. TAXATION - NET

The current tax charge for the year is Rs. 3.04 million at the tax rate of 29 percent (2019: Rs. 2.74 million at the tax rate of 29 percent) and the same has been recorded in these financial statements hence no tax reconciliation has been presented. Deferred tax on unrealised gain / (loss) on investments has been stated separately.

	December 31, 2020	December 31, 2019
	----- (Rupees) -----	
29. REMUNERATION OF HEAD OF WINDOW TAKAFUL OPERATIONS		
Managerial remuneration	1,890,780	1,581,108
Bonus	447,364	376,397
Contribution to defined contribution plan	189,648	158,679
Rent and house maintenance	850,848	711,492
Conveyance	308,654	303,644
Others	342,372	311,400
	<u>4,029,666</u>	<u>3,442,720</u>

30. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise the Operator, associated companies, companies under common control, companies with common directors, major shareholders, employees' retirement benefit plans, directors and key management personnel of the Operator. All transactions involving related parties arising in the normal course of business are conducted at commercial terms and conditions and on an arm's length basis. The transactions and balances with related parties / associated companies, other than those which have been disclosed elsewhere in these financial information, are as follows:

Name of related party	Takaful Contribution Written	Claim Paid	Expenses	Reimbursement of Expenses	Retirement Fund
	Participants' Takaful Fund			Operator's Fund	
Note			30.1	30.2	
	----- (Rupees) -----				
Associated companies / undertaking	8,434,031	7,498,286	-	-	-
Others	1,947,444	345,188	4,770,743	10,347,749	-
Retirement benefit plans					
Contribution to staff provident fund	-	-	-	-	317,182
Contribution to staff gratuity fund	-	-	-	-	387,466
December 31, 2020	<u>10,381,475</u>	<u>7,843,474</u>	<u>4,770,743</u>	<u>10,347,749</u>	<u>704,648</u>
December 31, 2019	8,941,977	1,831,683	3,849,872	9,349,862	612,495

30.1 This represents remuneration of Head of Window Takaful Operations and Shariah Compliance Officer paid to the Operator.

30.2 These pertain to sharing of common expenses shared by the Operator.

31. SEGMENT INFORMATION

Segment information prepared in accordance with the requirement of Insurance Ordinance, 2000 and General Takaful Accounting Regulation 2019 for class of business wise revenues, results, assets and liabilities.

	December 31, 2020				
	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Aggregate
	----- (Rupees) -----				
Participant's Takaful Fund					
Contribution received or receivable (inclusive of Federal Excise Duty / sales tax, Federal takaful fee and Administrative Surcharge)	24,494,894	10,731,365	80,354,803	6,776,331	122,357,393
Less: - Federal Excise Duty / Sales Tax	2,949,129	1,110,085	9,599,415	812,115	14,470,744
- Federal Insurance Fee	213,372	87,153	701,369	59,066	1,060,960
- Others	8,250	830,494	68,550	250	907,544
Facultative inward contribution	183,837	28,000	86,671	-	298,508
Gross written Contribution (inclusive of Administrative Surcharge)	21,507,980	8,731,633	70,072,140	5,904,900	106,216,653
- Gross direct Contribution	21,131,365	8,334,300	68,013,651	5,868,480	103,347,796
- Facultative inward contribution	183,837	28,000	86,671	-	298,508
- Administrative surcharge	192,778	369,333	1,971,818	36,420	2,570,349
	21,507,980	8,731,633	70,072,140	5,904,900	106,216,653
Wakala fee	(5,696,787)	(2,595,046)	(24,438,330)	(1,842,305)	(34,572,468)
Takaful contribution earned	18,989,288	8,650,153	58,999,931	5,278,883	91,918,255
Takaful contribution ceded to re-takaful operators	(15,947,199)	(6,311,941)	(5,404,565)	(4,190,843)	(31,854,548)
Net Takaful contribution	(2,654,698)	(256,834)	29,157,036	(754,265)	25,491,239
Re-takaful rebate	2,559,510	1,100,420	61,244	826,997	4,548,171
Net revenue	(95,188)	843,586	29,218,280	72,732	30,039,410
Takaful claims	(136,352,955)	(347,839)	(24,544,698)	(5,505,238)	(166,750,730)
Takaful claims recovered from re-takaful operators	133,841,515	117,029	1,686,906	4,291,710	139,937,160
Net claims	(2,511,440)	(230,810)	(22,857,792)	(1,213,528)	(26,813,570)
Direct expenses	(258,362)	(104,888)	(841,733)	(70,932)	(1,275,915)
(Deficit) / surplus before investment income	(2,864,990)	507,888	5,518,755	(1,211,728)	1,949,925
Investment income					1,132,617
Profit on bank balances					1,952,953
Mudarib fee					(617,114)
Surplus for the year					4,418,381
Operator's Fund					
Wakala fee income	5,696,787	2,595,046	24,438,330	1,842,305	34,572,468
Commission expense	(2,069,665)	(837,536)	(5,587,444)	(498,853)	(8,993,498)
Management expense	(4,178,123)	(1,696,200)	(13,612,158)	(1,147,081)	(20,633,562)
	(551,001)	61,310	5,238,728	196,371	4,945,408
Mudarib share of PTF investment income					617,114
Investment income					5,142,669
Other income					286,042
Other expenses					(522,114)
Profit before tax					10,469,119

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2020

	December 31, 2019				
	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Aggregate
	----- (Rupees) -----				
Participant's Takaful Fund					
Contribution received or receivable (inclusive of Federal Excise Duty / sales tax, Federal takaful fee and Administrative Surcharge)	17,275,648	8,270,452	54,774,349	5,049,949	85,370,398
Less: - Federal Excise Duty / Sales Tax	2,070,612	873,685	6,434,893	613,165	9,992,355
- Federal Insurance Fee	150,492	68,154	478,744	43,927	741,317
- Others	8,700	514,499	30,500	250	553,949
Facultative inward contribution	520,560	-	121,773	-	642,333
Gross written Contribution (inclusive of Administrative Surcharge)	15,566,404	6,814,114	47,951,985	4,392,607	74,725,110
- Gross direct Contribution	14,889,400	6,531,416	46,457,417	4,382,751	72,260,984
- Facultative inward contribution	520,560	-	121,773	-	642,333
- Administrative surcharge	156,444	282,698	1,372,795	9,856	1,821,793
	15,566,404	6,814,114	47,951,985	4,392,607	74,725,110
Wakala fee	(3,528,299)	(1,956,051)	(18,729,068)	(1,911,717)	(26,125,135)
Takaful contribution earned	11,761,000	6,520,172	46,822,669	6,514,658	71,618,499
Takaful contribution ceded to re-takaful operators	(10,482,499)	(4,422,052)	(3,415,397)	(3,127,441)	(21,447,389)
Net Takaful contribution	(2,249,798)	142,069	24,678,204	1,475,500	24,045,975
Re-takaful rebate	1,759,136	655,200	41,014	523,202	2,978,552
Net revenue	(490,662)	797,269	24,719,218	1,998,702	27,024,527
Takaful claims	8,809,241	(376,415)	(18,108,347)	(8,396,818)	(18,072,339)
Takaful claims recovered from re-takaful operators	(6,917,483)	309,829	551,110	4,348,923	(1,707,621)
Net claims	1,891,758	(66,586)	(17,557,237)	(4,047,895)	(19,779,960)
Direct expenses	(129,595)	(56,730)	(399,216)	(36,570)	(622,111)
Surplus / (deficit) before investment income	1,271,501	(673,953)	6,762,765	(2,085,763)	6,622,456
Investment income					1,826,952
Other income					1,412,844
Mudarib fee					(647,959)
Surplus for the period					9,214,293
Operator's Fund					
Wakala fee income	3,528,299	1,956,051	18,729,068	1,911,717	26,125,135
Commission expense	(1,366,064)	(626,476)	(4,621,315)	(402,063)	(7,015,918)
Management expense	(3,204,521)	(1,402,762)	(9,871,460)	(904,267)	(15,383,010)
	(1,042,286)	(73,187)	4,236,293	605,387	3,726,207
Mudarib share of PTF investment income					647,959
Investment income					5,235,989
Other income					477,786
Other expenses					(631,146)
Profit before tax					9,456,795

The classwise assets and liabilities are as follows:

	December 31, 2020				
	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Total
	----- (Rupees) -----				
Segment assets	35,359,196	4,171,199	43,711,713	7,573,627	90,815,735
Unallocated assets					
Participants' Takaful Fund					46,261,737
Operator's Fund					103,495,918
Total assets					240,573,390
Segment liabilities	33,181,357	4,048,133	78,497,615	6,901,094	122,628,199
Unallocated liabilities - Operator's Fund					
Participants' Takaful Fund					226,011
Operator's Fund					34,906,454
Total liabilities					157,760,664

	December 31, 2019				
	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Total
	----- (Rupees) -----				
Segment assets	15,226,991	3,577,024	29,769,969	7,799,052	56,373,036
Unallocated assets					
Participants' Takaful Fund					44,769,865
Operator's Fund					89,831,932
Total assets					190,974,833
Segment liabilities	17,253,452	4,414,007	59,930,070	9,725,708	91,323,237
Unallocated liabilities - Operator's Fund					
Participants' Takaful Fund					14,783
Operator's Fund					28,770,317
Total liabilities					120,108,337

32. MOVEMENT IN INVESTMENTS - OPF

	Available for sale --- (Rupees) ---
Balance as at January 01, 2019	43,037,487
Additions	135,584,346
Disposals	(116,454,821)
Fair value net (loss) (excluding net realized gains as at December 31, 2019)	(85,535)
Balance as at January 01, 2020	62,081,477
Additions	131,487,511
Disposals	(186,648,720)
Fair value net gains (excluding net realized gains as at December 31, 2020)	47,951
Balance as at December 31, 2020	6,968,219

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2020

33. MOVEMENT IN INVESTMENTS - PTF

	Available for sale	Held to maturity	Total
	-----	(Rupees) -----	
Balance as at January 01, 2019	15,007,771	500,000	15,507,771
Additions	30,230,528	500,000	30,730,528
Disposals	(45,238,299)	(500,000)	(45,738,299)
Fair value net gains (excluding net realized gains as at December 31, 2019)	-	-	-
Balance as at January 01, 2020	-	500,000	500,000
Additions	53,873,396	500,000	54,373,396
Disposals	(53,873,396)	(500,000)	(54,373,396)
Fair value net gains (excluding net realized gains as at December 31, 2020)	-	-	-
Balance as at December 31, 2020	-	500,000	500,000

34. MANAGEMENT OF TAKAFUL RISK AND FINANCIAL RISK

34.1 TAKAFUL RISK

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

The Operations accepts takaful through issuance of general takaful contracts. For these general takaful contracts the most significant risks arise from fire, atmospheric disturbance, earthquake, terrorist activities and other catastrophes. For health takaful contracts, significant risks arise from epidemics.

a) Frequency and severity of claims

Risk associated with general takaful contracts includes the reasonable possibility of significant loss as well as the frequent occurrence of the takaful events. This has been managed by having in place underwriting strategy, re-takaful arrangements and proactive claim handling procedures. The re-takaful arrangements against major risk exposure include excess of loss, quota arrangements, facultative arrangements and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on operation's net retentions.

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

Class	Maximum gross risk exposure	
	2020	2019
	-----	-----
	(Rupees)	(Rupees)
Fire and property	717,150,000	438,436,000
Marine, aviation and transport	339,854,000	271,564,000
Motor	37,500,000	23,300,000
Accident and health	-	-
Miscellaneous	172,191,000	132,222,000



The re-takaful arrangements against major risk exposure include excess of loss, quota arrangements, facultative arrangements and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on operation's net retentions. As the major re-takaful arrangements are on excess of loss basis, therefore the re-takaful coverage against PTF's risk exposures is not quantifiable. In compliance of regulatory, re-takaful agreement are duly approved by Securities and Exchange Commission of Pakistan (SECP) on an annual basis.

b) Sources of Uncertainty in the estimation of future claims payments

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 operations. The estimation of the amount is based on operator's 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 recognized claim liabilities. The operations 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.

c) Process used to decide on assumptions

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

During the year actuarial valuation is carried out for the determination of IBNR which is based on a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation as required / allowed by the circular 9 of 2016. IBNR is determined by using Chain Ladder Method for all class of business. The claims outstanding and claims paid till date are deducted from the ultimate claim payments for that particular year to derive an IBNR estimate for that year. IBNR triangles are made on a yearly basis for each class of business. The methods used, and the estimates made, are reviewed regularly.

The actuary determines adequacy of liability of contribution deficiency by carrying out analysis of its loss ratio of expired periods of the contracts. For this purpose average loss ratio of last four years inclusive of claim settlement cost are taken into consideration to determine ultimate loss ratio to be applied on unearned contribution.

d) Changes in assumptions

The Operator did not change its assumptions as disclosed in (b) and (c) above .

e) Sensitivity Analysis

The takaful claim liabilities are sensitive to the incidence of insured events and severity / size of claims. The impact of variation in incidence of insured events on gross claim liabilities, net claim liabilities, profit before tax and equity is as follows:



Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2020

Average claim costs	Change in assumption	Impact on gross liabilities	Impact on net liabilities	Impact on surplus / deficit	Impact on Fund
(Rupees)					
2020	±10%	16,675,073	2,681,357	2,681,357	2,681,357
2019	±10%	1,807,234	1,977,996	1,977,996	1,977,996

Statement of Age-wise Breakup of Unclaimed Takaful Benefits

Statement of age-wise breakup of unclaimed takaful benefits is not presented as there are no unclaimed takaful benefits.

Re-takaful risk

Re-takaful ceded does not relieve the PTF from its obligation towards participants and, as a result, the PTF remains liable for the portion of outstanding claims covered through re-takaful to the extent that re-takaful operators fails to meet the obligation under the re-takaful agreements.

To minimise its exposure to significant losses from re-takaful operators' insolvencies, the operations obtain re-takaful rating from a number of re-takaful operators, who are dispersed over several geographical regions.

An analysis of all retakaful assets recognised by the rating of the entity from which it is due is as follows:

	Amount due from other takaful / re-takaful holders	Re-takaful recoveries against outstanding claims	Other re-takaful assets	December 31, 2020	December 31, 2019
(Rupees)					
A or above including Pakistan Reinsurance Company Limited	28,997,046	15,015,815	11,947,160	55,960,021	36,866,613
B+	-	762,544	-	762,544	59,500
	<u>28,997,046</u>	<u>15,778,359</u>	<u>11,947,160</u>	<u>56,722,565</u>	<u>36,926,113</u>

Rating

A or above including Pakistan Reinsurance Company Limited

B+

34.2 Financial risk management objectives and policies

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

- Market risk
- Liquidity risk
- Credit risk



34.2.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise of interest rate risk, foreign currency risk and other price risk. The objective of market risk management is to manage and control market risk exposures within an acceptable range.

34.2.1.1 Profit rate risk

Profit rate risk is the risk that the value of a financial instrument will fluctuate due to change in the market profit rate.

The information about the Operation's exposure to profit rate risk based on contractual repricing or maturity dates whichever is earlier is as follows:

All financial assets of the operations are non profit bearing except for cash and bank deposits ranging profit from 2.75% to 6.00% (2019: 5.30% to 7.21%) and certificate of islamic investment ranging from 5.42% to 10.25% (2019: 4.90% to 10.25%).

34.2.1.2 Foreign 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 Operations, at present, is not materially exposed to currency risk as majority of the transactions are carried out in Pak Rupees.

34.2.1.3 Other price risk

Other price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest 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 Operations at present, is not materially exposed to other price risk.

Sensitivity analysis of investments as at the reporting date is as follows:

For available-for-sale investments in case of 10% increase / decrease in prices at the reporting date, the profit and loss account and Operator's Fund would have been higher / lower by Rs. 0.697 million.

For available-for-sale investments in case of 10% increase / decrease in prices at the reporting date, the surplus / (deficit) and Participant's Fund would have been higher / lower by Rs. Nil.

34.2.2 Liquidity risk

Liquidity risk is the risk that the Operations will not be able to meet its financial obligations as they fall due. The Operations 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 stressed conditions, without incurring unacceptable losses or risking damage to the operation's reputation. The following are the contractual maturities of financial liabilities based on the remaining period at the reporting date to maturity date.

The table below summaries the maturity profile of the financial liabilities. The contractual maturities of these liabilities at the year end have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. Financial liabilities not having a contractual maturity are assumed to mature on the expected date on which these liabilities will be settled.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2020

	2020			Total
	With in one year	Over one year to five year	Over five year	
	(Rupees)			
Financial liabilities				
Provision for outstanding claims (including IBNR)	36,298,886	-	-	36,298,886
Takaful / re-takaful payables	27,412,918	-	-	27,412,918
Payable to OPF	10,097,205	-	-	10,097,205
Other creditors and accruals	15,938,044	-	-	15,938,044
	89,747,053	-	-	89,747,053
	2019			
	With in one year	Over one year to five year	Over five year	Total
	(Rupees)			
Financial liabilities				
Provision for outstanding claims (including IBNR)	19,802,329	-	-	19,802,329
Takaful / re-takaful payables	15,881,047	-	-	15,881,047
Payable to OPF	23,098,830	-	-	23,098,830
Other creditors and accruals	15,374,105	-	-	15,374,105
	74,156,311	-	-	74,156,311

34.2.3 Credit risk

Credit risk is the risk, which 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 operations attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counter parties in various industries and by continually assessing the credit worthiness of counter parties.

34.2.3.1 Concentration of credit risk and credit exposure of the financial instruments

Credit risk of the Operator arises principally from the bank balances, investments and due from takaful contract holders. To reduce the credit risk the Company has developed a formal approval process whereby credit limits are applied to its participants. The management continuously monitors the credit exposure towards the policyholders and other insurers / reinsurers and makes provision against those balances considered doubtful of recovery.

Bank Balances

The bank balances and deposits represents low credit risk as they are placed with reputed financial institutions with strong credit ratings. The credit quality of bank balances can be assessed with reference to external credit ratings as follows:

Bank	Long Term Rating	Rating Agency	2020	2019
			(Rupees)	
Meezan Bank Limited	AA-	JCR-VIS	111,544,224	37,858,434
Al Baraka Bank (Pakistan) Limited	A+	JCR-VIS	9,626	97,176
Bank Islami Pakistan Limited	A+	PACRA	16,245,484	7,119,446
Dubai Islamic Bank (Pakistan) Limited	AA	JCR-VIS	11,915	58,744
			127,811,249	45,133,800

Investments

The Operator's investments are in open end mutual funds which can be liquidate by encashment of units at the counter of mutual funds.

The credit quality of all the mutual funds is A or above.

Due from takaful contract holders

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

The management monitors exposure to credit risk in contribution receivable from group companies and corporate clients through regular review of credit exposure and prudent estimates of provision for doubtful balances. The age analysis of due from takaful contract holders at the reporting date is as follows:

	2020		2019	
	Gross	Impairment	Gross	Impairment
	(Rupees)			
Upto 1 year	11,525,617	-	7,061,075	-
1-2 years	-	-	351	-
2-3 years	-	-	(1,023)	-
Over 3 years	-	-	-	-
	11,525,617	-	7,060,403	-

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	December 31, 2020								
	Carrying amount					Fair value			
	Available-for-sale	Held to maturity	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	(Rupees)								
Financial assets measured at fair value									
Investments in mutual funds	6,968,219	-	-	-	6,968,219	-	6,968,219	-	6,968,219
Financial assets not measured at fair value									
Investments in debt securities	-	500,000	-	-	500,000	-	-	-	-
Loans and receivables*	-	-	251,240	-	251,240	-	-	-	-
Takaful / Re-takaful receivables*	-	-	45,421,012	-	45,421,012	-	-	-	-
Re-takaful recoveries against outstanding claims*	-	-	15,778,359	-	15,778,359	-	-	-	-
Receivable from PTF*	-	-	10,097,205	-	10,097,205	-	-	-	-
Cash and bank*	-	-	127,821,249	-	127,821,249	-	-	-	-
	6,968,219	500,000	199,369,065	-	206,837,284	-	6,968,219	-	6,968,219
Financial liabilities not measured at fair value									
Provision for outstanding claims (including IBNR)*	-	-	-	(36,298,886)	(36,298,886)	-	-	-	-
Payable to OPF*	-	-	-	(10,097,205)	(10,097,205)	-	-	-	-
Takaful / Retakaful payables*	-	-	-	(27,412,918)	(27,412,918)	-	-	-	-
Other creditors and accruals*	-	-	-	(15,938,044)	(15,938,044)	-	-	-	-
	-	-	-	(89,747,053)	(89,747,053)	-	-	-	-

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2020

	December 31, 2019								
	Carrying amount					Fair value			
	Available-for-sale	Held to maturity	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	(Rupees)								
Financial assets measured at fair value									
Investments in mutual funds	62,081,477	-	-	-	62,081,477	-	62,081,477	-	62,081,477
Financial assets not measured at fair value									
Investments in debt securities	-	500,000	-	-	500,000	-	-	-	-
Loans and receivables*	-	-	258,141	-	258,141	-	-	-	-
Takaful / Re-takaful receivables*	-	-	31,222,562	-	31,222,562	-	-	-	-
Re-takaful recoveries against outstanding claims*	-	-	5,735,733	-	5,735,733	-	-	-	-
Receivable from PTF*	-	-	23,098,830	-	23,098,830	-	-	-	-
Cash and bank*	-	-	45,143,800	-	45,143,800	-	-	-	-
	62,081,477	500,000	105,459,066	-	168,040,543	-	62,081,477	-	62,081,477
Financial liabilities not measured at fair value									
Provision for outstanding claims (including IBNR)*	-	-	-	(19,802,329)	(19,802,329)	-	-	-	-
Payable to OPF*	-	-	-	(23,098,830)	(23,098,830)	-	-	-	-
Takaful / Retakaful payables*	-	-	-	(15,881,047)	(15,881,047)	-	-	-	-
Other creditors and accruals*	-	-	-	(15,374,105)	(15,374,105)	-	-	-	-
	-	-	-	(74,156,311)	(74,156,311)	-	-	-	-

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

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair values estimates.

The operations measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

36. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue in accordance with a resolution of the Board of Directors on February 26, 2021.

37. GENERAL

37.1 Corresponding figures have been rearranged and reclassified wherever necessary.

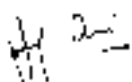
37.2 Figures in these financial statements have been rounded off to the nearest rupee, unless otherwise stated.


Iqbal Ali Lakhani
Chairman


Amin Mohammed Lakhani
Director


Aftab Ahmad
Director


Mohammad Hussain Hirji
Director & Chief Executive


Sabza Ali Pirani
Chief Financial Officer

Form of Proxy

I/We _____

of _____

a member of CENTURY INSURANCE COMPANY LIMITED hereby

appoint _____

of _____

or failing him _____

of _____

who is/are also member/s of Century Insurance Company Limited to act as my/our proxy and to vote for me/us and on my/our behalf at the Annual General Meeting of the shareholders of the Company to be held on the 29th day of April 2021 or at any adjournment thereof.

Signed this _____ day of April 2021.

Folio No.	CDC Participant ID No	CDC Account/ Sub-Account No	No. of shares held

Signature

Witness 1

Signature _____

Name _____

CNIC No. _____

Address _____

Witness 2

Signature _____

Name _____

CNIC No. _____

Address _____

Notes:

1. The proxy must be a member of the Company.
2. The signature must tally with the specimen signature/s registered with the Company.
3. If a proxy is granted by a member who has deposited his/her shares in Central Depository Company of Pakistan Limited, the proxy must be accompanied with participant's ID number and CDC account/sub-account number alongwith attested photocopies of Computerized National Identity Card (CNIC) or the Passport of the beneficial owner. Representatives of corporate members should bring the usual documents required for such purpose.
4. The instrument of Proxy properly completed should be deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting, excluding holidays.

مختار نامہ (پراکسی فارم)

میں / ہم _____ ساکن
_____ ساکن
_____ بحثیت رکن (ممبر) سینچری انشورنس کمپنی لمیٹڈ مقرر کرتا / کرتی ہوں / کرتے ہیں مسمیٰ / مسماۃ _____ ساکن
_____ کو یا ان کی غیر حاضری میں مسمیٰ / مسماۃ _____ ساکن
_____ ساکن

کوجو خود بھی سینچری انشورنس کمپنی لمیٹڈ کا رکن ہے کہ وہ بطور میرا / ہمارا مختار (پراکسی) سینچری انشورنس کمپنی لمیٹڈ کے سالانہ اجلاس عام جو ۲۹ اپریل ۲۰۲۱ کو منعقد ہو رہا ہے یا اس کے کسی ملتوی شدہ اجلاس میں شرکت کرے اور وہ میری / ہماری جگہ میری / ہماری طرف سے حق رائے دہی استعمال کرے۔

مورخہ اپریل _____ ۲۰۲۱ کو میرے / ہمارے دستخط سے جاری ہوا۔

فولیو نمبر	سی ڈی سی کھاتہ نمبر	حصص کی تعداد

دستخط

گواہ نمبر ۲

دستخط _____
نام _____
کمپیوٹرائزڈ قومی شناختی کارڈ نمبر _____
پتہ _____

گواہ نمبر ۱

دستخط _____
نام _____
کمپیوٹرائزڈ قومی شناختی کارڈ نمبر _____
پتہ _____

ہدایات:

- ۱۔ مختار (پراکسی) کا کمپنی کا رکن (ممبر) ہونا ضروری ہے۔
- ۲۔ ممبر (رکن) کے دستخط، نمونہ دستخط / اندراج شدہ دستخط سے مماثلت ہونا ضروری ہے۔
- ۳۔ سی ڈی سی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر کو مختار نامہ (پراکسی فارم) کے ہمراہ کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقل منسلک کرنا ضروری ہے۔ کارپوریٹ ادارے کے نمائندوں کو معمول کے مطابق دستاویزات ساتھ لانا ضروری ہے۔
- ۴۔ مختار نامہ (پراکسی فارم) مکمل پر شدہ کمپنی کے رجسٹرڈ آفس میں اجلاس کے مقررہ وقت سے کم از کم ۴۸ گھنٹے قبل جمع کرنا ضروری ہے، علاوہ چھٹیوں کے۔

Network

Head Office

11th Floor, Lakson Square, Building # 3,
Sarwar Shaheed Road, Karachi-74200.
UAN: (021) 111-111-717 Fax: (021) 35671665
Email: info@cicl.com.pk

Karachi Clifton Office

Office # 504-505, 5th Floor, Marine Point,
DC 1, Block-9, Clifton, Karachi.
Tel: (021) 35309234-36 Fax: (021) 35309237

Islamabad Office

Office # 6, Kashmir Plaza, Jinnah Avenue,
Blue Area, Islamabad.
UAN: (051) 111-111-717 Fax: (051) 2870228

Sialkot Office

1st Floor, Karim Plaza, Iqbal Town,
Defence Road, Sialkot.
UAN: (052) 111-111-717 Fax: (052) 3241703

Gujranwala Office

2nd Floor, Gujranwala Business Centre,
Opp. Gujranwala Chamber of Commercial &
Industry Trust Plaza, Gujranwala.
Tel: (055) 3840034-35

Registered and Corporate Office

Lakson Square, Building # 2, Sarwar Shaheed Road,
Karachi-74200.
Tel: (021) 38400000 Fax: (021) 35683410

Karachi Lakson Square Office

10th Floor, Lakson Square, Building # 3,
Sarwar Shaheed Road, Karachi-74200.
Tel: (021) 111-111-717 Fax: (021) 35689518

Shahrah e Faisal Office:

Ebrahim Estates, 2nd Floor,
D/1 Union Commercial Area,
Block 7 & 8, Shahrah e Faisal, Karachi.
Tel: (021) 34529155-7, 34310723-4
Fax: (021) 34310725

Lahore Regional Office

1st Floor, 14 Ali Block, New Garden Town, Lahore.
UAN: (042) 111-111-717 Fax: (042) 35911176

Faisalabad Office

2nd Floor, Legacy Tower, Kohinoor City,
Faisalabad.
UAN: (041) 111-111-717 Fax: (041) 8554453

Multan Office

Office # 55-57, 1st Floor, Business City Plaza,
Bosan Road, Multan.
Tel: (061) 6211241-43 Fax: (061) 6211244

Website: www.cicl.com.pk



Century Insurance
A Lakson Group Company

UAN: 111-111-717
Website: www.cicl.com.pk

