



ہمیشہ کالتہ

69<sup>th</sup> ANNUAL REPORT

2020



## Company Information

Vision/ Mission Statement	02
Core Values	04
Company Information	06
Our Journey	08
Board of Directors	10

## Investor Information

Key Operating and Financial Data	12
----------------------------------	----

## Corporate Governance

Chairman's Review	13
Report of the Directors to Members	15
Statement of compliance with the Code of Corporate Governance for Insurers, 2016	25
Review report to the members on the statement of compliance with the best practices of the code of corporate governance	31

## Financial Statements

Auditors' Report to the Members	33
Statement of Financial Position	38
Profit and Loss Account	39
Statement of Comprehensive Income	40
Statement of Changes in Equity	41
Statement of Cash Flows	42
Notes to and Forming Part of the Financial Statements	44

## Financial Statement (Window Takaful)

111	Auditors' Report to the Members
115	Annual Shariah Review Report 2019
116	Statement of Financial Position
117	Statement of Profit and Loss
118	Statement of Comprehensive Income
119	Statement of Changes in Fund Balances
120	Statement of Cash Flows
157	Notes to and Forming Part of the Financial Statements
	Pattern of Shareholding

## Branch Network

164	
166	Notice of Annual General Meeting
171	Proxy Form





## Vision Statement

Our vision is to be the first choice company for all stakeholders, while achieving the stature of the market leader in the general insurance industry of Pakistan.



## Mission Statement

Our mission is to be a professionally managed and financially sound, top general insurance company. Premier Insurance strives to work in the interest of all stakeholders including our clients, employees, reinsurers, shareholders and the nation.

## Core Values

### Professionalism

Our clients deserve the best service. Premier Insurance guarantees that it remains Pakistan's first choice insurer by hiring highly competent, intelligent and skilled management to be able to best facilitate our clients' needs.

### Empathy

We are in the business of providing security because we understand our clients' apprehension when their valuable assets are at risk. With empathy, we are able to not only provide professional service but personalised service because we understand you.

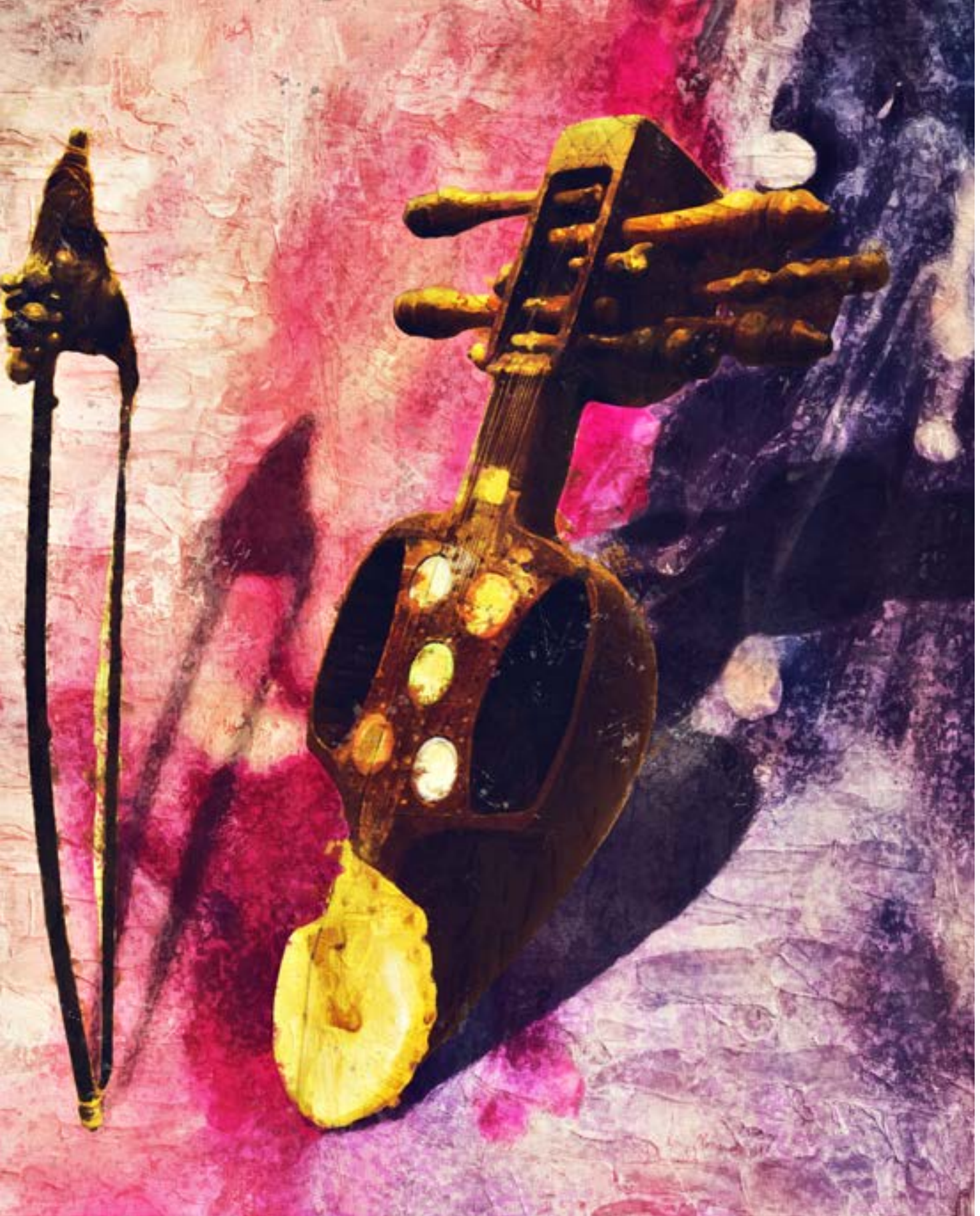
### Integrity

Premier Insurance upholds its integrity by being upright, honest and candid in all its dealings. With integrity, we foster trust by our clients in the company.

### Tradition

Premier Insurance is Pakistan's first insurer and we have a long and proud tradition of promptly settling claims and providing exemplary service since 1952. The company was conceived for the service of the nation and till today we stand steadfastly by our founding principles which has helped us develop relationships lasting generations.





# Company Information

## Board of Directors

Khalid Bashir  
(Chairman)

Nadeem Maqbool

Ahsan Bashir

Asadullah Khawaja

Attaullah A. Rasheed

Imran Maqbool

Shameen Azfar

Sharik Bashir

## Audit Committee

Asadullah Khawaja  
(Chairman)

Khalid Bashir  
(Member)

Imran Maqbool  
(Member)

Oan Ali  
(Secretary)

## Investment Committee

Ahsan Bashir  
(Chairman)

Nadeem Maqbool  
(Member)

Imran Maqbool  
(Member)

Asadullah Khawaja  
(Member)

Sharik Bashir  
(Member)

Amjed Bahadur Ali  
(Secretary)

## Chief Executive Officer

Nadeem Maqbool

## Chief Financial Officer

Amjed Bahadur Ali

## Company Secretary & Head of Compliance

Zeeshan Sattar

## Ethics, Human Resource, Remuneration & Nomination Committee

Attaullah A Rasheed  
(Chairman)

Shameen Azfar  
(Member)

Nadeem Maqbool  
(Member)

Niina Afridi  
(Secretary)

## Claim Settlement Committee

Imran Maqbool  
(Chairman)

Attaullah A. Rasheed  
(Member)

Afzal-ur-Rehman  
(Member)

Hassan Mustafa  
(Member/Secretary)



# Company Information

## Underwriting Committee

Imran Maqbool  
(Chairman)

M. K. Baig  
(Member)

Afzal Ur Rehman  
(Member)

M. A. Hannan Shadani  
(Secretary)

## Reinsurance & Co-Insurance Committee

Sharik Bashir  
(Chairman)

Afzal Ur Rehman  
(Member)

Kamran Safi Rizvi  
(Member/Secretary)

## Risk Management & Compliance Committee

Shameen Azfar  
(Chairman)

Nadeem Maqbool  
(Member)

Sharik Bashir  
(Member)

Amjed Bahadur Ali  
(Member)

Zeeshan Sattar  
(Secretary)

## Auditors

EY Ford Rhodes, Chartered Accountants.

## Legal Advisors

Arfin & Company Advocates

## Registrar

FAMCO Associates (Pvt) Ltd  
8-F, Next to Hotel Faran,  
Nursery, Block-6, P.E.C.H.S.,  
Shahrah-e-Faisal, Karachi.

P : (21) 34380101-2

F : (21) 34380106

E : info.shares@famco.com.pk

## Registered & Head Office

5th Floor, State Life Building No.2A  
Wallace Road, Karachi-74000, Pakistan.

P : (21) 32416331-4

F : (21) 32416572

E : info@pil.com.pk

W: www.pil.com.pk





## Our Journey

1952 – Zahid Hussain, the 1st Governor of the State Bank of Pakistan brought together leading industrialists of the newly established country realising the need for a Pakistani insurer – a crucial component for a young, burgeoning economy. This event set into motion the conception of Premier Insurance, a company with a vision to serve the nation.

Today, the company remains steadfast by its founding principles. It is a leading insurer listed on the Karachi, Lahore and Islamabad Stock Exchanges having earned numerous Top Companies' Awards. Premier Insurance is a member of the Insurance Association of Pakistan, a member of the Management Association of Pakistan and is licensed by the Securities and Exchange Commission of Pakistan.

Our business spans the country, provides services to clients across all economic sectors and offers products in all classes of general insurance. Premier Insurance employs exceedingly proficient management that enables the company to remain competitive, growing and at the cutting edge of technology.

It is our historical practice of striving to achieve prompt settlement of even the largest claims that has allowed us to build relationships lasting generations, with some of the oldest institutions of Pakistan, and attract new clients seeking to prosper in the modern economy.

With our values firmly anchored in our founders' objective of serving the nation, we are committed to maintaining and forever building upon our tradition of excellence in all that we do.

# Board of Directors

Premier Insurance is a stalwart of the insurance industry of Pakistan. As the first company created after the independence of Pakistan, the company has for long been a trusted partner for her clients, and an anchor institution that has thrived through the history of this nation. Boasting a strong balance sheet and maintaining our reputation of trust and reliability, we are confident that the company will continue to be a partner of choice for the leading businesses of Pakistan.

With the combined efforts of our new team and the old trusted faces that have been with us through decades, we believe that Premier Insurance will push boundaries and expand business rapidly throughout the nation. Given the positive economic climate, improved security, greater foreign investment and growing middle class, we feel the company is well-poised to succeed in a revitalised Pakistan. The company will continue to innovate, continue to provide creative solutions to protect our clients from risks and continue to be a model of exemplary service in the years to come. May Premier Insurance and Pakistan prosper always.

**Khalid Bashir**  
Chairman







Nadeem Maqbool



Imran Maqbool



Ahsan Bashir



Asadullah Khawaja



Attaullah A Rasheed



Sharik Bashir



Shameen Azfar

## Key Operating and Financial Data

	2020	2019	2018 *	2017 *	2016	2015
Paid-up capital	505,650	505,650	505,650	505,650	417,893	348,244
Capital reserves	19,675	19,675	19,675	19,675	19,675	19,675
Revenue reserves	811,584	631,698	687,314	661,191	1,371,101	1,240,505
Total reserves	831,259	651,373	706,989	680,866	1,390,776	1,260,180
Total equity	1,336,909	1,157,023	1,212,639	1,186,516	1,630,514	1,608,424
Total assets	3,249,280	2,957,300	3,163,733	3,599,157	4,133,594	3,685,412
Premium written (Including Takaful Contribution)	607,425	633,067	685,474	1,008,991	1,309,617	1,408,264
Premium written	532,726	501,364	535,977	849,108	1,115,119	1,405,907
Net premium	195,194	223,329	290,309	517,834	623,366	770,143
Investment income	22,366	(135,584)	42,937	27,265	258,537	119,300
Impairment of financial assets	(26,996)	(167,430)	(75,581)	(104,933)	(98,302)	19,553
Profit / (loss) before taxation	(110,036)	(274,655)	53,390	(302,008)	(325,134)	123,424
Profit / (loss) after taxation	(117,112)	(239,761)	44,822	(315,977)	(330,709)	110,616
Return on equity*(%)	-9.39%	-20.24%	3.74%	-22.43%	-20.42%	7.00%
Book value per share**(Rs.)	26.44	22.88	23.98	23.47	39.02	46.19
Earnings / (loss) per share** (Rs.)	(2.32)	(4.74)	0.89	(6.25)	(7.91)	3.18
Cash dividend (%)	0.00%	0.00%	0.00%	0.00%	0.00%	10.00%
Stock dividend (Bonus - %)	0.00%	0.00%	0.00%	20.00%	10.00%	20.00%

\* restated

# Chairman's Review

It is my pleasure to present the 69th Annual Report of your Company.

## Conventional Operations

The Company reported a gain of 6.25% in gross written premium during the year December 31, 2020. The Investment income turned into positive by Rs. 22.36 million as compared to last year loss of Rs. 135.58 million. The underwriting loss also reduced by Rs. 40.92 million as compared to last year.

## Window Takaful Operations

Company's Window Takaful Operations reported a decline of 43% in gross written premium during the year December 31, 2020. The overall claim ratio improved as compared to last year due to which Takaful Operation reduced its deficit to Rs. 3.56 million as against Rs. 11.07 million of last year.

Due to COVID-19 the year 2020 has been slow in terms of economic growth on national and International level. On the inflation front recent out-turn have been on higher side due to the increase in food prices. However, the demand and supply pressures are likely to be temporary and average inflation is expected to around 8% for FY21. The turned around in current account balance, was supported by an upturn in remittances which were reached an all-time high level of USD 14.2 billion. The Pakistan Stock Exchange showed its continued upward velocity and the hundred index closed at 43,755 points at the close of the year

We at Premier will continue to put in our best efforts to mitigate the effects of the recession

and will continue to invest people, systems and processes to deliver sustainable, profitable growth and maintain a leading position in the country. The Company will continue to develop and deepen relationships with our customers and work with them in meeting their requirements.

The Management of the company will continuously endeavor to improve performance in the future. The Company's management team is highly motivated and working towards restricting controllable costs and expenses in challenging business and operating environments. The marketing staff has been given challenging and aggressive targets and we are continuing to strengthen the underwriting process.

As one of the oldest financial institution of the country, we are hopeful to deliver sustainable growth in a challenging and competitive business environment in order to maintain our position in the industry.

I wish to place on record my appreciation and gratitude for the support received by the Company from the Securities and Exchange Commission of Pakistan, Pakistan Reinsurance Company Limited and all our reinsurers for their continued guidance. I would also like to thank the field force, officers and staff of the Company for the dedicated efforts and all our stakeholders.

**Khalid Bashir**  
Chairman

## چیئر مین کا جائزہ

میں انتہائی مسرت کے ساتھ کمپنی کی 69 ویں سالانہ رپورٹ پیش کر رہا ہوں۔

### روایتی آپریشن

کمپنی نے مجموعی تحریری پریمیم میں سال 31 دسمبر 2020 کے دوران 6.25% اضافے کی اطلاع دی ہے۔ گزشتہ سال کے دوران 22.36 ملین روپے کا خسارہ کے مقابلے میں 135.58 ملین روپے انڈر رائٹنگ نقصان میں بھی 40.92 ملین روپے کی کمی واقع ہوئی ہے۔

### ونڈ وٹکافل آپریشنز

کمپنی کے وٹکافل آپریشنز نے 31 دسمبر 2020 کے دوران مجموعی تحریری پریمیم میں 43% کی کمی کی اطلاع دی ہے۔ مجموعی طور پر اس دعوے کا تناسب پچھلے سال کے مقابلے میں بہتر ہوا ہے جس کی وجہ سے وٹکافل آپریشنز نے پچھلے سال کے 11.07 ملین روپے کے مقابلے میں 3.56 ملین روپے خسارہ کم کیا ہے۔

کووڈ 19- کی وجہ سے سال 2020 اور بین الاقوامی سطح پر معاشی نمو کے لحاظ سے سست رہا ہے۔ افراط زر کے محاذ پر حالیہ آؤٹ ٹرن کھانوں کی قیمتوں کے اضافے کی وجہ سے اونچا رہا ہے، تاہم طلب اور رسد کے دباؤ کا عارضی ہونے کا امکان ہے اور مالی سال FY21 کے لئے اوسط افراط زر 8% کے لگ بھگ متوقع ہے۔ کرنٹ اکاؤنٹ بیلنس میں تبدیل، ترسیلات زر میں اضافے کی حمایت کی گئی جو 14.2 بلین امریکی ڈالر کی ہمہ وقتی اعلیٰ سطح تک پہنچ گئی ہے۔ پاکستان اسٹاک ایکسچینج نے اپنی مسلسل اوپر کی طرف رفتار کا مظاہرہ کیا اور سوانڈیکس سال کے اختتام پر 43.755 پوائنٹس پر بند ہوا۔

کمپنی کی انتظامیہ تسلسل کے ساتھ مستقبل میں اپنی کارکردگی میں بہتری کے لئے کوشاں ہے۔ کمپنی کی انتظامی ٹیم بہت زیادہ متحرک ہے اور دشوار گزار افعال اور کاروباری ماحول میں قابل گرفت لاگتوں اور اخراجات کو محدود کرنے کے لئے کام کر رہی ہے۔ مارکیٹنگ اسٹاف کو مشکل اور متحرک ہدف دیئے گئے ہیں اور ہم تسلسل کے ساتھ اپنے ذمہ نویسی کے عمل کو مضبوط کر رہے ہیں۔

ملک کے قدیم ترین ادارے کی حیثیت سے ہم ملکی تاریخ میں ہمیشہ مستحکم رہے ہیں اور آنے والے چیلنجز کا مقابلہ کرنے کے لئے پرعزم ہیں۔ یہ ہماری بنیادی خواہش ہے کہ پاکستان خوشحال بنے جس سے بحیثیت قوم ہماری ترقی ہوگی۔

میں اس موقع پر سیکو ریٹیز اینڈ ایکسچینج کمیشن آف پاکستان، پاکستان ری انشورنس لمیٹڈ اور تمام ری انشوررز کی مسلسل رہنمائی پر ان کے لئے ستائش ریکارڈ پر لانا چاہتا ہوں اور ان کا بھجرا مشکور ہوں۔ میں کمپنی کی فیلڈ فورس، آفیسرز اور اسٹاف اور تمام مستفیدان کا بھی شکریہ ادا کرتا ہوں۔

خالد بشیر

چیئر مین



# Report of the Directors To Members

The directors of your Company are pleased to present the 69th Annual Report of the Company together with the audited financial statements and Auditors' Report thereon for the year ended December 31, 2020.

## Economic Situation

From the start of 2020 the world faced an unprecedented catastrophe with COVID-19 affecting the world economies and leading to widespread closures. Economic growth in every country, including Pakistan suffered tremendously and faced an era not seen before. In Pakistan the government also moved towards closures and lockdowns to curb the pandemic but compared to the world, our economy suffered to a lesser extent. As the economy contracted, one positive consequence was the decrease in Pakistan's balance of payments and trade deficit. Since the lockdowns in Pakistan eased much before the rest of the world, we were able to restart quickly and gain some advantage.

Due to the marked fall in oil prices the current account was in surplus for the first four months — July to October — of the current fiscal year, an unusual occurrence given Pakistan's import dependence and export stagnation. Pakistan also received US\$1.4 billion from the IMF under its Rapid Financing Instrument scheme, as well as US\$2 billion in debt relief and assistance from the G20 and other multilateral institutions. The State Bank of Pakistan reacted smartly to the problems associated with pandemic and reduced the policy rate to spur growth and also offered various incentives to the businesses in the form of soft loans so that there was lower unemployment. During the latter half of the year, Pakistan Stock Exchange started to rise and the 100 index closed at 43,755 points at the year end.

## Performance Review

Following is the overall performance of the Company for the year ended December 31, 2020

	Conventional		Takaful	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
	(Rupees in '000)			
Premium / contribution written	532,726	501,364	74,699	131,703
Net Premium / contribution	195,194	223,329	59,812	82,717
Underwriting Result	(182,908)	(223,824)	(3,567)	(11,077)
Investment Income /(loss)	22,366	(135,584)	2,149	6,030
(Loss) before taxation	(110,036)	(274,655)	( 457)	(3,899)
(Loss) after taxation	(117,112)	(239,761)	-	-
(Loss) per share	(2.32)	(4.74)		

# Report of the Directors To Members

## Conventional Operations

The Company reported a gain of 6.25% in gross written premium during the year December 31, 2020. Our policy for the year has been to shed loss making business and retain business which has lower loss ratios. This may in the short term show a lower growth in total written premium but we feel that we should be able to improve on that gradually. Our restructuring of the company operations has continued and we are striving to further streamline our operations in 2021. Our management expenses have reduced by approximately 23% during the year under review. Acquisition and claim costs remained the same as the corresponding period. Underwriting loss during the year under review reduced by Rs. 40.92 million as compared to the corresponding period. The Investment income showed an increase of Rs. 22.36 million compared to a loss of Rs. 135.58 million.

## Window Takaful Operations

Company's Window Takaful Operations reported a decline of 43% in gross written premium during the year December 31, 2020. The overall claim ratio improved as compared to last year due to which Takaful Operation reduced its deficit to Rs. 3.56 million as against Rs. 11.07 million of last year.

## Appropriation of Profit/ (Loss)

The loss after tax during this year is Rs. 117.11 million as against the loss after tax of Rs. 239.76 million of last year.

## Credit Rating

Your Company has been rated by PACRA. PACRA has assigned a rating of A to the Company, with negative outlook.

## Annual Evaluation of the Board's Performance

The Board has placed a mechanism to evaluate its performance annually as required by the Code of Corporate Governance.

## Future Outlook

The COVID-19 Pandemic had badly effect the world socially and economically and most importantly the loss of precious human lives. Even though Pakistan has been fortunate in a lower percentage of population being affected, the pandemic is not over. Pakistan is dependent on the world economies and our recovery is linked to that of the world.

# Report of the Directors To Members

We expect that the financial year 2021 will also be a challenging year with the business and economic environment slowly improving. We can only hope that with support and encouragement of the government and the resilience of the business sector, the economy will start to show signs of improvement.

In 2021 our focus would be to innovate for new products as well as maintaining our focus on our traditional clients. We intend to continue our strategy to achieve a better client base and further streamline our operations through innovation and cost control measures.

## Reinsurance/Re Takaful

Reinsurance market has been tough owing to global losses, but your Company continues to enjoy very sound Reinsurance and Re-Takaful arrangements which are placed with leading international companies, like SCOR Re Global P&C, Korean Reinsurance Company, Echo Re, Emirates International, GIC Re –Dubai „Labuan Re-Takaful, „GIC Re-Takaful.

## Corporate and Financial Reporting Framework

The financial statements prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.

- i. Proper books of accounts have been maintained by the Company.
- ii. Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- iii. Approved Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- iv. The system of internal controls is sound in design and has been effectively implemented and monitored.
- v. There is no significant doubt about the Company's ability to continue as a going concern.
- vi. There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.
- vii. Key operating and financial data for the last six years is annexed with the report.
- viii. The value of investments of Provident Fund based on an audited financial statements as at December 31, 2019 was Rs. 61.41 million.

# Report of the Directors To Members

- ix. The statement of pattern of shareholding in the Company as at 31 December 2020 is included with the Report.
- x. During 2020, four meetings of the Board were held, with at least one in each quarter, and were attended as follows:

Name of director	Meetings attended
Mr. Khalid Bashir (Chairman)	4
Mr. Nadeem Maqbool (CEO)	4
Mr. Imran Maqbool	4
Mr. Ahsan Bashir	2
Mr. Asadullah Khawaja	4
Mr. Attaullah A Rasheed	3
Mr. Sharik Bashir	2
Mr. Shehryar Mazhar	2
Mr. Shams Rafi	2
Ms. Shameen Azfar	1

Leave of absence was granted to director unable to attend a meeting.

## Compliance with the Code of Corporate Governance

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

## Statement of Ethics and Business Practices

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

## Board of Directors

The Board of Directors consists of eight individuals having the knowledge, experience and skill required to provide oversight and the strategic guidelines to the Company. Except Chief Executive and one director, all the directors of the Company are non-executive directors including an independent director.



# Report of the Directors To Members

The Board of Directors was reconstituted upon the completion of its term on June 23, 2020, and the following Directors were elected for a 3 year term.

Mr. Khalid Bashir (Chairman)

Mr. Nadeem Maqbool

Mr. Imran Maqbool

Mr. Ahsan Bashir

Mr. Asadullah Khawaja

Mr. Attaullah A Rasheed

Mr. Sharik Bashir

Ms. Shameen Azfar

## Directors' Remuneration Policy

In order to comply with Companies Act, 2017, Listed Companies (Code of Corporate Governance) Regulations, 2019, the Company has a policy with respect to the remuneration of Chairman, Chief Executive, Non-Executive, Executive and Independent Directors. The Board of Directors have approved the meeting attending fee for Board, Audit and other committee meetings.

## Board Committees

The Board constituted committees as required under the Code of Corporate Governance namely:

Audit Committee, Ethics, Human Resource, Remuneration & Nomination Committee, Underwriting, Claims, Reinsurance and Co-insurance, Investment and Risk Management & Compliance Committees. The committees are chaired by members having sound experience in giving strategic direction to the company through these committees. The responsibilities of the committees are defined by Terms of Reference which are set in accordance with the requirements of the Code. All committees have met during the year as required by the Code.

## Appointment of Auditors

The external auditors M/s. EY Ford Rhodes (Chartered Accountants) retire at the conclusion of the AGM. On the recommendation of the Board's Audit Committee, and being eligible for reappointment, the Board recommends the reappointment of M/s. EY Ford Rhodes (Chartered Accountants) as statutory auditors of the company for the next term i.e., year ending on December 31, 2021 for the approval of the members in the AGM.

# Report of the Directors To Members

## Acknowledgement

We would like to thank our valued customers for their continued patronage and support and to the Pakistan Reinsurance Company Limited, Securities and Exchange Commission of Pakistan and State Bank of Pakistan for their guidance and assistance.

It is a matter of deep gratification for your Directors to place on record their appreciation of the efforts made by officers, field force and staff who had contributed to the growth of the Company and the continued success of its operations.

**On behalf of the Board**

**Chairman**

**CEO/Director**

**Karachi, Dated: March 31, 2021**

### بورڈ کی کمیٹیاں

بورڈ نے ادارتی نظم و ضابطہ کے ضابطہ کے تحت جو کمیٹیاں تشکیل دی ان کے نام درج ذیل ہیں:

آڈٹ کمیٹی، اخلاقیات، انسانی وسائل، معاوضہ اور نامزد کمیٹی، ذمہ نویسی، کلیمز، ری انشورنس اور کو انشورنس، انویسٹمنٹ اینڈ رسک مینجمنٹ اینڈ کمپلائنس کمیٹیاں۔ ان کمیٹیوں کے چیئرمین مضبوط تجربہ کے حامل ہیں جو کہ کمپنی کو ان کمیٹیوں کے ذریعے کلیدی سمت فراہم کرتے ہیں۔ ان کمیٹیوں کی ذمہ داریوں کا تعین ضابطہ کی ضروریات کے مطابق کیا جاتا ہے۔ سال کے دوران ضابطہ کے مطابق ان کمیٹیوں کے اجلاس ہوئے۔

### آڈیٹرز کی تقرری

بیرونی آڈیٹرز میسرز ای وائی فورڈر ہوڈز (چارٹرڈ اکاؤنٹنٹس) AGM کے اختتام پر ریٹائر ہو جائیں گے۔ لہذا بورڈ کی آڈٹ کمیٹی کی سفارش پر اور ان کی اہلیت کے باعث بورڈ نے میسرز ای وائی فورڈر ہوڈز (چارٹرڈ اکاؤنٹنٹس) دوبارہ بطور کمپنی کے آئینی آڈیٹر اگلی مدت یعنی 31 دسمبر 2021 تک ختم ہونے والے سال کے لئے AGM میں ممبران کے روبرو ان کی منظوری کے لئے پیش کرنے کی سفارش کی ہے۔

### اعتراف

ہم اپنے قابل قدر گاہکوں کی مسلسل سرپرستی اور تعاون اور پاکستان ری انشورنس کمپنی لمیٹڈ، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان کی رہنمائی اور مدد پر ان کے شکرگزار ہیں۔

آپ کے ڈائریکٹران کمپنی کے تمام آفیسرز، فیلڈ فورس اور اسٹاف کو گہری ستائش پیش کرتے ہیں جنہوں نے کمپنی کی ترقی میں اور اس کے مسلسل کامیاب آپریشنز میں اہم کردار ادا کیا۔

### از طرف بورڈ

چیئرمین

سی ای او / ڈائریکٹر

کراچی مورخہ: مارچ 31، 2021

- iii منظور شدہ رپورٹنگ کے عالمی مالیاتی معیارات (IFRS) جو پاکستان میں نافذ ہیں ان کی مالیاتی گوشواروں کی تیاری میں پیروی کی گئی ہے اور کسی بھی انحراف کو مناسب انداز میں منکشف کیا گیا ہے۔
- iv اندرونی گرفت کے نظام کو مضبوط طرز پر بنایا گیا ہے اور اس کا موثر طور پر نفاذ کیا گیا ہے اور نگرانی کی جاتی ہے۔
- v کمپنی کے مسلسل چلتے ہوئے ادارے کی حیثیت میں کوئی قابل ذکر شک و شبہ نہیں ہے۔
- vi کاروباری نظم و نسق کے بہترین طور طریقے جن کی وضاحت لسٹنگ ریگولیشنز میں کی گئی ہے سے کوئی بڑا انحراف نہیں ہوا۔
- vii گزشتہ چھ سالوں کے اہم کاروباری اور مالیاتی اعداد و شمار اس رپورٹ کے ساتھ منسلک ہیں۔
- viii پروڈیٹ فنڈ سے کی گئی سرمایہ کاریوں کی مالیت ان کے آڈٹ شدہ مالیاتی گوشواروں ختمہ 31 دسمبر 2019 کے مطابق 61.41 ملین روپے ہیں۔
- ix 31 دسمبر 2020 کو کمپنی کی حصص داری کی ساخت اس رپورٹ میں شامل کی گئی ہے۔
- x سال 2020 کے دوران بورڈ کے پانچ اجلاس ہوئے، ہر سہ ماہی میں کم از کم ایک اور جن میں حاضری درج ذیل رہی:

ڈائریکٹر کا نام	حاضر اجلاسوں کی تعداد
جناب خالد بشیر (چیئر مین)	4
جناب ندیم مقبول	4
جناب عمران مقبول	4
جناب احسن بشیر	2
جناب اسد اللہ خواجہ	4
جناب عطاء اللہ اے رشید	3
جناب شارق بشیر	2
جناب شہریار مظہر	2
جناب شمس رفیع	2
محترمہ شامین اظفر	1

جوڈائریکٹر حاضر نہ ہو سکے ان کی رخصت منظور کر لی گئی۔

### ادارتی نظم و نسق کے ضابطہ کے پاسداری

ریگولیٹری حکام کی طرف سے کوڈ آف کارپوریٹ گورننس کی ضروریات طے کی گئیں اور ان کی تعمیل کی گئی۔ اس بارے میں ایک بیان اس رپورٹ کے ساتھ منسلک ہے۔

### اخلاقیات اور کاروباری طور طریقوں سے متعلق بیانیہ

بورڈ نے اخلاقیات اور کاروباری طور طریقوں سے متعلق بیانیہ کو اختیار کیا ہے۔ تمام ملازمین کو اس بیانیہ سے آگاہ کر دیا گیا ہے اور ان کے لئے لازمی ہے کہ کاروباری اور نگران قوانین سے متعلق ان اخلاقی ضوابط کی پاسداری کریں۔

### بورڈ آف ڈائریکٹرز

بورڈ آف ڈائریکٹرز آٹھ افراد پر مشتمل ہے جو کمپنی کی نگرانی اور کلیدی رہنمائی کے لئے درکار علم، تجربہ اور مہارت کے حامل ہیں۔ کمپنی کے تمام ڈائریکٹران نان ایگزیکٹو ڈائریکٹرز ہیں سوائے چیف ایگزیکٹو آفیسر کے جو ایک آزاد ڈائریکٹر ہے۔

بورڈ آف ڈائریکٹرز کی تشکیل 23 جون 2020ء کو اپنی میعاد کی تکمیل کے بعد تشکیل دی گئی تھی اور مندرجہ ذیل ڈائریکٹرز 3 سال کے لئے منتخب ہوئے تھے۔

### جناب خالد بشیر (چیئر مین)

جناب ندیم مقبول

جناب عمران مقبول

جناب احسن بشیر

جناب اسد اللہ خواجہ

جناب عطاء اللہ اے رشید

جناب شارق بشیر

محترمہ شامین اظفر

### ڈائریکٹران کے معاوضہ کی پالیسی

کمپنیز ایکٹ 2017، لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کی پاسداری کرتے ہوئے کمپنی کے پاس چیئر مین، چیف ایگزیکٹو، نان ایگزیکٹو، ایگزیکٹو اور آزاد ڈائریکٹران کے معاوضہ سے متعلق ایک پالیسی ہے۔

بورڈ آف ڈائریکٹرز نے بورڈ، آڈٹ اور دیگر کمیٹیوں کے اجلاس میں حاضری پر نان ایگزیکٹو ڈائریکٹران اور آزاد ڈائریکٹری فیس منظور کی ہے۔



## روایتی آپریشنز

کوڈ-19 وبائی امراض نے تمام دنیا کو معاشی اور معاشرتی طور پر بری طرح سے متاثر کیا ہے اور سب سے اہم بات یہ ہے کہ قیمتی انسانی جانیں ضائع ہوئی ہیں۔ اگرچہ پاکستان آبادی کے متاثر ہونے میں خوش قسمت رہا ہے، مگر وبائی مرض ختم نہیں ہوا ہے۔ پاکستان عالمی معیشتوں پر انحصار کرتا ہے اور ہماری بحالی دنیا سے منسلک ہے۔

ہمیں توقع ہے کہ مالی سال 2021ء بھی ایک چیلنجنگ سال ہوگا جس کے ساتھ ہی کاروبار اور معاشی ماحول میں بتدریج بہتری آئے گی۔ ہم یہ امید کرتے ہیں کہ حکومت کی حمایت اور حوصلہ افزائی اور کاروباری شعبے میں چلک کے ساتھ ہی معیشت میں بہتری کے آثار سامنے آنا شروع ہو جائیں گے۔

2021ء میں ہماری توجہ نئی مصنوعات کے لئے ایجادات کے ساتھ اپنے روایتی موکلوں پر اپنی توجہ مرکوز رکھنا ہوگی۔ ہم اپنے موکل کی بہتری کے لئے اپنی حکمت عملی کو جاری رکھنے کا عزم رکھتے ہیں اور جدت طرازی اور لاگت پر قابو پانے والے اقدامات کے ذریعے اپنے عمل کو مزید بہتر بنائیں گے۔

## دہری بیمہ کاری/دہرا تکافل

عالمی نقصانات کی وجہ سے انشورنس مارکیت مشکل کا شکار رہی ہے لیکن آپ کی کمپنی بہت زیادہ مستحکم دہری بیمہ کاری اور دہرے تکافل کے تکمیلی انتظامات سے لطف اندوز ہو رہی ہے۔ جن کا شمار قائد عالمی سکیورٹیز ہے جن میں SCOR Globa P&C کورین ری انشورنس کمپنی، ایکوری، امیرٹس انٹرنیشنل، GIC ریوی، لایون ری تکافل، GIC ری تکافل شامل ہیں۔

## ادارتی اور مالیاتی رپورٹنگ کا فریم ورک

کمپنی کی انتظامیہ کے تیار کردہ مالیاتی گوشوارے کمپنی کی حالت کار، اس کی سرگرمیوں، امور کے نتائج، نقد بہاؤ اور ایکویٹی میں تبدیلی کو منصفانہ طور پر پیش کرتے ہیں۔

- کمپنی کے کھاتوں کی کتابیں مناسب انداز میں رکھی گئی ہیں۔
- کمپنی کے مالیاتی گوشواروں کی تیاری میں تسلسل کے ساتھ مناسب حساباتی پالیسیاں اختیار کی گئی ہیں اور حساباتی تخمینوں کی بنیاد محتاط اور مناسب فیصلوں پر ہے۔

کمپنی 31 دسمبر 2020ء کے دوران مجموعی تحریری پریمیم میں 6.25% اضافے کی اطلاع دیتی ہے۔ اس سال کے لئے ہماری پالیسی یہ رہی ہے کہ نقصان دینے والے کاروبار کو ختم کر دیا جائے اور اس کاروبار کو برقرار رکھیں جس میں نقصان کا تناسب کم ہے۔ یہ مختصر مدت میں کل تحریری پریمیم میں کم اضافہ دکھائے گا لیکن ہم یہ محسوس کرتے ہیں کہ ہمیں اس میں آہستہ آہستہ بہتری لانا چاہئے۔ کمپنی کے کاموں میں ہماری تنظیم نو کا کام جاری ہے اور ہم کوشش کر رہے ہیں کہ 2021ء میں ہماری کارروائیں مزید ہموار ہو سکیں۔ جائزہ لینے کے دوران ہمارے انتظامی اخراجات میں تقریباً 23% کمی ہوئی ہے حصول اور دعوے کی لاگت اسی مدت کی طرح قائم رہے۔ جائزے کے تحت اس مدت کے دوران تحریری نقصان میں اسی مدت کے مقابلے میں 40.92 ملین روپے کمی ہوئی ہے۔ سرمایہ کاری کی آمدنی یہ ظاہر کرتی ہے کہ 135.58 ملین روپے کے نقصان کے مقابلے میں 22.36 روپے کا اضافہ ہوا ہے۔

## ونڈ و تکافل آپریشنز

کمپنی کے ونڈ و تکافل آپریشنز نے 31 دسمبر 2020ء کے دوران مجموعی تحریری پریمیم میں 43% کی کمی کی اطلاع دی ہے۔ مجموعی طور پر اس دعوے کا تناسب پچھلے سال کے مقابلے میں بہتر ہوا ہے جس کی وجہ سے ونڈ و تکافل آپریشن نے پچھلے سال کے 11.07 ملین روپے کے مقابلے میں 3.56 ملین روپے خسارہ کم کیا ہے۔

## منافع (نقصان) کی تخصیص

اس سال کے دوران بعد از ٹیکس خسارہ 117.11 ملین روپے رہا جبکہ گزشتہ سال بعد از ٹیکس منافع 239.76 ملین روپے تھا۔

## کرڈٹ ریٹنگ

آپ کی کمپنی کی ریٹنگ PACRA نے کی ہے۔ پاکرانا نے کمپنی کو A ریٹنگ کے ساتھ منفی رائے سے نوازا ہے۔

## بورڈ کی کارکردگی کی سالانہ تشخیص

ادارتی نظم و ضبط کے ضابطے کے تحت بورڈ نے اپنی کارکردگی کی سالانہ تشخیص کے لئے ایک نظام تیار کیا ہے۔

## ڈائریکٹرز رپورٹ برائے ممبران

آپ کی کمپنی کے ڈائریکٹران کمپنی کی 69 ویں سالانہ رپورٹ کے ساتھ مالیاتی گوشوارے برائے ختمہ سال 31 دسمبر 2019 پیش کرتے ہوئے اظہار مسرت کرتے ہیں۔

### معاشی صورتحال

2020ء کے آغاز سے ہی دنیا کو ایک بے مثال تباہی کا سامنا کرنا پڑا جس میں کووڈ-19 نے عالمی معیشتوں کو متاثر کیا اور بڑے پیمانے پر بندش کا باعث بنی رہیں۔ پاکستان سمیت ہر ملک کی معاشی نمو کو زبردست نقصان اٹھانا پڑا اور ایسے دور کا سامنا کرنا پڑا جو پہلے کبھی نہیں دیکھا تھا۔ پاکستان میں اس وبا کی بیماری روکنے کے لئے حکومت نے بھی بندشوں اور لاک ڈاؤن کے اقدامات اٹھائے لیکن دنیا کے مقابلے میں، ہماری معیشت کو ایک حد تک کم نقصان اٹھانا پڑا۔ چونکہ پوری دنیا کے مقابلے سے پاکستان میں لاک ڈاؤن پر کم عمل کیا گیا، اس لئے ہم جلد ہی کاروبار کرنے کی وجہ سے کچھ فوائد حاصل کرنے کے قابل ہو گئے۔

تیل کی قیمتوں میں نمایاں کمی کے سبب رواں مالی سال کے ابتدائی چار ماہ۔ جولائی تا اکتوبر۔ تک کرٹ اکاؤنٹ سرپلس رہا۔ پاکستان کی درآمدی اٹھارہ اور برآمدات میں استحکام کی وجہ سے یہ ایک غیر معمولی واقعہ تھا۔ پاکستان نے اپنی ریپڈ فنانسنگ انسٹرومنٹ اسکیم کے تحت آئی ایم ایف سے 1.4 بلین امریکی ڈالر کے ساتھ ساتھ جی۔20 اور دیگر کثیرالجنیتی اداروں کی جانب سے 2 ارب امریکی ڈالر کے قرض سے نجات اور امداد بھی حاصل کر لی۔ اسٹیٹ بینک آف پاکستان نے وبائی امراض سے وابستہ مسائل پر ہوشیاری سے ردعمل کا اظہار کیا اور شرح نمو کو کم کر کے ترقی کو فروغ دیا اور نرم قرضوں کی شکل میں کاروبار کو مختلف مراعات کی پیش کش کی تاکہ یہ روزگاری کم ہو سکے۔ بعد میں نصف سال کے دوران، پاکستان اسٹاک ایکسچینج میں اضافہ ہونا شروع ہو گیا اور سال کے آخر میں 100 انڈیکس 43,755 پونٹس پر بند ہوا۔

### کارکردگی کا جائزہ

ختمہ سال 31 دسمبر 2020ء کے لئے کمپنی کی مجموعی کارکردگی مندرجہ ذیل رہی:

مکافیل		روایتی		
31 دسمبر 2019	31 دسمبر 2020	31 دسمبر 2019	31 دسمبر 2020	
روپے ملین میں				
131,703	74,699	501,364	532,726	تحریری پریمیم/کنٹری بیوشہ
82,717	59,812	223,329	195,194	خالص تحریری پریمیم/کنٹری بیوشن
(11,077)	(3,567)	(223,824)	(182,908)	ذمہ داری کے نتائج
6,030	2,149	(135,584)	22,366	سرمایہ کاری خسارہ
(3,899)	(457)	(274,655)	(110,036)	منافع/(خسارہ) قبل از ٹیکس
-	-	(239,761)	(117,112)	منافع/(خسارہ) بعد از ٹیکس
		(4.74)	(2.32)	آمدن/(خسارہ) فی حصص

# 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.

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 an insurer is managed in compliance with the best practices of the code and the Listed Companies (Code of Corporate Governance) Regulations, 2019 (COCG 2019).

Premier Insurance Limited (the Company) has applied the principles contained in the Code in the following manner:

1. The total number of directors are eight as per the following:
  - a. Male: 7
  - b. Female: 1
2. The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present the Board includes:

Category	Name
Independent Directors*	Mr. Asadullah Khawaja
Executive Directors	Mr. Sharik Bashir Mr. Nadeem Maqbool
Non-Executive Directors	Mr. Khalid Bashir (Chairman) Mr. Ahsan Bashir Mr. Imran Maqbool Ms. Shameen Azfar Mr. Attaullah A. Rasheed

\*The company has applied for the appointment of Mr. Attaullah. A. Rasheed as independent director to SECP. However, SECP have not approved such request on the basis that Mr. Attaullah. A. Rasheed has completed 3 consecutive term of directorship prior to fresh election held during the year. The company is moving actively to fulfill the requirement of the Code.

The independent director meets the criteria of independence as laid down under the Code.

3. The directors have confirmed that none of them is serving as a director in more than seven listed companies, excluding the listed subsidiary of a listed holding company, 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 DFI or an NBFI or, being a member of stock exchange, has been declared as a defaulter by a stock exchange.
5. Casual vacancy of Mr. Shams Rafi occurred on the board on 29th October 2020 which was duly filled up by the directors within 90 days thereof as per the guidelines of Companies Act, 2017.
6. The Company has prepared a "Statement of Ethics and Business Practices" as Code of Conduct, has ensured that appropriate

steps have been taken to disseminate it throughout the 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 particulars of significant policies along with the dates on which they were approved or amended has been maintained by the company.
8. All powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Companies Act, 2017 and the Regulations. These include 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.
9. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meeting were appropriately recorded and circulated. The Board has complied with the requirement of the Companies Act, 2017 and the Regulations with respect to frequency, recording and circulating minutes of meetings of the Board.
10. The Board of Directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and CCG Regulations, 2019.
11. The Board has established a system of sound internal control, which is effectively implemented at all levels within the Company. The Company has adopted and complied with all the necessary aspects of internal controls given in the Code.
12. All the directors have been provided appropriate material/guidelines on the orientation course as such they are fully aware of their duties and responsibilities. Two of the directors are certified under Directors' training program while other meet the criteria of eligibility having 15 years of experience on the Board of listed companies and 14 years of education as required under the Listed Companies (Code of Corporate Governance) Regulations, 2019.
13. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, and complied with the relevant requirement of the Regulations.
14. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and CCG Regulations, 2019 and fully describes the salient matters required to be disclosed.
15. The Chief Financial Officer and the Chief Executive Officer duly endorsed the financial statements before the approval of the Board.
16. The director, Chief Executive Officer and other executives do not hold any interest in the shares of the Company other than 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:

#### Underwriting Committee:

Name of Member	Category
Mr. Imran Maqbool	Chairman
Mr. Afzal ur Rahman	Member
Mr. M. K. Baig	Member
Mr. M. A. Hannan Shadani	Member/Secretary

(The composition of committee has been rearranged in 101st BOD Meeting held on August 27, 2020.)

#### Claim Settlement Committee:

Name of Member	Category
Mr. Imran Maqbool	Chairman
Mr. Attaullah A. Rasheed	Member
Mr. Afzal ur Rahman	Member
Mr. Hassan Mustafa	Member/Secretary

(The composition of committee has been rearranged in 101st BOD Meeting held on August 27, 2020.)

#### Reinsurance & Co-insurance Committee:

Name of Member	Category
Mr. Sharik Bashir	Chairman
Mr. Afzal ur Rahman	Member
Mr. Kamran Safi Rizvi	Member/Secretary

(The composition of committee has been rearranged in 101st BOD Meeting held on August 27, 2020.)

#### Risk Management & Compliance Committee:

Name of Member	Category
Ms. Shameen Azfar	Chairman
Mr. Nadeem Maqbool	Member
Mr. Sharik Bashir	Member
Mr. Amjed Bahadur Ali	Member
Mr. Zeeshan Sattar	Member/Secretary

(The composition of committee has been rearranged in 101st BOD Meeting held on August 27, 2020.)

19. The Board has formed the following Board Committees:

#### Ethic, Human Resource, Remuneration & Nomination Committee:

Name of Member	Category
Mr. Attaullah A. Rasheed	Chairman
Ms. Shameen Azfar	Member
Mr. Nadeem Maqbool	Member
Ms. Niina Afridi	Secretary

(The composition of committee has been rearranged in 101st BOD Meeting held on August 27, 2020.)

#### Investment Committee:

Name of Member	Category
Mr. Ahsan Bashir	Chairman
Mr. Imran Maqbool	Member
Mr. Asadullah Khawaja	Member
Mr. Nadeem Maqbool	Member
Mr. Sharik Bashir	Member
Mr. Amjed Bahadur Ali	Member/Secretary

(The composition of committee has been rearranged in 101st BOD Meeting held on August 27, 2020.)



20. The Board has formed an Audit Committee. It comprises of three (3) members of whom one (1) is an independent director and two (2) are non-executive directors. The composition of the Audit Committee is as follows:

#### Audit Committee:

Name of Member	Category
Mr. Asadullah Khawaja	Chairman
Mr. Khalid Bashir	Member
Mr. Imran Maqbool	Member
Mr. Oan Ali *	Secretary

\*Mr. Oan Ali resigned during the year and the new Head of Internal Audit was appointed on December 26, 2020 with joining date of January 25, 2021.

21. The meetings of the Committees, except Ethics, Human Resource, Remuneration & Nomination 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 and advised to the Committees for compliance.

22. The Board has set up an effective internal audit department which comprises of suitably qualified and experience staff for the purpose and are conversant with the policies and procedures of the company and are involved in the internal audit function on full time basis.

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 the Code. Moreover, the persons heading the underwriting, claim, reinsurance, risk management and

grievance functions/departments possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No, XXXIX o(2000):

Name of Member	Category
Mr. Nadeem Maqbool	Chief Executive Officer
Mr. Amjed Bahadur Ali	Chief Financial Officer
Mr. Zeeshan Sattar	Company Secretary / Compliance Officer / Head of Grievances Department.
Mr. Sharik Bashir	Executive Director
Mr. M. K. Baig	Head of Marketing
Mr. Afzal ur Rahman	Head of Operations
Mr. Oan Ali*	Head of Internal Audit
Mr. M. A. Hannan Shadani	Head of Underwriting
Mr. Kamran Safi Rizvi	Head of Reinsurance
Mr. Hassan Mustafa*	Head of Claims

\*Mr. Oan Ali resigned during the year and the new Head of Internal Audit was appointed on December 26, 2020 with joining date of January 25, 2021.

\*Mr. Hassan Mustafa was appointed in place of Mr. Muhammad Imran as Head of Claims during the year.

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). The statutory auditors have confirmed that they have been given

a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

25. The statutory auditors or the persons associated with them have not been appointed to provide other services in accordance with the Companies Act, 2017, the Regulations or any other regulatory requirements and the auditors have confirmed that they have observed IFAC guidelines in this regard.
26. The Board ensures that the investment policy of the Company has been drawn up in accordance with the provisions of the Code.
27. The Board ensures that the risk management system of the Company is in place as per the requirements of the Code.
28. The Company has set up a risk management function, which carries out its tasks as covered under the Code.
29. The Board ensures that as part of the risk management system, the Company gets itself rated from PACRA 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 August 20, 2020 is "A" with Negative outlook.
30. The Company has not obtained any exemption from the Securities and

Exchange Commission of Pakistan in respect of any requirement of the Code.

31. The Board has set up a grievance function, which fully complies with the requirements of the Code.
32. The 'closed period', prior to the announcement of interim / final results and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, employees and stock exchange.
33. Material/price sensitive information has been disseminated amongst all market participants at once through Pakistan Stock Exchange.
34. The Board has developed and approved the criteria for annual evaluation of its own performance as per the requirement of the code.
35. The Company has complied with the requirements relating to maintenance of register of person having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said register.
36. We confirm that all requirements of regulations 3, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with; and
37. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

**Explanation of Non-Compliance as under the Code and of the CCG Regulations, 2019**

<b>Sr. No</b>	<b>Section Reference</b>	<b>Non-Compliance</b>	<b>Future Course of Action</b>
1.	As per Reg. 28(2) of COCG 2019.	The HR and Remuneration committee does not have any independent director. The Chairman of HR and Remuneration committee is not an independent director.	The company is actively searching for an independent director.

**On behalf of the Board**

**Chairman**

**CEO/Director**

**Karachi, Dated: March 31, 2021**

## **INDEPENDENT AUDITOR'S REVIEW REPORT**

**To the members of Premier Insurance Limited (the Company)**

**Review Report on the Statement of Compliance with Code of Corporate Governance**

We have reviewed the enclosed Statement of Compliance with the Code of Corporate Governance prepared by the Board of Directors of **Premier Insurance Limited** for the year ended **31 December 2020** in accordance with the requirements of Code of Corporate Governance for Insurers, 2016 (the Code) and Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulation).

The responsibility for compliance with the Code and Regulation is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance that reflects the status of the Company's compliance with the provisions of the Code and Regulation, and report if it does not and to highlight any non-compliance with the requirements of the Code and Regulation. 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 and Regulation.

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

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





Further, we highlight below instance of non-compliance with the requirement of the Listed Companies (Code of Corporate Governance) Regulations, 2019 as reflected in the paragraph reference where it is stated in the Statement of Compliance:

<u>Reference</u>	<u>Description</u>
2	There is only one Independent director on the Board of Directors of the Company.
37	The HR and Remuneration committee does not have any independent director. The Chairman of HR and Remuneration committee is not an independent director.

Chartered Accountants

Place: Karachi

Date:



## INDEPENDENT AUDITOR'S REPORT

### To the members of Premier Insurance Limited

#### Report on the Audit of the Financial Statements

##### Opinion

We have audited the annexed financial statements, which comprise the statement of financial position as at **31 December 2020**, and 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 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 31 December 2020 and of the 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 Matter(s)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of 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.



S. No.	Key audit matters	How the matter was addressed in our audit
1	<p><b>Liabilities in respect of insurance contracts</b></p> <p>The liabilities in respect of insurance contracts issued as of 31 December 2020 amounts to Rs.700.569 million (note 23 to the financial statement), which represent 36.63% of the Company's total liabilities. We considered adequacy of insurance liabilities as a key audit matter due to significant judgments involved in estimating the liabilities and use of experts in this regard.</p> <p>(Refer to notes 3.17 and 35.1 to the financial statements for relevant disclosures).</p>	<p>Our key audit procedures included the following:</p> <ul style="list-style-type: none"> <li>- We assessed the controls over recording and settlement of claims in respect of insurance business and performed tests of such controls to check their effectiveness in relation to the year under audit;</li> <li>- In respect of adequacy of insurance contract liabilities (including IBNR and premium deficiency reserve) which are measured on the basis of undiscounted value of expected future payments, we involved our expert to review the methodology used by the management's expert in estimating claims liabilities in accordance with the prescribed methodology. As part of our testing we also considered the competence and objectivity of the experts used by the management for this purpose;</li> <li>- for insurance claims we also evaluated the management estimates regarding cost of claims settlements by considering reports of independent surveyors and the estimates regarding salvage values of insured assets;</li> <li>- we performed subsequent review to identify any significant claims reported post year end which pertain to the financial year under audit; and</li> <li>- we sent confirmations to verify the completeness and assessed the adequacy of disclosures made in respect of insurance contract liabilities in accordance with the approved accounting standards as applicable in Pakistan.</li> </ul>



S. No.	Key audit matters	How the matter was addressed in our audit
2	<p><b>Existence and valuation of investments</b></p> <p>As disclosed in note 8 to the accompanying financial statements of the Company for the year ended 31 December 2020, the Company has investments in equity securities and units of open end mutual funds amounting to Rs.888.932 million, which have been classified under the available for sale category, representing 27.44% of total assets of the Company.</p> <p>These investments are valued based on the quoted prices and considered for impairment in case of a significant or prolonged decline in value.</p> <p>We have identified the valuation of investments as a key audit matter due to volatility of share prices during the year, its impact on the financial statements and the management judgements that may be required in making the assessments about the impairment of financial assets.</p> <p>(Refer to notes 3.15 and 8 to the financial statements for relevant disclosures).</p>	<p>Our key audit procedures included the following:</p> <ul style="list-style-type: none"> <li>- We reviewed the appropriateness of the accounting policies and practices followed by the Company to recognize impairment of equity investments on the basis of the requirements of the financial reporting standards.</li> <li>- We obtained an understanding of the procedures applied by the Company to identify impairments in the equity and mutual fund portfolio and observed the applications of such procedures;</li> <li>- We evaluated management's assessments of the indicators for impairment and compared the quoted values of equity investments and net asset values of mutual funds with their cost to check that the Company's policy for impairment is consistently applied and impairment charge is appropriately recognized;</li> <li>- We checked the valuations of equity investments on the basis of quoted market prices at the Pakistan Stock Exchange Limited and valuation of mutual funds based on net assets values as at 31 December 2020; and</li> <li>- We also assessed the adequacy of the overall disclosures in the financial statements in respect of the equity investment portfolio in accordance with the requirements of the financial reporting framework as applicable to the Company.</li> </ul>

*gmm*



### **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 auditors' 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 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) 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 Shaikh Ahmed Salman.

Chartered Accountants

Karachi

Date:

# Statement of Financial Position

As at  
31 December 2020

	Note	2020	2019
		(Rupees in '000)	
<b>Assets</b>			
Property and equipment	5	221,735	232,382
Intangible assets	6	1,978	2,826
Investment properties	7	275,740	268,348
Investments			
- Equity securities	8	829,168	688,020
- Mutual funds	8	59,765	54,832
Investment in associate	9	373,069	242,729
Loans and other receivables	10	62,941	51,370
Insurance / reinsurance receivables	11	655,338	635,165
Reinsurance recoveries against outstanding claims	23	405,249	377,512
Salvage recoveries accrued		1,805	3,531
Deferred commission expense	24	19,549	20,156
Taxation - provision less payment		3,311	7,725
Deferred tax asset	21	46,425	44,390
Prepayments	12	155,688	125,078
Cash and bank	13	37,590	95,196
		3,149,351	2,849,260
<b>Total Assets of Window Takaful Operations - Operator's Fund</b>		<b>99,929</b>	<b>108,040</b>
<b>Total Assets</b>		<b>3,249,280</b>	<b>2,957,300</b>
<b>Equity and Liabilities</b>			
<b>Capital and reserves attributable to Company's equity holders</b>			
Ordinary share capital	14	505,650	505,650
Reserves	15	1,629,308	1,332,439
Accumulated losses	15	(798,049)	(681,066)
<b>Total Equity</b>		<b>1,336,909</b>	<b>1,157,023</b>
<b>Liabilities</b>			
<b>Underwriting provisions</b>			
Outstanding claims including IBNR	23	700,569	682,106
Unearned premium reserves	22	277,987	241,735
Unearned reinsurance commission	24	21,079	15,263
Retirement benefit obligations	16	5,296	4,447
Lease Liabilities	18	10,222	12,948
Insurance / reinsurance payables		548,928	454,165
Other creditors and accruals	19	262,187	283,529
Unclaimed dividends		22,773	25,527
<b>Total Liabilities</b>		<b>1,849,041</b>	<b>1,719,720</b>
<b>Total Liabilities of Window Takaful Operations - Operator's Fund</b>		<b>63,330</b>	<b>80,557</b>
<b>Total Equity and Liabilities</b>		<b>3,249,280</b>	<b>2,957,300</b>
Contingencies and commitments	20		

The annexed notes 1 to 41 form an integral part of these financial statements.

Chief Executive  
Officer

Chairman

Director

Director

Chief Financial  
Officer



For the year ended  
31 December 2020

# Statement of Profit and Loss Account

	Note	2020	2019
		(Rupees in '000)	
Net insurance premium	22	195,194	223,329
Net insurance claims	23	(112,290)	(88,086)
Net commission expense and other acquisition costs	24	(27,873)	(51,925)
Insurance claims and acquisition expenses		(140,163)	(140,011)
Management expenses	25	(237,939)	(307,142)
Underwriting results		(182,908)	(223,824)
Investment income / (loss)	26	22,366	(135,584)
Rental income		4,028	3,480
Revaluation gain on investment property		4,105	1,762
Other income	27	43,671	113,687
Other expenses	28	(3,192)	(13,483)
Results of operating activities		(111,930)	(253,962)
Finance costs		(1,547)	(1,817)
Share of profit from associate		2,332	11,607
<b>Loss before tax from General Insurance Operations</b>		<b>(111,145)</b>	<b>(244,172)</b>
<b>Profit / (Loss) before tax from Window Takaful Operations - Operator's Fund</b>		<b>1,109</b>	<b>(30,483)</b>
<b>Loss before tax</b>		<b>(110,036)</b>	<b>(274,655)</b>
Income tax expense	29	(7,076)	34,894
<b>Loss after tax</b>		<b>(117,112)</b>	<b>(239,761)</b>
Loss per share - Rupees	30	(2.32)	(4.74)

The annexed notes 1 to 41 form an integral part of these financial statements.

Chief Executive  
Officer

Chairman

Director

Director

Chief Financial  
Officer

# Statement of Comprehensive Income

For the year ended  
31 December 2020

	Note	2020 (Rupees in '000)	2019
Loss after tax		(117,112)	(239,761)
<b>Other comprehensive income:</b>			
Unrealized gain on available-for-sale investments during the year	35	166,861	152,792
Re-measurement of defined benefit plan for the year - net of tax	16	129	603
Share of other comprehensive income from associated company	9	130,008	28,294
Other comprehensive income from Window Takaful Operations - Operator's Fund		-	2,456
Other comprehensive income for the year		296,998	184,145
<b>Total comprehensive income / (loss) for the year</b>		<b>179,886</b>	<b>(55,616)</b>

The annexed notes 1 to 41 form an integral part of these financial statements.

Chief Executive  
Officer

Chairman

Director

Director

Chief Financial  
Officer

For the year ended  
31 December 2020

# Statement of Changes in Equity

	Share capital	Reserves							Total reserves	Total equity
	Capital reserves			Revenue reserves						
	Issued, subscribed and paid-up	Reserve for exceptional losses	Devaluation reserve	General reserve	Revaluation Reserves - Available for sale investments of Company and associate	Revaluation Reserves - Property and Equipment	Unappropriated profit / Accumulated losses			
(Rupees in '000)										
Balance as at 01 January 2019	505,650	19,490	185	996,851	96,512	35,859	(441,908)	706,989	1,212,639	
Loss for the year ended 31 December 2019	-	-	-	-	-	-	(239,761)	(239,761)	(239,761)	
Other comprehensive income for the year	-	-	-	-	183,542	-	603	184,145	184,145	
Total comprehensive loss for the year ended 31 December 2019	-	-	-	-	183,542	-	(239,158)	(55,616)	(55,616)	
Balance as at 31 December 2019	505,650	19,490	185	996,851	280,054	35,859	(681,066)	651,373	1,157,023	
Balance as at 01 January 2020	505,650	19,490	185	996,851	280,054	35,859	(681,066)	651,373	1,157,023	
Loss for the year ended 31 December 2020	-	-	-	-	-	-	(117,112)	(117,112)	(117,112)	
Other comprehensive income for the year	-	-	-	-	296,869	-	129	296,998	296,998	
Total comprehensive loss for the year ended 31 December 2020	-	-	-	-	296,869	-	(116,983)	179,886	179,886	
Balance as at 31 December 2020	505,650	19,490	185	996,851	576,923	35,859	(798,049)	831,259	1,336,909	

The annexed notes 1 to 41 form an integral part of these financial statements.

Chief Executive  
Officer

Chairman

Director

Director

Chief Financial  
Officer

# Statement of Cashflows

For the year ended  
31 December 2020

	Note	2020 (Rupees in '000)	2019
<b>Operating cash flows</b>			
<b>a) Underwriting activities</b>			
Insurance premium received		511,238	476,346
Reinsurance premium paid		(235,813)	(205,670)
Claims paid		(194,701)	(339,646)
Reinsurance and other recoveries received		73,137	139,999
Commission paid		(55,740)	(63,398)
Commission received		42,792	35,012
Other acquisition costs paid		(22,782)	(36,730)
Management expenses paid		(256,770)	(162,519)
<b>Net cash used in underwriting activities</b>		<b>(138,639)</b>	<b>(156,606)</b>
<b>b) Other operating activities</b>			
Income tax paid		(11,490)	(13,590)
Other operating payments		(11,199)	(9,101)
Other operating receipts		35,164	88,950
Loans advanced, deposits made/received		11,401	(91)
Other liabilities paid/received		(7,024)	6,453
<b>Total cash used in other operating activities</b>		<b>16,852</b>	<b>72,621</b>
<b>Total cash used in all operating activities</b>		<b>(121,787)</b>	<b>(83,985)</b>
<b>Investment activities</b>			
Profit / return received		49,192	31,559
Rental received		4,028	3,480
Payment for investments made		(68,063)	(16,275)
Proceeds from investments disposed		87,234	67,167
Fixed capital expenditure incurred		(5,029)	(2,635)
Proceeds from sale of property and equipment		4,374	28,937
<b>Total cash flow generated from investing activities</b>		<b>71,736</b>	<b>112,233</b>
<b>Financing activities</b>			
Finance cost paid		(1,547)	(1,817)
Dividend paid		(2,754)	(639)
Payment of lease liability		(3,254)	(3,437)
<b>Total cash used in financing activities</b>		<b>(7,555)</b>	<b>(5,893)</b>
<b>Net cash used in / generated from all activities</b>		<b>(57,606)</b>	<b>22,356</b>
Cash and cash equivalents at beginning of the year		95,196	72,840
<b>Cash and cash equivalents at end of the year</b>	13	<b>37,590</b>	<b>95,196</b>

For the year ended  
31 December 2020

## Statement of Cashflows

	Note	2020	2019
(Rupees in '000)			
<b>Reconciliation to profit or loss account</b>			
Operating cashflows		(121,787)	(83,985)
Depreciation and amortization expense	25	(12,166)	(14,123)
Finance costs		(1,547)	(1,817)
Profit on disposal of property and equipment	27	3,587	24,737
Profit on disposal of investments	26	25,386	2,305
Impairment in value of available for sale securities	26	(26,996)	(167,431)
Rental income		4,028	3,480
Dividend income	26	24,254	30,932
Other income	27	40,084	88,950
Share of profit of associates	9	2,332	11,607
Profit / (Loss) from Window Takaful Operations - Operator's Fund	17	1,109	(30,483)
Increase / (decrease) in assets other than cash		72,546	(304,440)
Increase / (decrease) in liabilities other than borrowings		(132,047)	198,745
Gain on revaluation of investment property	7	4,105	1,762
<b>Loss after taxation</b>		<b>(117,112)</b>	<b>(239,761)</b>

### Definition of cash and cash equivalent

Cash comprises cash in hand, stamps in hand, current and saving accounts and short-term deposits having maturing 3 months from the date of acquisition.

Cash for the purpose of the statement of cash flows consists of:

<b>Cash and other equivalents</b>			
Cash		-	-
Stamps in hand		184	560
		184	560
<b>Current and other accounts</b>			
Current accounts		10,354	25,471
Savings accounts		27,052	69,165
		37,406	94,636
<b>Total cash and cash equivalents</b>		<b>37,590</b>	<b>95,196</b>

The annexed notes 1 to 41 form an integral part of these financial statements.

Chief Executive  
Officer

Chairman

Director

Director

Chief Financial  
Officer

# Notes to and Forming Parts of the Financial Statements

For the year ended  
31 December 2020

## 1. LEGAL STATUS AND NATURE OF BUSINESS

Premier Insurance Limited (the Company) was incorporated as a public limited Company in Pakistan in May 1952 and is engaged in general insurance business. The shares of the Company are listed on the Pakistan Stock Exchange. The registered office of the Company is situated at 5th Floor, State Life Building No. 2A, Wallace Road, Off. I.I. Chundrigar Road, Karachi. The Company has been allowed to work as Window Takaful Operator since October 2, 2015 by Securities and Exchange Commission of Pakistan (SECP) under SECP Takaful Rules, 2012 to carry on General Window Takaful Operations in Pakistan.

**Following are the geographical location and address of all the business units of the Company:**

### Head office - Registered Office

5th floor State Life Building 2-A, Wallace Road, Off. I.I. Chundrigar Road, Karachi, Province of Sindh, Pakistan.

### Branches

#### i) Province of Punjab, Pakistan:

- Zonal office, 162 Shadman II, Lahore
- CSD North, 162 Shadman II, Lahore
- Canal Branch, 162 Shadman II, Lahore
- Mall Branch, 23 Shahrah-e-Quaid-e-Azam, Lahore
- 4th Floor, Mehr Fatima Tower, Opp. High Court, Old Bahawalpur Road, Multan
- 1st Floor, Regency Arcade, 949-Mall Road, Faisalabad
- Room 3 & 4, Sahib Plaza, Saga Chowk, Defense Road, Sialkot
- Block - L, Trust Plaza, G.T Road, Gujranwala

#### ii) Province of Sindh, Pakistan:

- CSD South Karachi, 5th floor State Life Building 2-A, Wallace Road, Off. I.I. Chundrigar Road, Karachi
- Clifton Branch, 5th floor State Life Building 2-A, Wallace Road, Off. I.I. Chundrigar Road, Karachi

#### iii) Province of Khyber Pakhtunkhwa, Pakistan:

- 1081/A, Rehman Building, Saddar Road, Peshawar

#### iv) Province of Baluchistan, Pakistan:

- 43-Regal Plaza, 2nd Floor, Circular Road, Quetta



# Notes to and Forming Parts of the Financial Statements

## v) Islamabad Capital Territory

- 64-E 2nd Floor, Masco Plaza, Jinnah Avenue, Blue Area, Islamabad.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

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

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

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

In terms of the requirements of the Takaful Rules 2012, read with SECP Circular 25 of 2015 dated 09 July 2015, the assets, liabilities and profit and loss of the Operator's Fund of the Window Takaful Operations (WTO) of the Company have been presented as a single line item in the balance sheet and profit and loss account of the Company respectively.

**2.1.2** The total assets of Operator Fund of WTO include an amount of Rs.83.020 million (2019: Rs.83.020 million) being Qard-e-Hasna receivable from Participant Takaful Fund of WTO. In accordance with the Takaful Rules, 2012, if at any point in time, assets in Participant Takaful Fund are not sufficient to cover its liabilities, the deficit shall be funded by way of an interest free loan (Qard-e-Hasna) from Operator Fund. In the event of future surplus in the Participant Takaful Fund to which a Qard-e-Hasna has been made, the Qard-e-Hasna shall be repaid prior to distribution of surplus to participants.

# Notes to and Forming Parts of the Financial Statements

For the year ended  
31 December 2020

The Company has prepared financial projections of Participant Takaful Fund and based on such financial projections believes that the Participant Takaful Fund would be able to repay Qard-e-Hasna to Operator's Fund. The financial projections are based on various assumptions including expected growth in premiums and reduction in claims over future years.

**2.1.3** A separate set of financial statements of the Window Takaful operations has been annexed to these financial statements as per the requirements of the Takaful Rules 2012.

## **2.2 Basis of measurement**

These financial statements have been prepared on the historical cost basis except for available for sale investments & investment property that have been measured at fair value.

## **2.3 Functional and presentation currency**

These financial statements are presented in Pakistani Rupees which is also the Company's functional currency. All financial information presented in Pakistani Rupees has been rounded to nearest Rupees, unless otherwise stated.

## **2.4 Adoption of amendments to accounting standards effective during the year**

The Company has adopted the following amendments to International Financial Reporting Standards (IFRSs) which became effective for the current year:

- IFRS 3 - Definition of a Business (Amendments)
- IFRS 14 - Regulatory Deferral Accounts
- IFRS 16 - COVID 19 Related Rent Concessions (Amendments)
- IAS 1 / IAS 8 - Definition of Material (Amendments)

The adoption of the above standards, amendments and improvements to accounting standards did not have any material effect on these financial statements

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 01 January 2020 for preparers of financial statements who

# Notes to and Forming Parts of the Financial Statements

develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

## 2.5 Standards, amendments and improvements to the approved accounting standards that are not yet effective

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

Standard or Amendments		Effective date (period beginning on or after)
<b>IFRS 3</b>	Reference to the Conceptual Framework (Amendments)	01 January 2022
<b>IFRS 10 / IAS 28</b>	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
<b>IAS 1</b>	Classification of Liabilities as Current or Non-current (Amendments)	01 January 2022
<b>IAS 16</b>	Proceeds before Intended Use (Amendments)	01 January 2022
<b>IAS 37</b>	Onerous Contracts – Costs of Fulfilling a Contract (Amendments)	01 January 2022
<b>IAS 39 / IFRS 9</b>	Financial Instruments: Recognition and Measurement' - Interest Rate Benchmark Reform - Phase 2	01 January 2021

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

### Improvements to Accounting Standards Issued by the IASB (2018-2020 cycle)

Standard or Amendments		Effective date (period beginning on or after)
------------------------	--	---

# Notes to and Forming Parts of the Financial Statements

For the year ended  
31 December 2020

<b>IFRS 9</b>	Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities	01 January 2022
<b>IAS 41</b>	Agriculture – Taxation in fair value measurements	01 January 2022
<b>IAS 16</b>	Leases - Partial Amendments to Illustrative Example 13	01 January 2022

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Amendments		Effective date (period beginning on or after)
<b>IFRS 1</b>	First time adoption of IFRSs	01 January 2004
<b>IFRS 17</b>	Insurance Contracts	01 January 2023

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these financial statements are set out below:

### 3.1 Property and equipment

#### 3.1.1 Operating assets

These are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged to profit and loss account by applying the reducing balance method from the availability of property and equipment to the date of disposal.

#### Rates of depreciation:

- Computer equipment 30%
- Office equipment, furniture & fixtures 10%
- Motor vehicles 20%

Buildings are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged to profit and loss account by applying the straight line method from the availability of assets to the date of disposal.

# Notes to and Forming Parts of the Financial Statements

## Rates of depreciation:

- Buildings 5%

Normal repairs and maintenance are charged to profit and loss account as and when incurred; major renewals and replacements are capitalized if they meet the capitalization criteria as per policy.

Gain or loss on disposal of fixed assets is taken to profit and loss account.

### 3.1.2 Capital work in progress

Capital work in progress is stated at cost less accumulated impairment. Transfers are made to operating assets when the assets are available for use as intended by management.

### 3.1.3 Impairment of operating fixed assets

The carrying amounts of fixed assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the related assets are written down to the estimated recoverable amount and the impairment loss is charged to profit and loss account.

## 3.2 Intangible assets

These are stated at cost less accumulated amortization and impairment, if any. Amortization is charged to profit and loss account by applying the reducing balance method from the dates of available to use to disposal.

**Rate of amortization used is 30%.**

### 3.2.1 Impairment of intangible assets

The carrying amounts of intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the related assets are written down to the estimated recoverable amount and the impairment loss is charged to profit and loss account.

## 3.3 Investment properties

Investment property is measured at purchase cost on initial recognition including directly attributable to the acquisition of the investment property and

# Notes to and Forming Parts of the Financial Statements

For the year ended  
31 December 2020

subsequently at fair value with any change therein recognized in profit and loss account. The fair value is assessed by the involvement of an individual qualified valuation expert at the end of each reporting date. Subsequently cost is included in the carrying amount or recognized as a separate asset, as appropriate, only when it is probable 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.

## 3.4 Insurance contracts

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

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

### Fire and property damage

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

### Marine, aviation and transport

Marine Insurance 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.

### Motor

Motor insurance provides protection against losses incurred as a result of theft, traffic accidents and against third party liability that could be incurred in an



# Notes to and Forming Parts of the Financial Statements

accident. These contracts are generally one year contracts.

## **Accident and health**

Accident and health insurance contract mainly compensates hospitalization and out-patient medical coverage to the insured. These contracts are generally one year contracts

## **Miscellaneous**

Other various types of insurance are classified in miscellaneous category which includes mainly engineering, terrorism, personal accident, worker compensation, travel, products of financial institutions, livestock and crop insurance etc. These contracts are normally one year insurance contracts except some engineering insurance contracts that are of more than one year period, whereas, normally travel insurance contracts expire within two months time.

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

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

### **3.5 Deferred commission expense / Acquisition cost**

Commission expense incurred in obtaining and recording policies is deferred and recognized as an expense in accordance with pattern of recognition of premium revenue.

### **3.6 Unearned premium reserve**

The provision for unearned portion of premiums is calculated by applying one by twenty fourths' method, except Marine Insurance for which unearned premium is calculated by applying one by six method as prescribed by Insurance Accounting Regulations, 2017.

# Notes to and Forming Parts of the Financial Statements

For the year ended  
31 December 2020

## 3.7 Premium deficiency reserve

The Company is required as per insurance rules 2017 and IFRS 4 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 and commission and other underwriting expenses, expected to be incurred after the balance sheet date in respect of unexpired policies in that class of business at the balance sheet date. The charge for premium deficiency reserve is recorded in the profit and loss account.

The Company determines adequacy of liability of premium deficiency by carrying out analysis of its loss ratio of expired periods. For this purpose average loss ratio of last three years inclusive of claim settlement cost but excluding major exceptional claims are taken into consideration to determine ultimate loss ratio to be applied on unearned premium. Further, actuarial valuation has been carried out to determine amount of premium deficiency reserve in respect of health insurance as required by SRO 16 (I) of 2012 issued by SECP on dated 09-Jan-2012.

In management's opinion, the amount carried for unearned premium is sufficient to meet this requirement.

## 3.8 Re-insurance contracts held

The Company enters into re-insurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward re-insurance premium is accounted for in the same period as the related premium for the direct or accepted re-insurance business being re-insured.

Re-insurance liabilities represent balances due to re-insurance companies. Amounts payable are estimated in a manner consistent with the related re-insurance contract. Re-insurance assets represent balances due from re-insurance companies. Amounts recoverable from re-insurers are estimated in a manner consistent with the provision for outstanding claims or settled claims associated with the re-insurance policies and are in accordance with the related re-insurance contracts.

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

# Notes to and Forming Parts of the Financial Statements

## 3.9 Reinsurance recoveries against outstanding claims

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

## 3.10 Receivables and payables related to insurance contracts

Receivables and payables relating to insurance contracts are recognized when due. These include premium due but unpaid and claims payable to insurance contract holders.

The company maintains general provision as per the approved policy of board. In addition, if there is 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.

## 3.11 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 Accounting Regulations, 2017. The reported operating segments are also consistent with the internal reporting process of the Company for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment. All the Company's business segments operate in Pakistan only.

Based on its classification of insurance contracts issued, the Company has five primary business segments for reporting purposes namely fire, marine, motor, accident and health and miscellaneous. The nature and business activities of these segments are disclosed in note 3.4.

Assets, liabilities and capital expenditure, 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.

# Notes to and Forming Parts of the Financial Statements

For the year ended  
31 December 2020

## 3.12 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of statement of cash flows, cash and cash equivalents consist of cash in hand, stamps in hand, current and savings accounts and short term deposits with maturity of 3 months or less from date of acquisition

## 3.13 Revenue recognition

### a) Premium / Underwriting result

Premium written, including administrative surcharge, under a policy is recognized from the date of issuance of the policy to which it relates. Premium on facultative reinsurance accepted is reflected in the financial statements along with direct premium.

The earned premium less reinsurance, claims, commission and allocable expenses of management are reflected in the profit and loss account as the underwriting result.

### b) Commission income

Commission income from other insurers/ re-insurers is deferred & recognized 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 arrangement is recognized when the company's right to receive the same are established.

### c) Investment income

Gain / loss on disposal of investments is taken to the profit and loss account on transaction date.

### d) Dividend income

Dividend income is recognized when the right to receive such dividend is established.

### e) Return on bank accounts

Return on bank accounts are accounted for on accrual basis.

### f) Rental Income

Rental income from investment properties are recognized on accrual basis of accounting.

# Notes to and Forming Parts of the Financial Statements

## 3.14 Claim

General insurance claims include all claims occurring during the year, whether reported or not, including external claims handling costs that are directly related to the processing and settlement of claims, reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Salvage values are recorded based on surveyor reports on accrual basis at the occurrence of claims.

## 3.15 Investments

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs except for 'investments at fair value through profit and loss - held-for-trading investments in which case the transaction costs are charged to the profit and loss account.

All purchase and sale of investments that require delivery within the required time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investments. Investments are recognized and classified as follows:

### 3.15.1 Held-for-trading

Quoted investments which are acquired principally for the purpose of generating profit from short-term fluctuations in price or are part of the portfolio in which there is a recent actual pattern of short-term profit taking are classified as held-for-trading.

Subsequent to initial recognition these are re-measured at fair value by reference to quoted market prices with the resulting gain or loss being included in profit and loss of the period in which it arises.

### 3.15.2 Held-to-maturity

Investments with fixed maturity, where the 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. Premium paid or discount availed on the acquisition of held-to-maturity investment is deferred and amortized over the term of investment using the effective yield method.

# Notes to and Forming Parts of the Financial Statements

For the year ended  
31 December 2020

Profit on held-to-maturity instruments is recognized on a time proportion basis taking into account the effective yield on the investments.

These are reviewed for impairment at each reporting period and losses arising, if any, are charged to the profit and loss account of the period in which they arise.

## **3.15.3 Available-for-sale**

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity, changes in interest rates or equity prices are classified as available-for-sale. These are valued as follows:

### **Quoted**

Subsequent to initial recognition at cost, quoted investments are stated at the market value. The Company uses Stock Exchange quotations at the reporting date to determine the market value of listed shares. Furthermore, market value of open-ended mutual funds is determined by using MUFAP rates at the date of reporting.

### **Unquoted**

Unquoted investments are recorded at cost less impairment (if any) in accordance with the above requirement.

## **3.15.4 Recognition / de-recognition of investments**

Investments are recognized / derecognized by the Company on the date it commits to purchase / sell the investments.

## **3.15.5 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 recognized at cost and the carrying amount is adjusted to recognize the investor's share of the profit and loss, distribution received and change in the comprehensive income and equity of the investee at the end of each reporting period .

The carrying amount of investments in associates is reviewed at each reporting date to determine whether there is any indication of



## Notes to and Forming Parts of the Financial Statements

impairment. If any such indication exists, the recoverable amount of the investments is estimated which is higher of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount and is charged to the profit and loss account. 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.

### **3.15.6 Impairment in investments**

Impairment is recognized 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.

### **3.16 Offsetting of financial assets and liabilities**

A financial asset and a financial liability are offset and the net amount reported in the statement of financial position if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### **3.17 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.

# Notes to and Forming Parts of the Financial Statements

For the year ended  
31 December 2020

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

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 09 March 2016 "Guidelines for Estimation of Incurred but not reported claims reserve, 2016" to estimate and maintain the provision for claims incurred but not reported for each class of business by using prescribed Method "Chain Ladder Method" and other alternate method as allowed under the provisions of the Guidelines. The actuarial valuation as at 31 December 2020 has been carried out by independent firm of actuaries for determination of IBNR for each class of business.

## **3.18 Taxation**

### **Current**

Provision for taxation is based on taxable income at the current rates of tax after taking into account applicable tax credits, rebates and exemptions available, if any.

### **Deferred**

Provision for deferred tax is made using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purpose. Deferred tax assets

## Notes to and Forming Parts of the Financial Statements

are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

### 3.19 Staff retirement benefits

The main features of the schemes operated by the Company for its employees are as follows:

#### 3.19.1 Employees' compensated absences

Compensated absences are accounted for in the year in which the absences are earned based on actuarial valuation.

#### 3.19.2 Defined contribution plan

There is an approved contributory provident fund for all permanent employees and is administered by trustees. Equal monthly contributions are made by the company and employees to the fund, at the rate of 10% of basic salary. The Company has no further payment obligations once the contributions have been paid. Obligation for contributions to defined contribution plan is recognized as an expense in the profit and loss account as and when incurred.

#### 3.19.3 Defined benefit plan

Retirement benefits are payable to staff, subject to completion of prescribed qualifying period of service under the scheme.

The latest actuarial evaluation was carried out as at December 31, 2020. The liability / asset recognized in the balance sheet is the present value of defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually using Projected Unit Credit Method. Remeasurements which comprise actuarial gains and losses are recognised immediately in other comprehensive income.

# Notes to and Forming Parts of the Financial Statements

For the year ended  
31 December 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 recognised 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.

## 3.20 Leases

Assets acquired under finance lease are initially recorded at the lower of present value of minimum lease payments under the lease agreement and the fair value of the leased assets. The related obligation under finance lease less financial charges allocated to future periods is shown as a liability. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Leased assets are depreciated on the same basis as owned assets.

## 3.21 Prepayment

Prepayments are recorded as an assets. It is be amortized as and when due over the period.

## 3.22 Other creditors and accruals

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 goods and services received, whether or not billed to the Company.

Provisions are recognized 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.

## 3.23 Loans and other receivables

Loan advances & other receivable are paid & recorded as per the approval of delegation of financials powers. Which are subsequently accounted for after the recovery of amount or services against which the payments were made.

# Notes to and Forming Parts of the Financial Statements

## 3.24 Financial Instruments

Financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. All financial assets and financial liabilities are initially measured at cost which is the fair value of the consideration given and received respectively including transaction cost. These financial assets and liabilities are subsequently measured at fair value or cost, as the case maybe. Any gains or losses on de-recognition of financial assets and financial liabilities are taken to the profit and loss account.

## 3.25 Lease liability and right of use asset

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to

# Notes to and Forming Parts of the Financial Statements

For the year ended  
31 December 2020

terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms subject to rental agreement between the parties to the contract. The Company applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

## **3.26 Earnings per share**

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

## **3.27 Zakat**

Zakat deductible compulsorily under the Zakat and Ushr Ordinance, 1980 is accounted for in the year of deduction.

## **3.28 Dividend distribution**

Dividend distributions (including stock dividend) are recognized as a liability in the period in which the dividends are approved.

## **3.29 Management expenses**

Management expenses note is prepared in accordance with the requirements of Insurance Rules, 2017. The Company adopts accrual basis of accounting for its



## Notes to and Forming Parts of the Financial Statements

expense recognition. All expenses of management have been allocated between conventional and window takaful operators fund on the basis of premium and contribution underwritten.

### 3.30 Contingencies

Contingencies are disclosed when Company has possible obligation that arises from past event and whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of entity, or a present obligation that arises from past event but is not recognised because it is not probable that an outflow of recourse embodying economic benefit will be required to settle the obligation or, when amount of obligation cannot be measured with sufficient reliability.

### 3.31 Share Capital and reserves

Ordinary shares are classified as equity and are recorded at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Appropriation to reserves are recognised in the financial statements in the period in which these are approved.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

- 4.1** The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2019.

The preparation of financial statements in conformity with approved accounting standards requires management to use certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continuously evaluated and are based on historical experience and expectation of future events that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the

# Notes to and Forming Parts of the Financial Statements

For the year ended  
31 December 2020

estimates are revised. The areas where required assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

- a. Provision for outstanding claims including claims incurred but not reported [IBNR] - note 3.17
- b. Provision for premium deficiency reserves - note 3.7
- c. Reinsurance recoveries against outstanding claims - note 3.9
- d. Provision against premium due but unpaid - note 3.10
- e. Useful life of depreciable / amortizable assets - notes 3.1 and 3.2
- f. Impairment of assets - notes 3.1.3, 3.2.1 and 3.15.6
- g. Staff retirement benefits - note 3.19
- h. Provision for current & deferred taxes - note 3.18
- i. Fair valuation of investment properties - note 3.3
- j. Salvage recoveries - note 3.14
- k. Lease terms and discount rates - note 3.25
- l. Contingencies - note 3.30

## 5. PROPERTY AND EQUIPMENT

	Note	2020	2019
		(Rupees in '000)	
Operating fixed assets	5.1	<b>186,991</b>	194,961
Capital work-in-progress	5.2	<b>26,109</b>	26,109
Right of use assets	5.3	<b>8,635</b>	11,312
		<b>221,735</b>	<b>232,382</b>

For the year ended  
31 December 2020

# Notes to and Forming Parts of the Financial Statements

## 5.1 Operating fixed assets

Particulars	Cost				2020 Accumulated Depreciation				Written down value as at 31 December 2020	Depreciation Rate %
	As at 1 January 2020	Additions/ (Disposals)	Transfers/ Adjustments	As at 31 December 2020	As at 1 January 2020	Depreciation for the year / (disposals)	Transfers/ Adjustments	As at 31 December 2020		
	(Rupees in '000)									
Land	140,450	-	-	140,450	-	-	-	-	140,450	-
Building	21,551	-	-	21,551	10,987	1,006	-	11,993	9,558	5%
		-				-				
Computer Equipment	21,015	934 (51)	-	21,898	16,884	1,365 (37)	-	18,212	3,686	30%
Office equipment	10,594	719 (615)	-	10,698	5,478	543 (304)	-	5,717	4,981	10%
Furniture and Fixtures	25,399	89 -	-	25,488	16,491	900 -	-	17,391	8,097	10%
Vehicles (Owned)	63,745	- (5,102)	-	58,643	44,444	3,813 (4,639)	-	43,618	15,025	20%
				-						
Vehicles (Leased)	15,196	- -	-	15,196	8,704	1,298 -	-	10,002	5,194	20%
				-						
	297,950	1,742 (5,768)	-	293,924	102,989	8,925 (4,980)	-	106,933	186,991	

# Notes to and Forming Parts of the Financial Statements

For the year ended  
31 December 2020

Particulars	Cost				2019 Accumulated Depreciation				Written down value as at 31 December 2019	Depreciation Rate %
	As at 1 January 2019	Additions/ (Disposals)	Transfers/ Adjustments	As at 31 December 2019	As at 1 January 2019	Depreciation for the year / (disposals)	Transfers/ Adjustments	As at 31 December 2019		
	(Rupees in '000)									
Land	140,450	-	-	140,450	-	-	-	-	140,450	-
Building	22,782	- (604)	(627)	21,55	10,510	1,013 (439)	(97)	10,987	10,564	5%
Computer Equipment	21,435	1,581 (2,001)	-	21,015	17,533	1,334 (1,983)	-	16,884	4,131	30%
Office equipment	14,008	934 (4,479)	131	10,594	8,989	558 (4,087)	18	5,478	5,116	10%
Furniture and Fixtures	25,533	608 (1,238)	496	25,399	16,575	992 (1,155)	79	16,491	8,908	10%
Vehicles (Owned)	85,270	753 (22,278)	-	63,745	57,410	4,962 (17,928)	-	44,444	19,301	20%
Vehicles (Leased)	15,196	- -	-	15,196	7,082	1,622 -	-	8,704	6,492	20%
	324,674	3,876 (30,600)	0	297,950	118,099	10,481 (25,592)	0	102,989	194,961	

## 5.1.1 Disposal of operating fixed assets

Description	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain / Loss	Mode of Disposal	Purchaser	Location
(Rupees in '000)								
Honda CD / LOD-8248	35	35	0	19	19	Tender	Mr. Aftab Ahmed Khan	Lahore
Honda City / LEB-2520	1,465	1,337	128	1,135	1,007	Tender	Mr. Syed Muhammad Rizwan	Lahore
Suzuki Cultus / LED-5356	935	792	143	835	692	Tender	Mr. Muhammad Abad Akram	Lahore
Honda City / AJJ-947	835	809	26	830	804	Tender	Mr. Muhammad Umais	Karachi
Suzuki Cultus / ATD-243	916	833	83	775	692	Tender	Mr. Muhammad Anwar	Karachi
Suzuki Cultus / ATD-238	915	833	82	715	633	Tender	Mr. Muhammad Anwar	Karachi
Misc *	666	341	325	65	(260)	Tender	Various	Various
	5,767	4,980	787	4,374	3,587			

For the year ended  
31 December 2020

# Notes to and Forming Parts of the Financial Statements

\* This include all assets sold during the year that have book value less than Rs. 50,000/-.

**5.1.2** There are no assets held by third parties or assets with zero values.

## 5.2 Capital Work-In-Progress

	Note	2020	2019
		(Rupees in '000)	
Property acquisition and renovation costs	5.2.1	26,109	26,109
		26,109	26,109

**5.2.1** Market rate of this property assessed by independent valuation company stands at Rs. 100.12 million as at December 31, 2020.

## 5.3 Right-of-use assets

The Company has recognized right-of-use assets in respect of the following leases:

	2020	2019
	(Rupees in '000)	
<b>As at January 01</b>	<b>11,312</b>	-
Adoption of IFRS 16	-	13,729
Reversal due to termination	(284)	-
	11,028	13,729
Depreciation expense	(2,393)	(2,417)
<b>As at December 31</b>	<b>8,635</b>	<b>11,312</b>

## 6. Intangible Assets

Particulars	Cost			2020 Accumulated Amortization			Written down value as at 31 December 2020	Amortization Rate
	As at 1 January 2020	Additions	As at 31 December 2020	As at 1 January 2020	Amortization for the year	As at 31 December 2020		
								(Rupees in '000)
Software	19,773	-	19,773	16,947	848	17,795	1,978	30%

# Notes to and Forming Parts of the Financial Statements

For the year ended  
31 December 2020

Particulars	Cost			2019 Accumulated Amortization			Written down value as at 31 December 2019	Amortization Rate	
	As at 1 January 2019	Additions	As at 31 December 2019	As at 1 January 2019	Amortization for the year	As at 31 December 2019			
	(Rupees in '000)								%
Software	19,773	-	19,773	15,735	1,212	16,947	2,826	30%	

## 7. INVESTMENT PROPERTY

	Note	2020	2019
(Rupees in '000)			
Opening		268,348	266,586
Additions and capital improvements		3,287	-
Unrealized fair value gain	7.1	4,105	1,762
<b>Closing</b>		<b>275,740</b>	<b>268,348</b>

### 7.1 Investment properties consists of the following:

Particulars	Location	Note	Fair value as at 31 December, 2020	Improvement	Fair value as at 31 December, 2019	Gain 2020
(Rupees in '000)						
Bungalow, Aga Khan Road	Islamabad	7.3	224,000	3,287	219,120	1,593
Office, Clifton	Karachi	7.3	20,240	-	19,228	1,012
Apartment, Silver Oaks	Islamabad	7.3	31,500	-	30,000	1,500
						<b>4,105</b>

**7.1** The fair value of the investment properties was determined by external, independent property value having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent valuer provides the fair value of the Company's investment properties every year.



For the year ended  
31 December 2020

## Notes to and Forming Parts of the Financial Statements

**7.2** The company earned rental income from the above mentioned properties amounting to Rs. 4.028 million (2019: Rs. 3.48 million).

**7.3** The covered area of the bungalow, office and apartment are 8,793 Sq. ft., 1,012 Sq. ft. and 1500 Sq. ft. respectively.

### 8. INVESTMENTS IN EQUITY SECURITIES AND MUTUAL FUND UNITS

	2020				2019			
	Cost	Impairment / Provision for the Period	Revaluation Surplus / (Deficit)	Carrying Value	Cost	Impairment / Provision for the Period	Revaluation Surplus / (Deficit)	Carrying Value
(Rupees in '000)								
<b>Available for sale</b>								
<b>Related parties</b>								
Listed shares	192,502	-	187,828	380,330	204,142	(11,640)	51,172	243,674
Unlisted shares	114,983	-	-	114,983	114,983	-	-	114,983
<b>Other than related parties</b>								
Listed shares	296,906	(26,996)	63,945	333,855	451,797	(155,790)	33,356	329,363
Mutual funds *	44,021	-	15,744	59,765	38,703	-	16,129	54,832
	648,412	(26,996)	267,517	888,933	809,625	(167,430)	100,657	742,852

\* Investments in Mutual funds are placed as statutory deposit with State Bank of Pakistan in compliance of section 29 of Insurance Ordinance, 2000.

**8.1** The Company Holds 16.66% (2019: 16.66%) shares in Novelty Enterprises (Private) Limited (NEL). The shares of NEL are not publically listed on a stock exchange and hence price quotes are not available. The financial reporting date of NEL is 30 June.

Total equity / net assets of NEL as at 30 June, 2020 based on audited financial statements amounted to Rs. 561.387 million (2019: Rs.561.423 million). However, as per report of an independent valuer, Hamid Mukhtar & Co. (Pvt.) Limited dated 31 December, 2020 fair value of fixed assets of NEL amounted to Rs.1,200.00 million resulting in surplus on fixed assets of Rs.649.910 million. Accordingly, the management is of the view that it would be able to recover carrying values of its investment.

# Notes to and Forming Parts of the Financial Statements

For the year ended  
31 December 2020

## 9. INVESTMENT IN ASSOCIATE

	2020	2019
	(Rupees in '000)	
Balance as at 01 January	242,729	204,828
Share of profit	2,332	11,607
Less: Dividend received	(2,000)	(2,000)
Share of other comprehensive income	130,008	28,294
<b>Balance as at 31 December</b>	<b>373,069</b>	<b>242,729</b>

The company's interests in its associate company, namely, Crescent Powertec Limited (incorporated in Pakistan) is as follows:

Year	Assets	Liabilities	Revenues	Profit / (loss)*	Other Comprehensive (Loss) / Income	% Interest held
(Rupees in '000)						
<b>As at December 31, 2020</b>	<b>377,778</b>	<b>(4,709)</b>	<b>404</b>	<b>2,332</b>	<b>130,008</b>	<b>8%</b>
As at December 31, 2019	246,638	(3,909)	933	11,607	28,294	8%

The Company has accounted for investment in Crescent Powertec Limited as associates under IAS 28 "Investment in Associates and Joint Ventures", as management has concluded that the Company have significant influence therein. The conclusion is mainly reached on the basis of the facts that the Company's three director are also the Board member of Crescent Powertec Limited which comprise of five members, resulted in 60% (2019 : 20%) representation on the Board of investee company

\*This majorly includes share of dividend income of associate.

For the year ended  
31 December 2020

# Notes to and Forming Parts of the Financial Statements

## 10. LOANS AND OTHER RECEIVABLES

	Note	2020	2019
		(Rupees in '000)	
Mark-up and dividend receivable		547	377
Loans to employees	10.1	3,784	4,933
Deposits	10.2	34,965	36,223
Receivables against sale of Investment		11,630	-
Advance to agents		737	1,346
Other receivables		11,278	8,491
		<b>62,941</b>	<b>51,370</b>

**10.1** These are short term, unsecured interest free loans and advances provided to permanent employees of the company adjustable against salaries.

**10.2** These include Rs. 24 million (2019: Rs. 24 million) deposited under a court order in respect of a claim where the possibility of the eventual beneficiary being other than the Company is considered remote by the Company's legal advisor.

## 11. INSURANCE / REINSURANCE RECEIVABLES

	Note	2020	2019
		(Rupees in '000)	
Premium due but unpaid		547,462	536,629
Less: Provision for doubtful receivables from insurance contract holder	11.1	(161,781)	(156,455)
		<b>385,681</b>	<b>380,174</b>
Amounts due from other insurers / reinsurers		370,993	351,001
Less: Provision for doubtful receivables from insurers / reinsurers	11.2	(101,336)	(96,010)
		<b>269,657</b>	<b>254,991</b>
		<b>655,338</b>	<b>635,165</b>

**11.1** The movement in provision for doubtful receivables from insurance contract holders is as follows:

# Notes to and Forming Parts of the Financial Statements

For the year ended  
31 December 2020

	2020	2019
	(Rupees in '000)	
Balance at 01 January	(156,455)	(123,218)
Charge for the year - net	(5,326)	(33,237)
<b>Balance at 31 December</b>	<b>(161,781)</b>	<b>(156,455)</b>

**11.2** The movement in provision for doubtful receivables from insurers / reinsurers is as follows:

	2020	2019
	(Rupees in '000)	
Balance at 01 January	(96,010)	(75,505)
Charge for the year - net	(5,326)	(20,505)
<b>Balance at 31 December</b>	<b>(101,336)</b>	<b>(96,010)</b>

## 12. PREPAYMENTS

	Note	2020	2019
		(Rupees in '000)	
Prepaid reinsurance premium ceded	22	153,696	124,400
Other prepaid expense		1,992	678
		<b>155,688</b>	<b>125,078</b>

## 13. CASH AND BANK

	Note	2020	2019
		(Rupees in '000)	
<b>Cash and cash equivalents</b>			
- Policy and revenue stamps, bond papers		184	560
<b>Cash at bank</b>			
- Current accounts		10,354	25,471
- Savings accounts	13.1	27,052	69,165
		<b>37,590</b>	<b>95,196</b>

**13.1** The rate of return on saving accounts held with various banks range from 5.48% to 13.69% per annum (2019: 6.0% to 11.80%).

For the year ended  
31 December 2020

# Notes to and Forming Parts of the Financial Statements

## 14 SHARE CAPITAL

### 14.1 Authorized Capital

2020	2019		2020	2019
Number of shares in '000			(Rupees in '000)	
<b>75,000</b>	75,000	Ordinary shares of Rs.10 each.	<b>750,000</b>	750,000

### 14.2 Issued, subscribed and paid-up share capital

2020	2019		2020	2019
Number of shares in '000			(Rupees in '000)	
<b>200</b>	200	Ordinary share of Rs. 10 each fully paid in cash	<b>2,000</b>	2,000
<b>50,365</b>	50,365	Ordinary shares of Rs.10 each issued as fully paid bouns share	<b>503,650</b>	503,650
<b>50,565</b>	<b>50,565</b>	<b>As at 31 December</b>	<b>505,650</b>	<b>505,650</b>

**14.3** As at December 31, 2020, the number of shares held by the associated undertakings were 13,428,803 (2019: 12,930,803) of Rs. 10 per share.

## 15 RESERVES

	Note	2020	2019
		(Rupees in '000)	
<b>Capital reserves</b>			
Reserve for exceptional loss	15.1	<b>19,490</b>	19,490
Devaluation reserve	15.2	<b>185</b>	185
		<b>19,675</b>	19,675
<b>Revenue reserves</b>			
General reserve		<b>996,851</b>	996,851
Revaluation reserve - AFS Investments and associate		<b>576,923</b>	280,054
Revaluation reserve - Property and equipment	15.3	<b>35,859</b>	35,859
Total revenue reserve		<b>1,609,634</b>	1,312,764
Total reserve		<b>1,629,308</b>	1,332,439
<b>Accumulated Losses</b>		<b>(798,048)</b>	(681,066)
		<b>831,259</b>	<b>651,373</b>

**15.1** This reserve was created at 10% of premium income net of reinsurance till the year 1978 in terms of the repealed Income Tax, Act 1922.

# Notes to and Forming Parts of the Financial Statements

For the year ended  
31 December 2020

- 15.2** Consequent of the devaluation of the Pakistani Rupee in 1972, security deposit with the government of Lebanon and balances with overseas banks were converted at the new rates of exchange. This resulted in an increase in value which was transferred to capital reserve in year 1973.
- 15.3** This reserve was created in the year 2018 upon transfer of properties from property and equipment to investment property.

## 16 RETIREMENT BENEFIT OBLIGATIONS

	Note	2020	2019
		(Rupees in '000)	
Gratuity	16.1	1,749	1,179
Employee compensated absences	16.11	3,547	3,268
		<b>5,296</b>	<b>4,447</b>

### 16.1 Liability in statement of financial position - Gratuity

	Note	2020	2019
		(Rupees in '000)	
Present value of defined benefit obligation	16.4	1,749	1,179
Payable related to previous balance		-	-
		<b>1,749</b>	<b>1,179</b>

### 16.2 Movement in the net liability recognized

	2020	2019
	(Rupees in '000)	
Balance at 01 January	1,179	1,024
Expense / (Income) for the year	680	120
	<b>1,859</b>	<b>1,144</b>
Premeasurement chargeable in other comprehensive income		
Payments during the year	(114)	(395)
Experience Adjustment	4	430
<b>Balance at 31 December</b>	<b>1,749</b>	<b>1,179</b>



For the year ended  
31 December 2020

# Notes to and Forming Parts of the Financial Statements

## 16.3 Expense recognized in the profit or loss account

	2020	2019
	(Rupees in '000)	
Past service cost	559	-
Gain arising on plan settlements	-	-
Interest cost on defined benefit obligation	121	120
<b>Expense/ (Income) chargeable to profit and loss account</b>	<b>680</b>	<b>120</b>

## 16.4 Reconciliation of the present value of the defined benefit obligations

	Note	2020	2019
		(Rupees in '000)	
Present value of obligation as at 01 January		1,179	975
Past service cost (debit)	16.3	559	-
Interest costs on defined benefit obligation	16.3	121	129
Benefit due but not paid receivable / (payable)		-	40
Benefit paid		(114)	(395)
Gain/(loss) arising on plan settlements		-	-
Experience adjustment	16.5	4	430
<b>Present value of obligation as at 31 December</b>		<b>1,749</b>	<b>1,179</b>

## 16.5 Total re-measurements chargeable in other comprehensive income

	2020	2019
	(Rupees in '000)	
Re-measurement of plan obligation	4	430
Experience adjustments	4	430
<b>Returns on plan assets, excluding interest income</b>	<b>4</b>	<b>430</b>

## 16.6 Maturity profile of defined benefit obligation

Average duration of the defined benefit obligation is:	4.84 Years	3.38 Years
--	------------	------------

# Notes to and Forming Parts of the Financial Statements

For the year ended  
31 December 2020

- 16.7** The estimated expenses to be charged to profit and loss account for the year 2022 is Rs. 0.136 million.
- 16.8** Projected Unit Credit (PUC) Actuarial cost method was used for calculating the accounting entries in this report
- 16.9** Sensitivity analysis on significant actuarial assumptions: Actuarial liability

	2020	2019
	(Rupees in '000)	
<b>Principal actuarial assumptions used are as follows:</b>		
Discount rate used for Interest Cost in profit and loss Charge	9.75%	11%
Discount rate used for year end obligation	9.75%	11%
Next salary is increased at	1-Jan-22	1-Jan-21
Retirement assumption	Age 60	Age 60
<b>Base</b>		
Discount rate +100 bps	1,684	1,144
Discount rate -100 bps	1,820	1,218

## 16.10 Historical data of gratuity scheme

	2020	2019	2018	2017	2016
	(Rupees in '000)				
Present value of defined benefits obligations	1,749	1,179	1,024	2,589	5,371
Experience adjustment arising on plan liabilities	4	430	(209)	(2,789)	(817)

# Notes to and Forming Parts of the Financial Statements

## 16.11 Movement in the net liability recognized in the statement of financial position - Employee Compensated Absences

	2020	2019
	(Rupees in '000)	
Balance at 01 January	3,268	5,537
Expense for the year	901	(1,482)
	4,169	4,055
Interest cost on defined benefit obligation	353	734
Payment during the year	(842)	(490)
Experience adjustment	(133)	(1,031)
<b>Balance at 31 December</b>	<b>3,547</b>	<b>3,268</b>

## 16.12 Expense recognized in the profit or loss account

	2020	2019
	(Rupees in '000)	
Current service cost	901	1,355
Interest cost	353	734
Past service cost	-	(2,837)
	1,254	(748)

## 16.13 Historical data of leave encashment scheme

	2020	2019	2018	2017	2016
	(Rupees in '000)				
Present value of defined benefit obligations	3,547	3,268	5,537	4,752	8,070
Experience adjustment arising on plan liabilities	(133)	(1,031)	760	(1,283)	205

## 16.14 Principal Actuarial Assumptions

	2020	2019
	(Rupees in '000)	
Following are important actuarial assumptions used in the benefits valuation		
Discount rate	9.75%	11%
Salary Increase Rate (p.a.)	9.75%	11%

# Notes to and Forming Parts of the Financial Statements

For the year ended  
31 December 2020

**16.15** Projected Unit Credit (PUC) Actuarial cost method was used for calculating the accounting entries in this report.

**16.16** The estimated expenses to be charged to profit and loss account for the year 2021 is Rs. 1.146 million.

## 17. WINDOW TAKAFUL OPERATIONS - Operator's Fund

	2020	2019
	(Rupees in '000)	
<b>ASSETS</b>		
Loan and other receivables	11,103	14,735
Deferred commission expense	2,105	5,586
Prepayments	-	720
Cash and bank	3,701	3,979
	<b>16,909</b>	25,020
Qard-e-Hasna	83,020	83,020
<b>Total Assets</b>	<b>99,929</b>	<b>108,040</b>
<b>Total Liabilities</b>	<b>122,442</b>	<b>80,557</b>
<b>Operator's revenue accounts</b>		
Wakala fee	38,788	50,211
Net commission expenses and other acquisition costs	(8,480)	(13,177)
Management expenses	(28,895)	(60,182)
Investment (loss)	-	(4,652)
Modarib's share of PTF Investment income	1,699	-
Profit on bank deposits	81	168
Other expenses	(2,084)	(2,851)
<b>Profit/(Loss) for the year</b>	<b>1,109</b>	<b>(30,483)</b>

## 18. LEASE LIABILITIES

	Note	2020	2019
		(Rupees in '000)	
Vehicles	18.1	170	767
Right of Use	18.2	10,052	12,181
		<b>10,222</b>	<b>12,948</b>

For the year ended  
31 December 2020

# Notes to and Forming Parts of the Financial Statements

## 18.1 Vehicles

	2020			2019		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	(Rupees in '000)					
Not later than one year	172	(2)	170	637	(40)	597
Later than one year and not later than five years	-	-	-	173	(3)	170
	172	(2)	170	810	(43)	767

The total lease rentals due under the lease agreement are payable in equal monthly installments till April 2021. Taxes, repairs and insurance costs are to be borne by the Company. Financing rate ranging from 15% to 38% per annum has been used as the discounting factor.

## 18.2 Lease liability against Right of Use

	2020	2019
	(Rupees in '000)	
<b>Opening balance</b>	<b>12,181</b>	-
Adoption of IFRS 16	-	13,729
Payment/Termination of lease liability	(3,603)	(3,242)
	8,578	10,487
Finance cost	1,473	1,694
<b>Closing balance</b>	<b>10,052</b>	<b>12,181</b>

## 19. OTHER CREDITORS AND ACCRUALS

	Note	2020	2019
		(Rupees in '000)	
Bonus payable		4,541	4,541
Commissions payable		176,250	190,530
Federal excise duty & sales tax		16,506	16,863
Federal insurance fee		505	361
Deposits and margins		3,727	6,312
Provision for rent	19.1	14,000	14,000
Others	19.2	46,658	50,922
		262,187	283,529

# Notes to and Forming Parts of the Financial Statements

For the year ended  
31 December 2020

**19.1** This represents provision for rent amounting to Rs.14 million (2019: Rs.14 million) against which the Company is in litigation with the landlord. The possibility of the eventual beneficiary being other than the Company is considered remote by the Company's legal advisor. However, the Company has made a provision of the disputed amount as a matter of prudence.

**19.2** This includes outstanding claims in respect of which cheques aggregating to Rs.2.7 million (2019: Rs.2.6 million) have been issued by the Company for claim settlement but the same have not been encashed by the claimant. The following is the aging as required by SECP's circular 11 of 2014 dated 19 May 2014:

	2020	2019
	(Rupees in '000)	
1 to 6 months	-	301
More than 6 months	2,738	2,362
	<b>2,738</b>	<b>2,663</b>

Claims not encashed	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months	Total
	(Rupees in '000)					
2020	-	33	722	237	1,746	2,738
2019	301	301	315	311	1,435	2,663

## 20. CONTINGENCIES & COMMITMENTS

### 20.1 Commitments

	2020	2019
	(Rupees in '000)	
Commitment for capital expenditure	<b>15,038</b>	15,038

**20.2** The Company received a show cause notice dated 26 April 2016 from Sindh Revenue Board (SRB) on account of not charging and paying Sindh Sales Taxes amounting Rs.188.8 million for services received from foreign reinsurance companies from 2011 to 2014. The Company is of the view that the said amendment was imposed in the Sindh Sales Tax on Services Act, 2011 in the year 2014 that was



# Notes to and Forming Parts of the Financial Statements

prospective in nature and can not be made basis for recovery of the said sales tax for the above mentioned period and accordingly the Company filed an appeal with Commissioner Appeals (Sindh Revenue Board). Currently the matter is pending adjudication and no provision has been made in these financial statements as the Company believes that, based on the advice of its legal advisor, that the matter will be decided in its favor.

- 20.3** During the year, the Deputy Commissioner Inland Revenue passed an assessment order for the tax year 2015 for a net demand of Rs. 5.4 Million. The Company filed an appeal against the order before Deputy Commissioner (Appeals) and based on the opinion of the tax advisor of the Company, the management believes that the matter will ultimately be decided in the favour of the Company. Accordingly, no provision has been made in these financial statements.

## 21. DEFERRED TAX ASSET

	Note	2020	2019
		(Rupees in '000)	
<b>Taxable temporary differences arising from:</b>			
- difference in accounting and tax base of property and equipment		(75,232)	(44,286)
<b>Deductible temporary differences arising from:</b>			
- Unused tax losses and other deductible temporary differences		121,657	88,676
	<b>21.1</b>	<b>46,425</b>	<b>44,390</b>

- 21.1** As at the year end, the aggregate amount of unused carry forward business losses (including depreciation) and other deductible temporary differences (mainly on account of provision against investments, provision against doubtful receivable) amounts to Rs.1,054 million (2019: Rs. 914.859 million), net deferred tax asset on which amounts to Rs. 305.792 million (2019: Rs: 265.309 million). However, the Company has recognized deferred tax asset on such deductible temporary differences to the extent of Rs. 46.425 million, after adjusting taxable temporary difference, in line with its accounting policy as disclosed in note 3.18 of these financial statements.

# Notes to and Forming Parts of the Financial Statements

For the year ended  
31 December 2020

## 22. NET INSURANCE PREMIUM

	2020	2019
	(Rupees in '000)	
Written gross premium	532,726	501,364
Add: Unearned premium reserve opening	241,735	249,002
Less: Unearned premium reserve closing	277,987	(241,735)
Premium Earned	496,474	508,631
Less: Reinsurance premium ceded	330,576	292,905
Add: Prepaid reinsurance premium opening	124,400	116,797
Less: Prepaid reinsurance premium closing	(153,696)	(124,400)
Reinsurance expense	301,280	285,302
<b>Net insurance premium</b>	<b>195,194</b>	<b>223,329</b>

## 23. NET INSURANCE CLAIMS

	2020	2019
	(Rupees in '000)	
Claims paid	194,701	339,646
Less: Outstanding claims including IBNR opening	(682,106)	(897,114)
Add: Outstanding claims including IBNR closing	700,569	682,106
Claims expense	213,164	124,638
Less: Reinsurance and other recoveries received	73,137	199,600
Less: Reinsurance and other recoveries in respect of outstanding claims - opening	(377,512)	(540,560)
Add: Reinsurance and other recoveries in respect of outstanding claims - closing	405,249	377,512
Reinsurance and other recoveries revenue	100,874	36,552
<b>Net insurance claims</b>	<b>112,290</b>	<b>88,086</b>

**23.1** The net provision for IBNR on the basis of actuarial valuation carried out as at December 31, 2020 amounted to Rs 31.50 million (2019: Rs 31.68 million).

For the year ended  
31 December 2020

## Notes to and Forming Parts of the Financial Statements

### 23.2 Claim Development

The Company maintains adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year.

The following table shows the development of the claims over a period of time. All amounts are presented in gross numbers before reinsurance.

Accident year	2015	2016	2017	2018	2019	2020
<b>Estimate of ultimate claims cost:</b>						
At end of accident year	409,671	559,674	392,050	192,225	139,051	<b>147,485</b>
One year later	465,916	571,476	331,168	182,372	110,263	-
Two years later	461,451	571,245	330,958	180,885	-	-
Three years later	455,697	570,220	324,198	-	-	-
Four years later	457,811	570,022	-	-	-	-
Five years later	458,071	-	-	-	-	-
Current estimate of cumulative claims	458,071	570,022	324,198	180,885	110,263	<b>147,485</b>
Cumulative payments till date	(447,046)	(393,701)	(316,909)	(170,304)	(101,225)	<b>(68,035)</b>
<b>Liability recognized in statement financial position</b>	<b>11,025</b>	<b>176,321</b>	<b>7,289</b>	<b>10,581</b>	<b>9,038</b>	<b>79,450</b>

### 24. NET COMMISSION EXPENSE AND OTHER ACQUISITION COSTS

	2020	2019
	(Rupees in '000)	
Commission paid or payable	<b>41,461</b>	46,331
Add: Deferred commission opening	<b>20,156</b>	27,131
Less: Deferred commission closing	<b>(19,549)</b>	(20,156)
Commission expense	<b>42,067</b>	53,306
Less: Commission received or recoverable from reinsurers	<b>42,792</b>	35,012
Add: Unearned reinsurance commission opening	<b>15,263</b>	18,362
Less: Unearned reinsurance commission closing	<b>(21,079)</b>	(15,263)
Commission from reinsurance	<b>36,976</b>	38,111
<b>Net Commission expense</b>	<b>5,091</b>	<b>15,195</b>

# Notes to and Forming Parts of the Financial Statements

For the year ended  
31 December 2020

	2020	2019
	(Rupees in '000)	
Add: Other acquisition costs:		
Tracking device expenses	6,107	23,870
Service charges	10,075	9,093
Other costs	6,600	3,767
	22,782	36,730
<b>Net Commission expense and other acquisition costs</b>	<b>27,873</b>	<b>51,925</b>

## 25. MANAGEMENT EXPENSES

	Note	2020	2019
		(Rupees in '000)	
Employee benefit cost	25.1	174,803	186,728
Travelling expenses		2,090	4,803
Advertisement and sales promotion		508	1,767
Printing and stationary		2,600	3,925
Depreciation		11,318	12,912
Amortization		848	1,211
Rent, rates and taxes		1,902	1,309
Legal and professional charges - business related		7,298	10,300
Electricity, gas and water		4,246	5,135
Entertainment		2,455	3,467
Vehicle running expenses		2,654	3,126
Office repairs and maintenance		5,220	5,283
Bank charges		448	513
Postages, telegrams and telephone		5,549	5,215
Insurance expense		3,075	4,380
Annual supervision fee SECP		1,121	1,735
Bad and doubtful debts		10,655	53,742
Others		1,149	1,591
		<b>237,939</b>	<b>307,142</b>

### 25.1 Employee benefit cost

	2020	2019
	(Rupees in '000)	
Salaries, allowance and other benefits	166,898	180,575
Charges for post employment benefit	7,905	6,153
	<b>174,803</b>	<b>186,728</b>

For the year ended  
31 December 2020

# Notes to and Forming Parts of the Financial Statements

## 26. INVESTMENT INCOME / (LOSS)

	2020	2019
	(Rupees in '000)	
Income from equity securities and mutual fund units		
- Dividend income	24,254	30,932
Net realized gains on investments		
Available for sale		
- Equity securities	25,386	2,305
<b>Total investment income</b>	<b>49,640</b>	<b>33,237</b>
Less: Impairment in value of available for sale securities		
- Equity Securities	(26,996)	(167,430)
Less: Investment related expenses	(278)	(1,391)
	<b>22,366</b>	<b>(135,584)</b>

## 27. OTHER INCOME

	2020	2019
	(Rupees in '000)	
Return on bank balances	4,182	4,139
Exchange gain	4,920	2,223
Gain on sale of operating fixed assets	3,587	24,737
Reversal of excess provision of sales tax - health insurance	-	7,728
Liabilities no longer required written back	27,738	51,517
Miscellaneous	3,244	23,343
	<b>43,671</b>	<b>113,687</b>

## 28. OTHER EXPENSES

	Note	2020	2019
		(Rupees in '000)	
Auditors' remuneration	28.1	1,941	1,775
Subscription		1,108	1,992
Donations		333	21
Inadmissible input tax expense		(195)	2,371
Sales promotion expense		880	2,616
Penalties		-	655
Others		(875)	4,053
		<b>3,192</b>	<b>13,483</b>

# Notes to and Forming Parts of the Financial Statements

For the year ended  
31 December 2020

## 28.1 Auditors' remuneration

	2020	2019
	(Rupees in '000)	
Audit fee	1,045	950
Review of interim financial statements	302	275
Special certifications and sundry advisory services	594	550
	<b>1,941</b>	<b>1,775</b>

## 29. TAXATION

	2020	2019
	(Rupees in '000)	
Current tax	9,111	9,496
Deferred tax	(2,035)	(44,390)
	<b>7,076</b>	<b>(34,894)</b>

The relationship between tax expense and accounting profit has not been presented in these financial statements as the income of the Company is subject to tax under section 113 of the Income Tax Ordinance, 2001.

## 30. LOSS PER SHARE

	2020	2019
	(Rupees in '000)	
Loss after tax for the period	<u>(117,112)</u>	<u>(239,761)</u>
	Number of shares in '000	
Weighted average number of ordinary shares	<u>50,565</u>	<u>50,565</u>
	Rupees	
Loss per share	<u>(2.32)</u>	<u>(4.74)</u>

No figure for diluted earnings per share has been presented as the company has not issued any instrument which would dilute its basic loss per share when exercised.

## 31. COMPENSATION OF DIRECTORS AND EXECUTIVE

The aggregate amount charged in the accounts for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company are as follows:



For the year ended  
31 December 2020

## Notes to and Forming Parts of the Financial Statements

	Chief Executive 2020	2019	Directors 2020	2019	Executives 2020	2019
			(Rupees in '000)			
Fees	-	-	1,640	1,715	-	-
Managerial remuneration	-	16,698	2,700	-	47,796	69,651
Leave encashment	-	-	-	-	437	-
Bonus	-	1,210	-	-	-	3,207
Fuel & Travelling	-	1,748	797	104	7,608	10,797
Contribution to defined contribution plan	-	-	248	-	3,222	3,605
Rent and house maintenance	-	726	1,080	-	19,561	18,348
Utilities	-	1,452	3,456	-	26,736	13,752
Medical	-	5,990	-	-	2,981	2,974
Others	-	902	852	-	-	-
	-	28,726	10,773	1,819	108,340	122,334
Number of persons	1	1	7	7	41	42

Mr. Nadeem Maqbool has been appointed as CEO during the year 2020 in place of Mr. Zahid Bashir. He does not take any kind of remuneration from the Company.

### 32. NUMBER OF EMPLOYEES

The total and average number of employees during the year ended 31 December 2020 and 2019 are as follows

	2020	2019
As at year end	122	143
Average during the year	133	161

### 33. RELATED PARTY TRANSACTIONS

Related parties comprise associated companies, entities under common control, entities with common directors, major shareholders, directors, key management personnel and funded employee retirement benefit schemes.

Details of the balances and transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements, are as follows:

# Notes to and Forming Parts of the Financial Statements

For the year ended  
31 December 2020

Name of related party	Relationship	2020					Balances		
		Transactions during the year					Premium outstanding	Claims outstanding	Commission outstanding
		Premium underwritten	Premium received	Claims paid	Dividend received	Commission paid			
		(Rupees in '000)							
Associated Companies									
Crescent Bahuman Limited	Common Directorship	30,172	43,587	13,765	-	-	79,092	11,050	-
Crescent Cotton Mills Limited	Common Directorship	9,216	14,424	6,540	-	-	4,880	3,649	-
Crescent Fibres Ltd.	Common Directorship	18,607	26,633	2,257	-	-	12,281	1,512	-
Crescent Powertec Limited	Common Directorship	1,592	1,912	1,434	2,000	-	978	50	-
Crescent Steel & Allied Products Ltd.	Common Directorship	9,829	9,935	2,830	-	-	4,206	136	2,194
Equity Textiles Limited	Common Directorship	8,419	9,781	828	-	-	4,562	25	-
Jubilee Spinning & Weaving Mills Ltd.	Common Directorship	-	-	-	-	-	3,796	-	10,405
Mohammad Amin Mohammad Bashir Ltd.	Common Directorship	-	72	-	-	-	-	-	12,590
Shakarganj Mills Ltd.	Common Directorship	5,962	6,137	2,979	-	-	6,156	2,000	-
Shams Textile Mills Limited	Common Directorship	6,585	6,522	2,792	-	-	3,453	5,400	-
Summit Bank Limited	Common Directorship	202	144	128	-	-	120	-	-
Suraj Cotton Mills Limited	Common Directorship	40,029	57,436	25,677	4,889	-	6,675	6,552	-
The Crescent Textile Mills Limited.	Common Directorship	22,399	25,669	4,685	-	-	11,948	5,733	-
Individuals									
Directors		65	137	-	-	-	29	-	-
Total		153,077	202,389	63,915	6,889	-	138,176	36,107	25,189

For the year ended  
31 December 2020

# Notes to and Forming Parts of the Financial Statements

Name of related party	Relationship	2019					Balances		
		Transactions during the year					Premium outstanding	Claims outstanding	Commission outstanding
		Premium underwritten	Premium received	Claims paid	Dividend received	Commission paid			
		(Rupees in '000)							
Associated Companies									
Crescent Agrifarm (Private) Limited	Common Directorship	-	-	-	-	-	4	-	-
Crescent Bahuman Limited	Common Directorship	34,236	51,628	11,010	-	-	84,747	8,245	-
Crescent Cotton Mills Limited	Common Directorship	9,051	10,219	4,544	-	-	7,168	5,473	-
Crescent Fibres Limited	Common Directorship	17,140	19,228	3,580	-	-	16,873	1,257	-
Crescent Hadeed (Private) Limited	Common Directorship	117	83	25	-	-	103	-	-
Crescent Jute Products Ltd	Common Directorship	183	296	74	-	-	206	39	-
Crescent Powertec Limited	Common Directorship	1,377	4,998	74	2,000	-	1,027	325	-
Crescent Socks (Private) Limited	Common Directorship	1,535	2,456	-	-	-	1,208	-	-
Crescent Steel and Allied Products Limited	Common Directorship	3,762	7,406	264	-	-	(396)	74	-
Crescent Venture (Private) Limited	Common Directorship	742	778	246	-	-	111	-	-
Cresox (Private) Ltd	Common Directorship	-	-	-	-	-	3,462	-	16,050
Equity Textiles Limited	Common Directorship	7,776	6,566	115	-	-	4,727	1,391	-
Jubilee Spinning & Weaving Mills Limited	Common Directorship	-	-	-	-	-	3,796	-	10,503
Muhammad Amin Muhammad Bashir Limited	Common Directorship	9	-	-	-	14,733	72	-	5,650
Pak Elektron Limited	Common Directorship	-	-	-	-	-	67	-	-
Shakarganj Limited	Common Directorship	4,704	6,395	1,847	-	-	5,711	931	-
Shams Textile Mills Limited	Common Directorship	6,706	11,056	709	419	-	1,434	8,073	-
Summit Bank Limited	Common Directorship	381	624	134	-	-	23	82	-
Suraj Cotton Mills Limited	Common Directorship	35,784	49,419	6,110	6,111	-	13,537	20,983	-
The Crescent Textile Mills Limited	Common Directorship	16,558	26,691	2,026	454	-	9,782	444	-
Individuals									
Directors		419	509	-	-	-	394	67	-
Others		7	16	-	-	-	(1)	-	-
Total		140,487	198,368	30,758	8,984	14,733	154,055	47,384	32,203

**33.1** Company's contribution toward staff provident fund during the year is Rs. 4.974 (2019:4.574) million

# Notes to and Forming Parts of the Financial Statements

For the year ended  
31 December 2020

## 34. SEGMENT REPORTING

### 34.1 Segment profit or loss

	Fire and property damage		Marine, aviation and transport		Motor		Health		Miscellaneous		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	(Rupees in '000)											
Premium receivable ( inclusive of FED / Sales Tax, Federal insurance fee and Administrative surcharge)	262,647	247,923	36,452	40,424	86,579	137,339	156,520	90,941	49,823	48,958	592,021	565,585
Less: FED / sales tax	32,718	31,437	4,096	4,261	10,832	17,076	-	-	6,430	6,542	54,076	59,316
Less: Federal insurance fee	2,178	2,045	320	358	743	1,183	1,550	900	428	419	5,219	4,905
Gross written Premium ( inclusive of Administrative surcharge)	227,751	214,441	32,036	35,805	75,004	119,080	154,970	90,041	42,965	41,997	532,726	501,364
Gross direct premium	217,003	203,454	31,091	34,585	72,576	115,828	154,854	89,933	42,477	41,423	518,001	485,223
Facultative inward premium	9,974	10,060	-	-	789	822	-	-	138	140	10,901	11,022
Administrative surcharge	774	927	945	1,220	1,639	2,430	116	108	350	434	3,824	5,119
Insurance premium earned	214,921	210,873	30,783	37,729	100,564	130,266	109,169	85,365	41,037	44,398	496,474	508,631
Insurance premium ceded to reinsurers	(224,669)	(210,941)	(18,322)	(23,482)	(2,989)	(2,579)	(33,217)	(25,492)	(22,084)	(22,808)	(301,280)	(285,302)
Net Insurance premium	(9,748)	(68)	12,461	14,247	97,575	127,687	75,952	59,873	18,954	21,590	195,194	223,329
Commission income from reinsurers	23,956	25,745	3,208	4,111	127	86	5,806	4,451	3,879	3,718	36,976	38,111
Net underwriting income	14,208	25,677	15,669	18,358	97,702	127,773	81,758	64,324	22,833	25,308	232,169	261,440
Insurance claims expense	(33,990)	443	(14,925)	6,489	(27,621)	(42,622)	(100,963)	(57,518)	(35,666)	(31,431)	(213,164)	(124,638)
Insurance claims recovered from reinsurers and other recoveries revenue	24,546	7,957	10,907	(1,741)	449	107	37,594	20,487	27,378	9,742	100,874	36,552
Net Insurance claims	(9,444)	8,400	(4,018)	4,748	(27,172)	(42,515)	(63,369)	(37,031)	(8,287)	(21,688)	(112,290)	(88,086)
Commission expense	(22,126)	(29,115)	(3,632)	(6,101)	(6,506)	(10,374)	(6,783)	(3,529)	(3,021)	(4,187)	(42,068)	(53,306)
Management expense	(103,003)	(127,338)	(14,753)	(22,783)	(48,196)	(78,662)	(52,320)	(51,549)	(19,668)	(26,810)	(237,939)	(307,142)
Other acquisition cost	(404)	(15,227)	(446)	(2,725)	(8,884)	(9,407)	(12,399)	(6,165)	(649)	(3,206)	(22,782)	(36,730)
Net insurance claims and expenses	(134,975)	(163,280)	(22,849)	(26,861)	(90,757)	(140,958)	(134,871)	(98,274)	(31,625)	(55,891)	(415,079)	(485,264)
Underwriting result	(120,768)	(137,603)	(7,180)	(8,503)	6,944	(13,185)	(53,113)	(33,950)	(8,792)	(30,583)	(182,908)	(223,824)
Net investment Income / (loss)											22,366	(135,584)
Rental income											4,028	3,480
Revaluation gain on investment property											4,105	1,762
Other income											43,671	113,687
Other expenses											(3,192)	(13,483)
Finance cost											(1,547)	(1,817)
Share of loss from associate											2,332	11,607
Share of loss from WTO - Operator's Fund											1,109	(30,483)
Loss before tax											(110,036)	(274,655)

For the year ended  
31 December 2020

# Notes to and Forming Parts of the Financial Statements

## 34.2 Segment assets and liabilities

The following presents segments assets and liabilities for the year 2020 and 2019:

	Fire and property damage		Marine, aviation and transport		Motor		Health		Miscellaneous		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	(Rupees in '000)											
Segment assets	529,111	496,767	74,426	82,945	174,249	275,857	360,026	208,586	99,816	97,289	1,237,628	1,161,442
Unallocated corporate assets											2,011,652	1,795,857
<b>Total assets</b>											<b>3,249,280</b>	<b>2,957,300</b>
Segment Liabilities	662,041	595,922	93,124	99,501	218,027	330,918	450,477	250,220	124,893	116,708	1,548,562	1,393,269
Unallocated corporate liabilities											300,479	326,451
<b>Total liabilities</b>											<b>1,849,041</b>	<b>1,719,720</b>

## 35. MOVEMENT IN INVESTMENTS

### Available for Sale

(Rupees in '000)

<b>01 January, 2019</b>	<b>806,620</b>
Additions	18,037
Disposals (sale and redemptions)	(67,167)
Fair value net gains (excluding net realized gains)	152,792
Designated at fair value through profit of loss upon initial recognition	-
Impairment losses	(167,430)
<b>31 December, 2019</b>	<b>742,852</b>
Additions	68,064
Disposals (sale and redemptions)	(61,847)
Fair value net gains (excluding net realized gains)	166,860
Designated at fair value through profit of loss upon initial recognition	-
Impairment losses	(26,996)
<b>31 December, 2020</b>	<b>888,933</b>

# Notes to and Forming Parts of the Financial Statements

For the year ended  
31 December 2020

## 36. MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

During the year, the COVID – 19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. The World Health Organization has declared COVID-19 a pandemic. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts. SECP has also given regulatory relief to corporate sector which includes extension of holding Annual General Meeting, alternatives to disseminate information to shareholders through post, relaxation for filing of interim financial statements, relaxation to hold Board of Director's meeting once in each quarter and instructions to prioritize safety of employees in COVID-19 outbreak.

COVID-19 has adversely impacted the insurance industry on a number of fronts including increase in overall credit risk pertaining to the premium receivables and other financial assets, disruption in growth due to slowdown in economic activity, continuity of business operations.

Due to overall uncertain situation about the impacts and duration for which such a situation will continue, the overall impact on the Company's financial position and financial performance cannot be predicted with reasonable certainty. The management continues to monitor the developing situation and would proactively manage any risk arising thereof.

### 36.1 Insurance Risk

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

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.

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

# Notes to and Forming Parts of the Financial Statements

insurance risk.

## Frequency and severity of claims

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

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

	2020 Maximum Gross Risk Exposure	2019 Maximum Gross Risk Exposure
	(Rupees in '000)	
Fire and property damage	24,595,356	12,945,000
Marine, aviation and transport	357,147	431,200
Motor	37,500	23,790
Health	1,000	1,000
Miscellaneous	160,000	160,000

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

## Uncertainty in the estimation of future claims payment

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

An estimated amount of the claim is recorded immediately on the intimation to the Company. The estimation of the amount is based on management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims. The estimation of provision of claims incurred but not reported (IBNR) is based on actuary advice.

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



# Notes to and Forming Parts of the Financial Statements

For the year ended  
31 December 2020

for claims incurred but not reported is recorded on actuarial advice which is based on historic reporting pattern of the claims; hence, actual amount of incurred but not reported claims may differ from the amount estimated.

## Key assumptions

The principal assumption underlying the liability estimation of Premium Deficiency Reserves is that the Company'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.

The assumed net of reinsurance loss ratios for each class of business is as follows:

Class	2020 Assumed Net Loss Ratio	2019 Assumed Net Loss Ratio
Fire and property damage	28%	33%
Marine, aviation and transport	27%	73%
Motor	98%	100%
Health	63%	100%
Miscellaneous	23%	67%

## Sensitivity analysis

The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company makes various assumptions and uses 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 recognized in the balance sheet is adequate. However, actual experience will differ from the expected outcome.

As the Company mostly enters into short term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on profit before tax net of reinsurance.

For the year ended  
31 December 2020

## Notes to and Forming Parts of the Financial Statements

	Pre tax profit/ (loss)		Shareholders' equity	
	2020	2019	2020	2019
	(Rupees in '000)			
10% increase in loss	(11,229)	(8,809)	(11,229)	(6,254)
10% decrease in loss	11,229	8,809	11,229	6,254

### Claims development

The development of claims against insurance contracts issued is not disclosed as uncertainty about the amount and timing of claim settlement is usually resolved within one year.

### Geographical concentration of insurance risk

To optimize benefits from the principle of averages and law of large numbers, geographical spread of risk is of extreme importance. There are number of parameters which are significant in assessing the accumulation of risks with reference to the geographical location. Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the location, occupation and coverage of the insured's.

The ability to manage catastrophic risk is tied to managing the density of risk within a particular area. For catastrophic aggregates, we have utilized precise geographic CRESTA (Catastrophe Risk Evaluating and Standardizing Target Accumulations) codes with reference to the accumulation of sums insured in force at any particular location against natural perils. It provides a way to better visualize the risk exposures so the Company determines the appropriate amount of reinsurance coverage to protect the business portfolio.

# Notes to and Forming Parts of the Financial Statements

For the year ended  
31 December 2020

## 36.2 Financial risk

### 36.2.1 Financial instruments by category

	2020	2019
(Rupees in '000)		
<b>Financial assets</b>		
Loans and receivables		
Loans and other receivables	61,132	51,370
Insurance/ reinsurance receivables	655,338	635,165
Reinsurance recoveries against outstanding claims	405,249	377,512
Salvage recoveries accrued	1,805	3,531
Cash and bank balances	37,590	95,196
<b>Available for sale</b>		
Investments - equity securities	888,933	742,852
<b>Financial liabilities</b>		
<b>At amortized cost</b>		
Outstanding claims including IBNR	700,569	682,106
Lease liabilities	10,222	12,948
Insurance/ reinsurance payables	548,928	454,165
Other creditors and accruals	248,187	252,305
Unclaimed dividend	22,773	25,527

### 36.2.2 Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management. The responsibility includes developing and monitoring the Company's risk management policies. To assist the Board in discharging its oversight responsibility, management has been made responsible for identifying, monitoring and managing the Company's financial risk exposures. The Company's exposure to the risks associated with the financial instruments and the risk management policies and procedures are summarized as follows:

- Credit risk
- Liquidity risk
- Market risk

# Notes to and Forming Parts of the Financial Statements

## 36.2.2.1 Credit risk

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

The Risk Management function is regularly conducting detailed analysis on sectors/industries and identify the degree by which the company's policy holder and their businesses have been impacted amid COVID-19. Keeping in view short term and long term outlook of each sector, management has taken into consideration the factors while determining required provisions against financial assets where required.

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

	2020	2019
	(Rupees in '000)	
Bank deposits	37,406	94,636
Premium due but unpaid - net of provision	385,681	380,174
Amount due from other insurers / reinsurers - net of provision	269,657	254,991
Accrued investment income	547	377
Reinsurance recoveries against outstanding claim	405,249	377,512
Deposits & other receivables	61,132	51,370
	<b>1,159,672</b>	<b>1,159,060</b>

General provision is made for receivables according to the Company's policies. The remaining past due balances were not impaired as they relate to a number of policy holders and other insurers / reinsurers for whom there is no history of default.

# Notes to and Forming Parts of the Financial Statements

For the year ended  
31 December 2020

	2020	2019
The age analysis of premium due but unpaid is as follows:	(Rupees in '000)	
Up to 1 year	153,156	144,933
1 -2 years	14,086	6,751
2 - 3 years	2,650	54,326
Over 3 years	377,569	330,619
	<b>547,461</b>	<b>536,629</b>

	2020	2019
The age analysis of premium due but unpaid from related parties is as follows:	(Rupees in '000)	
Up to 1 year	54,737	63,293
1 -2 years	9,952	6,096
2 - 3 years	2,993	6,066
Over 3 years	69,266	76,474
	<b>136,948</b>	<b>151,929</b>

The credit quality of claim recoveries from Reinsurance Companies can be assessed with reference to external credit ratings.

	Amount due from reinsurance operators	Reinsurance recoveries against outstanding claims	Other reinsurance asset	2020	2019
	(Rupees in '000)				
A or above (including PRCL)	356,435	381,795	153,696	<b>891,926</b>	819,859
BBB	5,365	7,210	-	<b>12,575</b>	10,367
Others	9,193	16,245	-	<b>25,438</b>	22,687
<b>Total</b>	<b>370,993</b>	<b>405,250</b>	<b>153,696</b>	<b>929,939</b>	<b>852,913</b>

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

For the year ended  
31 December 2020

## Notes to and Forming Parts of the Financial Statements

Bank	Rating agency	2020	
		Short term	Long term
MCB Bank Limited	PACRA	A-1+	AAA
JS Bank Limited	PACRA	A-1+	AA-
Faysal Bank Limited	PACRA / VIS	A-1+	AA
Habib Metropolitan Bank Limited	PACRA	A-1+	AA+
National Bank Limited	PACRA / VIS	A-1+	AAA
United Bank Limited	VIS	A-1+	AAA
FINCA Microfinance Bank Limited	PACRA / VIS	A-1	A
Habib Bank Limited	VIS	A-1+	AAA

### 36.2.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or would have difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

Due to COVID-19 outbreak Company's policy holders and their businesses has been adversely impacted. The management is continuously monitoring the liquidity position and solvency position and is taking necessary precautionary measures where ever needed.

The following are the contractual maturities of financial liabilities, including interest payments, excluding the impact of netting agreements:

# Notes to and Forming Parts of the Financial Statements

For the year ended  
31 December 2020

	2020			
	Within 1 year	2 - 5 years	More than 5 years	Total
	(Rupees in '000)			
Financial liabilities				
Outstanding claims including IBNR	700,569	-	-	700,569
Lease liabilities	2,332	5,735	2,155	10,222
Insurance/ reinsurance payables	548,928	-	-	548,928
Other creditors and accruals	248,187	-	-	248,187
Unclaimed dividend	22,773	-	-	22,773
	1,522,789	5,735	2,155	1,530,679

	2019			
	Within 1 year	2 - 5 years	More than 5 years	Total
	(Rupees in '000)			
Financial liabilities				
Outstanding claims including IBNR	682,106	-	-	682,106
Lease liabilities	2,572	7,673	2,703	12,948
Insurance/ reinsurance payables	454,165	-	-	454,165
Other creditors and accruals	252,305	-	-	252,305
Unclaimed dividend	25,527	-	-	25,527
	1,416,675	7,673	2,703	1,427,051

## 36.2.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity 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 optimizing returns.

The Company limits market risk by maintaining a diversified portfolio and its continuously monitoring. In addition, the Company actively



## Notes to and Forming Parts of the Financial Statements

monitors the key factors that affect the underlying value of these securities.

### 36.2.4.1 Interest rate risk

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 Company invests in securities and has deposits that are subject to interest / mark-up rate risk. Due to COVID-19 pandemic, the State Bank of Pakistan has responded to the crises by cutting the Policy Rate. Accordingly, the market interest rates have declined significantly. The management is continuously monitoring the situation and is taking necessary precautionary measures where needed.

Maturity profile of financial assets and liabilities:

# Notes to and Forming Parts of the Financial Statements

For the year ended  
31 December 2020

2020	Effective rate % per annum	Interest / Markup bearing			Non- interest / Non - markup bearing			Total
		Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
(Rupees in '000)								
FINANCIAL ASSETS								
Investments in equity securities		-	-	-	-	-	-	
Investments in associates		-	-	-	-	373,069	373,069	373,069
Loans and other receivables		-	-	-	26,167	34,965	61,132	61,132
Insurance receivables		-	-	-	-	655,338	655,338	655,338
Reinsurance recoveries against outstanding claims		-	-	-	405,249	-	405,249	405,249
Salvage recoveries accrued		-	-	-	1,805	-	1,805	1,805
Cash	5.48 - 13.69	27,052	-	27,052	-	10,538	10,538	37,590
December 31, 2020		27,052	-	27,052	433,221	1,073,910	1,507,131	1,534,183
FINANCIAL LIABILITIES								
Outstanding claims including IBNR		-	-	-	700,569	-	700,569	700,569
Insurance payables		-	-	-	548,928	-	548,928	548,928
Other Creditors and accruals		-	-	-	248,187	-	248,187	248,187
Lease liabilities		2,332	7,890	10,222	-	-	-	10,222
December 31, 2020		2,332	7,890	10,222	1,497,684	-	1,497,684	1,507,906

2020	Effective rate % per annum	Interest / Markup bearing			Non- interest / Non - markup bearing			Total
		Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
(Rupees in '000)								
OFF BALANCE SHEET ITEMS								
Capital commitments		-	-	-	-	15,038	15,038	15,038
December 31, 2020		-	-	-	-	15,038	15,038	15,038
Interest risk sensitivity		24,720	(7,890)	16,830	(1,064,463)	1,073,910	9,447	26,277

For the year ended  
31 December 2020

# Notes to and Forming Parts of the Financial Statements

2019	Effective rate % per annum	Interest / Markup bearing			Non- interest / Non - markup bearing			Total
		Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
(Rupees in '000)								
FINANCIAL ASSETS								
Investments in equity securities		-	-	-	-	742,852	742,852	742,852
Investments in associates		-	-	-	-	242,729	242,729	242,729
Loans and other receivables		-	-	-	5,310	-	5,310	5,310
Insurance receivables		-	-	-	635,165	-	635,165	635,165
Reinsurance recoveries against outstanding claims		-	-	-	377,512	-	377,512	377,512
Salvage recoveries accrued		-	-	-	3,531	-	3,531	3,531
Cash	6.0 to 11.8	69,165	-	69,165	-	26,031	26,031	95,196
December 31, 2019		69,165	-	69,165	1,021,518	1,011,612	2,033,130	2,102,295
FINANCIAL LIABILITIES								
Outstanding claims including IBNR		-	-	-	682,106	-	682,106	682,106
Insurance payables		-	-	-	454,165	-	454,165	454,165
Other Creditors and accruals		-	-	-	252,305	-	252,305	252,305
Lease liabilities		2,572	10,376	12,948	-	-	-	12,948
December 31, 2019		2,572	10,376	12,948	1,388,576	-	1,388,576	1,401,524

2019	Effective rate % per annum	Interest / Markup bearing			Non- interest / Non - markup bearing			Total
		Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
(Rupees in '000)								
OFF BALANCE SHEET ITEMS								
Capital commitments		-	-	-	-	15,038	15,038	15,038
December 31, 2019		-	-	-	-	15,038	15,038	15,038
Interest risk sensitivity		66,593	(10,376)	56,217	(367,058)	1,011,612	644,554	700,771

# Notes to and Forming Parts of the Financial Statements

For the year ended  
31 December 2020

## **Fair value sensitivity analysis for fixed rate instruments**

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

## **Cash flow sensitivity analysis for variable rate instruments**

The Company does not account for any variable rate financial assets and liabilities. Therefore, a change in interest rate at the reporting date would not affect profit and loss account.

### **36.2.4.2 Currency risk**

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into are denominated in foreign currencies. The Company, at present is not materially exposed to currency risk as majority of the transactions are carried out in Pak Rupees.

### **36.2.4.3 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 Company's listed securities and mutual funds are susceptible to market price risk arising from uncertainties about the future value of investment securities and units. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity and mutual funds. In addition, the Company actively monitors the key factors that affect stock market.

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

For the year ended  
31 December 2020

## Notes to and Forming Parts of the Financial Statements

	Price change	Fair value (Rupees in '000)	Effect on fair value
<b>December 31, 2020</b>	<b>5%</b>	<b>773,950</b>	<b>38,698</b>
December 31, 2019	5%	627,869	31,393

### 36.2.5 Operational Risk

COVID-19 pandemic has created an unprecedented challenge for the Company in terms of Business Continuity Management. The management is closely monitoring the situation and has invoked required actions to ensure the safety and security of Company's staff and uninterrupted service to policy holders.

Business Continuity Plans for respective areas are in place and tested. Work-from-Home capabilities have been enabled for staff where ever required, while ensuring adequate controls to ensure that Company's information assets are adequately protected from emerging cyber threats.

### 36.2.6 Capital management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, to meet the regulatory solvency and paid up capital requirements so that it can continue to provide returns for shareholders and benefits for other stakeholders.

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 order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares.

Currently the Company has a paid up capital of Rs. 505.65 million against the minimum required capital of Rs. 500 million set by the SECP vide SRO 828 for non-life insurer.

In addition, the Company is also required to maintain minimum solvency in accordance with the rules and regulations set by the SECP which are fully met by the Company.

# Notes to and Forming Parts of the Financial Statements

For the year ended  
31 December 2020

## 37. STATEMENT OF SOLVENCY

	2020 (Rupees in '000)
<b>Assets</b>	
Property and equipment	221,735
Intangible assets	1,978
Investment properties	275,740
Investments in associate	373,069
Investments	
Equity securities	888,933
Loans and other receivables	62,941
Insurance / Reinsurance receivables	655,338
Reinsurance Recoveries against O/S claims	405,249
Salvage recoveries accrued	1,805
Deferred Commission Expense	19,549
Taxation - provision less payment	3,311
Deferred tax asset	46,425
Prepayments	155,688
Cash and bank deposits	37,590
Total assets related to operator's fund from Window Takaful Operations (including Qard-e-Hasna)	99,929
<b>Total Assets (A)</b>	<b>3,249,280</b>

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

(d) Loans to employees	3,784
(h) Insurance/ Reinsurance receivables	134,680
(k) Deposits and other receivables	27,727
(k) Cash and bank deposits	437
(i) Intangible assets	1,978
(j) Deferred tax assets	46,425
(q) Investments	780,261
(u) - (i) Vehicles	20,219
(u) - (ii) Office equipment and computers	8,666
(u) - (iii) Furniture and fixtures	8,097
Total assets related to operator's fund from Window Takaful Operations (including Qard-e-Hasna)	99,929
<b>Total of In-admissible assets (B)</b>	<b>1,132,203</b>

<b>Total Admissible Assets (C=A-B)</b>	<b>2,117,077</b>
--	------------------

For the year ended  
31 December 2020

# Notes to and Forming Parts of the Financial Statements

2020  
(Rupees in '000)

## Total Liabilities

Underwriting Provisions	700,569
Outstanding claims including IBNR	277,987
Unearned premium reserves	21,079
Unearned commission income	5,296
Retirement benefit obligations	10,222
Borrowings	548,928
Insurance / Reinsurance Payables	262,187
Other Creditors and Accruals	22,773
Unclaimed dividends	-
Income tax liabilities	-

**Total Liabilities (D)** 1,849,041

## Total liabilities related to operator's fund from Window Takaful Operations

63,330

## Total Net Admissible Assets (E=C-D)

268,036

## Minimum Solvency Requirement (higher of following)

Method A - U/s 36(3)(a)	150,000	
Method B - U/s 36(3)(b)	124,291	
Method C - U/s 36(3)(c)	94,915	150,000

**Excess in Net Admissible Assets over Minimum Requirements** 118,036

## 38. PROVIDENT FUND

The Company operates an approved contributory provident fund (the fund) for its permanent employees. Details of net assets and investments as per unaudited 2020 (2019: audited) financial statements of the fund are as follows:

	2020	2019
	(Rupees in '000)	
Size of the fund	66,532	63,495
Cost of investments made	29,068	57,885
Fair value of investments	33,398	61,407
Investment - (%)	50.2%	96.7%

All investments in collective investment scheme, listed equity and listed debt securities



# Notes to and Forming Parts of the Financial Statements

For the year ended  
31 December 2020

from the provident fund have been made in accordance with the provisions of section 218 of Companies Act, 2017 and the conditions specified thereunder.

	2020	2019
<b>Break-up of investments</b>	(Rupees in '000)	
Mutual Funds	<b>33,398</b>	31,659
Treasury Bills	-	29,748
Bank Balance	<b>32,934</b>	2,973

## 39. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

- Level 1** Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2** Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly observable
- Level 3** Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

There had been no transfer between the fair value of hierarchy during the year

Following are the assets which are either measured at fair value or for which fair value is only disclosed and is different from their carrying value:

	2020		
	Fair Value Measurement		
	Level 1	Level 2	Level 3
	(Rupees in '000)		
<b>Available for sale investments (measured at fair value)</b>			
Equity securities	<b>714,185</b>	-	-
Mutual fund units	-	<b>59,765</b>	-
	<b>714,185</b>	<b>59,765</b>	-

For the year ended  
31 December 2020

# Notes to and Forming Parts of the Financial Statements

	2019		
	Fair Value Measurement		
	Level 1	Level 2	Level 3
	(Rupees in '000)		
<b>Available for sale investments (measured at fair value)</b>			
Equity securities	573,037	-	-
Mutual fund units	-	54,832	-
	573,037	54,832	-

## 40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on March 31, 2021 by the Board of directors of the Company.

## 41. GENERAL

- 41.1** There is no individual class of business within the category of 'miscellaneous', where the gross premium of the class of business is 10% or more of the gross premium revenue of the company.
- 41.2** The comparative information has been reclassified, rearranged or additionally restated in these financial statements, wherever necessary, to facilitate comparative and to confirm with changes in presentation in the current year. However there were no material reclassification / restatements to report.
- 41.3** All amounts have been rounded to the nearest thousand Rupees.

Chief Executive  
Officer

Chairman

Director

Director

Chief Financial  
Officer

## **Financial Statements (Window Takaful)**

A large blue L-shaped graphic element, consisting of a horizontal bar and a vertical bar meeting at a right angle, positioned to the right of the section header.

## INDEPENDENT AUDITOR'S REPORT

### To the members of Premier Insurance Limited - Window Takaful Operations

#### Report on the Audit of the Financial Statements

##### Opinion

We have audited the annexed financial statements, which comprise the statements of financial position as at **31 December 2020**, and the statements of comprehensive income, the statements of changes in fund and the statements of cash flows of **Premier Insurance Limited - Window Takaful Operations** 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 statements of comprehensive income, the statements of changes in fund and the statements 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 31 December 2020 and the results of its takaful operations 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.

##### 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 of 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.



S. No.	Key audit matters	How the matter was addressed in our audit
1	<p><b>Liabilities in respect of takaful contracts</b></p> <p>The liabilities in respect of takaful contracts issued as of 31 December 2020 amounts to Rs.37.789 million (note 18 to the financial statement), which represent 35.43% of the Participants' Takaful Fund's (PTF) total liabilities. We considered adequacy of takaful liabilities as a key audit matter due to significant judgments involved in estimating the liabilities and use of experts in this regard.</p> <p>(Refer to note 4 and 32.1 to the financial statements for relevant disclosures).</p>	<p>Our key audit procedures included the following:</p> <ul style="list-style-type: none"> <li>- We assessed the controls over recording and settlement of claims in respect takaful business and performed tests of such controls to check their effectiveness in relation to the year under audit;</li> <li>- In respect of adequacy of insurance contract liabilities (including IBNR and premium deficiency reserve) which are measured on the basis of undiscounted value of expected future payments, we involved our expert to review the methodology used by the management's expert in estimating claims liabilities in accordance with the prescribed methodology. As part of our testing we also considered the competence and objectivity of the experts used by the management for this purpose;</li> <li>- for insurance claims we also evaluated the management estimates regarding cost of claims settlements by considering reports of independent surveyors and the estimates regarding salvage values of insured assets;</li> <li>- we performed subsequent review to identify any significant claims reported post year end which pertain to the financial year under audit; and</li> <li>- we assessed the adequacy of disclosures made in respect of takaful contract liabilities in accordance with the approved accounting standards as applicable in Pakistan.</li> </ul>

#### 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 auditors' report thereon.

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





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

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

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

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

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

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

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

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

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



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

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

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 Operator as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statements of comprehensive income, the statement of changes in equity and the statements 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 Shaikh Ahmed Salman.

Chartered Accountants

Karachi

Date:



**MUFTI UBAID UR RAHMAN ZUBAIRI**

Graduate from Jamia Darul Uloom Karachi, Pakistan  
Shariah Advisor-PREMIER Window Takaful Operations

مفتي عبید الرحمن زبیری

فاضل جامعہ دارالعلوم کراچی

شرعی مشیر، پریمیر ونڈو تکافل آپریشنز

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الحمد لله رب العالمين والعاقبة للمتقين والصلوة والسلام على النبي والمرسلين وعلى آله وصحبه أجمعين وبعد:

## **Annual Shariah Review Report 2020**

*For the period ended December 2020*

The company, Premier Insurance Limited started its Window Takaful Operations on 2<sup>nd</sup> Oct, 2015. (Hereafter referred as the PIL-WTO). As Shariah Advisor of PIL-WTO, I have examined the financial statements for the year ended 31<sup>st</sup> December 2020. In my opinion, and to the best of my understanding based on the provided information and explanation, I report as under:

### **Shariah Certification:**

- The Takaful Policies issued during the year are in accordance with the guidelines of Shari'ah.
- All the investments of Takaful Funds are in according with the Shariah principles. Moreover, all Bank Accounts of Takaful are separate from the conventional insurance business and are maintained in Islamic Banks.
- Segregation of Window Takaful Operations is the essential part of valid Takaful contracts. I am pleased to state that in PIL-WTO all the Takaful Funds, Investments, Bank Accounts are kept separate from its conventional insurance business, as per requirement of Shari'ah as well as Takaful Rules 2012.

While concluding; I state that the Shari'ah principles were followed in practical implementation of PIL-WTO in this year. I am grateful to the Board of Directors of PIL, Management, Head of Window Takaful Operations, Shari'ah Compliance Officer, Divisional and Branch Heads and all relevant departments who cooperated with me and provided me every possible support to ensure Shari'ah Compliance in our Takaful practices.

In the end; I pray to Allah Almighty that the passion and dedication with which Premier Insurance Limited has launched its Window Takaful Operations; may Allah Almighty grant us success and help us at every step, keep us away from every hindrance and difficulty, and give financial success to Premier Insurance Limited-Window Takaful Operations.



Mufti Ubaid ur Rahman Zubairi  
Shari'ah Advisor  
Premier Insurance Limited-Window Takaful Operations  
8<sup>th</sup> March, 2021  
23<sup>rd</sup> Rajab, 1442



+92 333 3200943 | ✉ [ubaidzub@gmail.com](mailto:ubaidzub@gmail.com)

# Statement of Financial Position of Operator's Fund and Participants' Takaful Fund

As at  
31 December 2020

		Operator's Fund		Participants' Takaful Fund	
	Note	2020	2019	2020	2019
(Rupees in '000)					
Assets					
Investments					
Mutual funds	6	-	-	6,820	40,782
Term deposits	7	-	-	600	600
Loans and other receivables	9	113	83	16,011	10,968
Takaful / retakaful receivables	11	-	-	36,023	57,696
Retakaful recoveries against outstanding claims	18	-	-	5,004	5,442
Qard-e-hasna contributed to PTF	8	83,020	83,020	-	-
Salvage recoveries accrued		-	-	72	178
Receivable from OPF / PTF	10	10,990	14,652	41,684	45,601
Deferred wakala expense	21	-	-	12,273	24,916
Deferred commission expense	22	2,105	5,586	-	-
Prepayments	12	-	720	5,901	3,115
Cash and bank	13	3,701	3,979	36,440	19,190
Total Assets		99,929	108,040	160,828	208,488
Funds and Liabilities					
Reserve attributable to:					
Operator's Fund (OPF)					
Statutory fund		50,000	50,000	-	-
Accumulated deficit		(72,512)	(73,621)	-	-
Balance of Operator's Fund		(22,512)	(23,621)	-	-
Participants' Takaful Fund (PTF) / Waqf					
Seed Money		-	-	500	500
Revaluation reserves		-	-	(462)	557
Accumulated deficit		-	-	(28,901)	(28,444)
Balance of Participants' Takaful Fund / Waqf		-	-	(28,863)	(27,387)
Qard-e-Hasna	8	-	-	83,020	83,020
Liabilities					
PTF Underwriting provisions					
Unearned contribution reserve	17	-	-	35,064	71,187
Outstanding claims (including IBNR)	18	-	-	37,789	52,440
Contribution deficiency reserve		-	-	4,410	-
Unearned retakaful rebate	20	-	-	1,167	606
		-	-	78,430	124,233
Unearned wakala fees	21	12,273	24,916	-	-
Takaful / retakaful payables		-	-	14,489	11,120
Payable to OPF / PTF	15	41,684	45,601	10,990	14,652
Other creditors and accruals	14	68,484	61,144	2,762	2,850
		122,441	131,661	28,241	28,622
Total Fund and Liabilities		99,929	108,040	160,828	208,488
Contingencies and commitments	16				

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

Chief Executive  
Officer

Chairman

Director

Director

Chief Financial  
Officer

For the year ended  
31 December 2020

# Statement of Profit and Loss Account

		Aggregate	
	Note	2020	2019
		(Rupees in '000)	
<b>Participants' Takaful Fund</b>			
Contribution earned - net of wakala fee	17	72,034	93,129
Less: Contribution ceded to retakaful	17	(12,222)	(10,412)
Net contribution revenue	17	59,812	82,717
Re-takaful rebate earned	20	2,058	1,643
Net underwriting income		61,870	84,360
Net claims - reported / settled	18	(57,857)	(73,850)
- IBNR		4,935	(12,789)
Charge of contribution deficiency reserve		(4,410)	-
		4,538	(2,279)
Provision for doubtful contribution	11	(5,552)	-
Other direct expenses	19	(2,553)	(8,798)
Deficit before investment income		(3,567)	(11,077)
Investment income	26	2,149	6,030
Other income	27	2,660	1,148
Less: Modarib's share of investment income	28	(1,699)	-
<b>Deficit for the year</b>		<b>(457)</b>	<b>(3,899)</b>
<b>Operator's Fund</b>			
Wakala fee	21	38,788	50,211
Commission expense	22	(8,480)	(13,177)
General, administrative and management expenses	23	(28,895)	(60,182)
		1,413	(23,148)
Modarib's share of PTF investment income	28	1,699	-
Investment loss	25	-	(4,652)
Profit on bank accounts		81	168
Other expenses	24	(2,084)	(2,851)
<b>Profit / (loss) for the year</b>		<b>1,109</b>	<b>(30,483)</b>

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

Chief Executive  
Officer

Chairman

Director

Director

Chief Financial  
Officer

# Statement of Comprehensive Income

For the year ended  
31 December 2020

	Aggregate	
	2020	2019
	(Rupees in '000)	
<b>Participants' Takaful Fund</b>		
Deficit for the year	(457)	(3,899)
<b>Other comprehensive income / (loss) for the year:</b>		
Unrealized (loss) / gain on available for sale securities	(1,019)	1,025
<b>Total comprehensive loss for the year</b>	<b>(1,476)</b>	<b>(2,874)</b>
<b>Operator's Fund</b>		
Income / (Loss) for the year	1,109	(30,483)
Other comprehensive income for the year:		
Unrealized income on available for sale securities	-	2,456
<b>Total comprehensive income / (loss) for the year</b>	<b>1,109</b>	<b>(28,027)</b>

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

Chief Executive  
Officer

Chairman

Director

Director

Chief Financial  
Officer

For the year ended  
31 December 2020

## Statement of Changes in Operator's Fund and Participants' Takaful Fund

	Attributable to Operator's Fund			
	Statutory fund	Unrealized gain / (loss) on revaluation of available-for-sale (Rupees in '000)	Accumulated deficit	Total
Balance as at 01 January 2019	50,000	(2,456)	(43,138)	4,406
Net loss for the year	-	-	(30,483)	(30,483)
Other comprehensive income for the year	-	2,456	-	2,456
<b>Balance as at 31 December 2019</b>	<b>50,000</b>	<b>-</b>	<b>(73,621)</b>	<b>(23,621)</b>
Balance as at 01 January 2020	50,000	-	(73,621)	(23,621)
Net profit for the year	-	-	1,109	1,109
Other comprehensive income for the year	-	-	-	-
<b>Balance as at 31 December 2020</b>	<b>50,000</b>	<b>-</b>	<b>(72,512)</b>	<b>(22,512)</b>

	Attributable to participants of the Participant's Takaful Fund			
	Seed Money	Unrealized gain / (loss) on revaluation of available-for-sale (Rupees in '000)	Accumulated Deficit	Total
Balance as at 01 January 2019	500	(468)	(24,545)	(24,513)
Deficit for the year	-	-	(3,899)	(3,899)
Other comprehensive profit for the year	-	1,025	-	1,025
Qard-e-Hasna contributed by OPF	-	-	-	-
<b>Balance as at 31 December 2019</b>	<b>500</b>	<b>557</b>	<b>(28,444)</b>	<b>(27,387)</b>
Balance as at 01 January 2020	500	557	(28,444)	(27,387)
Deficit for the year	-	-	(457)	(457)
Other comprehensive loss for the year	-	(1,019)	-	(1,019)
Qard-e-Hasna contributed by OPF	-	-	-	-
<b>Balance as at 31 December 2020</b>	<b>500</b>	<b>(462)</b>	<b>(28,901)</b>	<b>(28,863)</b>

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

Chief Executive  
Officer

Chairman

Director

Director

Chief Financial  
Officer

# Statement of Cashflows

For the year ended  
31 December 2020

		Operator's Fund		Participants' Takaful Fund	
	Notes	2020	2019	2020	2019
		(Rupees in '000)			
Operating Activities					
a) Takaful activities					
Contribution received		-	-	90,820	137,227
Re-takaful contributions paid		-	-	(11,313)	(5,467)
Claims / benefit paid	18	-	-	(68,875)	(85,773)
Re-takaful and other recoveries	18	-	-	1,740	1,570
(Commissions paid) / re-takaful rebate received		(5,418)	(13,353)	2,619	1,575
Wakala fees received		29,807	50,300	-	-
Wakala fees paid		-	-	(29,807)	(50,300)
Modarib received / (paid)		1,699	-	(1,699)	-
Total cash generated / (used in) takaful activities		26,088	36,947	(16,515)	(1,168)
b) Other operating activities					
General and administration expenses paid		(30,979)	(61,146)	(8,106)	(8,798)
Other operating payments		720	(181)	-	-
Amounts due from other takaful / retakaful operators		-	-	6,526	9,919
Deposits and other receivables		(33)	251	(5,149)	(53,080)
Paid to Premier Insurance Limited		7,549	(9,496)	4,557	(5,627)
Accrued salvage recoveries		106	865	-	-
Other liabilities paid		(3,810)	42,547	(547)	3,256
Qard-e-hasna contributions		-	(47,000)	-	47,000
Total cash used in other operating activities		(26,447)	(74,160)	(2,719)	(7,330)
Total cash used in from operating activities		(359)	(37,213)	(19,234)	(8,498)
Investment Activities					
Investment income received		-	-	(166)	5,835
Bank profit received		81	168	-	-
Sale / (purchase) of investment		-	39,465	36,650	(31,740)
Total cash generated / (used in) from investing activities		81	39,633	36,484	(25,905)
Total cash generated / (used in) from all activities		(278)	2,420	17,250	(34,403)
Cash and cash equivalents at beginning of the year		3,979	1,559	19,190	53,593
Cash and cash equivalents at the end of the year		3,701	3,979	36,440	19,190

For the year ended  
31 December 2020

## Statement of Cashflows

	Operator's Fund 2020	2019	Participants' Takaful Fund 2020	2019
	(Rupees in '000)			
<b>Reconciliation to profit and loss account</b>				
Operating cash flows	(359)	(37,213)	(19,234)	(8,498)
Investment income	-	(4,652)	2,149	6,030
Increase / (decrease) in assets other than cash	7,833	47,692	64,910	(42,750)
(Decrease) / increase in liabilities	(6,365)	10,690	(48,282)	(5,681)
Qard-e-hasna contributions	-	(47,000)	-	47,000
<b>Income / (loss) for the year</b>	<b>1,109</b>	<b>(30,483)</b>	<b>(457)</b>	<b>(3,899)</b>
<b>Attributed to</b>				
Operator's Fund	1,109	(30,483)	-	-
Participants' Takaful Fund	-	-	(457)	(3,899)
	<u>1,109</u>	<u>(30,483)</u>	<u>(457)</u>	<u>(3,899)</u>

### Definition of cash

Cash comprises cash in hand, stamps in hand, current and saving accounts and short-term deposits having maturity of less than three months.

Cash for the purpose of the statement of cash flows consists of:

<b>Cash and other equivalents</b>				
Policy, revenue stamps and bond papers	29	68	-	-
<b>Current and other accounts</b>				
Current and savings accounts	3,672	3,911	36,440	19,190
Term deposit receipt	-	-	-	-
<b>Total cash and cash equivalents</b>	<b>3,701</b>	<b>3,979</b>	<b>36,440</b>	<b>19,190</b>

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

Chief Executive  
Officer

Chairman

Director

Director

Chief Financial  
Officer



# Notes to and Forming Part of the Financial Statements

For the year ended  
31 December 2020

## 1. LEGAL STATUS AND NATURE OF BUSINESS

Premier Insurance Limited (the Operator) has been authorized to undertake Window Takaful Operations (WTO) on 02 October 2015 by Securities and Exchange Commission of Pakistan (SECP) under SECP Takaful Rules, 2012 to carry on General Window Takaful Operations in Pakistan. The operator of the Company are listed on the Pakistan Stock Exchange Limited (PSX). The registered office of the Company is situated at 5th Floor, State Life Building No. 2A, Wallace Road, Karachi.

For the purpose of carrying on the Takaful business, the Operator has formed a Waqf (Participants' Takaful Fund (PTF)) on 31 October 2015 under the Waqf Deed with a Seed money of Rs. 500,000. The Waqf Deed and PTF Policies (Waqf Rules) govern the relationship of Operator, Waqf and Participants for management of Takaful operations, investment of Waqf and Operator's Fund as approved by the Shariah Advisor of the Operator. The accounts of the Waqf are maintained by the Operator in a manner that the assets and liabilities of Waqf remain separately identifiable. The financial statements of the Operator are prepared in such a manner that the financial position and results from the operations of Waqf and the Operator are shown separately.

## 2. BASIS OF PRESENTATION

These financial statements have been prepared in line with the format issued by Securities and Exchange Commission of Pakistan (SECP) through General Takaful Accounting Regulations 2019.

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

### 2.1 Statement of Compliance

**2.1.1** These financial statements have been prepared in accordance with the 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 Standards Board (IASB) as are notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017, Insurance Ordinance, 2000, Insurance Rules, 2017, Insurance Accounting Regulations, 2017, Takaful Rules, 2012 and General Takaful Accounting Regulations, 2019.

# Notes to and Forming Part of the Financial Statements

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, the Takaful Rules, 2012 and General Takaful Accounting Regulations, 2019 shall prevail.

## 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except investments which are carried at fair value and at amortized cost.

## 2.3 Functional and Presentation Currency

These financial statements are presented in Pakistani Rupees which is also the Operator's functional currency. All financial information presented in Pakistani Rupees has been rounded to nearest Thousand Rupees, unless otherwise stated.

## 2.4 Adoption of amendments to accounting standards effective during the year

The Company has adopted the following amendments to International Financial Reporting Standards (IFRSs) which became effective for the current year:

- IFRS 3 - Definition of a Business (Amendments)
- IFRS 14 - Regulatory Deferral Accounts
- IFRS 16 - COVID 19 Related Rent Concessions (Amendments)
- IAS 1 / IAS 8 - Definition of Material (Amendments)

The adoption of the above standards, amendments and improvements to accounting standards did not have any material effect on these financial statements.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

# Notes to and Forming Part of the Financial Statements

For the year ended  
31 December 2020

## Standards, amendments and improvements to the approved accounting standards that are not yet effective

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

Standard or Amendments		Effective date (period beginning on or after)
<b>IFRS 3</b>	Reference to the Conceptual Framework (Amendments)	01 January 2022
<b>IFRS 10 / IAS 28</b>	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
<b>IAS 1</b>	Classification of Liabilities as Current or Non-current (Amendments)	01 January 2022
<b>IAS 16</b>	Proceeds before Intended Use (Amendments)	01 January 2022
<b>IAS 37</b>	Onerous Contracts – Costs of Fulfilling a Contract (Amendments)	01 January 2022
<b>IAS 39 / IFRS 9</b>	Financial Instruments: Recognition and Measurement' - Interest Rate Benchmark Reform - Phase 2	01 January 2021

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

## Improvements to Accounting Standards Issued by the IASB (2018-2020 cycle)

Standard or Amendments		Effective date (period beginning on or after)
<b>IFRS 9</b>	Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities	01 January 2022
<b>IAS 41</b>	Agriculture – Taxation in fair value measurements	01 January 2022
<b>IAS 16</b>	Leases - Partial Amendments to Illustrative Example 13	01 January 2022

# Notes to and Forming Part of the Financial Statements

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Amendments		Effective date (period beginning on or after)
<b>IFRS 1</b>	First time adoption of IFRSs	01 January 2004
<b>IFRS 17</b>	Insurance Contracts	01 January 2023

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and method of computation adopted in preparation of financial statements are consistent to all years presented in these financial statements.

### 3.1 Takaful Contracts

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

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

#### Fire and property damage

Fire and property takaful contracts mainly compensate the Operator customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the participant 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  
31 December 2020

## **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.

## **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.

## **Accident and health**

Accident and health takaful contract mainly compensates hospitalization and out-patient medical coverage to the insured. These contracts are generally one year contracts.

## **Miscellaneous**

Other various types of takaful contracts are classified in miscellaneous category which includes mainly engineering, terrorism, personal accident, worker compensation, travel, products of financial institutions, livestock and crop takaful 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 two months time.

These contracts are provided to individuals as well as commercial organizations with various tenures according to the nature and terms of the contract and the needs of the insured.

The Operator neither issues investment contracts nor does it issue takaful contracts with discretionary participation features (DPF).

## **3.2 Deferred commission expense /acquisition cost**

Commission expenses are deferred and recognized as an asset in correlation with unearned contribution that is recognized in the subsequent reporting period to comply with the requirement of General Takaful Accounting Regulations, 2019 as an expense in accordance with the pattern of recognition of contribution.

# Notes to and Forming Part of the Financial Statements

## 3.3 Reserve for unearned contribution

The portion of contribution written relating to the unexpired period of coverage is recognized as unearned contribution by the Operator. The unearned portion of contribution income is recognized as a liability. The liability is calculated by applying 1/24 method as specified in the General Takaful Accounting Regulations, 2019.

## 3.4 Contribution deficiency reserve

The Operator is required as per takaful rules 2012 and IFRS 4 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 retakaful, from claims and other expenses, including retakaful expense and rebate and other underwriting expenses, expected to be incurred after the balance sheet date in respect of unexpired policies in that class of business at the balance sheet date. The charge for contribution deficiency reserve is recorded in the profit and loss account.

The Operator determines adequacy of liability of contribution deficiency reserve by carrying out analysis of its loss ratio of expired periods. For this purpose average loss ratio of last three years inclusive of claim settlement cost but excluding major exceptional claims are taken into consideration to determine ultimate loss ratio to be applied on unearned contribution reserve. Further, actuarial valuation has been carried out to determine amount of contribution deficiency reserve in respect of health takaful as required by SRO 16 (I) of 2012 issued by SECP on dated 09-Jan-2012.

## 3.5 Retakaful contracts held

The Operator enters into retakaful contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward retakaful contribution is accounted for in the same period as the related contribution for the direct or accepted retakaful business being retakaful.

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

# Notes to and Forming Part of the Financial Statements

For the year ended  
31 December 2020

The Operator assesses its retakaful assets for impairment on balance sheet date. If there is objective evidence that the retakaful asset is impaired, the Operator reduces the carrying amount of the retakaful asset to its recoverable amount and recognizes that impairment loss in the profit or loss account.

## 3.6 Receivables and payables related to takaful contracts

Receivables and payables relating to takaful contracts are recognized when due. These include contribution due but unpaid and claims payable to takaful contract holders.

The Operator maintains general provision as per the approved policy of board. In addition, if there is objective evidence that any contribution due but unpaid is impaired, the Operator reduces the carrying amount of that takaful receivable and recognizes the loss in profit or loss account.

## 3.7 Segment reporting

An operating segment is a component of the Operator that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the 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 Operator presents segments reporting of operating results using the classes of business as specified under the General Takaful Accounting Regulations, 2019. The reported operating segments are also consistent with the internal reporting process of the Company for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment. All the Company's business segments operate in Pakistan only.

Based on its classification of takaful contracts issued, the Operator has five primary business segments for reporting purposes namely fire, marine, motor, accident and health and miscellaneous. The nature and business activities of these segments are disclosed in note 30.1.

Assets, liabilities and capital expenditure, 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.



# Notes to and Forming Part of the Financial Statements

## 3.8 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of statement of cash flows, cash and cash equivalents consist of cash in hand, stamps in hand, current and saving accounts and short term deposits having maturity of less than three months.

## 3.9 Revenue recognition

### a) Contribution / underwriting result

Contribution written, including administrative surcharge, under a policy is recognized from the date of issuance of the participant membership document to which it relates.

The earned contribution less retakaful rebate, claims, direct expenses and wakala fee are reflected in the profit or loss account as the underwriting result.

### b) Wakala fee

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

### c) Retakaful rebate

Retakaful rebate from retakaful operators is recognized on a quarterly basis as per terms and conditions agreed with the retakaful operators.

### d) Profit on Islamic investment products

Profit on Islamic investment products is recognized on an accrual basis.

### e) Dividend income

Dividend income is recognized when the right to receive such dividend is established.

### f) Gain / loss on sale of available for sale investments

Gain / loss on sale of available for sale investments are included in profit or loss account.

# Notes to and Forming Part of the Financial Statements

For the year ended  
31 December 2020

## 3.10 Investments

All purchase and sale of investments that require delivery within the required time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Operator commits to purchase or sell the investments. The investments are classified upon recognition as:

### Available-for-sale

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity, changes in interest rates or equity prices are classified as available-for-sale. These are valued as follows:

### Quoted

Subsequent to initial recognition at cost, quoted investments are stated at the market value. Market value of open-ended mutual funds is determined by using MUFAP rates at the date of reporting.

### Held-to-maturity

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

Subsequently, these are measured at amortized cost. Premium paid or discount availed on the acquisition of held-to-maturity investment is deferred and amortized over the term of investment using the effective yield method.

Profit on held-to-maturity instruments is recognized on a time proportion basis taking into account the effective yield on the investments.

These are reviewed for impairment at each reporting period and losses arising, if any, are charged to the profit and loss account of the period in which they arise.

## 3.11 Offsetting of financial assets and liabilities

A financial asset and financial liability other than those relating to takaful contract is offset and the net amount is reported in the statement of financial position when the Operator has a legally enforceable right to set-off the recognized amounts and it intends either to settle on the net basis or to realize the asset and settle the liability simultaneously.

# Notes to and Forming Part of the Financial Statements

## 3.12 Provision for outstanding claims/ benefits

PTF maintains provision in respect of all known claims against losses incurred up to the reporting date which is 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 / benefits except as otherwise expressly indicated in a takaful contract.

## 3.13 Taxation

### Current

Provision for current taxation is based on taxable income at the current rate of taxation after taking in to account tax credits and rebates available, if any.

### Deferred

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

## 3.14 Takaful surplus

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

## 3.15 Impairment of operating fixed assets

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

## 3.16 Management expenses

Expenses allocated to the takaful business represent directly attributable expenses. Expenses not directly allocable to takaful business are charged to OPF and allocated on the basis of gross contribution written during the year.

## 3.17 Qard-e-hasna

Qard-e-Hasna is provided by OPF to PTF in case of deficit in PTF.

# Notes to and Forming Part of the Financial Statements

For the year ended  
31 December 2020

## 3.18 Other creditors and accruals

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 goods and services received, whether or not billed to the Operator.

## 3.19 Financial Instruments

Financial assets and liabilities are recognized at the time when the Operator becomes a party to the contractual provisions of the instrument. All financial assets and financial liabilities are initially measured at cost which is the fair value of the consideration given and received respectively including transaction cost. These financial assets and liabilities are subsequently measured at fair value or cost, as the case maybe. Any gains or losses on de-recognition of financial assets and financial liabilities are taken to the profit and loss account.

## 3.20 Modarib Fee

The Operator also manages the participants' investment as modarib and charges 35.00% (2019: nil ) of investment income and bank deposits earned by the PTF as Modarib fee. It is recognized on the same basis on which related revenue is recognized.

## 3.21 Contingencies

Contingencies are disclosed when Operator has possible obligation that arises from past event and whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of entity, or a present obligation that arises from past event but is not recognised because it is not probable that an outflow of recourse embodying economic benefit will be required to settle the obligation or, when amount of obligation cannot be measured with sufficient reliability.

## 4 ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards requires management to use certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Operator's accounting policies. Estimates and judgments are continuously evaluated and are based on historical experience and expectation of future events that are believed to be reasonable under the circumstances.

The preparation of financial statements in conformity with approved accounting standards

## Notes to and Forming Part of the Financial Statements

requires management to use certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Operator's accounting policies. Estimates and judgments are continuously evaluated and are based on historical experience and expectation of future events that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised. The areas where required assumptions and estimates are significant to the financial statements or where judgment was exercised in application of accounting policies are as follows:

- a. Provision for outstanding claims including claims incurred but not reported [IBNR]
- b. Re-takaful recoveries against outstanding claims
- c. Contribution deficiency reserve

### 5 CHANGE IN ACCOUNTING POLICY

Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 1416(I)/2019 dated 20 November 2019 has issued General Takaful Accounting Regulations 2019. Accordingly, the Operator has changed format for preparation and presentation of the financial statement to comply with requirement of the regulation. The application of these regulations for the purpose of preparation and presentation of the financial statements are effective from 01 January 2020.

### 6. INVESTMENTS IN MUTUAL FUNDS - PTF

		2020			2019		
	Note	Cost	Impairment / provision for the period	Carrying value	Cost	Impairment / Provision for the period	Carrying value
(Rupees in '000)							
Classified at available for sale - AFS							
Mutual fund units	6.1	6,813	-	6,820	39,756	-	40,782
		6,813	-	6,820	39,756	-	40,782

# Notes to and Forming Part of the Financial Statements

For the year ended  
31 December 2020

## 6.1 Investments in mutual funds

Available for sale				
	2020	2019	2020	2019
Mutual funds (unit trusts)	(Units in '000)		(Rupees in '000)	
NBP Islamic				
Sarmaya Izafa	417	658	6,820	10,668
Fund				
Al Hamra Daily	-	301	-	30,114
Dividend Fund				
	417	959	6,820	40,782

## 7. INVESTMENTS IN TERM DEPOSITS - PTF

	Note	2020			2019		
		Cost	Impairment / provision for the period	Carrying value	Cost	Impairment / Provision for the period	Carrying value
Classified at held to maturity		(Rupees in '000)					
Term deposit receipt - held to maturity	7.1	600	-	600	600	-	600
		600	-	600	600	-	600

**7.1** This represents a term deposit with bank having profit at the average rate of 4.57% per annum (2019: 10.19%) having maturity till 16 January 2021.

## 8. QARD-E-HASNA

	2020	2019
	(Rupees in '000)	
Balance as at the beginning of the year	83,020	36,020
Qard-e-Hasna contributed during the year	-	47,000
<b>Balance as at the end of the year</b>	<b>83,020</b>	<b>83,020</b>

In accordance with takaful rules 2012, if at any point in time, assets in participant takaful fund are not sufficient to cover its liabilities, the deficit shall be funded by way of an profit free loan, (Qard-e-Hasna) from Operator fund. In the event of future surplus in the participant takaful to which a qard-e-hasna has been made, the qard-e-hasna shall be repaid prior to distribution of surplus to participants.

The Operator has prepared financial projections of Participant Takaful Fund and based on such financial projections believe that the Participant Takaful Fund would be able to repay

For the year ended  
31 December 2020

# Notes to and Forming Part of the Financial Statements

Qard-e-Hasna to Operator's fund. The financial projection are based on various assumptions including expected growth in contribution and reduction in claims over future years.

## 9. LOANS AND OTHER RECEIVABLES - Considered good

	Operator's Fund		Participants' Takaful Fund	
	2020	2019	2020	2019
	(Rupees in '000)			
Profit receivable	1	4	211	317
Federal excise duty	112	79	5,124	3,980
Others	-	-	10,676	6,671
	113	83	16,011	10,968

## 10. RECEIVABLE OPF / PTF

	Operator's Fund		Participants' Takaful Fund	
	2020	2019	2020	2019
	(Rupees in '000)			
Wakala fee receivable	10,990	14,652	-	-
Inter fund receivable	-	-	41,684	45,601
	10,990	14,652	41,684	45,601

## 11. TAKAFUL / RETAKAFUL RECEIVABLES - Unsecured and considered good

	Operator's Fund		Participants' Takaful Fund	
	2020	2019	2020	2019
	(Rupees in '000)			
Contribution due but unpaid	-	-	31,584	45,414
Less: Provision for doubtful receivables	-	-	(5,552)	-
Amounts due from other takaful / retakaful operators	-	-	9,991	12,282
	-	-	36,023	57,696

## 12. PREPAYMENTS

	Operator's Fund		Participants' Takaful Fund	
	2020	2019	2020	2019
	(Rupees in '000)			
Prepaid retakaful contribution ceded	-	-	5,575	3,115
Other prepaid expense	-	720	326	-
	-	720	5,901	3,115

# Notes to and Forming Part of the Financial Statements

For the year ended  
31 December 2020

## 13. CASH AND BANK

	Note	Operator's Fund		Participants' Takaful Fund	
		2020	2019	2020	2019
		(Rupees in '000)			
<b>Cash and cash equivalent</b>					
Policy, revenue stamps and bond papers		29	68	-	-
<b>Cash at bank</b>					
Current account		15	15	397	620
Savings account	13.1	3,657	3,896	36,043	18,570
		<b>3,701</b>	<b>3,979</b>	<b>36,440</b>	<b>19,190</b>

**13.1** The rate of return on profit and loss sharing accounts held with Islamic banks during the period ranges from 2.75% to 6.65% per annum (2019: 5% to 7.5%).

## 14. OTHER CREDITORS AND ACCRUALS

	Note	Operator's Fund		Participants' Takaful Fund	
		2020	2019	2020	2019
		(Rupees in '000)			
Payable to Premier Insurance Limited		59,697	52,148	-	(459)
Federal Takaful fee		-	-	45	3
Sales tax on services		-	-	49	49
Commission payable		9,193	9,612	-	-
Auditor's fee		299	272	-	-
Others	14.1	(705)	(888)	2,668	3,257
		<b>68,484</b>	<b>61,144</b>	<b>2,762</b>	<b>2,850</b>

**14.1.** This includes outstanding claims in respect of which cheques aggregating to Rs.0.3 million (2019: Rs.0.44 million) have been issued by the Company for claim settlement but the same have not been encashed by the claimant. The following is the aging as required by SECP's circular 11 of 2014 dated 19 May 2014:

	2020	2019
	(Rupees in '000)	
1 to 6 months	-	24
More than 6 months	382	420
	<b>382</b>	<b>444</b>



For the year ended  
31 December 2020

## Notes to and Forming Part of the Financial Statements

Claims not encashed	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months	Total
2020	-	13	106	196	67	382
2019	24	157	196	59	8	444

### 15. PAYABLE OPF / PTF

	Operator's Fund		Participants' Takaful Fund	
	2020	2019	2020	2019
	(Rupees in '000)			
Wakala fee payable	-	-	10,990	14,652
Other Payable	41,684	45,601	-	-
	41,684	45,601	10,990	14,652

### 16. CONTINGENCY AND COMMITMENT

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

### 17. NET CONTRIBUTION

	2020	2019
	(Rupees in '000)	
Written gross contribution	74,699	131,703
Less: Wakala fee	(38,788)	(50,211)
Contribution Net of Wakala Fee	35,911	81,492
Add: Unearned contribution reserve opening	71,187	82,824
Less: Unearned contribution reserve closing	(35,064)	(71,187)
Contribution earned	72,034	93,129
Less:		
Retakaful contribution ceded	14,682	10,092
Add: Prepaid retakaful contribution opening	3,115	3,435
Less: Prepaid retakaful contribution closing	(5,575)	(3,115)
Retakaful expense	12,222	10,412
Net contribution	59,812	82,717

# Notes to and Forming Part of the Financial Statements

For the year ended  
31 December 2020

## 18. NET CLAIMS EXPENSE

	2020	2019
	(Rupees in '000)	
Claims paid or payable	68,875	85,773
Less: Outstanding claims including IBNR opening	(52,440)	(49,676)
Add: Outstanding claims including IBNR closing	37,789	52,440
Claims expense	54,224	88,537
Less:		
Retakaful and other recoveries received	1,740	1,570
Less: Retakaful recoveries against outstanding claims - opening	(5,442)	(5,114)
Add: Retakaful recoveries against outstanding claims - closing	5,004	5,442
Retakaful and other recoveries revenue	1,302	1,898
<b>Net claim</b>	<b>52,922</b>	<b>86,639</b>

### 18.1 Claim Development

The Company maintains adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year.

The following table shows the development of the claims over a period of time. All amounts are presented in gross numbers before reinsurance.

#### Accident year

Estimate of ultimate claims cost:	2016	2017	2018	2019	2020
	(Rupees in '000)				
At end of accident year	33,559	85,862	79,897	91,096	66,726
One year later	37,812	83,984	82,894	83,618	-
Two years later	38,493	79,192	80,343	-	-
Three years later	36,092	78,895	-	-	-
Four years later	36,037	-	-	-	-
Current estimate of cumulative claims	36,037	78,895	80,343	83,618	66,726
Cumulative payments till date	(35,946)	(77,2110)	(79,939)	(81,759)	(41,142)
<b>Liability recognized in statement financial position</b>	<b>91</b>	<b>1,685</b>	<b>403</b>	<b>1,858</b>	<b>25,584</b>

For the year ended  
31 December 2020

## Notes to and Forming Part of the Financial Statements

### 19. DIRECT EXPENSES - PTF

	2020	2019
	(Rupees in '000)	
Tracking services	182	3,159
Service charges	2,235	3,631
Others	136	2,008
	<b>2,553</b>	<b>8,798</b>

### 20. RETAKAFUL REBATE - PTF

	2020	2019
	(Rupees in '000)	
Rebate from re-takaful received	2,619	1,575
Add: Deferred rebate opening	606	674
Less: Deferred rebate closing	(1,167)	(606)
<b>Rebate from retakaful earned</b>	<b>2,058</b>	<b>1,643</b>

### 21. WAKALA EXPENSE - OPF

	2020	2019
	(Rupees in '000)	
Gross wakala fee	26,145	46,138
Add: Deferred wakala opening	24,916	28,989
Less: Deferred wakala closing	(12,273)	(24,916)
<b>Net wakala fee</b>	<b>38,788</b>	<b>50,211</b>

The shareholders of the company manage the general takaful operations for the participants and charges 35% of the gross contribution written as wakala fee against the services.

### 22. COMMISSION EXPENSE - OPF

	2020	2019
	(Rupees in '000)	
Commission paid or payable	4,999	11,021
Add: Deferred commission opening	5,586	7,742
Less: Deferred commission closing	(2,105)	(5,586)
<b>Commission expense</b>	<b>8,480</b>	<b>13,177</b>

# Notes to and Forming Part of the Financial Statements

For the year ended  
31 December 2020

## 23. GENERAL, ADMINISTRATIVE AND MANAGEMENT EXPENSES - OPF

	2020	2019
	(Rupees in '000)	
Employee benefit cost	24,712	45,863
Rent, rates and taxes	267	347
Communications	399	671
Fuel and power	595	4,523
Travelling expenses	293	1,507
Entertainments	344	912
Advertisements and sales promotions	67	-
Loss on assets written off	-	1,887
Repair and maintenance	732	1,738
Printing and stationery	351	1,006
Vehicle running expenses	372	821
Annual supervision fee SECP	298	320
Bank charges	-	40
Miscellaneous	465	547
	<b>28,895</b>	<b>60,182</b>

## 24. OTHER EXPENSES - OPF

	Note	2020	2019
		(Rupees in '000)	
Auditors' remuneration	24.1	489	408
Fees and subscription		1,595	2,314
Miscellaneous		-	129
		<b>2,084</b>	<b>2,851</b>

### 24.1 Auditors' remuneration

	2020	2019
	(Rupees in '000)	
Audit fee	192	175
Interim review	82	75
Shariah Audit	106	97
Others	109	61
	<b>489</b>	<b>408</b>

For the year ended  
31 December 2020

# Notes to and Forming Part of the Financial Statements

## 25. INVESTMENT LOSS - OPF

	2020	2019
	(Rupees in '000)	
Net realized losses on investments Available for Sale (AFS)		
Realized loss on sale of mutual fund units	-	(4,652)

## 26. INVESTMENT INCOME - PTF

	2020	2019
	(Rupees in '000)	
<b>Income from mutual funds</b>		
Realized Gain on sale of mutual fund units	754	-
Dividend income	1,352	134
<b>Income from term deposits</b>		
Return on term deposits	43	5,896
	<b>2,149</b>	<b>6,030</b>

## 27. OTHER INCOME - PTF

	2020	2019
	(Rupees in '000)	
Profit on Bank Deposits	2,706	1,148
Exchange Loss	(46)	-
	<b>2,660</b>	<b>1,148</b>

## 28. MODARIB FEE

The operator manage the participants' investments as a Modarib and charge 35% Modarib's share of the investment income earned by PTF of Rs.1.699 million during the year.

## 29. RELATED PARTY TRANSACTIONS

Related parties comprise associated companies, entities under common control, entities with common directors, major shareholders, directors, key management personnel and funded employee retirement benefit schemes.

Details of the balances and transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements, are as follows:

# Notes to and Forming Part of the Financial Statements

For the year ended  
31 December 2020

Name of related party	Relationship	2020						
		Transactions during the year				Balances		
		Contribution underwritten	Contribution received	Claims paid	Commission paid	Contribution outstanding	Claims outstanding	Commission outstanding
(Rupees in '000)								
Associated Companies								
Crescent Bahuman Limited	Common Directorship	1,850	2,432	224	-	798	66	-
Crescent Fibres Ltd.	Common Directorship	1,148	518	10	-	862	10	-
Crescent Steel And Allied Products Ltd.	Common Directorship	174	128	-	-	124	-	38
Equity Textiles Limited	Common Directorship	1,860	2,106	606	-	309	-	-
Mohammad Amin Mohammad Bashir Limited	Common Directorship	(23)	118	-	142	-	-	368
Premier Financial Services (Private) Limited	Common Directorship	-	-	-	-	-	20	-
Shakarganj Limited	Common Directorship	4,703	8,395	-	-	4,419	115	-
Summit Bank Limited	Common Directorship	78	58	-	-	33	13	-
Suraj Cotton Mills Limited	Common Directorship	1,716	1,949	1,141	-	155	-	-
The Crescent Textile Mills Limited.	Common Directorship	530	332	-	-	397	-	-
Individuals								
Directors		253	287	10	-	-	-	80
Total		12,289	16,323	1,991	142	7,097	224	486

Name of related party	Relationship	2019 Transactions during the year				Balances		
		Contribution underwritten	Contribution received	Claims paid	Commission paid	Contribution outstanding	Claims outstanding	Commission outstanding
		(Rupees in '000)						
Associated Companies								
Crescent Fibers Limited	Common Directorship	498	577	33	-	(238)	20	-
Crescent Hadeed (Private) Limited	Common Directorship	88	498	-	-	149	-	-
Crescent Steel and Allied Products Limited	Common Directorship	102	94	-	-	34	-	-
Equity Textiles Limited	Common Directorship	1,323	1,058	623	-	479	-	-
First Equity Modaraba Limited	Common Directorship	136	184	244	-	(1)	-	-
Muhammad Amin Muhammad Bashir Limited	Common Directorship	146	139	-	-	141	-	279
Premier Financial Services (Private) Limited	Common Directorship	293	334	-	-	-	20	-
Shakarganj Limited	Common Directorship	1,432	134	-	-	7,366	-	-
Summit Bank Limited	Common Directorship	148	188	-	-	-	40	-
Suraj Cotton Mills Limited	Common Directorship	1,236	1,124	836	-	321	20	-
Individuals								
Directors		-	-	-	-	-	-	-
Others		-	-	-	-	-	-	-
Total		5,402	4,330	1,736	-	8,251	100	279

**29.1** Operator's contribution toward staff provident fund during the year is Rs.0.74 (2019: 1.32) million.

For the year ended  
31 December 2020

# Notes to and Forming Part of the Financial Statements

## 30. SEGMENT INFORMATION

### 30.1 Participants Takaful Fund

#### Segment profit and loss

	Fire and property damage		Marine, aviation and transport		Motor		Health		Miscellaneous		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	(Rupees in '000)											
Contribution receivable (inclusive of Federal Excise Duty / Sales Tax, Federal Takaful Fee and Administrative surcharge)	8,922	3,980	5,357	3,772	36,761	101,186	28,938	35,779	1,843	1,097	81,821	145,814
Less: Federal excise duty	1,165	548	659	450	4,312	11,659	-	-	244	142	6,380	12,799
Less: Federal Takaful fee	77	34	47	33	316	882	286	354	16	9	742	1,312
Gross written contribution (inclusive of Administrative surcharge)	7,680	3,398	4,651	3,289	32,133	88,645	28,652	35,425	1,583	946	74,699	131,703
Gross direct contribution	7,588	3,293	4,490	3,122	30,489	84,835	28,624	35,399	1,555	921	72,746	127,570
Facultative inward contribution	11	44	-	35	538	393	-	-	-	-	549	472
Administrative surcharge	82	61	162	132	1,105	3,417	28	26	27	25	1,404	3,661
Less: Wakala expense	(1,716)	(1,134)	(1,454)	(1,388)	(21,997)	(39,285)	(13,164)	(7,994)	(457)	(410)	(38,788)	(50,211)
Takaful contribution earned	4,904	3,239	4,154	3,846	62,847	112,244	37,610	22,841	1,307	1,171	110,822	143,340
Takaful contribution ceded to retakaful operators	(4,047)	(2,882)	(3,499)	(3,297)	(3,567)	(2,913)	-	-	(1,109)	(1,321)	(12,222)	(10,412)
Net takaful contribution	(859)	(777)	(799)	(839)	37,283	70,046	24,447	14,847	(259)	(560)	59,813	82,717
Rebate earned	903	654	805	758	96	36	-	-	253	195	2,057	1,643
Net underwriting income	44	(123)	6	(81)	37,379	70,082	24,447	14,847	(6)	(365)	61,870	84,360
Takaful claims	(959)	(1,484)	(104)	(532)	(19,960)	(51,353)	(32,988)	(24,586)	(213)	(10,582)	(54,224)	(88,537)
Takaful claims recovered from retakaful	796	1,340	357	170	-	-	149	-	-	388	1,302	1,898
Net claim	(163)	(144)	253	(362)	(19,960)	(51,353)	(32,839)	(24,586)	(213)	(10,194)	(52,922)	(86,639)
Contribution deficiency reserve	-	-	-	-	-	-	(4,410)	-	-	-	(4,410)	-
Provision for doubtful contribution	(571)	-	(346)	-	(2,388)	-	(2129)	-	(118)	-	(5,552)	-
Others direct expense	(262)	(227)	(159)	(220)	(1,098)	(5,922)	(979)	(2,366)	(54)	(63)	(2,553)	(8,798)
Surplus before investment income	(952)	(494)	(246)	(663)	13,933	12,807	(15,910)	(12,105)	(391)	(10,622)	(3,566)	(11,077)
Investment income											2,149	6,030
Other Income											2,660	1,148
Less: Modarib's share of investment income											(1,699)	-
Surplus transferred to accumulated surplus											(457)	(3,899)

#### Segment assets and liabilities

The following presents segments assets and liabilities as at December 31, 2020 and December 31, 2019:

	Fire and property damage		Marine, aviation and transport		Motor		Health		Miscellaneous		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	(Rupees in '000)											
Segment assets	10,048	2,357	7,168	2,281	28,914	61,483	17,894	24,570	2,358	656	66,382	91,347
Unallocated corporate assets											94,446	117,141
Total assets											160,828	208,488
Segment Liabilities	9,100	3,493	5,511	3,381	38,074	91,103	33,949	36,407	1,876	972	88,509	135,353
Unallocated corporate liabilities											18,162	17,502
Total liabilities											106,671	152,855

# Notes to and Forming Part of the Financial Statements

For the year ended  
31 December 2020

## 30.2 Operators Fund

### Segment profit and loss

	Fire and property damage		Marine, aviation and transport		Motor		Health		Miscellaneous		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	(Rupees in '000)											
Wakala fee earned	1,716	1,134	1,454	1,388	21,997	39,285	13,164	7,994	457	410	38,788	50,211
Commission expense	(754)	(727)	(370)	(707)	(5,625)	(10,063)	(1,645)	(1,558)	(86)	(122)	(8,480)	(13,177)
Management expense	415	(162)	386	(248)	(18,011)	(49,499)	(11,810)	(10,341)	125	68	(28,895)	(60,182)
	1,377	245	1,470	433	(1,639)	(20,277)	(291)	(3,905)	496	356	1,414	(23,148)
Modarib's share of PTF investment income											1,699	-
Investment income											-	(4,652)
Profit on bank deposits											81	168
Other expenses											(2,084)	(2,851)
Loss before taxation											1,109	(30,483)

### Segment assets and liabilities

The following presents segments assets and liabilities as at December 31, 2020 and December 31, 2019:

	Fire and property damage		Marine, aviation and transport		Motor		Health		Miscellaneous		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	(Rupees in '000)											
Segment assets	216	144	131	139	906	3,760	807	1,503	45	40	2,105	5,586
Unallocated corporate assets											97,824	102,454
Total assets											99,929	108,040
Segment Liabilities	1,262	643	764	622	5,279	16,770	4,708	6,702	260	179	12,273	24,916
Unallocated corporate liabilities											110,168	106,745
Total liabilities											122,441	131,661



For the year ended  
31 December 2020

# Notes to and Forming Part of the Financial Statements

## 31. MOVEMENT IN INVESTMENTS

	OPF	PTF		Total
	Available for sale	Available for sale	Held to maturity	
	(Rupees in '000)			
<b>01 January 2019</b>	39,465	9,642	600	49,707
Addition	-	30,714	33,500	64,214
Disposal (sale and redemption)	(41,921)	-	(33,500)	(75,421)
Designated at fair value through profit of loss upon initial recognition	2,456	426	-	2,882
<b>31 December 2019</b>	-	40,782	600	41,382
Addition	-	17,462	1,200	18,662
Disposal (sale and redemption)	-	(50,405)	(600)	(51,005)
Designated at fair value through profit of loss upon initial recognition	-	(1,019)	-	(1,019)
<b>31 December 2020</b>	-	6,820	600	7,420

## 32. MANAGEMENT OF TAKAFUL RISK AND FINANCIAL RISK

During the year, the COVID – 19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. The World Health Organization has declared COVID-19 a pandemic. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts. SECP has also given regulatory relief to corporate sector which includes extension of holding Annual General Meeting, alternatives to disseminate information to shareholders through post, relaxation for filing of interim financial statements, relaxation to hold Board of Director's meeting once in each quarter and instructions to prioritize safety of employees in COVID-19 outbreak.

COVID-19 has adversely impacted the insurance industry on a number of fronts including increase in overall credit risk pertaining to the premium receivables and other financial assets, disruption in growth due to slowdown in economic activity, continuity of business operations.

Due to overall uncertain situation about the impacts and duration for which such a situation will continue, the overall impact on the Company's financial position and financial

# Notes to and Forming Part of the Financial Statements

For the year ended  
31 December 2020

performance cannot be predicted with reasonable certainty. The management continues to monitor the developing situation and would proactively manage any risk arising thereof.

## 32.1 Takaful Risk

The principal risk that is faced under takaful contracts is the possibility that the covered event occurs, the uncertainty of the amount of the resulting claims i.e. the frequency and severity of claims and that the actual claims and benefit payments exceed the carrying amount of the takaful liabilities. By the very nature of the takaful contract, this risk is random and therefore unpredictable. The objective of the Operator is to ensure that sufficient reserves are available to cover these liabilities.

The Operator manages these risks through its underwriting strategy, adequate re-takaful arrangements and proactive claims handling. The underwriting strategy aims to minimize takaful risks with a balanced mix and spread of business classes and by observing underwriting guidelines and limits. The Operator underwrites mainly property, motor, marine cargo and transportation and other miscellaneous business. These classes of takaful are generally regarded as short term takaful contracts where claims are normally intimated and settled within a short time span, usually one year. This helps to mitigate takaful risk.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Operator has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. For large risks, particularly in property segment of business, risk inspections are carried out before accepting the risks. Similarly, in case of large risks, annual renewals are also preceded by on-site surveys. Where needed, risk mitigation measures are identified and communicated to the clients to improve the risk to an acceptable level.

Re-takaful arrangements in place include treaty and facultative arrangements, on proportional and non-proportional basis and also include catastrophe cover. The effect of such re-takaful arrangements is that the PTF may not suffer ultimate net takaful losses beyond the PTF's risk appetite in any one year.

The Operator's arrangement of re-takaful is diversified such that it is neither dependent on a single re-takaful operator nor the operations of the Operator are substantially dependent upon any single re-takaful contract. The Operator obtains re-takaful cover only from companies with sound financial health.

# Notes to and Forming Part of the Financial Statements

## Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like political violence, environmental and economical, atmospheric disturbances, natural disasters, concentration of risks, civil riots etc. The Operator manages these risk through the measures described above. The Operator has limited its exposure to catastrophic and riot events by use of re-takaful arrangements.

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

The Operator also monitors concentration of risk by evaluating multiple risks covered in the same geographical location. For fire and property risk a particular building and neighboring buildings, which could be affected by a single claim incident, are considered as a single location. For earthquake risk, a complete city is classified as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk.

The Operator evaluates the concentration of exposures to individual and cumulative takaful risks and establishes its re-takaful policy to reduce such exposures to levels acceptable to the Operator.

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

<b>Class</b>	<b>2020</b>	<b>2019</b>
	(Rupees in '000)	
Fire and property damage	<b>422,186</b>	315,000
Marine, aviation and transport	<b>205,500</b>	131,650
Motor	<b>18,900</b>	21,000
Miscellaneous	<b>24,000</b>	11,250
Health	<b>800</b>	-

Since the Operator operates in Pakistan only, hence, all the takaful risks relate to policies written in Pakistan.

## Sensitivity analysis

The Operator believes that the claim liabilities under takaful contracts outstanding at the period end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The impact on the PTF surplus of the changes in the claim liabilities net of retakaful is analyzed below. The sensitivity to changes in claim liabilities

# Notes to and Forming Part of the Financial Statements

For the year ended  
31 December 2020

net of retakaful is determined separately for each class of business while keeping all other assumptions constant.

	2020		2019	
	Revenue	Equity	Revenue	Equity
(Rupees in '000)				
<b>Impact of change in claim liabilities by + 10%</b>				
Fire and property damage	(96)	(96)	(148)	(148)
Marine, aviation and transport	(10)	(10)	(53)	(53)
Motor	(1,996)	(1,996)	(5,135)	(5,135)
Health	(3,299)	(3,299)	(2,459)	(2,459)
Miscellaneous	(21)	(21)	(1,058)	(1,058)
	<b>(5,422)</b>	<b>(5,422)</b>	<b>(8,853)</b>	<b>(8,853)</b>

	2020		2019	
	Revenue	Equity	Revenue	Equity
(Rupees in '000)				
<b>Impact of change in claim liabilities by - 10%</b>				
Fire and property damage	96	96	148	148
Marine, aviation and transport	10	10	53	53
Motor	1,996	1,996	5,135	5,135
Health	3,299	3,299	2,459	2,459
Miscellaneous	21	21	1,058	1,058
	<b>5,422</b>	<b>5,422</b>	<b>8,853</b>	<b>8,853</b>

For the year ended  
31 December 2020

## Notes to and Forming Part of the Financial Statements

### 32.2 Financial risk

Maturity profile of financial assets and liabilities:

OPF	Mark-up bearing			Non - mark-up bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
	(Rupees in '000)						
Financial assets							
Investments	-	-	-	-	-	-	
Loans and other receivables	-	-	-	1	-	1	1
Cash and bank	-	3,657	3,657	-	44	44	3,701
31 December 2020	-	3,657	3,657	1	44	45	3,702
Financial liabilities							
Other creditors and accruals	-	-	-	68,484	-	68,484	68,484
31 December 2020	-	-	-	68,484	-	68,484	68,484

PTF	Mark-up bearing			Non - mark-up bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
	(Rupees in '000)						
Financial assets							
Investments	600	-	600	-	6,820	6,820	7,420
Loans and other receivables	-	-	-	211	-	211	211
Takaful receivables	-	-	-	-	36,023	36,023	36,023
Retakaful recoveries against outstanding claims	-	-	-	5,004	-	5,004	5,004
Cash and bank	-	36,043	36,043	-	397	397	36,440
31 December 2020	600	36,043	36,643	5,215	43,240	48,455	85,098
Financial liabilities							
Claims payable	-	-	-	37,789	-	37,789	37,789
Other creditors and accruals	-	-	-	2,668	-	2,668	2,668
Takaful payables	-	-	-	14,489	-	14,489	14,489
31 December 2020	-	-	-	54,946	-	54,946	54,946

# Notes to and Forming Part of the Financial Statements

For the year ended  
31 December 2020

OPF	Mark-up bearing			Non - mark-up bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
	(Rupees in '000)						
Financial assets							
Investments	-	-	-	-	-	-	-
Loans and other receivables	-	-	-	14,656	-	14,656	14,656
Cash and bank	-	3,896	3,896	-	83	83	3,979
31 December 2019	-	3,896	3,896	14,656	83	14,739	18,635
Financial liabilities							
Other creditors and accruals	-	-	-	106,745	-	106,745	106,745
31 December 2019	-	-	-	106,745	-	106,745	106,745

PTF	Mark-up bearing			Non - mark-up bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
	(Rupees in '000)						
Financial assets							
Investments	600	-	600	-	40,782	40,782	41,382
Loans and other receivables	-	-	-	317	52,272	52,589	52,589
Takaful receivables	-	-	-	-	57,696	57,696	57,696
Cash and bank	-	18,570	18,570	-	620	620	19,190
31 December 2019	600	18,570	19,170	317	151,370	151,687	170,857
Financial liabilities							
Claims payable	-	-	-	52,440	-	52,440	52,440
Other creditors and accruals	-	-	-	17,450	-	17,450	17,450
Takaful payables	-	-	-	11,120	-	11,120	11,120
31 December 2019	-	-	-	81,010	-	81,010	81,010

## 32.3 Credit risk

Credit risk is the risk, which arises with the possibility that one party to a financial

## Notes to and Forming Part of the Financial Statements

instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The management monitors exposure to credit risk through regular review of credit exposure, undertaking transactions with a large number of counter parties in various industries and by continually assessing the credit worthiness of counter parties.

The Risk Management function is regularly conducting detailed analysis on sectors/ industries and identify the degree by which the company's policy holder and their businesses have been impacted amid COVID-19. Keeping in view short term and long term outlook of each sector, management has taken into consideration the factors while determining required provisions against financial assets where required.

The carrying amounts of the following financial assets represent the maximum exposure to credit risk:

	2020	2019	2020	2019
	OPF		PTF	
	(Rupees in '000)			
<b>Financial assets:</b>				
Bank balances	3,701	3,979	36,440	19,190
Takaful / retakaful receivables	-	-	36,023	57,696
Retakaful recoveries against outstanding claims	-	-	5,004	5,442
	<b>3,701</b>	<b>3,979</b>	<b>77,467</b>	<b>82,328</b>

The credit quality of Operator's bank balances and deposits can be assessed with reference to external credit ratings.

Bank	Rating agency	2020	
		Short term	Long term
Meezan Bank Limited	VIS	A-1+	AA+
Bank Islami Pakistan Limited	PACRA	A-1	A+
Dubai Islamic Bank Pakistan Limited	VIS	A-1+	AA

The management monitors exposure to credit risk in contribution receivable from customers through regular review of credit exposure and prudent estimates of provisions for doubtful receivables.

The age analysis of contribution due but unpaid is as follows:

# Notes to and Forming Part of the Financial Statements

For the year ended  
31 December 2020

	2020	2019
	(Rupees in '000)	
Up to 1 year	24,571	23,397
1 - 2 years	871	14,623
2 - 3 years	289	2,307
Over 3 years	5,853	5,088
	<b>31,584</b>	<b>45,415</b>

The age analysis of contribution due but unpaid from related parties is as follows:

	2020	2019
	(Rupees in '000)	
Up to 1 year	6,235	5,266
1 - 2 years	602	3,695
2 - 3 years	179	597
Over 3 years	(366)	(279)
	<b>6,651</b>	<b>9,279</b>

The credit quality of claim recoveries from retakaful operators can be assessed with reference to external credit ratings.

	Amount due from retakaful operators	Retakaful recoveries against outstanding claims	Other retakaful asset	2020	2019
	(Rupees in '000)				
A or above (including PRCL)	9,613	4,875	5,575	<b>20,063</b>	19,048
BBB	349	99	-	<b>448</b>	543
Others	29	30	-	<b>60</b>	1,248
<b>Total</b>	<b>9,991</b>	<b>5,004</b>	<b>5,575</b>	<b>20,570</b>	<b>20,839</b>

## 32.4 Liquidity risk

Liquidity risk is the risk that the Operator will encounter difficulty in meeting its obligations associated with financial liabilities. In respect of major loss event, there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected re-takaful recoveries.



## Notes to and Forming Part of the Financial Statements

The objective of the Operator's liquidity management process is to ensure, as far as possible, that it will always have sufficient liquidity to meet its claim and other liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Operator's reputation. It includes measuring and monitoring the future cash flows on daily, monthly and quarterly basis, maintaining sufficient cash reserves in bank accounts and a portfolio of highly marketable financial assets that can be easily liquidated in the event of an unforeseen interruption to cash flows.

Due to COVID-19 outbreak Company's policy holders and their businesses has been adversely impacted. The operator is continuously monitoring the liquidity position and solvency position and is taking necessary precautionary measures where needed.

The table below provides the maturity analysis of the Operator's liabilities as at the reporting date. All liabilities are presented on a contractual cash flow basis except for the provision of outstanding claims (including IBNR), which are presented with their expected cash flows.

	2020			
	OPF		PTF	
	Upto one year	more than one year	Upto one year	more than one year
	(Rupees in '000)			
Claims payable	-	-	37,789	-
Other creditors and accruals	68,484	-	2,762	-
Takaful payables	-	-	14,489	-
<b>Total</b>	<b>68,484</b>	<b>-</b>	<b>55,040</b>	<b>-</b>

	2019			
	OPF		PTF	
	Upto one year	more than one year	Upto one year	more than one year
	(Rupees in '000)			
Claims payable	-	-	52,440	-
Other creditors and accruals	106,745	-	17,502	-
Takaful payables	-	-	11,120	-
<b>Total</b>	<b>106,745</b>	<b>-</b>	<b>81,062</b>	<b>-</b>

# Notes to and Forming Part of the Financial Statements

For the year ended  
31 December 2020

## 32.5 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity 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 optimizing returns.

The Operator limits market risk by investing in instruments carrying low risk and actively monitors the key factors that affect the underlying value of these instruments.

## 32.6 Operational Risk

COVID-19 pandemic has created an unprecedented challenge for funds in terms of Business Continuity Management. The operator is closely monitoring the situation and has invoked required actions to ensure the safety and security of Company's staff and uninterrupted service to PMD holders.

Business Continuity Plans for respective areas are in place and tested. Work-from-Home capabilities have been enabled for staff where required, while ensuring adequate controls to ensure that Company's information assets are adequately protected from emerging cyber threats.

## 33. STATEMENT OF SOLVENCY

2020

(Rupees in '000)

### Assets

Investments	7,420
Loans and other receivables	57,695
Takaful / retakaful receivables	36,023
Retakaful recoveries against outstanding claims	5,004
Salvage recoveries accrued	72
Deferred wakala expense	12,273
Prepayments	5,901
Cash and bank deposits	36,440
<b>Total Assets (A)</b>	<b>160,828</b>

For the year ended  
31 December 2020

# Notes to and Forming Part of the Financial Statements

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

(q) Investments	2,434
(k) Deposits and other receivables	41,684
(h) Insurance / reinsurance receivables	4,151
<b>Total of In-admissible assets (B)</b>	<b>48,269</b>

<b>Total Admissible Assets (C=A-B)</b>	<b>112,559</b>
--	----------------

## Total Liabilities

Underwriting provisions	
Outstanding claims including IBNR	37,789
Unearned contribution reserve	35,064
Contribution deficiency reserve	4,410
Unearned retakaful rebate	1,167
Takaful / retakaful payables	14,489
Other creditors and accruals	13,752
<b>Total Liabilities (D)</b>	<b>106,671</b>

<b>Total Net Admissible Assets (E=C-D)</b>	<b>5,888</b>
--	--------------

## 34. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

- Level 1** Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2** Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly observable
- Level 3** Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

# Notes to and Forming Part of the Financial Statements

For the year ended  
31 December 2020

Following are the assets which are either measured at fair value or for which fair value is only disclosed and is different from their carrying value:

		2020		
		Fair Value Measurement		
		Level 1	Level 2	Level 3
PTF		(Rupees in '000)		
Available for sale investments (measured at fair value)				
Mutual fund units		-	6,820	-
		-	6,820	-

		2019		
		Fair Value Measurement		
		Level 1	Level 2	Level 3
PTF		(Rupees in '000)		
Available for sale investments (measured at fair value)				
Mutual fund units		-	40,782	-
		-	40,782	-

## 35. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on March 31, 2021 by the Board of Directors of the Operator.

## 36. GENERAL

- 36.1** There is no individual class of business within the category of 'miscellaneous', where the gross contribution of the class of business is 10% or more of the gross contribution revenue of the Operator.
- 36.2** The comparative information has been reclassified, rearranged or additionally restated in these financial statements, wherever necessary, to facilitate comparative and to confirm with changes in presentation in the current year. However there were no material reclassification / restatements to report.
- 36.3** All amounts have been rounded to the nearest thousand Rupees.

Chief Executive  
Officer

Chairman

Director

Director

Chief Financial  
Officer

As at  
December 31, 2020

## Pattern of Shareholding

### Information as required under Code of Corporate Governance

Shareholder's category	Number of Shareholder	Number of share held
<b>Associated Companies, Undertaking and Related Parties (name wise details)</b>		
CRESCENT COTTON MILLS LTD	1	303,384
CRESCENT FIBRES LTD	1	69,621
CRESCENT POWERTEC LIMITED	1	9,266,031
Equity Textiles Limited	1	1,579,749
JUBILEE SPINNING & WEAVING MILLS LIMITED	1	18,682
M/S.MUHAMMAD AMIN MUHAMMAD BASHIR LTD.	1	213
MOHD AMIN MOHA BASHIR LTD	1	11,510
SHAMS TEXTILE MILLS LIMITED	1	739,069
SURAJ COTTON MILLS LTD.	1	1,298,971
THE CRESENT TEXTILE MILLS LTD	1	141,573
<b>TOTAL &gt;&gt;</b>	<b>10</b>	<b>13,428,803</b>
<b>Mutual Funds (name wise details)</b>		
<b>TOTAL &gt;&gt;</b>	<b>-</b>	<b>-</b>
<b>Directors and their spouse</b>		
Shameen Bashir	1	10,920
SHARIK BASHIR	1	357,720
NADEEM MAQBOOL	1	478,724
NAZIA MAQBOOL	1	202,251
IMRAN MAQBOOL	1	489,278
AHSAN BASHIR	1	394,411
ASMA IMRAN MAQBOOL	1	153,299
KHALID BASHIR	1	139,009
BEGUM TANVEER KHALID BASHIR	1	160,329
<b>TOTAL &gt;&gt;</b>	<b>9</b>	<b>2,385,941</b>
<b>Executives</b>		
<b>TOTAL &gt;&gt;</b>	<b>4</b>	<b>7,112</b>
<b>Public Sector Companies and Corporations</b>		
<b>TOTAL &gt;&gt;</b>	<b>7</b>	<b>6,076,389</b>
<b>Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds</b>		
<b>TOTAL &gt;&gt;</b>	<b>8</b>	<b>873,635</b>
<b>Shareholder Holding five percent or more voting Rights in the Listed Company (name wise details)</b>		
CRESCENT POWERTEC LIMITED	1	9,266,031
STATE LIFE INSURANCE CORP. OF PAKISTAN	2	5,474,693
<b>TOTAL &gt;&gt;</b>	<b>3</b>	<b>14,740,724</b>

# Categories of Shareholding

As at  
December 31, 2020

SNO.	Shareholders Category	No. of Shareholders	No. of Shares	Percentage
1	Directors, Chief Executive Officer, and their spouse and minor children (to be confirm by Company)	9	2,385,941	4.72
2	Associated Companies, Undertakings and related Parties (to be confirm by Company)	10	13,428,803	26.56
3	NIT and ICP	-	-	-
4	Banks, Development Financial Institutions, Non Banking Financial Institutions	4	860,771	1.70
5	Insurance Companies	3	5,474,810	10.83
6	Modarabas and Mutual Funds	2	158	0.00
7	Share holders holding 10%	2	14,740,441	29.15
8	General Public :			
	a. local	2,003	26,989,286	53.38
	b .Foreign			
9	Others	40	1,425,336	2.82
<b>Total (excluding : share holders holding 10%)</b>		<b>2,071</b>	<b>50,565,105</b>	<b>100.00</b>

As at  
December 31, 2020

## Pattern of Shareholding

NO OF SHAREHOLDERS	NO. OF SHAREHOLDINGS		Total Shares
	FROM	TO	
574	1	100	16,333
447	101	500	117,247
220	501	1,000	162,194
409	1,001	5,000	969,847
110	5,001	10,000	799,115
67	10,001	15,000	824,914
32	15,001	20,000	558,456
27	20,001	25,000	601,374
21	25,001	30,000	569,182
16	30,001	35,000	515,521
14	35,001	40,000	517,636
12	40,001	45,000	517,093
3	45,001	50,000	143,262
8	50,001	55,000	420,008
1	60,001	65,000	62,916
9	65,001	70,000	610,996
10	70,001	75,000	721,754
5	80,001	85,000	413,815
5	85,001	90,000	437,532
2	90,001	95,000	185,585
2	100,001	105,000	207,008
1	105,001	110,000	106,051
3	115,001	120,000	353,456
2	120,001	125,000	247,326
5	125,001	130,000	638,291
5	130,001	135,000	665,925
3	135,001	140,000	415,583
1	140,001	145,000	141,573
5	150,001	155,000	766,495
1	160,001	165,000	160,329
1	170,001	175,000	173,605
2	175,001	180,000	352,072
1	180,001	185,000	181,131
1	185,001	190,000	189,568
1	190,001	195,000	191,697
1	195,001	200,000	198,457

# Pattern of Shareholding

As at  
December 31, 2020

1	200,001	205,000	202,251
1	205,001	210,000	207,324
1	215,001	220,000	218,005
1	220,001	225,000	224,810
2	235,001	240,000	474,866
1	250,001	255,000	254,023
1	270,001	275,000	270,510
1	280,001	285,000	282,384
1	290,001	295,000	294,176
1	300,001	305,000	303,384
3	305,001	310,000	918,996
2	325,001	330,000	657,000
1	345,001	350,000	348,307
1	350,001	355,000	354,077
2	355,001	360,000	713,605
1	390,001	395,000	394,411
1	435,001	440,000	439,997
1	450,001	455,000	454,500
1	455,001	460,000	459,441
1	475,001	480,000	478,724
2	485,001	490,000	976,335
1	505,001	510,000	505,643
1	520,001	525,000	524,566
1	545,001	550,000	550,000
1	565,001	570,000	568,461
1	575,001	580,000	577,149
1	665,001	670,000	669,701
1	700,001	705,000	701,259
1	735,001	740,000	739,069
1	845,001	850,000	847,948
1	865,001	870,000	866,558
1	910,001	915,000	912,640
1	1,180,001	1,185,000	1,183,054
1	1,215,001	1,220,000	1,219,423
1	1,295,001	1,300,000	1,298,971
1	1,575,001	1,580,000	1,579,749
1	5,470,001	5,475,000	5,474,410
1	9,265,001	9,270,000	9,266,031

**2,071**

**50,565,105**



As at  
December 31, 2020

## Category Details of Shareholding

### Directors, Chief Executive Officer, and their spouse and minor children

SNO.	FOLIO	NAME	HOLDING
1	02113-1201	Shameen Bashir	10,920
2	03277-104904	SHARIK BASHIR	357,720
3	03277-48704	NADEEM MAQBOOL	478,724
4	03277-48705	NAZIA MAQBOOL	202,251
5	03277-9900	IMRAN MAQBOOL	489,278
6	03525-4544	AHSAN BASHIR	394,411
7	03525-5627	ASMA IMRAN MAQBOOL	153,299
8	03525-72378	KHALID BASHIR	139,009
9	03525-96446	BEGUM TANVEER KHALID BASHIR	160,329
TOTAL >>			2,385,941

### Associated Companies, Undertakings and related Parties

SNO.	FOLIO	NAME	HOLDING
1	635	M/S.MUHAMMAD AMIN MUHAMMAD BASHIR LTD.	213
2	02113-1292	MOHD AMIN MOHA BASHIR LTD	11,510
3	02113-2720	Equity Textiles Limited	1,579,749
4	03277-2582	JUBILEE SPINNING & WEAVING MILLS LIMITED	18,682
5	03277-31027	CRESCENT FIBRES LTD	69,621
6	03525-16675	CRESCENT COTTON MILLS LTD	303,384
7	03525-48327	SURAJ COTTON MILLS LTD.	1,298,971
8	03525-48328	SHAMS TEXTILE MILLS LIMITED	739,069
9	03525-48329	CRESCENT POWERTEC LIMITED	9,266,031
10	03525-8794	THE CRESENT TEXTILE MILLS LTD	141,573
TOTAL >>			13,428,803

### Banks, Development Financial Institutions, Non Banking Financial Institutions

SNO.	FOLIO	NAME	HOLDING
1	133	M/S. BIBOJEE INVESTMENT LIMITED.	12,526
2	2946	PAKISTAN INDUSTRIAL DEVELOPMENT CORPORATION (PVT.)	847,948
3	00083-36	IDBL (ICP UNIT)	99
4	03525-100145	ESCORTS INVESTMENT BANK LIMITED	198
TOTAL >>			860,771

# Category Details of Shareholding

As at  
December 31, 2020

## Insurance Companies

SNO.	FOLIO	NAME	HOLDING
1	673	M/S.STATE LIFE INSURANCE CORPN.OF PAK.	283
2	02683-23	STATE LIFE INSURANCE CORP. OF PAKISTAN	5,474,410
3	03277-8997	THE CRESCENT STAR INSURANCE CO.LTD.	117

**TOTAL >> 5,474,810**

## Modarabas and Mutual Funds

SNO.	FOLIO	NAME	HOLDING
1	1501	M/S.FIRST INTERFUND MODARABA.	117
2	1781	M/S.FIRST CONFIDENCE MODARABA.	41

**TOTAL >> 158**

## Others

SNO.	FOLIO	NAME	HOLDING
1	110	M/S.THE PAN ISLAMIC STEAMSHIP CO.LTD	65
2	169	M/S.AUSTRALASIA BANK LTD.	2,923
3	345	M/S.MUTUAL TRADING CO.LTD.	1
4	362	M/S.TAYYAB KATCHI & CO.LIMITED.	5,314
5	389	M/S.GOLDEN VALLEY TRADING CO.LTD.	3,525
6	503	M/S.VALIKA INVESTMENT CORPN.LTD.	5,184
7	593	M/S.INVESTMENT CORPN.OF PAKISTAN.	1,128
8	985	M/S.CRESCENT TRADING CORPN.(PVT) LTD	9,095
9	1144	ALI TRUST, LAHORE.	41
10	1665	M/S.SITARA ENTERPRISES (PVT) LTD.	177
11	2279	M/S. N.H. SECURITIES (PVT) LTD.	23
12	2350	M/S.PROGRESSIVE GARMENTS (PVT) LTD.	11,797
13	2352	M/S.CRESCENT SPINNING MILLS LTD.	7,372
14	2577	M/S.AMIN BASHIR VENTURES (PVT) LTD.	12,290
15	3032	TRUSTI BONUS FBR	33,476
16	3042	TRUSTEE TO 5% BONUS FBR	42,135
17	3068	TRUSTEE TO 5% BONUS FBR 10% BOUNS	15,864
18	3069	TRUSTEE TO BOUNS FRACTION SHARES	1,032
		COMPANY SECRETARY	
19	3082	TRUSTEE TO BONUS FRACTION SHARE	958
		COMPENY SECRETARY	
20	01917-33	PRUDENTIAL SECURITIES LIMITED	2,340
21	01917-41	PRUDENTIAL SECURITIES LIMITED	122
22	02287-14	ISE TOWERS REIT MANAGEMENT COMPANY	293
		LIMITED	
23	02287-22	ISE TOWERS REIT MANAGEMENT COMPANY	8,548
		LIMITED	
24	03210-28	Y.S. SECURITIES & SERVICES (PVT) LTD.	912
25	03277-1048	MILLWALA SONS (PRIVATE) LIMITED	29

As at  
December 31, 2020

## Category Details of Shareholding

26	03277-13417	MNG.COMMITTEE OKHAI MEMON MADRESSAH ASSO	72,055
27	03277-64371	DEPUTY ADMINISTRATOR ABANDONED PROPERTIES ORGANIZATION	270,510
28	03277-9352	TRUSTEES CRESCENT STEEL&ALLIED PROD PN.F	12,589
29	03277-9699	BURMA OIL MILLS LTD	191,697
30	03525-57191	SARFRAZ MAHMOOD (PRIVATE) LTD	741
31	03525-63817	NH SECURITIES (PVT) LIMITED.	933
32	03525-87235	MAPLE LEAF CAPITAL LIMITED	1
33	04440-20	ZAFAR MOTI CAPITAL SECURITIES (PVT) LTD.	562
34	04580-23	CAPITAL VISION SECURITIES (PVT) LTD.	167
35	04705-87224	FEDERAL BOARD OF REVENUE	239,711
36	06684-29	MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES LIMITED	454,500
37	07278-28	WASI SECURITIES (SMC-PVT) LTD.	1
38	10231-27	MSMANIAR FINANCIALS (PVT) LTD.	465
39	14241-22	FIKREES (PRIVATE) LIMITED	16,260
40	15875-728	CRESCENT MODARABA MANAGEMENT COMPANY LIMITED	500

**TOTAL >> 1,425,336**

# Branch Network

## Karachi

### Head Office

5th Floor, State Life Building 2-A, Wallace Road, Off. I.I. Chundrigar Road, Karachi, Pakistan.

P: 021-32416331-4

F: 021-32416572

### CSD South Karachi

5th Floor, State Life Building 2-A, Wallace Road, Off. I.I. Chundrigar Road, Karachi, Pakistan.

P: 021-32416331-4

F: 021-32416572

### Karachi Branch

5th Floor, State Life Building 2-A, Wallace Road, Off. I.I. Chundrigar Road, Karachi, Pakistan.

P: 021-32416331-4

F: 021-32416572

## Lahore

### Zonal Office

162 Shadman II Lahore.

P: 042-35407001-5

F: 042-35407006

### CSD North Lahore

162 Shadman II Lahore.

P: 042-35407001-5

F: 042-35407006

### Mall Branch

23 Shahrah-e-Quaid-e-Azam, Lahore.

P: 042-37324262 | 37230602-03

F: 042-37235557

# Branch Network

## Multan Branch

4th Floor, Mehr Fatima Tower, Opp. High Court, Old Bahawalpur Road, Multan.

P: 061-4515007-9

F: 061-4587143

## Islamabad Branch

64-E 2nd Floor, Masco Plaza, Jinnah Avenue, Blue Area, Islamabad.

P: 051-2348167-8

F: 051-2348169

## Regency Branch Faisalabad

1st Floor Regency Arcade, 949-Mall Road, Faisalabad.

P: 041-2632211-3

F: 041-2617802

## Sialkot Branch

Room # 3 & 4, Sahib Plaza, Saga Chowk, Defence Road, Sialkot.

P: 052-3572192-3

F: 052-3572194

## Gujrawala Branch

Block - L, Trust Plaza, G.T Road, Gujranwala.

P: 055-3859719-20

F: 055-3256432

## Rahim Yar Khan

Plot # 366, Model Town – B, Khanpur, District Rahim Yar Khan

## Peshawar Branch

1081/A, Rehman Building, Saddar Road, Peshawar Cantt.

P: 091-5273757

F: 091-5277809

## Quetta Branch

43-Regal Plaza, 2nd Floor, Circular Road, Quetta.

P: 081-2842883

F: 081-2821383

## Dera Ghazi Khan

Mohib Traders, 1st Floor, Block-18, Opposite Ghazi Medical College, Jampur Road, Dera Ghazi Khan.

P: 064-2403699

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the 69th Annual General Meeting ("AGM") of PREMIER INSURANCE LIMITED ("Company") will be held on Tuesday April, 27 2021, time 9:30 a.m. via video- link from Registered Office, Karachi to transact the following business:-

## Ordinary Business

1. To confirm minutes of Extra Ordinary General Meeting of the Company held on June 23, 2020;
2. To receive, consider and adopt the audited financial statements of the Company for the year ended December 31, 2020, the reports of the Directors and Auditors thereon and the review of the Chairman.
3. To appoint Auditors of the Company and fix their remuneration. The shareholders are hereby notified that the Audit Committee and the Board of Directors have recommended the name of retiring auditors, M/s EY Ford Rhodes, Chartered Accountants for appointment as auditors of the Company.

By Order of the Board

**Fariq Mahmood Khan Rohilla**  
Company Secretary

**Karachi: April 06, 2021**

## Notes:

### AGM by Video-link facility

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 and Exchange Commission of Pakistan, vide its Circular No. 4 of 2021 dated February 15, 2021 and subsequent Circular No. 6 of 2021 dated March 3, 2021, the Company has decided to hold its Annual General Meeting virtually via video-link for safety and well-being of the shareholders of the Company and general public. The members and their proxies who wish to attend the AGM are requested to register themselves by providing the following information along with valid copy of Computerized National Identity Card (both sides)/passport, attested copy of board resolution / power of attorney (in case of corporate shareholders) at email [company.secretary@pil.com.pk](mailto:company.secretary@pil.com.pk) at least two working days before the AGM.

**Name of  
member**

**CNIC No.**

**CDC Account  
No/Folio No.**

**Cell Number.**

**Email address**

The members who are registered after the necessary verification shall be provided a video link by the Company on the email address they provided to the Company for this purpose. The Login facility will remain open from start of the meeting till its proceedings are concluded.

Shareholders can also provide their comments/suggestions via email: [company.secretary@pil.com.pk](mailto:company.secretary@pil.com.pk) for the agenda items of the meeting.

### Closure of Share Transfer Books

The Members Register of the Company shall remain closed from **April 20, 2021 to April 27, 2021** (both days inclusive). Transfers received in order at our Registrar, FAMCO Associates (Pvt) Limited, 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi, Pakistan by the close of business on **April 19, 2021** will be treated in time for the purpose of attending, speaking and voting at the AGM.

### Participation in the Annual General Meeting

A member eligible to attend and vote at this meeting may appoint another member as proxy to attend and vote in the meeting. Proxies in order to be effective must be received by the company at the Registered Office not later than 48 hours before the time of holding the meeting. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form. A proxy must be a member of the Company. The proxy forms in English and Urdu languages are annexed to the notice sent to the members. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be submitted along with copy of CNIC of the representative.

## **Placement of Documents on Company's Website**

The Company has placed a copy of the Notice of AGM, Annual Financial Statements for the year ended December 31, 2020 along with Auditors and Directors Reports thereon and Chairman's Review on the website of the Company: [www.pil.com.pk](http://www.pil.com.pk)

## **Electronic Transmission of Financial Statements and Notices**

Pursuant to Notification vide SRO 787 (I) / 2014 dated September 08, 2014, the Securities and Exchange Commission of Pakistan (SECP) has directed all companies to facilitate their members receiving annual financial statements and notice of annual general meeting through electronic mail system (E-mail). The Company is pleased to offer this facility to our valued members who desire to receive annual financial statements and notices through email in future. In this regards, those members who wish to avail this facility are hereby requested to convey their consent via email on a standard request form which is available at the Company's website.

Please ensure that your email account has sufficient rights and space available to receive such email which may be greater than 1 MB in size. Further, it is the responsibility of member(s) to timely update the share registrar of any change in his (her / its / their) registered email address at the address of Company's Registrar.

## **Deposit of Physical Shares in to CDC Accounts**

As per section 72 of the Companies Act, 2017 every existing company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the Commission, within a period not exceeding four years from the commencement of this Act. The shareholder having physical shareholding may open CDC sub-account with any of the brokers or investor account directly with CDC to place their physical shares into scrip less form, this will facilitate them in many ways including safe custody and sale of shares, anytime they want as the trading of physical shares is not permitted as per existing regulations of the stock exchange.

## **Dividend, Electronic Credit Mandate (Mandatory)**

Pursuant to 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 by making direct remittance into their respective bank account designated by the entitled shareholder(s) ("the bank account"). Therefore, in order to receive dividends directly into their bank account, shareholders holding shares in physical form are requested to fill in "Electronic Credit Mandate

Form" available on Company's website i.e. [www.pil.com.pk](http://www.pil.com.pk) and send the completed form along with a copy of a valid CNIC or provide the following information to the registrar of the Company M/s. FAMCO Associates (Private) Limited, 8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi.



Folio Number: \_\_\_\_\_

Name of Shareholder: \_\_\_\_\_

Title of the Bank Account: \_\_\_\_\_

Email address: \_\_\_\_\_

International Bank Account (IBAN) (24 digits): \_\_\_\_\_

Name of Bank: \_\_\_\_\_

Name of Bank Branch and Address: \_\_\_\_\_

Cellular Number of Shareholder: \_\_\_\_\_

Landline Number of Shareholder: \_\_\_\_\_

CNIC/NTN Number: \_\_\_\_\_  
(in case of corporate shareholder) (Attach Copy)

\_\_\_\_\_

**Signature of Member**

### **Change of Address**

Shareholders are requested to notify our Registrar immediately of any change in their addresses and submit, if applicable to them, the non-deduction of Zakat from CZ-50 with the Company's Registrar. All the shareholders holding their shares through the CDC are requested to please update their addresses and Zakat status with their participants. This will assist in the prompt receipt of Dividend.



## Premier Insurance Limited

5th Floor, State Life Building 2-A, Wallace Road, Off. I.I. Chundrigar Road, Karachi, Pakistan.

# Proxy Form Annual General Meeting

I/We \_\_\_\_\_ of \_\_\_\_\_  
being a member of Premier Insurance Limited and holder of Ordinary shares as per Registered Folio No \_\_\_\_\_ and/or CDC Participant I.D.No \_\_\_\_\_  
Sub-Account No \_\_\_\_\_ CNIC No \_\_\_\_\_  
or Passport No \_\_\_\_\_ hereby appoint \_\_\_\_\_  
of \_\_\_\_\_ who is also a member of the company, having Folio No \_\_\_\_\_  
or failing him/her \_\_\_\_\_ of \_\_\_\_\_  
as my/our Proxy in my/our absence to attend, speak and vote for me/us and on my/ our behalf at the Annual General Meeting of the company to be held on Tuesday April, 27 2021, time 9:30 am via video-link from Registered Office, Karachi and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2021

1. Witness:  
Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC or Passport No \_\_\_\_\_
2. Witness:  
Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC or Passport No \_\_\_\_\_

Rupees Five  
Revenue  
Stamp

Signature of Shareholder

Note:

1. Proxies in order to be effective must be received at the Registered Office of the company at 5th Floor, State Life Building No. 2-A, Wallace Road, Karachi not later than 48 hour before the meeting.
2. CDC Shareholders and their Proxies are each requested to attach an attested Photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the company.

## پریمیر انشورنس لمیٹڈ

اسٹیٹ لائف بلڈنگ، پانچویں منزل، نمبر A-2، والیک روڈ، کراچی نمبر-74000

نائب / پراکسی فارم

سالانہ جنرل میٹنگ

میں / ہم \_\_\_\_\_ ولد \_\_\_\_\_ بحیثیت پریمیر انشورنس لمیٹڈ کے ممبر کے اور عام شیئر  
بمطابق رجسٹرڈ فوئیو نمبر \_\_\_\_\_ اور / یا \_\_\_\_\_ سی ڈی سی \_\_\_\_\_ کے شراکت دار، شناختی کارڈ  
نمبر \_\_\_\_\_ ذیلی اکاؤنٹ نمبر \_\_\_\_\_ قومی شناختی کارڈ نمبر \_\_\_\_\_ یا پاسپورٹ نمبر \_\_\_\_\_  
اپوائنٹ \_\_\_\_\_ کا \_\_\_\_\_ جو کہ کمپنی کا پہلے سے ممبر ہے، بمطابق فوئیو نمبر  
یا ناکام رہا / رہی \_\_\_\_\_ کیلئے \_\_\_\_\_ بطور میرے نائب میری غیر موجودگی میں حاضر  
ہوئی / ہوا۔ بات کی اور میرے لئے ووٹ میری معرفت ڈالا جو کہ کمپنی کی سالانہ جنرل میٹنگ جو کہ 27 اپریل 2021 منعقد ہوئی وقت 9:30am بجے رجسٹرڈ آفس، کراچی سے ویڈیو لنک  
کے ذریعے، اور اس طرح کی کسی بھی تقریب میں۔

دستخط مورخہ \_\_\_\_\_ دن \_\_\_\_\_، 2021۔

۱۔ گواہ: \_\_\_\_\_

دستخط: \_\_\_\_\_

نام: \_\_\_\_\_

پتہ: \_\_\_\_\_

قومی شناختی کارڈ نمبر: \_\_\_\_\_

۲۔ گواہ: \_\_\_\_\_

دستخط: \_\_\_\_\_

نام: \_\_\_\_\_

پتہ: \_\_\_\_\_

قومی شناختی کارڈ نمبر: \_\_\_\_\_

نوٹ:

۱۔ نائب کے لئے ضروری ہے کہ وہ کمپنی کے رجسٹرڈ آفس، بمقام پانچویں منزل، اسٹیٹ لائف بلڈنگ نمبر A-2، والیک روڈ، کراچی میں میٹنگ 48 گھنٹے پہلے سے موجود ہو۔

۲۔ سی ڈی سی شیئر ہولڈرز اور ان کے نائب پر لازم ہے کہ وہ اپنے شناختی کارڈ کی فوٹو کاپی تصدیق شدہ یا پاسپورٹ کی کاپی اس پراکسی فارم کو کمپنی میں جمع کرنے سے پہلے ساتھ منسلک کریں۔

ریونیو اسٹیٹیمپ پانچ روپے

دستخط شیئر ہولڈرز

## Share Registrar:

### **FAMCO Associates (Pvt) Limited**

8-F, Next to hotel Faran, Nursery Block-6,

P.E.C.H.S., Shahrah-e-Faisal, Karachi.

Phones: (21) 34380101-2

Fax : (21) 34380106

Email : info.shares@famco.com.pk

### **Subject Consent for Electronic Transmission of Annual Report**

Dear Sirs,

I/we, being the shareholder(s) of Premier Insurance Limited, ("Company"), do hereby give consent and authorize the company for electronic transmission of the Annual Report containing. Annual Audited Financial Statements, Directors' Report and Notice of Annual General Meeting via the Email provided herein below and further undertake to promptly notify the company of any change in my Email address.

I understand that the transmission of Annual Report via the Email shall meet the requirements as mentioned under Section 50,158,233 and 236 of the Companies Ordinance, 1984.

Name of Shareholder(s): \_\_\_\_\_

Fathers / Husband Name: \_\_\_\_\_

CNIC: \_\_\_\_\_ NTN (if any): \_\_\_\_\_

Participant ID / Folio No: \_\_\_\_\_ Telephone: \_\_\_\_\_

Mailing address: \_\_\_\_\_

Email address:

Date: \_\_\_\_\_

Premier Insurance Limited  
State Life Building No. 2A  
5th Floor, Wallace Road Karachi

\_\_\_\_\_  
Signature  
(In case of corporate shareholders,  
the authorized signatory shall sign)



**Since 1952 as a life-time companion we have delivered distinctive general insurance services across the country with diligence, zeal and commitment. Yet our journey to excel continues; to do more and better for our clients.**

**Premier Insurance Limited**

[www.pil.com.pk](http://www.pil.com.pk)